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PERSONNEL MANAGEMENT

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Preface

Most college students of business, regardless of their areas of concentration, look forward eventually to achieving positions of a managerial nature. If these students are to be successful in one of these positions, it is very desirable that they acquire, as a part of their academic training, a knowledge and understanding of how to manage personnel effectively. Although there is no substitute for practical experience as a means of developing managerial ability, the amount of experience that may be necessary can be reduced when it is combined with a knowledge of accepted managerial principles and practices. The purpose of this book is to provide the reader with a knowledge of those personnel management principles and practices that have proved to be sound in the light of research and company experiences.

Although the discussions in this book are focused upon the personnel department and its program, an attempt is made to emphasize the role of the operating supervisors and executives within the program. Wherever possible, the responsibilities of these individuals for performing the various personnel management functions are considered. This book, therefore, has been written with the viewpoint that while a personnel department must provide leadership for the personnel program, each executive and supervisor within an organization is, to some extent, a personnel manager in a broader sense. It is the hope of the authors that this book will provide helpful information for those persons who may assume responsibility for the management of personnel within their organizations.

In preparing the manuscript, the authors have drawn upon many sources for information and guidance. They are indebted to those who have developed the available heritage of information and practices of personnel management and who have influenced the authors through their writings and personal contacts. Not only have the authors drawn upon the current literature and research in the personnel field, but also upon the current practices of nearly a hundred different companies that furnished materials relating to their personnel programs. A number of the nation's leading consulting and professional organizations have also cooperated in supplying illustrations for this book. Included among the companies and organizations whose personnel materials have been incorporated directly or indirectly within this book are those listed on the next two pages:

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Western Electric Company
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Yale and Towne Manufacturing Company

The authors have also been aided by the students in their classes and by those executives who have participated in the executive development programs with which the authors have been associated. The authors would also like to express their appreciation to Mr. Richard J. Jacinto and the late Charles T. Brier for information and advice; and to Professor Sofrona Smith; Dr. Robert F. Mager; Dr. Lawrence C. Hackamack, University of Massachusetts; Dr. Thomas J. Hailstones, Xavier University, Cincinnati, Ohio; and Mr. Walter A. Kumpf for their assistance in the preparation and editing of the manuscript. Certainly this book would not have been possible without the understanding and cooperation of our wives, Marie Chruden and Leneve Sherman. Their many contributions are gratefully acknowledged.

HERBERT J. CHRUDEN
ARTHUR W. SHERMAN, JR.

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PART ONE

BACKGROUND AND ORGANIZATION

— 1 — Development of the Personnel Management Field

— 2 — The Personnel Program

— 3 — Organization for Personnel Management

Chapter 1

Development of the Personnel Management Field

Personnel management has existed in some form since human efforts first were combined for common undertakings. Most of the progress in personnel management and in the formalization of the various functions that it entails, however, has occurred within the past few decades. The factors that have helped to contribute to this progress and to the growth of the various personnel functions performed within the field will be discussed in this chapter.

The sections that follow are intended to provide the student with a background for interpreting current personnel policies and practices and for recognizing the contributions of other subject matter areas to the field of personnel management. These sections are:

- Emergence of the personnel field
- Development of the personnel management functions
- Subject areas contributing to personnel management
- Growth of professionalism within the field

EMERGENCE OF THE PERSONNEL FIELD

Some of the earliest developments that have had a direct influence upon the personnel field occurred during the Middle Ages as urban centers of commerce began to develop in Europe. This period gave rise to the establishment of small craft shops operated by master craftsmen. As business activity increased, these shops provided a source of employment for other individuals. Eventually, the master craftsmen organized into associations or guilds. Besides protecting their business interests, these guilds also helped to promote certain standards of craftsmanship and to

provide apprenticeship training programs for those persons who were seeking to learn the trade and become journeymen. Apprenticeship training is still the basic method for becoming a journeyman in many trades today. As the number of journeymen increased, they organized their own yeomanry guilds, which in certain respects resembled the present-day trade union.

Until the Industrial Revolution most goods were manufactured in small shops or in the worker's home and involved hand-production methods. The Industrial Revolution stimulated the growth of factories in which power-driven equipment and improved production techniques were used to produce goods more cheaply than was possible in the homes and shops. The factory system of production, however, brought about new problems in the area of human relations through the creation of many unskilled and repetitive jobs in which the work often tended to be monotonous and unchallenging, as well as unhealthy and hazardous. Unlike the craftsman, who enjoyed some job security by virtue of having a marketable skill, the factory worker was easily replaced because other individuals could be trained rapidly to perform his job. For the same reason, he had very little bargaining power with which to improve his situation.

Improvements in the Status of the Worker in America

In this country the factory workers in the early periods of our history usually had to accept whatever treatment they received. Their need for continuous income and their fear of being unable to find other jobs usually ruled out the alternative of quitting. Even when workers were able to find other employment, they were likely to receive similar treatment from the new employer.

Prior to the middle of the last century workers had very little legal protection. No laws guaranteed their individual or collective bargaining rights and, until the Commonwealth v. Hunt decision of 1842, any attempt of employees to organize and bargain collectively with employers was considered under the existing common law to constitute a criminal act of conspiracy.

The gradual extension of voting privileges and free education to all citizens helped workers to become more effectual politically. Through their ability to muster public support for their cause, workers gradually gained the passage of certain legislation that offered them some protection. State laws regulating hours of work for women and children were among the earliest forms of labor legislation to be passed in this country. As time

passed, protective legislation was extended to cover hours of work for male labor, working conditions affecting employee health and safety, and compensation payments for injuries suffered through industrial accidents. This legislation, together with the workers' collective bargaining achievements, helped to bring improvements in employment conditions that only a century ago were of the type illustrated by Figure 1-1 on page 6.

The trend led during the 1930's to the passage of laws affecting the social and economic welfare of workers. Significant among these laws was the Social Security Act that provided, among other things, for the payment of old-age and survivors' benefits, and unemployment compensation. All of the improvements that have been mentioned have enabled the average factory worker today to achieve social and economic status that far exceeds anything that would have been considered possible only a few decades ago.

Improvement of Working Conditions

The working conditions in the early factory were far different from those that exist in a modern plant. Poor lighting and ventilation, excessive heat and cold, gases and dust, and depressing surroundings typified the working conditions that continued to prevail until relatively recent times and which may still prevail in isolated instances. Accidents and occupational diseases among workers were common; and little, if any, attention was given to making their jobs easier or more comfortable.

Many of the improvements in working conditions, like those related to other aspects of employment, have come about as the result of legislation. These improvements also have been the result of the collective bargaining pressures exercised by organized labor and of the need for companies to provide better working conditions in order to attract good employees.

Perhaps most significant of all, however, is the fact that management has come to recognize that good working conditions can contribute to production efficiency and to the development of a more favorable attitude toward the company on the part of both employees and the general public. As a result, a safe and attractive factory work area is no longer regarded as a luxury but rather as a good investment.

The Growth of Industrial Enterprises

Just as the Industrial Revolution gave rise to the factory system of manufacturing, the past century stimulated the development of the corporate system of ownership. This system has helped to provide the capital

Figure 1-1

RULES & REGULATIONS
To Be Observed By All Persons Employed In The Factory Of
AMASA WHITNEY

FIRST : The Mill will be put into operation 10 minutes before sunrise at all seasons of the year. The gate will be shut 10 minutes past sunset from the 20th of March to the 20th of September, at 30 minutes past 8 from the 20th of September to the 20th of March. Saturdays at sunset.

SECOND : It will be required of every person employed, that they be in the room in which they are employed, at the time mentioned above for the mill to be in operation.

THIRD : Hands are not allowed to leave the factory in working hours without the consent of their Overseer. If they do, they will be liable to have their time set off.

FOURTH : Anyone who by negligence or misconduct causes damage to the machinery, or impedes the progress of the work, will be liable to make good the damage for the same.

FIFTH : Anyone employed for a certain length of time, will be expected to make up their lost time, if required, before they will be entitled to their pay.

SIXTH : Any person employed for no certain length of time, will be required to give at least 4 weeks notice of their intention to leave (sickness excepted) or forfeit 4 weeks pay, unless by particular agreement.

SEVENTH : Anyone wishing to be absent any length of time, must get permisison of the Overseer.

EIGHTH : All who have leave of absence for any length of time will be expected to return in that time; and, in case they do not return in that time and do not give satisfactory reason, they will be liable to forfeit one week's work or less, if they commence work again. If they do not, they will be considered as one who leaves without giving any notice.

NINTH : Anything tending to impede the progress of manufacturing in working hours, such as unnecessary conversation, reading, eating fruit, &c.&c., must be avoided.

TENTH : While I shall endeavor to employ a judicious Overseer, the help will follow his direction in all cases.

ELEVENTH : No smoking will be allowed in the factory, as it is considered very unsafe, and particularly specified in the Insurance.

TWELFTH : In order to forward the work, job hands will follow the above regulations as well as those otherwise employed.

THIRTEENTH : It is intended that the bell be rung 5 minutes before the gate is hoisted, so that all persons may be ready to start their machines precisely at the time mentioned.

FOURTEENTH : All persons who cause damage to the machinery, break glass out of the windows, &c., will immediately inform the Overseer of the same.

FIFTEENTH : The hands will take breakfast, from the 1st of November to the last of March, before going to work—they will take supper from the 1st of May to the last of August, 30 minutes past 5 o'clock P.M.—from the 20th of September to the 20th of March between sundown and dark—25 minutes will be allowed for breakfast, 30 minutes for dinner, and 25 minutes for supper, and no more from the time the gate is shut till started again.

SIXTEENTH : The hands will leave the Factory so that the doors may be fastened within 10 minutes from the time of leaving off work.

AMASA WHITNEY

Winchendon, Mass. July 5, 1830.

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necessary to finance large-scale manufacturing enterprises employing great numbers of people. Under the corporate system, however, the owners generally are not active as managers. This function has been assumed by professional managers who may own little, if any, stock in the company.

The corporate form of ownership also has had its effect upon personnel management policies and practices and upon the status and attitude of the workers toward their employers. As the system has created larger enterprises, it has removed the managers and owners farther from workers at the operating level. This, in turn, has helped to increase the "social and economic distances" between the owners or managers and the employees and to create new problems in maintaining proper communications and understanding between these groups. No longer is the owner usually in a position to take a personal interest in the welfare of the employees or to solicit their efforts and loyalty directly. Instead, a corporation is usually owned by thousands of stockholders who do not participate in its management, nor even show interest in its operations, let alone in its employees, as long as profits are realized.

Large-scale business operations, of course, have also benefited employees in many ways. Because of improved production, equipment, and methods, wages and working conditions have continued to improve, while the physical exertion required of employees and the length of their work week have been reduced. Furthermore, as they have assumed the management functions and achieved professional status, managers have been forced to acquire a greater knowledge and understanding of human relations problems. The latter accomplishment has helped managers to compensate for their lack of personal acquaintanceship and daily contact with many of their employees.

DEVELOPMENT OF THE PERSONNEL MANAGEMENT FUNCTIONS

The growth of large-scale manufacturing operations was made possible in large part through the development of better production techniques and labor-saving machinery and equipment. Although these developments increased worker productivity, they also increased the proportionate cost of overhead in relationship to total production costs. As a result, more attention had to be given to utilizing the production equipment and facilities more efficiently.

In addition to becoming more mechanized, many operations became simplified to the point that the same work cycles were repeated several

hundred times a day. Repetitive operations such as these permitted any savings in the time required to complete the operation, either because of increased effort or improved work methods on the part of a worker, to multiply very rapidly.

About the beginning of this century, increases in the cost of both labor and overhead caused some companies to give more attention to the production efficiency of their workers. The need for improving work methods and for determining standards by which to judge employee efficiency thus helped to stimulate what has been called the scientific management movement. This movement, which occurred between about 1900 and World War I, had a direct influence upon personnel management. It not only provided new tools with which to appraise and stimulate efforts of employees but it also created new human relations problems for personnel managers to solve.

The Scientific Management Movement

The work of Frederick W. Taylor, who generally is regarded as the "father of scientific management," began to receive widespread attention about the turn of this century. Taylor's approach represented a departure from the previous practice of determining how a job should be performed and how fast an employee should work on the basis of personal judgment and experience. Instead, Taylor believed that work could be systematically analyzed and studied by using the same scientific approach as that followed by the researchers in the laboratory.[1] Thus, Taylor used time studies of different factory jobs as a basis for establishing the proper methods and standards for performing the work. These studies also helped to provide a basis for training and supervising employees in the use of the proper methods and for evaluating their work.

Taylor looked upon scientific management as the best means of increasing the productivity and the earnings of the workers, and of providing higher profits to the owners and lower costs to the customers. He also regarded accurate performance standards, based upon objective data gathered from time studies and other sources, as constituting an important personnel management tool for rewarding the superior workers and for eliminating the inefficient ones. Furthermore, he believed that financial incentives, which permit workers to earn more by working harder, represented the best form of motivation for getting the workers to exert themselves. This concept was in sharp contrast to the existing, and even current,

[1]See Chapter 28 for a detailed résumé of the scientific approach to problem solving.

practice in some companies of attempting to gain more work from employees by threatening them with punishment or the loss of their jobs.

Perhaps most important of all was Taylor's recognition that efficiency was dependent upon good planning as well as proper performance. He went to the extreme, however, of advocating that the mental activities be removed as far as possible from the operative jobs and performed exclusively by management, whom he considered best qualified to perform such activities. Today, however, planning is recognized as an integral part of each job that helps to make the work more interesting.

In spite of his contributions, Taylor overlooked certain principles of human relations that now are regarded as quite important. He tended, for example, to overlook the fact that workers seek interest and satisfaction from their work that cannot be fulfilled entirely by the opportunity to earn more incentive wages. He also overlooked the fact that too much specialization, standardization, simplification, and regimentation of work activities can lead to increased monotony and to lower morale and efficiency among employees.

Perhaps most important of all was the fact that Taylor did not recognize the need for soliciting employee support and cooperation or for securing their participation when making changes that affected their work or their personal welfare. He was inclined to feel that the responsibility for making decisions relating to the improvement of work methods or the establishment of work standards rested exclusively with management, and that the responsibility of employees was limited to carrying out these decisions. This attitude constituted one of the major blind spots of the scientific management movement, which generated considerable worker opposition to the movement.

Like other popular movements, scientific management attracted some individuals who either misunderstood the system or used it primarily to further their own interests. These persons helped to generate additional opposition to the movement, causing competent industrial engineers as well as incompetent or self-styled engineers to be labeled derogatorily as "efficiency experts." Some companies made the mistake of expecting scientific management methods to provide the panacea for all of their problems. Other companies reduced their incentive wage rates as employees began to increase production, or they attempted to use the system to work their employees harder. These practices helped to generate strong opposition to scientific management from organized labor which, in turn, did much to curb the progress of the movement. Enough opposition was

generated so that for many years the use of a stop watch was forbidden on federal government installations.

Taylor and other leaders (including Gantt and the Gilbreths) continued, however, to promote and contribute to the scientific management field. Moreover, some of Taylor's colleagues gave more attention to human relations so as to make scientific management more acceptable to the workers. The Gilbreths, for example, concentrated on motion study and the improvement of work methods through the elimination of certain tiresome and unnecessary activities. Their approach to efficiency improvement through the elimination of these work activities and worker fatigue was more readily acceptable to workers as a group than Taylor's original approach, which was viewed often as a device for overworking and exploiting employees. Gantt also paid more attention to the attitudes and feelings of the workers in his efforts to increase worker efficiency and productivity.

Because of the opposition toward it, there was often a tendency to soft-pedal the term "scientific management." The growing recognition of the need to devote more attention to production efficiency, however, caused many companies to improve upon and to make increasing use of the methods and tools of scientific management. The movement thus provided the foundation for modern industrial engineering programs in which many of the basic contributions of Taylor, Gantt, and the Gilbreths continue to be utilized.

Improvement of Selection Procedures

The emphasis placed upon the measurement and improvement of employee performance by Taylor and others helped to call attention to the wide variations in employee abilities. It soon was discovered that some employees could not achieve a standard level of performance in certain jobs no matter how much training they were given.

The determination of employee abilities on the basis of their actual job performance, however, was not a very practical method of selecting employees for most jobs because it was expensive and also unfair to those who were eliminated. Instead of hiring an excess number of employees and eliminating the less qualified, therefore, some companies, about the time of World War I, began to seek more efficient methods of selection. Attention thus began to be directed toward developing tests for detecting and measuring those abilities of applicants which would contribute to successful job performance.

Intelligence was one of the first abilities to be recognized as having an effect upon job performance. The need for effective methods of screening

and placing personnel rapidly in military assignments during World War I stimulated the development of the well-known Army Alpha and Beta intelligence tests. Experience with these tests did much to further the use of other types of tests. In addition to intelligence tests, aptitude and trade tests as well as interest and personality inventories tended to receive increased usage by business and industry following World War I.

World War II gave the field of testing another significant boost. During this period, tests of all kinds were used extensively in screening and placing many millions for wartime assignments in the armed forces and in industry. Because some companies have not used the proper types of tests, or have misinterpreted test scores or relied too heavily upon them as a basis for decisions, psychological tests have been subject to some criticism. In spite of this criticism, there are many good tests of all types which, if used under the proper conditions, can be important tools of personnel management.

Development of Formal Training Programs

The emphasis that scientific management placed upon production efficiency helped to direct attention to the need for more effective methods of training employees to handle their job assignments. Taylor in his research found, for example, that many workers who were not able to achieve a standard level of performance initially could learn to do so after receiving formal training. This recognition of the need for training represented a departure from the practice of placing a worker in a given job and relying upon him to learn the performance requirements of the job either by observing and imitating other workers or by engaging in a trial-and-error process of learning.

The growth of industrial training programs was aided by research and knowledge contributed by the field of psychology. It was stimulated also by the Smith-Hughes Act of 1917, which encouraged the development of vocational training programs within the public schools to train students for industrial jobs. World War I provided a critical need for more effective methods of training personnel in order that employees could learn rapidly to handle their war jobs. World War II also helped to bring about many new developments within the field of training. The Training Within Industry Program (more popularly called the TWI Program), which was initiated during the early part of the War, provided training course outlines and materials covering such subjects as job relations (human relations), job instruction, and job methods (work simplification). Many companies still use the TWI pattern as the basis for their training programs. Because

of the progress that has occurred, training is now fairly well accepted as an important part of most company personnel programs.

Growth of Formal Wage and Salary Administration

Prior to the formation of labor unions, wages were determined largely on an individual bargaining basis in a manner that was often arbitrary and inequitable. As employees were able to unionize, however, it became possible for them to bargain collectively for their wages and other conditions of employment and to force employers to establish a more objective basis for wage determination. Some employers also began to recognize the value of having an objective wage-rate structure in order to control labor costs and to motivate employee performance more effectively. The time-and-motion-study work of Frederick W. Taylor represented one of the earliest efforts of management to develop an objective basis for wage determination. About 1909, the analysis or study of job duties began to receive consideration in determining wage rates. This resulted from work done by the Chicago Civil Service Commission and later by the Commonwealth Edison Company of the same city. In 1924, Merrill R. Lott developed one of the first plans for evaluating jobs on the basis of their work characteristics.[2] This plan was a forerunner of the present-day job evaluation plans in which wage rates are related to the relative worth of the jobs.

The passage of the Wagner Act in 1935, which greatly strengthened the organizing and bargaining rights of employees, helped to stimulate the development of formal rate structures. The Fair Labor Standards Act of 1938, with its minimum wage rate and overtime provisions, also forced those employers covered by it to devote more attention to wage administration. World War II caused wages to be placed under the control of the War Labor Board. Since the existence of a formal wage structure aided companies in their dealings with the Board over wage matters, it further encouraged the development of such structures based upon job evaluation. Although many companies today do not have formal wage and salary structures or do not use job evaluation in determining wage rates, the trend is in this direction.

Development of Employee Welfare Programs

By the early 1920's, many companies began to pay more attention to matters relating to employee welfare. Company concern for this subject probably was stimulated in some instances by the success that the unions were having in organizing their employees and by the desire of these com-

[2]Charles W. Lytle, *Job Evaluation Methods* (New York: Ronald Press, 1946), pp. 10–13.

panies to keep the unions out. In other instances the emphasis upon employee welfare undoubtedly was the result of a sincere desire on the part of management to improve conditions for their employees. Regardless of their motives, however, a number of companies began to install benefit and service programs for their employees. These programs contained provisions for employee retirement, vacations, sick leave, recreation, and similar benefits.

Many of the early benefit and service programs did not accomplish their intended objectives because they were administered in a paternalistic manner. Too often, for example, the programs were developed on the basis of what management thought would be best for employees rather than on the basis of what the employees wanted or needed. Although accepted, these benefits were not always appreciated by employees because they represented a "gift" and not something that the employees considered that they had earned. During the depression of the 1930's, employee benefit and service programs were usually the first casualties of company economy drives. World War II, however, helped to bring about a revival of these programs because the wartime wage freeze generally prevented the granting of outright wage increases. As they were revived, however, the programs were developed more upon the basis of employee needs, participation, and bargaining demands than upon the generosity and unilateral decisions of management. Employee benefit and service programs have continued to expand since World War II and have become an integral part of the personnel programs of most companies.

Growth of Employee Counseling

As a part of their growing consideration for the welfare of their personnel, some companies during the 1920's began to employ counselors to assist employees in coping with adjustment problems. These counseling provisions were to some extent a reflection of the growing interest that the fields of psychology and psychiatry had generated concerning mental health and its effect upon individual behavior. Companies thus began to recognize the fact that an employee's performance could be affected by his state of mental health, which often could be improved through counseling.

The growth of counseling programs provided an opportunity in some cases, of course, for persons who were untrained and unqualified as counselors to be placed in counseling assignments. The activities of such persons, needless to say, did not enhance the status of the counseling field. Like other employee services, counseling was curtailed drastically during

the 1930's but was revived again during World War II. By this time, however, a sufficient number of persons were trained in counseling theory and techniques to permit more qualified individuals to be placed in counseling assignments. At present, many large firms employ one or more trained counselors in their personnel programs to assist managers and supervisors in counseling employees. The more severe cases of employee maladjustment, however, are usually referred to the medical department or to specialists outside the company.

Employee Communication and Participation

Modern personnel programs tend to give more recognition to employees as individuals and to place more emphasis upon maintaining good "human relations." As a result, during the past ten to fifteen years, greater attention has been given to the development of employee participation and communication programs. Employees in most companies now are given substantial encouragement and opportunities to suggest improvements and to make their attitudes and feelings known to management. This has permitted employees to contribute to company efficiency and to feel more worthwhile and more closely identified with company operations. It has also permitted companies to acquire a better understanding of their employees.

Growth in the Importance of Labor Relations

One of the most significant developments affecting personnel management during the past 25 years has been the rapid growth of organized labor. The bargaining strength and legal protection gained by labor unions through the Wagner and other acts forced many employers to seek ways of improving their union relations. Although conflicts between companies and unions still continue, labor relations in general are tending to be handled in a more efficient and harmonious manner.

Whenever good labor relations are achieved, both the company and the union usually benefit. Good labor relations, for example, have enabled production stoppages to be reduced and the morale, efficiency, and earnings of employees to be increased. Moreover, in some instances, unions have been able to assist companies in handling disciplinary problems or in gaining employee support for company projects. Union members have benefited also from having cordial union-management relations because their unions have been able to develop better projects and services for their members with the time formerly consumed by conflicts with employers.

Growing Utilization of Personnel Research

Prior to World War II, research activities in the personnel field were rather limited. The Hawthorne Study, started during the late 1920's, was one of the few major research efforts in this period. This study, which will be discussed more fully in Chapter 12, attempted to determine what effects, if any, the physical work environment has upon efficiency and morale. The study revealed, among other things, that the social environment can have a greater effect upon employees than the physical environment. One of its more important implications for personnel management was that a sense of importance and team spirit can be an important factor in promoting efficiency.

World War II helped to stimulate personnel research because it created a critical need for companies to develop better methods of selecting, placing, and training workers for the war effort. Funds were easier to obtain for research during this period since the amount spent by companies usually could be charged to the cost of war production. Liberal grants were made available also by the government to companies and to universities and research institutions for use in conducting personnel research studies.

Since World War II, emphasis has continued to be placed upon scientific research as a means of improving personnel practices. Personnel managers generally now are taking more interest in research developments by reading professional literature, participating in personnel conferences, and in some instances by conducting research studies within their own companies.

SUBJECT AREAS CONTRIBUTING TO PERSONNEL MANAGEMENT

The growth of the personnel management field has been aided by the knowledge and research from other subject areas. In addition to the fields of psychology and sociology, those of law, statistics, economics, and industrial engineering have contributed to better personnel management. Some general knowledge of these fields, therefore, can be of help both to personnel managers and to students of personnel management in understanding and dealing with personnel problems more effectively.

Psychology and Sociology

The field that has probably aided personnel management the most is psychology. Basic knowledge and research in this field concerning human

capacities and behavior patterns have contributed to the performance of such personnel management functions as employee testing, training, counseling, morale appraisal, and motivation. Furthermore, personnel managers who have acquired some knowledge of psychology usually have been able to deal with employees and their problems with greater understanding and effectiveness.

Sociology is another field that has contributed to personnel management. In particular, it has helped to reveal the effects of group attitudes and behavior patterns upon the employee and upon his performance Moreover, personnel problems relating to employee status, recognition, motivation, and discipline often are of as much interest to sociologists as to psychologists.

Law

Personnel programs must continually keep abreast of new laws and court decisions that may affect the company's relations with employees and unions. Numerous state and federal laws have a direct bearing upon company employment practices, wage policies, working conditions, and union relations. The operation of a personnel program, therefore, is dependent upon a knowledge of law as well as of principles of human relations. In order to be certain that they are complying with all legal provisions affecting their personnel program, companies must rely heavily upon the services of legal specialists. Many large companies now employ one or more attorneys who devote most of their time to personnel matters. In some companies, the personnel managers are attorneys who entered the personnel field as specialists in labor law.

Statistics

Those who work in the personnel management field must have some knowledge of statistics in order to compile and interpret quantitative personnel data. The statistical interpretation of test scores, morale questionnaire responses, and various other data contained in personnel records and reports is an important phase of personnel work. The development of wage and salary curves and rate structures similarly can be facilitated through the use of statistical techniques. While the more complicated statistical work is normally handled by trained statisticians, all persons working in the personnel field should have sufficient background to understand and interpret the statistical terms and data that are used in connection with personnel management. Students planning to continue their study of personnel management should enroll in a statistics course as early as

possible in order to have the statistical tools that are necessary for working with personnel data.

Economics

Personnel recruitment, wage and salary administration, fringe benefits, and collective bargaining are but a few of the personnel functions the performance of which is influenced by economic principles. Many of the factors that affect the behavior and efficiency of employees, either individually or collectively, are also economic in nature. The personnel program, on the other hand, has an important influence upon labor costs, which in turn affect the cost, selling price, and demand for a company's product and, ultimately, the profits that it earns. A knowledge of economic principles is thus important to the development and maintenance of a sound personnel program.

Industrial Engineering

The field of industrial engineering has helped to provide a basis for establishing standards that can be used in judging performance and in developing wage incentives. It has contributed also to the improvement of production methods and working conditions. Close coordination between industrial engineering and personnel activities, therefore, is essential to the maintenance of good employee morale and efficiency. If the personnel manager has some familiarity with industrial engineering, he is in a better position to utlize the contributions of the latter field to improve his relations with employees.

The fields which have been mentioned are not the only ones that have contributed to personnel management. Other subject areas that have rendered important contributions include medicine, philosophy, and anthropology. The important thing to be realized at this time is the fact that personnel management has borrowed heavily from other subject areas. Because of this fact, the background of personnel managers, if possible, should be broad in scope.

GROWTH OF PROFESSIONALISM WITHIN THE PERSONNEL FIELD

The field of personnel management has grown not only in terms of subject matter but also in terms of its professional status. This status has resulted from the efforts of leaders in the field to promote and observe

ethical standards of conduct and to encourage the accumulation and exchange of new knowledge and information. These professional developments have tended to make personnel managers recognize more clearly their obligations toward society, toward their profession, and toward the companies that employ them.

The growth of personnel management as a profession has been aided by the professional organizations that have been formed within the field. Local, regional, and national organizations have helped through their meetings and publications to stimulate personnel research and the exchange of information on problems of mutual interest. The various local personnel associations, together with the American Society of Training Directors, the Society for Advancement of Management, the National Office Management Association, and the American Management Association are some of the organizations that have helped to improve the professional status of personnel management.

Colleges and universities, particularly since World War II, have contributed to the professional growth of the field. Course offerings in both the general and specialized areas of the personnel field have helped to increase students' knowledge and understanding of personnel management and their appreciation of its importance in the successful operations of a company. Research projects and publications by persons associated with institutions of higher learning also have helped to expand professional knowledge.

RÉSUMÉ

Although the roots of personnel management go deep into the past, the personnel field in general is relatively new. Its development has resulted largely from the need to utilize the services of employees more efficiently and from the need to cope with the growing influence exerted by government legislation and organized labor. Personnel management practices have been aided by the contributions of research and knowledge from other subject fields. These contributions have made it possible for a greater degree of specialization and efficiency to be achieved in performing the various functions of a personnel program. Along with the improvements in the quality of its performance, the personnel field has achieved gradually greater professional status. In view of the significant progress that has occurred, there is every reason to expect continued improvements in personnel management during the years that lie ahead.

REVIEW AND DISCUSSION QUESTIONS

1. What developments occurred during the period of the Middle Ages that are significant to the field of personnel management?
2. What human relations problems did the Industrial Revolution create for management?
3. What factors have helped to bring about substantial improvement in the status of workers within the past hundred years?
4. What were some of the needs of industry that helped to stimulate the scientific management movement?
5. What contributions has scientific management rendered to the field of personnel?
6. What effects did World War II have upon personnel management?
7. What was the Training Within Industry Program and what was its contribution?
8. What were the principal weaknesses of most company employee benefit and service programs that originated during the 1920's?
9. In what ways have the following fields contributed to personnel management:
   A. Psychology?
   B. Statistics?
   C. Economics?
   D. Industrial engineering?
10. What are some of the factors that have helped to give personnel management professional status?
11. As machines reduce the skill required of the employees in many factory jobs, should their wages also be reduced?
12. In view of the progress that has been made in the laboratory through the use of the scientific method, why has this method not produced more significant results in solving human relations problems?
13. As long as management is providing the funds to pay for employee benefits and services, are there any particular reasons why the employees should not favor these services?
14. Do you feel that, by working in direct contact with his employer, a worker is able to secure better treatment than he would receive if the employee had no contact with him at all? Discuss.

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Chapter 2

The Personnel Program

The success of any company depends upon good management and upon the ability of its managers to accomplish results through the efforts of their employees. The effective management of personnel involves the basic processes of planning, organizing, directing, and controlling their activities. These processes can be facilitated by a sound personnel program that can serve as a source of guidance and assistance in governing relations with personnel. This chapter, which will consider the role and contribution of such a program to personnel management, will cover the following topics:

- Nature of the management processes
- Elements of a personnel program
- Developing a personnel program
- Administration of the personnel program

THE NATURE OF THE MANAGEMENT PROCESSES

Although every manager engages in the processes of planning, organizing, directing, and controlling the activities of their personnel, those managers at the higher organizational levels generally devote proportionately more attention to the planning and organizing processes. Managers at the lower organizational levels, on the other hand, usually devote most of their attention to the directing and controlling processes. This section will discuss each of these basic management processes:

1. Planning
2. Organizing
3. Directing
4. Controlling

1 — Planning

Planning is the process of establishing the objectives or goals to be achieved by an organization and of determining the functions that must be performed in order to achieve these objectives. It involves not only anticipating and preparing for those events that are likely to occur but also making every possible effort to insure that the desired events will occur. Planning includes the evaluation of each possible alternative course of action that is available and selecting the one that appears to constitute the best alternative.

In the management of personnel, good planning can help to insure the availability of trained personnel wherever and whenever they may be needed within the organization to handle the work load. Proper planning also can increase the work satisfaction of employees by helping to insure that unnecessary confusion and delays in their work are avoided, or at least detected and corrected, before these conditions can seriously impair efficiency and morale. Good personnel planning thus helps to prevent problems from arising and, by so doing, the time which otherwise would have to be devoted to correction of these problems can be utilized to further strengthen the personnel program.

2 — Organizing

Organizing is the process of building the framework or structure within which the plans and objectives of the organization can be achieved. It includes determining the nature and relationship of the departments, divisions, and jobs that are to perform the various activities of the organization. The organizing process also helps to establish the duties, responsibilities, relationships, and assignments of the personnel within the organization who perform these activities. The manner in which the duties, responsibilities, and work activities are organized into the various jobs within a company can have an important bearing upon the efficiency with which they are performed, the teamwork that is achieved, and the personal satisfaction gained by the personnel who perform these jobs.

3 — Directing

The process of *directing* consists of overseeing and supervising the performance of the personnel and work activities within an organization. It is the process by which the plans and organizational relationships are translated into action. Directing includes training, motivating, and disciplining personnel in an effort to gain maximum efficiency. The process

can be performed more readily when the duties, responsibilities, and relationships of employees have been properly planned, organized, and communicated effectively to these employees. Since it seems reasonable to assume that most employees want to do a good job if given the proper instructions and conditions to do so, the most desirable type of direction is self-direction. This type permits managers to devote their attention to the more important aspects of their job rather than to the task of observing and directing every move that their employees make. It also contributes to better employee morale and efficiency because most employees do not like to have a manager "breathing down their necks."

4 — Controlling

Controlling is the process of evaluating organizational performance in order to insure that the plans and objectives of the organization are being achieved. This process provides the basis for correcting deviations from established plans as well as any errors that exist within the plans themselves. The information gained through the controlling process thus can serve as an important aid for future planning. Effective personnel management requires the development of controls that can be used in appraising and improving employee performance. The description of an employee's duties and the standards relating to the quantity and quality of his work constitute some of the typical controls or standards against which employee performance may be compared and improved. Performance ratings and records of output, work spoilage, absenteeism, disciplinary action, and accidents also can serve as important tools for use in the controlling processes of personnel management.

ELEMENTS OF A PERSONNEL PROGRAM

Good planning requires, among other things, the development of an effective program for guiding management activities in order to translate plans into action. A program actually is an over-all plan containing the objectives, policies, procedures, and budgetary provisions relating to the performance of those activities which are covered by the program. In managing personnel, the personnel program helps to guide and to coordinate the performances of such personnel functions as selection, training, and performance rating. More specific programs also may be developed to govern the performance of each of these and other personnel functions. The personnel program then serves as a basis for coordinating the programs for each of the functions.

The remainder of this section will discuss the nature and the development of the following elements of a personnel program:

1. Objectives
2. Policies
3. Procedures
4. Budgets

1 — Objectives

The objectives of a personnel program consist of the goals that the program is designed to achieve. One company has developed the following statement of objectives for its personnel program:

> A soundly conceived and well-administered personnel program can contribute to the efficiency, teamwork, and morale of people working together.
>
> Simply put, the main purpose of such a program is to select, place, train, and motivate people to work with understanding, cooperation, trust, and confidence in each other.
>
> The principle of the square deal in daily practice for all people — on all levels — from top to bottom — plus decent, considerate, and understanding treatment, also on a daily basis and for a long pull, is the very bedrock of a good people's program.[1]

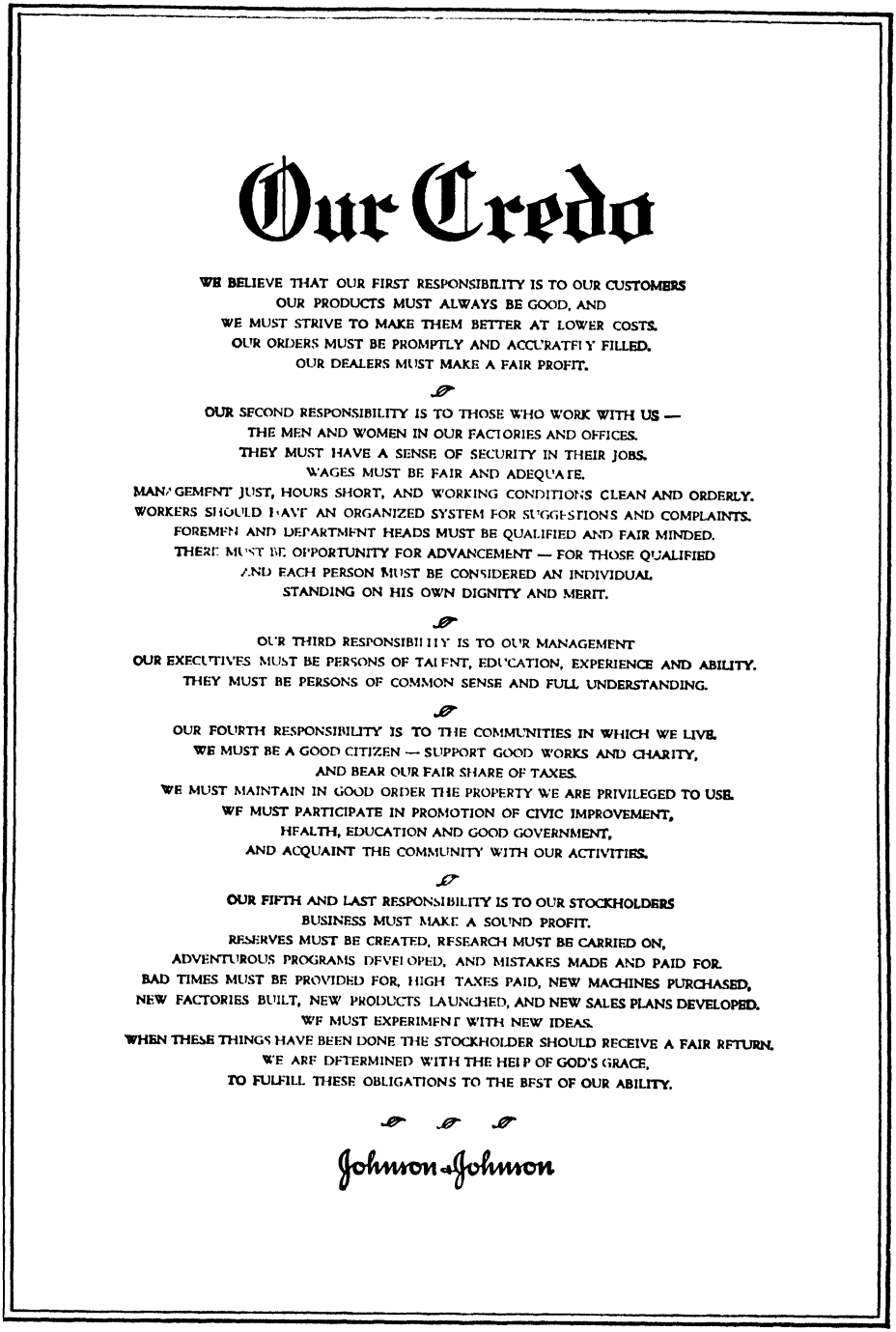
Personnel objectives should be compatible with and contribute to the achievement of the objectives for the company organization as a whole. Therefore, the objectives of a company must be established before the objectives of its personnel program can be determined properly. These company objectives, furthermore, must be recognized and observed continually in the development and maintenance of the personnel program.

Students of business management will agree readily that the objectives of any commercial enterprise must give recognition to its need for earning a reasonable profit. These objectives, however, must give recognition also to the needs of its customers, to its employees, and to society in general. The "Credo" of Johnson & Johnson, in Figure 2-1, illustrates a set of general objectives that recognize a company's sense of responsibility beyond that of earning a profit.

While profits are necessary in order for companies to attract capital investment or to maintain job security and to pay satisfactory wages to employees, these profits must be earned as a reward for service to customers and to society.

[1]Statement from "The Personnel Program at Owens-Illinois — Its Aims and Functions," (Toledo, Ohio: Owens-Illinois).

Figure 2-1



Our Credo

WE BELIEVE THAT OUR FIRST RESPONSIBILITY IS TO OUR CUSTOMERS
OUR PRODUCTS MUST ALWAYS BE GOOD, AND
WE MUST STRIVE TO MAKE THEM BETTER AT LOWER COSTS.
OUR ORDERS MUST BE PROMPTLY AND ACCURATELY FILLED.
OUR DEALERS MUST MAKE A FAIR PROFIT.

OUR SECOND RESPONSIBILITY IS TO THOSE WHO WORK WITH US —
THE MEN AND WOMEN IN OUR FACTORIES AND OFFICES.
THEY MUST HAVE A SENSE OF SECURITY IN THEIR JOBS.
WAGES MUST BE FAIR AND ADEQUATE.
MANAGEMENT JUST, HOURS SHORT, AND WORKING CONDITIONS CLEAN AND ORDERLY.
WORKERS SHOULD HAVE AN ORGANIZED SYSTEM FOR SUGGESTIONS AND COMPLAINTS.
FOREMEN AND DEPARTMENT HEADS MUST BE QUALIFIED AND FAIR MINDED.
THERE MUST BE OPPORTUNITY FOR ADVANCEMENT — FOR THOSE QUALIFIED
AND EACH PERSON MUST BE CONSIDERED AN INDIVIDUAL
STANDING ON HIS OWN DIGNITY AND MERIT.

OUR THIRD RESPONSIBILITY IS TO OUR MANAGEMENT
OUR EXECUTIVES MUST BE PERSONS OF TALENT, EDUCATION, EXPERIENCE AND ABILITY.
THEY MUST BE PERSONS OF COMMON SENSE AND FULL UNDERSTANDING.

OUR FOURTH RESPONSIBILITY IS TO THE COMMUNITIES IN WHICH WE LIVE.
WE MUST BE A GOOD CITIZEN — SUPPORT GOOD WORKS AND CHARITY,
AND BEAR OUR FAIR SHARE OF TAXES.
WE MUST MAINTAIN IN GOOD ORDER THE PROPERTY WE ARE PRIVILEGED TO USE.
WE MUST PARTICIPATE IN PROMOTION OF CIVIC IMPROVEMENT,
HEALTH, EDUCATION AND GOOD GOVERNMENT,
AND ACQUAINT THE COMMUNITY WITH OUR ACTIVITIES.

OUR FIFTH AND LAST RESPONSIBILITY IS TO OUR STOCKHOLDERS
BUSINESS MUST MAKE A SOUND PROFIT.
RESERVES MUST BE CREATED, RESEARCH MUST BE CARRIED ON,
ADVENTUROUS PROGRAMS DEVELOPED, AND MISTAKES MADE AND PAID FOR.
BAD TIMES MUST BE PROVIDED FOR, HIGH TAXES PAID, NEW MACHINES PURCHASED,
NEW FACTORIES BUILT, NEW PRODUCTS LAUNCHED, AND NEW SALES PLANS DEVELOPED.
WE MUST EXPERIMENT WITH NEW IDEAS.
WHEN THESE THINGS HAVE BEEN DONE THE STOCKHOLDER SHOULD RECEIVE A FAIR RETURN.
WE ARE DETERMINED WITH THE HELP OF GOD'S GRACE,
TO FULFILL THESE OBLIGATIONS TO THE BEST OF OUR ABILITY.

Johnson & Johnson

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The primary goal of any industry to be successful continuously must be to make a better and better product to be sold to more and more people at a lower and lower price. Profit, therefore, will and must be a by-product of service only.[2]

The objectives of a personnel program should contribute to the achievement of a company's service objectives. Thus, a company can render a service only if its personnel program helps to develop efficient performance on the part of all of its employees.

2 — Policies

Policies constitute the guides to be followed in performing the various functions of a program. Personnel policies help to govern a company's relations with its employees, and to insure that each employee performs his job effectively and that he receives equitable and consistent treatment from management.

Most companies develop personnel policies covering selection, promotion, wage administration, and the other functions performed within the personnel program. The policies of hiring older workers, of promoting employees primarily on the basis of merit, or of paying wage rates that are equal or better than those paid by other companies within the community are typical of some of the personnel policies that might be observed.

Although the responsibility for developing and enforcing personnel policies rests with top management, most of the administrative details concerning them are handled by the personnel department. These details include advising top management on matters of personnel policy, preparing policy statements and recommendations for their approval, and translating into action any decisions of top management involving personnel policies. The personnel department also has the responsibility for coordinating and assisting other departments in the implementation and enforcement of personnel policies within these departments, and for helping supervisors within these departments to interpret and observe such policies in their relations with subordinates. In order to administer personnel policies successfully, the personnel department must develop and maintain the type of relations with executives and supervisors in other departments that invite their cooperation. The cooperation often can be strengthened if the personnel department encourages these persons to participate in policy formulation and keeps them advised of any changes in personnel policies affecting their activities.

[2]James F. Lincoln, *Incentive Management* (Cleveland, Ohio: The Lincoln Electric Company, 1951), p. 14.

It is not essential that personnel policies be in written form. If they are written, however, that fact can help prevent gradual and unauthorized changes in these policies from occurring. Written policy statements, furthermore, can be communicated more accurately and rapidly to all personnel and can contribute to the induction and training of new employees. Many different media can be used to communicate personnel policies. Manuals, handbooks, bulletin boards, advertisements, and company magazines constitute some of the written media. Policies also may be communicated orally through training sessions, group meetings, and individual interviews. Regardless of how policy statements are communicated, the important factor is that all persons within the organization have a thorough knowledge and understanding of these policies.

Policies, like the organization units and functions they cover, must be dynamic. Although policies should have some degree of stability, they must be revised whenever it is necessary to meet changing needs and conditions affecting the organization. Personnel policies, furthermore, should be reviewed regularly in order to insure that they may remain consistent with current requirements of the organization and that any policies found to be unnecessary or inappropriate can be either eliminated or changed.

3 — Procedures

Procedures, like policies, also help to guide the performance of the various functions within a program. Procedures, however, establish the chronological sequence of steps that are to be taken in performing these functions. Most personnel programs contain procedures governing the performance of such personnel functions as selection, training, and grievance handling. A selection procedure, for example, establishes the nature and sequence of the steps taken in screening job applicants from the time that they apply until they are either hired or rejected.

Because personnel procedures are related closely to personnel policies, most of the discussion on policies is also applicable to personnel procedures. The need for tailoring personnel procedures to fit the particular conditions that exist within an organization and of communicating, maintaining, and enforcing these procedures is as important as it is in the case of personnel policies.

4 — Budgets

The personnel budget, since it provides the funds necessary to operate the program, is one of the truest indicators of management's belief in the personnel program. The mere allocation of money, however, cannot in

itself guarantee the development of a good program, although it may help to do so. Besides allocating the funds that are needed to support the program, the budget helps to insure that this money will be used efficiently. In this way the budget renders an important contribution to the personnel program.

DEVELOPING A PERSONNEL PROGRAM

Certain personnel functions must be performed by every company regardless of its size or the nature of its operations. Every company, for example, must procure employees for jobs where they are needed, must develop and maintain the required level of performance by these employees, must remunerate them, and, if they are unionized, must bargain collectively with them over conditions of employment. The amount of formalized and specialized attention that is given to these and other personnel functions, however, is dependent upon the size of the company and the type of personnel program that it is willing to support. In small organizations, these functions are usually administered without the benefit of any formal program by each manager and supervisor as one of their many and varied duties. In a larger organization, however, a more formalized personnel program usually is developed, thus permitting many of the personnel functions to receive more attention and to be handled by personnel specialists.

In addition to size, other factors may influence the type of personnel program that a company develops. The operations performed by the company, the qualifications of the personnel who staff it, the geographic location of the units of the company, and the importance that top management attaches to the personnel program all have an effect upon the program that is developed. The need for a company to bargain with labor unions or to comply with various state and federal labor laws also can have a decided influence on the type of personnel program that it develops.

Basic Considerations to Be Observed

In developing a personnel program, every company should observe certain basic considerations in order for the program and the functions that it performs to render a maximum contribution. Some of the more important of these considerations are as follows:

a. Adapt the personnel program to fit the needs of the organization
b. Insure that all employees receive fair treatment
c. Maintain good communication
d. Provide an objective basis for determining wages and salaries

e. Develop good union relations
f. Provide adequate opportunities for employees to achieve work satisfaction
g. Other considerations

(a) Adapt the personnel program to fit the needs of the organization. There is a common tendency for a company to pattern its program after those programs that have been operating successfully in other companies, particularly if the latter companies are larger. While there is nothing wrong with this practice, a company must be certain that any portions of a program that it borrows either will fit or can be modified to fit its own particular needs. The personnel program that is highly successful in one company may not be successful in another company because of the different conditions affecting its operations. The Lincoln Electric Company's profit-sharing program, the Standard Oil Company's executive development program, and the McCormick Company's program of multiple management, for example, have gained national recognition through their successful operation. When programs similar to these are adopted by other companies, however, they have not always been as successful. It is not so much the details or elements of a program, therefore, but rather the degree to which the program serves the needs of the company and the manner in which it is administered that make it work effectively.

(b) Insure that all employees receive fair treatment. Another important requirement of a personnel program is that it must provide fair treatment for all employees. Fair treatment, which ranks very high among the wants of employees, does not necessarily mean identical treatment for all employees. It does mean, however, that equal recognition be given to the needs and problems of each employee in making decisions affecting their welfare. Fair treatment also involves basing personnel decisions that affect the employees upon valid and objective data, such as that provided by production records, performance ratings, test scores, and personal history records. When decisions involving their welfare are based upon this type of data, employees are more likely to recognize the company's desire to be fair. This factor is very important because an employee's interpretation of a company's actions can be as important as the actions themselves.

(c) Maintain good communication. Many personnel and labor problems that companies experience could be avoided if better understanding existed between managers and their employees. This understanding is facilitated by the existence of good two-way communication within a company. Such communication, however, entails more than the mere

transmission of information through such media as bulletins, magazines, meetings, and public address systems. It also includes the conveying of attitudes and feelings and the creation of desired impressions and responses on the part of the receiver. Communication, moreover, involves actions as well as words. It is what companies do rather than what they profess to do that often creates the stronger impression within the minds of employees.

(d) Provide an objective basis for determining wages and salaries. It is very important that a company use objective means for determining the amount of money that each employee should receive for his services. While wages are not the only factor relating to job satisfaction, they are very important to employees. Not only do wages help to determine an employee's standard of living, but they also serve as a measure of his status within the company. The amount of wages that an employee receives can thus have a decided influence upon his efficiency and morale. The system used to determine wage payments should insure that any differences in wages paid for different jobs reflect accurately the differences in the qualifications and performance required of employees in these jobs. Promotions to higher jobs and rate increases in the same job likewise should be determined upon the basis of such objective evidence as that provided by seniority records and performance ratings.

(e) Develop good union relations. A company's personnel program can have an important influence upon its relations with unions; and unions, in turn, can exercise an important influence upon the development and administration of the program. In fact, many features of the program may be determined by the contract negotiated between the union and management rather than by the unilateral actions of management. If good union relations are maintained, a company probably will have a better opportunity to develop the type of program that it needs. Continuing good union relations, however, are contingent upon a personnel program that reflects the spirit of the union contract and that facilitates its administration.

(f) Provide adequate opportunities for employees to achieve work satisfaction. In the search for better methods of increasing employee efficiency and morale, often overlooked is the fact that there is much personal satisfaction to be gained by employees from doing their work well. Undoubtedly, more employees than often is realized want to do good work and take a greater interest in their jobs if given the proper opportunity. In order for work to provide a source of satisfaction, the duties and relationships of each job must be organized properly and under-

stood thoroughly by the personnel performing these jobs. These duties should be challenging to the job holder and in line with his performance capabilities. The attempts of some companies to make jobs more interesting by enlarging the duties of these jobs represent one of the methods of providing greater opportunities for work satisfaction. Efforts that help to improve the selection, placement, and training of the employees in order that each job can be staffed by qualified employees also permit greater work satisfaction to be achieved by employees.

(g) Other considerations. There are several other considerations. One of these is that management should make every effort to maintain the confidence of its employees. Employee confidence, which may be slow to develop, can be lost overnight as a result of one poor management decision. Once destroyed, it can be very difficult to restore.

Another consideration that is not always recognized fully is that employee loyalty cannot be gained by money alone. Most employees, as a rule, prefer those gains which they have achieved as a result of their individual or collective efforts rather than those gains achieved solely as a result of management's "generosity."

The philosophy of management should reflect a sense of trust toward employees and a sense of respect for their feelings, motives, and personal dignity. It should take cognizance of the fact that employee relations are a two-way proposition involving certain obligations and responsibilities, as well as rights, on the part of management. In return for its right to expect loyalty and a "fair day's work" from its employees, management has the responsibility to provide them with proper treatment and satisfactory conditions of employment.

Exceptions to the Rule

In spite of the progress that has occurred within the personnel field, the personnel programs of some companies have not kept pace with modern developments. There are a number of reasons for these exceptions. Competitive advantages which some companies may enjoy as a result of certain patent rights or a good location, or by virtue of having gained an initial lead over other competitors, or for various other reasons, often have made it possible for these companies to continue to earn a profit in spite of the inefficiencies that may stem from poor personnel policies and practices. The reason also may lie in the fact that some firms have managed to escape union organizing drives or government regulations which might otherwise have forced them to improve their personnel programs. Some

firms, for example, still pay less than the federal minimum wage rates because they have not yet been brought under the control of the federal wage and hour law. The employees working for these companies, furthermore, often have been unable to exert organized pressure against such companies or to find other employment.

The fact that some companies may not observe some of the personnel policies and practices which are described in this book as being desirable does not necessarily invalidate these policies and practices nor mean that they are "good in theory but not in practice." Instead, it may indicate a need on the part of some of these companies to improve their personnel programs. The opportunities for improvement that exist in many companies thus represent a challenge for future progress in the field rather than a contradiction of the progress that already has occurred.

ADMINISTRATION OF THE PERSONNEL PROGRAM

A good personnel program is the result of proper administration as well as effective development. Proper administration requires, among other things, that cooperation and support for the program be provided by the personnel at all levels within the organization. The personnel program can be successful only if it is accepted by the personnel within an organization — it cannot be imposed upon them. Proper administration also requires that a program be appraised periodically to insure that it is continuing to achieve its objectives and to meet the changing conditions which may affect its operations.

Gaining Support for the Program

A personnel program, first of all, must have the support of top management. This support must be exhibited through many of the policies and procedures of the program. Since the personnel department does not have direct authority over supervisors in other departments, it is forced to depend to a considerable extent upon their voluntary cooperation in following the personnel program. The cooperation of supervisors, like that of top management, can be strengthened through educational efforts that will make them more aware of the need to observe personnel policies and procedures and of the value of utilizing fully the assistance and services that the program can provide for them in the handling of their personnel problems.

Employee support at the operating level also is very important to the success of a personnel program. If employees feel that the program is

designed to serve and protect their interests as well as those of the company, they will be more likely to support it. When their support is available, management usually is required to devote less time to disciplinary or grievance actions and, consequently, can devote more attention to those functions which contribute to the personal improvement and welfare of employees.

Union support for the personnel program is also important since the union can exercise a strong influence upon the attitudes of the individual employees. Union support is more likely to be obtained if the union is convinced that the program does not threaten its rights and security. It is important, therefore, that a company attempt to work with the union officials in administering the program and to solicit their participation in handling personnel problems of mutual interest.

Program Maintenance and Appraisal

The maintenance of the personnel program should include seeing that the personnel policies and procedures of the program are observed throughout the organization and that the various personnel functions are performed satisfactorily. It includes the making of the adjustments necessary to keep the program in line with the changing needs of the organization. The maintenance of the program also should insure that proper balance is achieved within the program and that none of the personnel functions performed by it are either overemphasized or neglected. Balance within the program may be difficult to maintain at times because changing conditions often cause a disproportionate amount of attention to be focused upon certain functions within the program. Rapid expansion of production facilities, for example, might force more emphasis to be placed upon employee selection and training, or union demands for retirement benefits might cause attention to be devoted to this subject. Although there is nothing wrong in giving special attention to certain functions as the need arises, this attention should be reduced to the proper amount as soon as conditions warrant.

Effective systems of control can render an important contribution to the maintenance of the program. These controls can help provide a measurement of the effectiveness of the program and a basis for making improvements within it. The personnel budget provides one of the principal forms of control, as noted earlier, since it establishes the financial limits within which the program must be operated. Statistical records of employee turnover, absenteeism, accidents, grievances, disciplinary action, production records, and efficiency ratings represent some of the other types

of controls that may be utilized in connection with the administration of the personnel program.

The internal controls within the personnel program can be supplemented by conducting a periodic appraisal or audit of the program. Information gained through these appraisals can help those administering the personnel program to determine how effectively it has been developed and what future improvements in the program are needed. The methods for appraising a personnel program and the uses served by the appraisal information gained will be discussed in greater detail in Chapter 28.

RÉSUMÉ

This chapter has emphasized that a good personnel program can enable a company to manage its personnel more effectively. A good program can help a company to prevent many personnel problems from arising because it permits relations with personnel to be handled in a fair and consistent manner. It also helps to provide a plan of action for solving those problems that do arise.

Whether or not a particular program is a good one depends to a large extent upon how well the program is adapted to the needs of the organization. It also depends upon the type of organization that is developed to administer the program. Even the best program, however, will not be very successful unless the proper type of organization is provided in which the program may operate. The next chapter will discuss the organizational structure within which the personnel program may operate and cover some of the basic considerations relating to the development of this structure.

REVIEW AND DISCUSSION QUESTIONS

1. Name the four basic management processes and define each.
2. What relationship should the objectives of a personnel program have to those established for the company as a whole?
3. Distinguish between personnel objectives, policies, and procedures.
4. What are some of the factors which influence the type of personnel program that is most desirable for a given company?
5. What are some of the basic considerations that should govern the development and administration of a personnel program?
6. Why is the cooperation and support of top management so essential to the success of a personnel program?
7. Why is it desirable for a company to conduct appraisals of its personnel program?

8. Would it not be better for a new company to adopt the personnel program of a successful company than to run the risk of developing one of its own that might prove to be very unsuccessful?
9. Do not personnel policies and procedures tend to restrict freedom of action on the part of supervisors and executives in dealing with individual personnel problems? Discuss.
10. A supervisor complained to his plant superintendent that a new policy of rotating employees each month between the night and day shifts caused several of his best employees to quit. He requested that an exception to this policy be made for his department. No objections to this policy had been voiced by supervisors in any of the other departments. If you were the superintendent, how would you approach this problem? In the event that the policy does work and undue hardship upon the personnel within this department, would you make an exception to the policy for the department in question, would you continue to enforce the policy within all departments, or would you rescind it for the plant as a whole?
11. How do you account for the fact that some business enterprises earn a substantial profit while apparently demonstrating no particular sense of social obligation? What can happen to companies which continually neglect their social obligations and fail to recognize the need for having service objectives?

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Chapter 3

Organization for Personnel Management

The success of a company's personnel program depends in a large part upon a good organization. Such an organization helps to define not only the relationship of the activities that are performed within the company but also the duties and relationships of the personnel who must perform these activities. Good organization is essential to efficient employee performance since it affects both the manner in which the work is to be performed and the effectiveness with which the work can be supervised and controlled. The nature of the duties and interpersonal relationships that each employee encounters within the organization also have an influence upon the satisfaction that he gains through his job and the effort that he devotes to it. Thus, in order for the objectives of any company to be realized, the efforts of all employees must be organized and coordinated properly.

The important considerations that are necessary for the development and maintenance of a good organization will be covered in the discussion of the following topics:

- Responsibility and authority within an organization
- Types of organizational structures
- Personnel department organization
- Making the organization function effectively
- Human relations and the organization

RESPONSIBILITY AND AUTHORITY WITHIN AN ORGANIZATION

One of the most important functions of an organization is that of helping to define the responsibility and authority of each person within

the organization and the channels through which this responsibility and authority is exercised in the management of personnel. The concepts of responsibility and authority and some of the considerations pertaining to their roles within an organizational structure will be discussed in this section.

Nature of Responsibility

Responsibility consists of the obligations that are assigned to a person in connection with his job duties. It entails not only an obligation for performing certain activities, but also an obligation to some superior for such performance. A good organization, therefore, helps each member to have a clear understanding of the activities and persons for which he is responsible as well as the person to whom he is responsible.

Although an individual may reassign certain of his responsibilities to his subordinates, he cannot escape accountability through such action for the manner in which his subordinates carry out these assigned responsibilities. Thus, while a personnel manager may assign his responsibility for employee selection to his assistant, it is the personnel manager, rather than the assistant, who is held accountable by higher management for both the successes and the failures in the selections that are made. Since every person in a managerial position is responsible ultimately for the activities of his subordinates, it is very important that he select and develop subordinates who are capable of assuming responsibility.

Nature of Authority

Authority consists of the right to take certain action or to direct others to do so. It is the basic tool that permits those in managerial jobs to supervise and coordinate the activities of others. For this reason, good management requires that each employee be delegated the authority which he needs in order to carry out his responsibilities. Authority in a corporate enterprise originates at the top level with the board of directors. Most of this authority is delegated by the directors to the chief executive, who, in turn, redelegates a large portion of it to his immediate subordinates. The same process is repeated down the chain of command to the bottom or operative level of the organization. The personnel at any particular level within the chain of command can exercise only that authority which has been delegated to them by their superiors.

Authority within an organization consists of two types: line authority and functional authority.

Line authority. Line authority, or scalar authority as it is sometimes called, is the most common type. It is that authority which is exercised in the process of managing a particular organizational unit and the people within it. Each manager or supervisor who is placed in charge of an organizational unit, regardless of the nature of the activities that it performs, exercises line authority over the personnel and their activities within the unit. *Line authority* is, then, that authority which is exercised in directing, coordinating, and controlling employee performance.

Functional authority. *Functional authority*, or staff authority, is the authority to determine how a particular function should be performed, but it does not include direct authority over the individuals or organizational units performing the function. Functional authority is largely of an advisory nature and is exercised normally in the form of recommendations and assistance. Functional authority also includes the authority to follow up and to determine whether or not certain functions are being performed throughout the organization in accordance with the policies and procedures governing their performance. This authority, however, does not give the individuals exercising it the right to order other personnel to correct policy or procedural violations that they may be committing. Corrective action can be ordered only by those executives having line authority over the personnel who are violating the policies and procedures.

TYPES OF ORGANIZATIONAL STRUCTURES

The structures into which activities may be organized consist of three basic types: functional, line, and line and staff, depending upon the authority relationships that are established between the departments comprising the structure. These three types of organizational structures, the manner in which the personnel functions are performed within each of them, and the role of committees within these types will be discussed in this section.

Functional Type of Organizational Structure

If the *functional type* of organizational structure in its pure form were used, each department would have complete authority and responsibility throughout the organization for the performance of those functions which were assigned to it. The personnel manager, for example, would have primary authority and responsibility for the hiring, rating, training, and disciplining of the employees in all of the departments. The production manager would have authority over the technical aspects of production, such as those involved in determining the work methods to be used, scheduling production, and controlling production quality.

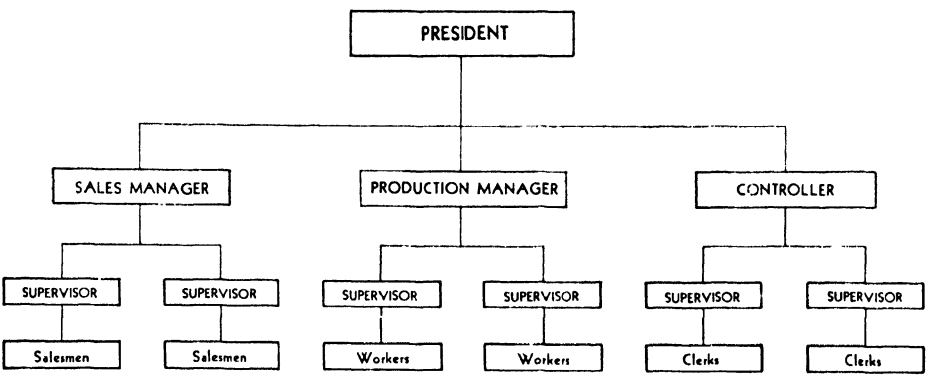
Although the functional organization would permit each function to be supervised by specialists, it would create in the supervision of employees a division of authority and responsibility that would stimulate confusion and "buck passing." The principal weakness of this type of organization, therefore, is that employees could not perform effectively because they would be supervised by more than one boss. While the functional type of structure in its pure form is not practical, some of its features are contained in the line-and-staff type of structure.

Line Type of Organizational Structure

The *line type* of organizational structure, which is the oldest and simplest type, provides for a clear and unbroken chain of authority from the top to the bottom of the structure. It enables each superior to have complete authority over all activities and personnel under him; each employee is responsible to only one immediate superior. It is suited particularly to those organizations that are small or whose activities are of a relatively simple nature.

A line type of organization may be divided into three departments headed by the sales manager, production manager, and the controller, as shown in Figure 3-1. Each department manager has complete authority and responsibility over all of the staff activities (including personnel management) that are performed in connection with the primary functions of these departments.

Figure 3-1
Line Type of Organizational Structure



In order to perform both the line activities and the staff activities within their departments effectively, each supervisor or executive must possess a rather broad background of knowledge and experience and in a

sense be a jack-of-all-trades. As a line type of organization increases in size and complexity, the task of managing the many and varied activities in a department can eventually exceed the capacities of its manager. Furthermore, because of their requirements for broad knowledge and experience, management jobs can prove to be difficult to staff. When a line type of structure can be used satisfactorily, however, it facilitates rapid decision making and provides a clear picture of the lines of authority, communication, and promotion within the organization.

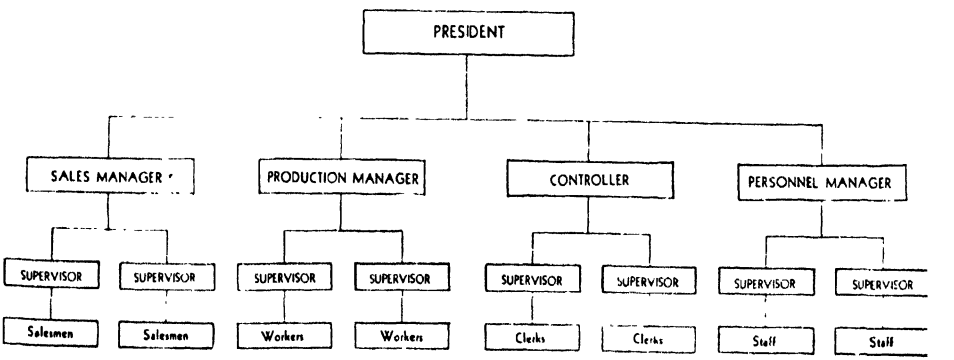
Line-and-Staff Type of Organizational Structure

The *line-and-staff type* of organizational structure contains certain features of both the line and the functional types. The manager of a line department is able to maintain complete authority and control over the performance of the primary functions of the department; but he is also able to gain specialized advice and assistance from staff departments, which he may accept or reject. This specialized assistance can permit line executives to devote more of their attention to the primary activities of their departments.

Figure 3-2 illustrates the beginning of an imaginary line-and-staff organizational structure, as the result of the establishment of a personnel department at the same level within the structure as the sales, production, and controller's departments.

In order for a line-and-staff type of organization to function properly, each department must adhere to its assigned line or staff role. The personnel department, for example, must resist the temptation to give orders to other departments or to assume those personnel responsibilities that other

Figure 3-2
Line-and-Staff Type of Organizational Structure



departments should handle themselves. Thus, in a line-and-staff organization, the managers and supervisors within each department have primary authority and responsibility for the activities of the personnel under them and for performing the personnel functions within their respective departments. These managers and supervisors must make the final decisions in the selection of new employees and must assume primary responsibility for the handling of employee training, performance ratings, disciplinary problems and grievances within their respective departments, and for maintaining the efficiency and morale of the personnel under them. In performing the personnel functions of their department, however, executives can and should seek counsel or advice from the personnel department whenever it will help them to do a better personnel management job.

If department supervisors fail to assume their personnel responsibilities or if they engage in personnel practices that are detrimental to the company program, it is the responsibility of their immediate superiors to take corrective action. Although the members of the personnel department staff may recognize the causes for personnel problems in other departments and may be tempted to deal directly with the problems, they must limit their action to that of helping and encouraging the supervisors and, if necessary, the superiors of the supervisors, to recognize and correct the personnel problems. When other departments refuse to observe company personnel policies or to accept staff assistance in improving their personnel practices, action by the personnel department normally should be limited to that of bringing the problem to the attention of the superior who has the authority to take direct action. Whenever possible, the use of persuasive and educational measures by the personnel department to gain the cooperation of other departments is preferable to that of relying upon the authority of higher department.

While the personnel manager is the individual who generally maintains contacts with the heads of other departments, most of the business of his department is transacted between his subordinates and their counterparts in the other departments. These latter organizational relationships are frequently called *crosswise relationships*, and they are largely of the procedural type. A production supervisor, for example, might request the employment supervisor to provide him with a new employee. The employment supervisor would then notify one of his specialists to screen, select, and send one or more candidates to the production supervisor for final approval. In another crosswise relationship, an employee might contact one of the personnel specialists concerning some problem connected with his job. Before proceeding further with the problem, the specialist would

probably consider it advisable to contact the employee's supervisor in order not to undermine the latter's authority. Thus, although the solution of major personnel problems may be taken up with the heads of other departments, most of the work of the personnel department is accomplished by means of procedural contacts with other departments at a lower level.

Committee Organization

Committees can function in anyone of the three basic types of organizational structures. A committee may consist of any group of individuals that is constituted for the purpose of communicating ideas and information, of making recommendations and decisions, or of formulating and controlling or coordinating activities within an organization, or of providing its members with an opportunity to gain experience in decision making. Committees may be formed at any level within an organization by executives who have the authority over the areas in which the committees are to operate. They may exist for any given period of time.

In the field of personnel, committees are often organized by management to administer personnel policies and procedures and to coordinate the performance of the different personnel functions throughout the company organization. Committees are used often as a personnel management device for considering and recommending the action to be taken in connection with employee suggestions, grievances, or disciplinary problems or promotions. Committees can serve as a useful device for administering employee credit unions or recreation programs, or to enlist employee cooperation and support for safety, cost reduction, quality improvement, or other management programs. Committees, in fact, can prove to be very useful in dealing with any activities or problems where employee participation is desired sincerely.

Effective use of committees. Committees can render an important contribution to an organization if they are developed and utilized properly. In organizing a committee, it is particularly important that those persons assigned to the committee have the qualifications necessary to discuss and to act intelligently upon those problems that are within the jurisdicition of the committee. Committee chairmen, moreover, should have the ability to conduct the meetings so as to confine the discussion to the agenda being covered and yet enlist the participation of all members. Committees generally tend to be effective when used to facilitate communication and to serve in an advisory capacity rather than when utilized in an executive capacity to administer a program. Whenever committees are utilized, however, it is important that some form of control be provided which will

help limit the number of committees that can be in existence at any one time and which will help insure the dissolution of each committee when there is no longer a need for it. Unless such controls are established, the number of committees may soon be in excess of the needs of an organization.

Limitations of committees. In utilizing committees, it is important to recognize that group decisions may not necessarily be more accurate than those of the more capable members of the group. Furthermore, in group decisions no one person can be held responsible for the decision since the responsibility is divided among all of the members. Unfortunately, this latter condition sometimes has provided an escape device for executives seeking to avoid the direct responsibility for making decisions that might prove to be unpopular. Committee decisions also can be weaker than those made by a particular member because of the influence of some dominating but less intelligent member or because the decisions must be diluted in order to obtain the agreement of the majority. Perhaps one of the greatest criticisms of committees is that their meetings may consume an excessive amount of the members' time, which might be better utilized by them in their regular job assignments.

PERSONNEL DEPARTMENT ORGANIZATION

The personnel department organization, like the personnel program, should be tailored to fit the needs and conditions of the particular company that it serves. One of the most important factors in determining whether or not a personnel department should be established, and if so, how it should be organized, is the size of the company. Although there is no particular stage in a company's growth that indicates when a personnel department should be organized, ordinarily the department is established when a company considers that the volume of personnel work is sufficient to warrant the expense of employing a full-time personnel specialist. The assignment of some of the more important personnel functions to a specialist also usually coincides with the recognition by the line executives that they cannot give adequate attention to these personnel functions and still supervise the primary functions of their departments properly. Such personnel functions as those involving employee selection, training, record keeping, and collective bargaining are often among the first to be assumed by a personnel specialist.

As a company becomes large enough to permit the employment of additional members within the personnel department, further specialization

usually can be achieved in the performance of the personnel activities. It may be possible, for example, to assign the primary responsibility for handling employment, training, or other personnel functions to separate individuals within the department. Eventually, the work of the personnel department may become great enough to permit the formation of separate divisions within the department, each employing several persons to handle the personnel functions for which the division is responsible.

The number and nature of the divisions that are established within a personnel department are affected to a considerable extent by the size of the company's work force. The nature of its products or services and the amount of competition and government regulations that it must encounter also may have a strong influence upon a company's personnel organization. The type of personnel employed by a company, the geographic dispersion of its activities, and the importance that its management attaches to the personnel program are among some of the other factors affecting the number and type of divisions that are required within the personnel department.

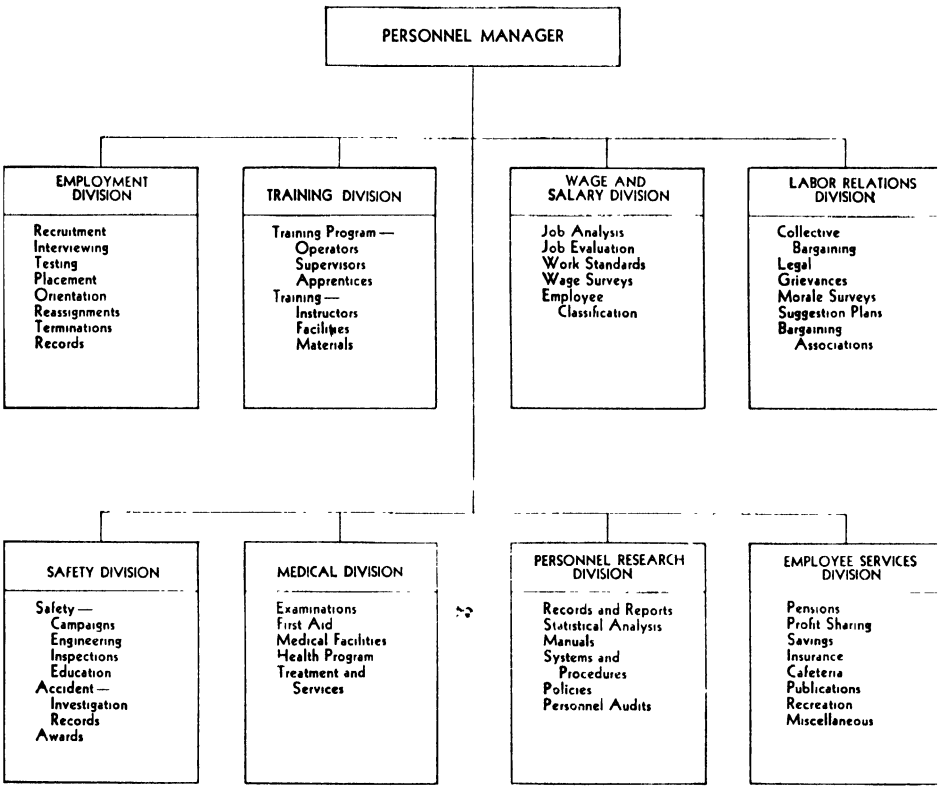
Employment, training, and labor relations often are among the first divisional units to be established within the personnel department. Wage and salary administration, safety, medical, and employee services, and personnel research represent some of the other divisions that may be organized subsequently within the department. Figure 3-3 on page 46 shows a hypothetical organization chart for a personnel department of a large company where maximum specialization of the personnel functions might be possible. The functions listed under each division represent those which the divisions might perform.

When a company has more than one plant, a personnel department generally is established for each plant. The managers of these departments usually are directly responsible to the plant manager, but they are also indirectly responsible to the staff authority of the personnel department established for the company as a whole. The role of the company personnel department in a situation such as this would probably involve coordinating personnel policies and practices, keeping centralized records, and handling labor relations problems for the entire company.

MAKING THE ORGANIZATION FUNCTION EFFECTIVELY

An organization must provide the pattern of relationships necessary for the effective utilization of a company's personnel and for the performance of the work activities in the achievement of its established objectives. The organization thus should facilitate the management of personnel and be a product of, as well as an aid to, good management.

Figure 3-3
Personnel Department Organization



Observing Sound Principles of Organization

In the development and maintenance of an effective organizational structure, certain basic principles should be observed in order for the organization to operate successfully. Some of the more important principles of organization that have proved to be sound in the light of company experiences will be discussed in the following order:

a. Unity of objective
b. Unit of command
c. Delegation of authority
d. Span of control
e. Division of work
f. Organizational balance
g. Organizational stability
h. Organizational flexibility

(a) Principle of unity of objective. The performance of all of the units of an organization should be directed toward the achievement of the same objectives. Such *unity of objective* is essential to the development of effective teamwork within an organization. In order for such unity to be realized, however, all personnel must be fully aware of the objectives of the organization as a whole in order that they may contribute to the achievement of these objectives.

(b) Principle of unity of command. *Unity of command* requires that each subordinate be responsible directly to only one superior and that each superior have undivided authority over the subordinates reporting to him. In observing this principle, all orders and communications between subordinates and superiors should be transmitted through the formal lines of authority without by-passing persons at any point within these channels. While informal contacts through crosswise relations, in accordance with established procedures, do not violate the unity of command principle, attempts to exercise authority in connection with these relationships do violate it. In other words, authority must be exercised only through the formal channels; and although a supervisor may have procedural contacts with employees in other departments, he cannot exercise authority over these employees.

(c) Principle of delegation of authority. An important principle is *delegation of authority*, which means that authority should be delegated as far downward as possible within the organization. Each person should have the authority that he is competent to assume and which he requires to perform the duties of his job. Delegation of authority is essential for organizational growth and efficiency and for the development of the personnel within the organization. In spite of its importance, however, many executives fail to observe the principle of delegation, perhaps because of a fear that subordinates may threaten their status or job security, or perhaps because these executives do not want to admit that subordinates might be able to perform many of their duties equally well. Superiors, at times, also may be unable to delegate authority because they have failed to develop subordinates who can assume this authority.

(d) Principle of span of control. *Span of control*, or "span or management" as it is perhaps more accurately termed, gives recognition to the fact that there is a limit to the number of subordinates and functions that can be supervised effectively by one superior. The exact number of subordinates that constitutes a proper span of control, however, can be influenced by many factors. Some of these factors include the capacity of

subordinates to work independently, the amount of authority that has been delegated to them, the complexity of their work, their need for frequent instructions, the location of their positions within the organization structure, and the physical proximity of these subordinates to their superior. Three or four vice-presidents, for example, might constitute a maximum span of control for a chief executive, whereas twenty or thirty laborers on a road gang might be managed effectively by one foreman. In general, span of control can be increased as the jobs being supervised are located lower down within the organizational structure, or entail more simplified work, or require fewer contacts with the supervisor.

(e) ***Principle of division of work.*** The organization should give due consideration to the proper *divison of work*. This principle refers both to the nature of the activities as well as to the amount of work that is assigned to each job or organizational unit. Proper division of work, therefore, should include grouping similar work activities together within the same job and keeping the work load of the various jobs consistent with the capacities of the job holders.

(f) ***Principle of organizational balance.*** Another principle is *organizational balance*. An organization must have proper balance. The attention given to each function or activity within the organization should be proportionate to its relative importance in the achievement of the organization's objectives. No department should be permitted to become much larger or smaller than is justified in terms of the relative importance of the department's activities. Balance also entails the proper allocation of personnel and funds among the various departments in accordance with the contributions that these departments are expected to render to the organization.

(g) ***Principle of organizational stability.*** Every organization should have a reasonable amount of stability so that it can operate effectively in spite of certain changes that may occur in the internal and external conditions affecting it. An organization should be able to survive beyond the period of employment of any of its members. The proper delegation and decentralization of authority and the development of qualified replacements for each job can serve to reduce the reliance upon certain personnel whose loss might severely cripple organizational efficiency. Long-range planning and the development of suitable alternative courses of action for coping with unfavorable external developments that might possibly occur also can help contribute to *organizational stability*.

(h) ***Principle of flexibility.*** The principle of *flexibility* means that, while an organization must have stability, it also must be sufficiently

flexible to permit changes in the structure or in the established policies and procedures whenever conditions require that such changes be made. Any changes, such as those affecting the work load, however, should be handled so that a minimum of change is necessary within the organizational structure itself. The development of versatility within the work force and the use of various employment stabilization techniques can help provide the flexibility needed to adjust to fluctuations in business activity.

Maintaining the Personnel Organization

A good personnel organization must be maintained properly once it has been developed. Such maintenance should include a periodic appraisal of the organization to determine if it is continuing to achieve its objectives and if any changes within the organization appear to be necessary. It also should include familiarizing each person with the organization structure, with his particular role in the organization, and with any changes occurring within the structure that might affect him.

Organization charts. Employee familiarization with the organizational structure can be facilitated through the preparation and use of organization charts such as those illustrated earlier in the chapter. Charts can provide a means of illustrating graphically the functional and job relationships within an organization as well as the formal lines of authority and communication between these units. Information provided by organization charts also may be used in connection with employee communication, training, orientation, and other personnel programs.

When accurately constructed and maintained, organization charts can help to indicate the authority of each person within the organization and the channels through which it can be exercised. Violations or misunderstandings concerning the use of authority and responsibility thus are likely to be reduced because each person is able to visualize better his position within the organization structure. The process of developing and appraising organization charts also helps to stimulate organizational planning and to bring about improvements within the organization structure.

Even the best organization charts, however, do not provide a complete picture of the total organization and its operations. The authority, responsibilities, and functions of each unit within the organization, and the exact nature and frequency of relationships between the organization units and their personnel cannot be portrayed completely by means of a chart. In practice, furthermore, organization charts often become obsolete because

they are not revised to depict changes as they occur within the organization. If not kept up to date, a chart by misrepresenting actual conditions may harm rather than aid the purposes that it is intended to serve.

Organization manuals. Organization manuals are used by many companies to provide detailed and narrative descriptions of the duties, responsibilities, and relationships of the various departments, divisions, and jobs within the organization and of the personnel within these units. Manuals contribute to the personnel program by defining the responsibility and authority of the personnel department and the activities that it performs. Personnel manuals also aid in the communication and enforcement of personnel policies and procedures, and thus help to serve as a guide in the performance of the various personnel functions throughout the organization.

Job descriptions. A *job* is an organizational unit into which activities are grouped and performed by the person or persons assigned to the job. A *job description* is a written summary of these activities which comprise duties and responsibilities of the personnel in the job. Job descriptions thus provide a basis for defining and communicating the nature and relationship of the activities being performed by the personnel in the jobs of the organization. These descriptions are an important personnel management device that can contribute to the instruction, direction, and control of department personnel in the performance of their assigned duties.

HUMAN RELATIONS AND THE ORGANIZATION

Good organization is one of the key factors contributing to the development of good human relations. Since the organization establishes the structure within which each employee must perform his work and maintain relations with other employees, it can make an important contribution to the development of better cooperation, understanding, and harmony among these employees. In order for each employee to perform his job effectively and to achieve satisfaction from his work, his duties must be organized so as to make these conditions possible. When the duties of employees are not divided or defined properly or when their authority and responsibility are not understood clearly by them, both their performance and morale are likely to suffer. In order for a company to operate efficiently and to maintain good human relations, therefore, it must provide a sound organizational framework.

Influence upon the Individual

Managers must recognize continually the fact that an organization consists of more than the impersonal charts, manuals, and job descriptions that are used to portray it. An organization represents people, their patterns of relationships, and their relative standings. The location of an employee's job within the organizational structure can have an important bearing upon his attitudes and behavior patterns and upon his social status. Such status can have an important effect upon the confidence and recognition and satisfaction that he gains from the job.

The manner in which an individual adheres to the duties, responsibilities, and authority of his job can affect his relations with other persons within the organization and upon their attitude and behavior toward him. In most instances, an individual does not exercise authority, observe responsibilities, or cooperate with others in exactly the manner prescribed by his job description or by the company organization. Thus, the effectiveness of the organization depends upon the nature of the personnel who staff it as well as the way in which the structure is organized. It also depends upon how closely each employee adheres to his established job roles within the organizational structure and how well employees work and cooperate within the organization.

Influences of the Informal Organization

In addition to the formal organization that is established by management, there is an informal organization which the employees develop. The informal organization has been defined as "that network of personal and social relations which is not established or required by the formal organization."[1] It reflects the social interaction and personal relationships between employees within the company and develops out of their desire to group themselves together because of a similarity of needs or backgrounds. Similarities in age, social background, religion, education, fears, or personal likes and dislikes often provide some of the more common bonds for developing an informal organization. Employees also may band together in order to gain a greater sense of mutual security in their relations with their supervisor or with the company as a whole.

Informal groups develop their own attitudes and value systems and informal leaders, all of which exert a strong influence upon the group members. Individuals within the group, for example, quite often show more

[1]Keith Davis, *Human Relations in Business* (New York: McGraw-Hill Book Company, Inc., 1957), p. 99.

concern for the opinions and wishes of the group members and leaders than for those of their supervisors. For these reasons, the efforts of supervisors to improve performance within their departments are counteracted sometimes by the pressure of group opinion which may demand, for example, that individual members in the group not exceed the informal group quota or "bogey." In other instances, however, group opinion may aid the supervisor in the performance of his job by censuring those individuals who fail to do their share of the work or who create a disciplinary problem, calling attention to possible changes that are needed in the formal organizational structure or in its procedural relationships. The informal organization can help management to detect those employees with natural leadership abilities who may be groomed for supervisory positions. The informal organization can be beneficial or detrimental to company operation depending upon whether or not it supplements or conflicts with the formal organization. Since informal organizations are inevitable, all possible efforts should be taken to make their activities compatible with the objectives of the formal organization.

RESUME

This chapter has emphasized the need for an effective organization in order for a company to coordinate the activities of its personnel in the achievement of its objectives. When conditions within an organization permit its establishment, a personnel department can render important assistance to other departments within the organization in the handling of their personnel functions. The existence of a personnel department, however, does not relieve supervisors and executives in the other departments of their primary responsibility and authority for the activities of their subordinates. The function of a personnel department is primarily to provide these individuals with the specialized personnel services that they may require in managing their subordinates and also to help insure that the personnel functions which they perform are handled consistently throughout the organization. Every company, regardless of the nature of its organizational structure, must have qualified employees in order to operate effectively. The recruitment and selection of such personnel, however, can be accomplished more efficiently if the duties that each employee is to perform are analyzed carefully and described accurately. The analysis and description of the various jobs within an organization will be the subject of discussion in the next chapter.

REVIEW AND DISCUSSION QUESTIONS

1. Distinguish between authority and responsibility. How are the authority and the responsibilities of a particular employee determined?
2. How does line authority differ from functional or staff authority, and what are the functions served by each?
3. Why is it not practical to use the functional type of organizational structure in business?
4. What are the three basic departments typically found in a line type of organization? Who is responsible for the personnel program in this type of organization?
5. List some of the factors that help to determine the type of personnel organization that a company may develop.
6. What are some of the major divisions that may be found in a large personnel department, and what activities do they perform?
7. What purposes do committees serve in an organization, and what are some of the requirements for their effective usage?
8. List some of the basic principles that should govern the development and operation of a company's organizational structure.
9. What are some of the possible reasons why an executive would be reluctant to delegate authority?
10. What are the principal strengths and weaknesses of organization charts?
11. What causes the informal organization to develop within a company? What action should management take with respect to the informal organization?
12. Since organizations are changing continuously, is not the cost of maintaining organization charts and manuals likely to make their use impractical?
13. If the informal organization permits certain activities to be performed more efficiently or employees to work together better, should it not become the formal organization?
14. In one large company, the treasurer was also the personnel manager. How would you account for this? Does this represent good organizational practice?
15. The president of a manufacturing concern employing about a hundred persons made the following statement: "We feel that a formal organization structure would impede our efficiency. In this company every executive and supervisor pitches in and gets the job done." Do you agree with this approach? Discuss.
16. The president of the company in Question 15, when advised by his doctor that he should "slow down a little," complained that he could not do this because there was no one else in his business qualified to shoulder most of the responsibilities which he was carrying. What is your reaction to this statement?

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PART TWO

PROCUREMENT AND DEVELOPMENT

— 4 — Job Requirements

— 5 — Manpower Requirements and Resources

— 6 — Selection Techniques and Procedures

— 7 — Testing Programs

— 8 — Orientation and Training

— 9 — Executive Development

— 10 — Job Changes

Chapter 4

Job Requirements

Each function of an organization, if it is to be performed properly, must be assigned to one or more jobs within the structure. Management, furthermore, must have a clear knowledge of what functions are to be performed by each job in order to determine the qualifications that employees need to perform these jobs and in order to have an objective basis for directing and controlling employee performance.

The process of gathering, analyzing, and recording information concerning the duties, responsibilities, and qualifications that are required of the individuals performing each job is known as *job analysis.* Information gained through this process provides the data that are recorded in the descriptions and specifications for these jobs. The job description, as explained in Chapter 3, records the principal duties, responsibilities, and activities of the personnel assigned to the job, while the *job specification* or more popularly the "job spec," describes the personal qualifications which they must possess in order to perform these job duties.

In discussing the descriptions and specifications relating to job requirements, the following topics will be covered by this chapter:

- Nature and uses of job information
- The job analysis program
- Content and organization of the job description
- Content and organization of the job specification
- Acceptance and maintenance of the job analysis program

NATURE AND USES OF JOB INFORMATION

A distinction should be made between a job and a position because these two terms are often used incorrectly to mean the same thing.

A job, as explained in Chapter 3, is an organizational unit within which certain activities are grouped in order to be performed by the person or persons assigned to it. These activities tend to be separate and distinct from those of the other jobs within an organization. A *position* is personal in nature because it represents the duties performed by the individual who is assigned to it. There must be as many positions within an organization as there are individuals. A job may be composed of one or more positions, depending upon the number of persons who are required to perform it.

Dictionary of Occupational Titles

An important guide in the preparation of job descriptions is the *Dictionary of Occupational Titles*, which is commonly referred to as the DOT. Compiled by the United States Employment Service, it contains descriptions for over 22,000 separate jobs. The DOT also contains another 18,000 alternate titles for the jobs that it describes. The job descriptions in the dictionary have helped to bring about a greater degree of uniformity in the job titles and descriptions that are used by companies in different sections of the nation. This fact has facilitated the exchange of statistical information about jobs as well as the movement of workers from sections of the country that may be experiencing widespread unemployment to those sections where employment opportunities are greater.

The following job descriptions are typical of those in the *Dictionary of Occupational Titles*:

Manager, Personnel (any ind.) I. 0–39.83. director, personnel; manager, employee relations; manager, industrial relations; personnel supervisor.

Formulates policies relating to the selection, training, promotion, welfare, compensation, recreation, and discharge of employees, and other employer-employee relationships, supervising subordinates engaged in executing the policies or performing these duties himself: Directs the hiring of employees (MANAGER, EMPLOYMENT), the training of the employees (DIRECTOR, EDUCATIONAL), and welfare and recreational activities (DIRECTOR, WELFARE). The scope of personnel work and the duties and responsibilities vary widely in different establishments, depending upon the policies of the management.[1]

Employment Clerk (clerical) 1–18.31. interviewer; interviewer preliminary; reception interviewer.

Interviews applicants for employment, assisting them in filling out application blanks: Answers questions and supplies information regarding company

[1]United States Employment Service, *Dictionary of Occupational Titles*, Vol. 1, Definitions of Titles (2nd ed.; Washington, D. C.: United States Government Printing Office, 1949), p. 818.

employment policies or requirements. Files applications. Makes up reports for employers, supplying information on present employees or new applicants as requested. Arranges interview for applicant with employing official. Writes letters to references indicated on applications. May call applicant on telephone, requesting him to report for work or rejecting his application.[2]

Personnel Clerk (clerical) 1–18.32. personnel-records clerk.

Keeps employment records of company personnel: enters on each worker's employment record such data as change of address or telephone number, weekly earnings, amounts of bonuses, days absent on vacation or because of sickness, efficiency, amount of sales or production, supervisor's report on ability, and date and cause of termination of employment. Compiles and types composite reports from all the employment records covering any of the above items. Sends out information to other companies requesting references of former employees. May operate a calculating machine, (CALCULATING MACHINE OPERATOR). May keep records of group life insurance,[3] (INSURANCE CLERK II).

Uses of Job Information

The information contained in the descriptions and specifications for each job can contribute materially to the successful operation of a personnel program. In order to provide for the recruitment, selection, and placement of capable employees, the personnel department must have an accurate record of the qualifications needed by these employees. Factual information pertaining to each job also is important in making decisions concerning employee transfers and promotions and in determining the training needs of employees. This information can provide a basis for evaluating the relative level of importance of the various jobs and for determining wage rates. Managers and supervisors have more objective criteria for evaluating the performance and dealing with the grievance and disciplinary problems of their employees if there is a written record of the duties and other performance requirements of the latter's jobs. When employees fully understand their duties and what is expected of them, they are likely to gain a sense of security and satisfaction since they can determine more readily whether or not they are doing a good job. While most supervisors and employees often are able to acquire fairly complete information through informal means concerning those jobs that they may either supervise or perform, such information is likely to have certain deficiencies. These deficiencies usually can be avoided when the information is compiled formally into job descriptions.

The job analysis process can also call management's attention to changes that are needed in the organization or scope of certain jobs, in the

[2] *Ibid.*, p. 466.
[3] *Ibid.*, p. 959.

nature of authority or responsibility that has been assigned to these jobs, or in the relationship of these jobs to other jobs. The job analysis process may also reveal safety hazards and other unsatisfactory conditions that can be eliminated. Furthermore, as a result of the attention given to the study of their jobs, employees are likely to become more interested in their jobs and seek to improve some of the activities within these jobs.

THE JOB ANALYSIS PROGRAM

Job analysis, it has been noted, is the process of gathering, analyzing, and recording pertinent information about jobs. This information includes facts pertaining to the duties of a job, the demands which it places upon employees, and its relationship to other jobs. Although job analysis does not eliminate the influence of personal opinions or judgment on the part of those persons gathering or supplying the information, it does force such opinions to be more objective because they must be reduced to written form and substantiated as far as possible by factual evidence. Each job, furthermore, is broken down and analyzed on the basis of the component parts or elements that comprise the job. This breakdown into parts helps to prevent certain elements of a job from receiving too much consideration or from being overlooked.

The collection and compilation of job information can be facilitated through the use of a formal job analysis program. Some of the topics relating to such a program to be discussed here are the following:

1 — Responsibility for the job analysis activities
2 — Job analysis procedures
3 — Improving the accuracy of job data
4 — Administering the job analysis program

1 — Responsibility for the Job Analysis Activities

Although the personnel department is primarily responsible for the job analysis program, maximum cooperation by the other departments is essential to the program's success. The supervisors and employees within each department must supply most of the job data and may even prepare the rough draft of the job descriptions and specifications.

If a personnel department is large enough to have a wage and salary division, the job analysis work is usually performed by members of this division. Those persons who specialize in compiling job data and in preparing and maintaining the job descriptions and specifications generally are called *job analysts* or, in some cases, *personnel analysts*. Since this

job requires a rather high degree of analytical ability and writing skill, it sometimes can serve as an entering job for graduates seeking a career in the personnel field. The *Dictionary of Occupational Titles* describes a job analyst's job as follows:

Job Analyst (profess. & kin.) 0–39.85. occupational analyst.

Collects, analyzes, and develops occupational data relative to jobs, job qualifications, and worker characteristics to serve as a basis for vocational counseling, wage evaluation, utilization of workers, and other personnel practices: Studies jobs being performed in industrial, commercial, or other organizations and writes descriptions of elements of jobs and physical and mental requirements needed by worker. Defines, classifies, and correlates occupational data. Develops counseling aids for inexperienced workers or workers desiring to change jobs, and prepares interviewing aids to facilitate placement of workers. Utilizes data to evolve wage evaluation system and to recommend changes in pay-scale classifications of jobs. Charts organization set-up, writes monographs describing industrial patterns or trends, develops testing devices for measuring occupational knowledge and skills of workers, and performs related occupational research.[4]

The task of analyzing jobs and of preparing descriptions and specifications may be accomplished through the use of company personnel or outside consultants. When consultants are used, one of their functions usually includes that of training someone within the company to continue the job analysis program after the initial program has been established. In most instances a member of the personnel department is trained and assigned the primary responsibility for maintaining the program.

2 — Job Analysis Procedures

Job information is obtained by interviewing employees in each of the jobs and /or their supervisors, or by having either of these groups complete questionnaires covering the jobs. In many instances, both interviews and questionnaires are used. Questionnaires have the advantage of gathering information covering a large number of jobs very rapidly. In order for the questionnaire method to be used successfully, those who complete the questionnaires must have the ability to read and interpret the questions correctly and to supply the information requested in written and understandable form. The questionnaire method, therefore, is generally more successful with white-collar workers than with blue-collar groups because the former tend to possess better language skills. Even when employees are able to complete job analysis questionnaires or to prepare their own descriptions, however, the analysts often must edit, correct, and supplement the information to such an extent that they might just as well compile

[4] *Ibid.*, p. 718.

the data first hand. For this reason, the interview method must always be used — at least to some extent — in gathering information for job descriptions and specifications.

If employees are requested to fill out questionnaires, the items must be clear and must solicit pertinent information without imposing an undue burden upon the employees. Figure 4-1, which lists the questions contained in a job analysis questionnaire used by Pitney-Bowes, Inc., illustrates the types of information that employees may be expected to supply through this method. Most of the questions on this form encourage brief answers. (In the actual questionnaire form, more space is provided under some of the questions for the responses to be recorded.)

3 — Improving the Accuracy of Job Data

If job analysis is to accomplish its intended objectives, the data obtained must be accurate. Those persons who are responsible for gathering or editing the data, therefore, must continually guard against the omission of important facts, the inclusion of inaccurate statements, or the tendency of some personnel to exaggerate the difficulty or importance of their jobs in order to inflate their egos or their pay checks. When interviewing personnel or checking questionnaire responses, analysts must be alert for any statements which do not agree with other facts or impressions that the analyst has been receiving. If there is any doubt regarding the accuracy of information being gathered, an analyst should seek additional information from the employee or check the statements that he has given against those obtained from other persons performing the same job. It is the usual practice to have the descriptions for each job checked and approved by one or more of the employee's superiors. The description summaries contained in the *Dictionary of Occupational Titles* can also serve as a basis against which job descriptions may be compared.

4 — Administering the Job Analysis Program

The job analysis program must be well planned and organized, and an effort must be made to minimize possible resistance among employees toward the program. This planning and preparatory work should serve to clarify the purposes for gathering job data as well as the procedures to be followed in collecting it. Before engaging in job analysis work, the classes of jobs to be included in the program, the order in which they are to be analyzed, the type of information that is to be obtained, and the method by which the information is to be gathered must first be determined. Analysts must be selected and trained, and the necessary forms,

Figure 4-1

Job Analysis Questionnaire

Name_____ Date _____

Department _____ Department Head _____

Job_____ Length of time on this job _____

A. THE JOB

(1) Describe exactly what the duties of your job are. Use extra sheets if necessary. Show average length of time (hours per week) required for each part of your job.

(2) List various reports which you make out or assist in making out, designating whether daily, weekly, monthly, quarterly, or annually.

B. EDUCATION

(1) Check below the basic general education which the job requires, *regardless of how it may have been acquired.*

High School	Business College	College
_____2 years	_____1 year	_____2 years
_____4 years	_____2 years	_____4 years

(2) What additional education would be helpful, if any:

_____

(3) If college is required, state why _____

_____

C. EXPERIENCE

(1) Check below the length of time you think it will take a *new* employee with the educational background you have checked above to learn to do this job well.

a. Less than 1 month_____ e. 1 to 2 years_____
b. 1 to 3 months_____ f. 2 to 4 years_____
c. 3 to 16 months_____ g. 4 to 6 years_____
d. 6 to 12 months_____ h. 6 to 8 years_____

D. SUPERVISION RECEIVED

(1) Are all questionable cases referred to supervisor?_____

(2) Do you have to use own judgment in meeting new situations? _____ If so, give an example _____

_____

(3) Is your work checked?_____ If so, by whom?_____

(Figure 4-1 concluded on next page)

(Figure 4-1 continued from page 63)

E. ERRORS

(1) What are the more probable types of errors you could commit, and their effect:

Types of Errors	Effect

F. CONTACTS WITH OTHERS

(1) Do your duties bring you into contact with persons outside your own department?_____. If so,

With Whom	For What Purpose	How Made (Person, phone, or letter)

G. WORKING CONDITIONS

(1) List below any disagreeable or hazardous conditions to which you are subjected in the course of your work, and how often subjected thereto.

Condition	How Often

H. SUPERVISION OF OTHERS

(1) Do you supervise others?_____. If so, state below the number and extent.

Number	Positions and Extent

I. OFFICE EQUIPMENT

(1) Do you operate office machines?_____

(2) List of equipment. Approximate number of hours per week actually operated.

ADDITIONAL COMMENTS Use extra sheet if necessary.

Source: Pitney-Bowes, Inc. Reproduced with permission.

instructions, and explanatory materials must be prepared. Perhaps the most important part of the preparatory work, however, is that of explaining fully the scope, purposes, and benefits of the program to all personnel. Preparing employees for the program can do much to prevent the spread of false information about the nature and purpose of job analysis and pave the way for the analyst's arrival in each department and work area.

In order to limit the cost of conducting a job analysis program, any duplication of job studies must be avoided. This can best be accomplished by checking each job to insure that it is not listed under more than one title. For example, a particular job might have the title of "bookkeeper" in one department and that of "accountant" in another. In such a case, one of the two titles could be eliminated and with it the work of a duplicating analysis and description of the job. When several persons are employed in a particular job, furthermore, the number who are interviewed or who are requested to complete the questionnaire may be limited to one or two persons, since all of the positions within a job should be virtually the same.

CONTENT AND ORGANIZATION OF THE JOB DESCRIPTION

Job descriptions vary in content and organization from company to company in accordance with the particular job analysis policies and practices of these companies. The job description for a personnel clerk shown in Figure 4-2 on page 66 provides an illustration of a good description from the standpoint of organization, content, and writing style.

While the practice among companies is by no means uniform, the data in job descriptions may be grouped into the following sections:

1 — Job identification
2 — Job summary
3 — Job duties
4 — Miscellaneous description items

1 — Job Identification Section

The most important item in this section is the job title since it provides the basic means for differentiating this particular job from the others within a company. The title, therefore, should indicate the nature of the duties performed and the level of skill required. The job title "chief stock clerk," for example, distinguishes this job from that of a "senior stock clerk" or a "junior stock clerk." The term "supervisor," "operator," or "trainee," as a part of a job title, can also serve to indicate the level of skill involved.

In addition to the job title, the identification section may also include such pertinent facts as the company code number and the *Dictionary of*

Figure 4-2

Sample Job Description

JOB TITLE *Personnel Clerk*	DEPARTMENT *Personnel*
NUMBER OF EMPLOYEES IN DEPARTMENT *15*	NUMBER OF EMPLOYEES ON JOB *3*
	DATE *February 10, 19--*

STATEMENT OF THE JOB

Under the supervision of the EMPLOYMENT MANAGER; interviews new workers in carrying out clerical routine of induction; performs miscellaneous clerical and stenographic work related to employment.

DUTIES OF THE JOB

1. Interviews new workers after they have been given induction information such as hours, working conditions, services, etc. to verify personnel information and prepare records; checks information on application, statement of availability, draft, citizenship, and the like; obtains necessary information for income tax withholding, and determines classification; prepares forms for hospitalization, group insurance, and bond deductions; assigns clock number, makes up time card and badge card.

2. Calls previous employer to get reference information while applicant is being interviewed; may check references by mail after employee is hired, and occasionally records information from Dun & Bradstreet or Retail Credit Men's Co. on personnel card.

3. Telephones employee's department or home after extended absence to determine when employee is expected to return, if at all; follows same procedure at end of leave of absence.

4. Handles stenographic work of EMPLOYMENT MANAGER.

5. Does miscellaneous clerical work; assigns clock numbers, and makes up time cards for employees transferred between departments; keeps record of equipment loaned to employees, such as micrometers, goggles, etc.; maintains current address file of employees in service; performs other clerical duties as assigned.

6. May substitute for RECEPTIONIST for short periods; give induction information to new employees in absence of PERSONNEL INDUCTION CLERK, escort new workers to departments; administer tests.

Occupational Titles code numbers for the job. The location of the job in terms of department or physical area, the number of persons performing the job, the person preparing the description, the date of the preparation, and any other pertinent facts may also be included in this section.

2 — Job Summary Section

Since the job title alone cannot serve to identify a particular job completely, a job summary is desirable. The job summary is a statement of the job that clearly separates the job from all other jobs without going into the details about the duties involved. The job summary for the personnel clerk in Figure 4-2 appears under the heading "Statement of the Job."

3 — Job Duties Section

This section normally includes the principal duties and responsibilities of the job. These activities are usually presented in a series of numbered paragraphs or statements which are arranged in order of the importance and proportion of time spent in performing them. In general, the description of the job duties should indicate clearly (a) what the worker does, (b) how he does it, (c) why he does it. It should also indicate the source and disposition of any physical items that he may process, the types of the tools, equipment, materials, procedures, and documents that he may use, and the nature and source of any supervision that he may receive.

4 — Miscellaneous Description Items Section

Some company job descriptions also describe the relationship of these jobs to others within the organization structure. These descriptions may cover the degree and source of supervision that the job holder receives, as well as the other jobs from which or to which he may be transferred, promoted, or demoted. Information pertaining to the relationships between jobs can be particularly useful in connection with training employees and changing their job assignments.

CONTENT AND ORGANIZATION OF THE JOB SPECIFICATION

The record of the personal qualifications comprising the job specification may be included as a section of the job description or as a separate record. The items contained most frequently in a job specification are shown in the sample job specification for a personnel clerk in Figure 4-3 on page 68. These items generally are written in narrative form, but they

Figure 4-3

Sample Job Specification

JOB TITLE: Personnel Clerk — CODE NO.: P10

DEPARTMENT: Personnel — TOTAL POINTS: 165 — CLASSIFICATION: 4

	POINTS
EDUCATION	
High school graduate with typing and stenographic training.	20
EXPERIENCE AND TRAINING	
Two to three weeks required to learn details of job. Three months required to perform job with minimum of supervision. Experience on job required to learn location of all departments, become acquainted with all FOREMEN, become skilled in the duties of other workers in the department for whom she substitutes occasionally.	30
RESOURCEFULNESS	
Planning on a limited scale necessary in regulating and scheduling work in peak periods and in adapting routine to changed or new procedures. Some ingenuity involved in getting information from new workers, handling them effectively to give them a good first impression of the company, and explaining advantages of services provided for employees.	18
ABILITY TO DO ROUTINE WORK	
There is considerable variety in this job. It is necessary that clerical work be accurate in order to avoid later mistakes in accounting for hours worked, in payroll information, and in payroll deductions.	6
MANUAL OR MOTOR (MACHINE) OPERATIONS	
Must operate a typewriter to some extent, but typing speed is not an important element in the job; typing must be accurate, however,	12
CAPACITY FOR GETTING ALONG WITH OTHERS	
Works in close sequence with three other employees in the department. Must avoid friction. Contacts with new employees, as well as with FOREMEN, very important.	15
CAPACITY FOR SELF-EXPRESSION	
One of the most important aspects of the job; involved in explaining to and getting facts from new employees, former employees, FOREMEN, etc.	20
SUPERVISION	
Supervision is almost always available; consults with superiors on any unusual situations. No supervision of others.	10

(Figure 4-3 concluded on next page)

(Figure 4-3 continued from page 68)

RESPONSIBILITY FOR GOOD WILL AND PUBLIC RELATIONS	
This job represents a key contact with new employees, affecting their initial impression of the company. The prime responsibility of this worker, however, is to present and explain clearly, thoroughly, and pleasantly the facts which the new employee is to learn at this point in the induction procedure. No highly developed techniques of salesmanship are required. Telephone contacts with employment departments of other companies are important.	16
WORKING CONDITIONS	
Works in a large office with considerable traffic, frequent interruptions, and factory noise overhead.	18
Total	165

may be described by marking the appropriate ones on a check list. For purposes of organization, the items in a specification fall into two major groups consisting of the skill requirements and the physical demands necessary to perform the job.

Skill Requirements

The skill requirements include the mental and manual skills as well as personal traits and qualities that the job holder should possess to perform the job effectively. Although many job specifications may not contain all of the following skill requirements, they should contain most of them.

(a) Educational requirements. These requirements cover the minimum amount of formal education, including special courses or technical training, considered necessary to perform the job.

(b) Experience. The minimum amount and type of experience that an employee is required to have in order to hold a job are usually specified. Experience requirements, like those for education, generally can be expressed in objective and quantitative terms such as years or months.

(c) Specific knowledge requirements. Many jobs require the employee to possess specific knowledge that cannot always be covered by the education and experience specifications. This might include a knowledge of certain materials, processes, equipment, systems, products, or other subject matter.

(d) Personal traits or abilities. These specifications are among the hardest to describe clearly because they tend to be subjective and intangible in nature. Among the items that are often included in this group are those pertaining to judgment, initiative, cooperativeness, and creative ability.

(e) Responsibility. Although an employee's personal qualities affect his ability to assume responsibilities, most specifications cover responsibility as a separate item. It is rather common practice, therefore, to summarize the various types of responsibility, including responsibility for the work of others, for equipment, processes, company funds, product quality, safety, and cost reduction, that the employee is required to assume.

(f) Manual skill requirements. Some manual skills can be included fairly well under the items covering experience and training. In other instances, however, manual skills may have to be defined in terms of the quantity, quality, or nature of the work to be performed, or in terms of the minimum scores that must be achieved on certain performance tests. Manual skills may involve certain clerical skills such as typing and operating a calculator, or certain shop skills such as those required in making a pattern or a jig, or in setting up and operating a particular machine.

Physical Demands

The physical demands of a job include such items as: (a) physical exertion, (b) working conditions, and (c) hazards that are encountered in performing the duties of the job. These demands tend to be more important in the case of shop jobs than in the case of office jobs.

(a) Physical exertion. In a check list prepared by the United States Employment Service, the following activities, which are typical of those that may be included in a specification,[5] are listed in connection with physical exertion requirements. This particular check list provides four columns in which a check may be used to indicate whether the activity is required to a high degree, above average degree, medium or low degree, or is not required at all.

Walking	Turning	Carrying	Talking
Jumping	Stooping	Throwing	Hearing
Running	Crouching	Pushing	Seeing
Balancing	Kneeling	Pulling	Color Vision
Climbing	Sitting	Handling	Working Speed
Crawling	Reaching	Fingering	Depth Perception
Standing	Lifting	Feeling	

[5] U. S. Employment Service, Occupational Analysis and Industrial Services Division, *Training and Reference Manual for Job Analysis* (Washington, D. C.: United States Government Printing Office, June 1, 1944), p. 85.

Physical demands include not only the amount of physical effort required to perform a job, but also the length of time over which it must be expended. For example, standing or walking can be restful to a person whose job involves continued sitting, but such activity can become rather tiring if performed continually for eight hours. A notation as to the time spent performing a given activity along with a summary of the weights, or pressures, or other quantitative measures of the exertion that may be required, therefore, can help to indicate the nature of the physical demands that are necessary.

(b) Working conditions. This portion of the physical demands section pertains to the general physical environment or surroundings under which the job must be performed. Among the items relating to working conditions contained on the United States Employment Service check list are the following:[6]

Inside	Dusty	Cramped Quarters
Outside	Dirty	High Places
Hot	Odors	Exposure to Burns
Cold	Noisy	Electrical Hazards
Sudden	Adequate Lighting	Explosives
Temperature	Adequate Ventilation	Radiant Energy
Changes	Vibration	Toxic Conditions
Humid	Mechanical Hazards	Working with Others
Dry	Moving Objects	Working Alone
Wet		Working Around Others

Working conditions represent one of the areas that often can be improved as the result of job analysis. The listing of unfavorable working conditions can help to call attention to those conditions that might otherwise continue to go unnoticed.

(c) Job hazards. The listing of any hazards that may cause accidents also can help to call them to the attention of those persons who have the authority to eliminate them. Aside from reducing the expense and suffering of unnecessary accidents, the elimination of hazards can reduce the necessity of paying extra wages to employees for enduring these hazards. Certain jobs because of their nature may remain hazardous, however, in spite of all safety measures that can be taken. The specifying of hazards can help to insure that those persons who are placed in the hazardous jobs will have the mental and physical qualifications necessary to perform the work safely.

[6] *Ibid.*, p. 85.

Style of Writing Job Descriptions and Specifications

Job descriptions and specifications should be written in a manner that permits all of the necessary information to be compiled accurately, clearly, and briefly. According to one authority:

(1) The statements should be terse and direct, using the simplest possible wording.
(2) All words and phrases which do not contribute to the description should be omitted.
(3) Each sentence should start with a functional verb, present tense, with the implied subject being the worker holding the job.
(4) Emphasis should be given to the skills involved and to the particular tools and equipment used.
(5) Full capital letters should be used to spell out any job titles appearing in the description. The names of all departments, special equipment, and similar items should have the first letter in the word capitalized.
(6) The term "occasionally" should be used to describe those duties performed "once in a while," and the term "may" should be used to describe those duties which are performed only by some of the workers.[7]

ACCEPTANCE AND MAINTENANCE OF THE JOB ANALYSIS PROGRAM

Some resistance is likely to be encountered from employees or from the labor unions whenever any new program is installed within an organization. The job analysis program is no exception. The following discussion will deal with some of the causes for resistance to such a program together with some of the methods for overcoming it.

Bases for Resistance

Some persons will oppose anything new that may force them to change their habit patterns or which may be a threat to their sense of security. These persons are likely to resist job analysis because of a fear that it will result in job duties and relationships which are less satisfactory to them, or in their jobs being down graded or even eliminated. If employees and/or supervisors are required to complete questionnaires or to prepare a statement of their job duties, they may resent the extra work that this entails. Supervisors may fear that job analysis will create many new grievances from subordinates over the description and classification of jobs.

[7]J. L. Otis and R. H. Leukart, *Job Evaluation* (2nd ed.; Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1954), pp. 275–276.

Resistance may also be encountered from higher management and from the union. Department heads are likely to have some of the same reservations to job analysis as the supervisors under them because of the feeling that it will increase the work load of their departments and consume time that should be devoted to the operating activities. (Executives may fear that additional problems and grievances will arise in connection with the job analysis program) Objections by union officials, on the other hand, may be prompted by a fear that the program will jeopardize the security of their members or that it may generate discontent among them.

Gaining Acceptance to Job Analysis

The most effective method for gaining acceptance for the job analysis program is to prevent the resistance to the program from arising in the first place. The avoidance of such resistance, however, requires that adequate preparation and planning precede the gathering of job information in order that all personnel will be fully aware of the purposes and benefits of the job analysis program.

(The first step in planning a job analysis program should be that of establishing and reducing to written form the objectives of the program and the policies and procedures to govern its operations. It is thus essential that those persons in charge of the program have a clear understanding of what the program proposes to accomplish and how this is to be accomplished in order to be able to explain it to other members of the organization and to gain their support. The next task is one of familiarizing personnel with the purposes and benefits of job analysis by means of an educational program. Efforts along these lines may be facilitated through the use of printed materials, conferences, group meetings, and training classes. In order to be successful, efforts of these types should be directed first to the supervisors whose cooperation in explaining the program to their operative personnel and in overcoming resistance is essential.

Emphasizing program benefits to employees. Attempts to gain the cooperation and support of employees must appeal to their self-interest and make them aware of what the program can do for them. Some of these benefits are as follows:

(1) Job analysis can help an employee to understand better the duties and responsibilities of his job, and what is expected of him. Nothing can be more frustrating or demoralizing to an employee than not knowing the exact nature of his duties or his relationships with others.

(2) Job analysis can provide important data that can be used to equalize the distribution of the work load among the employees. The data also can provide an objective basis for determining the rate of pay for each job and for evaluating employee performance. Every employee wants to receive fair and objective treatment, and this requires the existence of accurate job information gained through job analysis.

(3) The presence of accurate information concerning job requirements also can help to provide each employee with a basis for self-improvement, both with respect to his present and future jobs.

(4) Finally, job analysis data can provide an employee with a more objective basis for defining and resolving certain of the grievances that may arise in connection with his job duties.

Introducing the program properly. One of the most important factors contributing to the success of the program is the proper timing of its introduction. A program should not be introduced during a period of layoffs, economic uncertainty, or labor unrest since the employees are likely to view the program as an additional threat to their security. The introduction of the job analysis program also should take place in a department where the employees and supervisors are most likely to be cooperative and receptive toward it. Once the benefits of the program have been proved to exist in one department, news of this fact usually will spread to other departments and help to pave the way or even to create a demand for job analysis in these departments.

Relations of the analysts with employees. The manner in which the job analyst contacts and obtains information from employees and supervisors can have an important influence in determining the cooperation that he will gain from them. It is desirable, therefore, that the job analyst make every effort to secure the confidence of those whom he interviews and to emphasize the benefits that these persons may derive from the job analysis program.

If supervisors and employees are to accept the job descriptions, they must be given the opportunity to review and to express opinions concerning the information that is to be contained on these recorded descriptions. Before the description is prepared in final form, therefore, it should be submitted to the employees in these jobs and to their supervisors for comments and suggestions. Suggestions from these persons can be most helpful in revealing omissions or mistakes, in indicating the need for additional information, or for expressing this information more clearly. Most description forms provide space for the signatures of those approving the descriptions to indicate that they were consulted about the description.

Maintaining the Job Descriptions

Jobs, like the organizational structure, are dynamic in nature. Change in the size and nature of its organization or the introduction of new equipment, manufacturing processes, or products within a company, to mention but a few factors, can have a definite influence upon the duties and requirements of its jobs. Thus, job descriptions must be revised as necessary.

Many of the changes that occur within the jobs are called to the attention of the personnel department through the requests of employees and supervisors to have the jobs reanalyzed and new descriptions prepared. In many instances, however, the descriptions are revised when significant changes are made in the duties or requirements of the job. In order to be certain that any changes in the jobs do not remain unrecognized, some companies make it a policy to review all job descriptions annually. This procedure together with those which permit employees and supervisors to request that new analyses be made can help to insure that all job descriptions remain current and accurate.

RESUME

Formal information pertaining to the duties and personal qualifications for each company job can render an important contribution to the more effective training of employees for that job. Such knowledge also contributes to the maintenance of more efficient control over their performance and facilitates the handling of grievances and disciplinary problems concerning their performance. Because of the important functions that it renders, the data concerning each job should be analyzed systematically and recorded as written descriptions and specifications. While the collection of and the recording of job data are a considerable expense to a company, this cost can be more than offset through the proper use of this information to procure, develop, and manage personnel more effectively.

The functions of personnel recruitment and selection probably represent the areas in which job descriptions and specifications render their greatest contributions. These functions will be the subject of discussion in the next two chapters.

REVIEW AND DISCUSSION QUESTIONS

1. Distinguish between a job and a position.
2. What are the principal sources of job information and the methods of gathering it?

3. How may job analysis contribute to the following:
   A. Merit rating?
   B. Job evaluation?
   C. Grievance handling?
   D. Accident prevention?
4. What is the principal difference between a job description and a job specification?
5. What is the purpose of a job summary section in a job description?
6. What specific facts should be clarified in a description of the duties of a job?
7. What are some of the typical items contained in a job specification?
8. What are some of the general rules that should govern the style in which the descriptions are written?
9. Why are personnel more likely to support a job analysis program if they are permitted to participate in its development?
10. Assume that you have been hired to prepare job descriptions in a company where many of the "old time" supervisors show very little inclination to cooperate with you. How would you enlist their support? What might be the causes for their apparent unwillingness to cooperate?
11. Why would job descriptions and specifications tend to be more necessary in a line-and-staff type of organization with a central personnel department than they would be in a line type of organization?
12. One supervisor was overheard to make the following statement: "I think that this job analysis stuff is a waste of time. I already know what the people in my department are supposed to do." If you were the personnel manager, what would be your reply to this statement?
13. If you suspected that a worker was exaggerating the importance and difficulty of the duties of his job, how would you obtain the correct information in as diplomatic a manner as possible?

SUGGESTED READINGS

Books

Lanham, E. *Job Evaluation.* New York: McGraw-Hill Book Company, 1955. Chapters 8–9.

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Chapter 5

Manpower Requirements and Resources

A company's effectiveness depends to a large extent upon the ability of its personnel department to staff all positions with qualified personnel. In order to achieve this objective, however, company manpower needs must be anticipated sufficiently in advance to permit such personnel to be recruited, selected, and trained for these positions. The development of a qualified work force also requires that positive action be taken to seek out such personnel. This action includes developing sources of supply that will produce qualified employees in sufficient number to satisfy a company's manpower needs. The determination of manpower needs and the recruitment of personnel will be discussed in the following sections:

- Determining manpower needs
- Developing sources of manpower
- Typical sources of manpower
- General manpower policies and practices

DETERMINING MANPOWER NEEDS

A company's manpower needs are determined by its production schedules which, in turn, are based upon the sales orders that it has received or that it anticipates receiving within a certain period of time. The accurate determination of manpower requirements and the minimizing of fluctuations in these requirements, therefore, are contingent upon the ability of a company to forecast its sales correctly. When sales can be anticipated correctly, it is easier to determine production schedules, stabilize employment, and reduce the turnover of employees.

To operate effectively, therefore, the personnel program must be coordinated closely with the programs covering sales and production.

This section will discuss the following steps which are related to determining and controlling manpower needs:

1. Sales forecasting
2. Production scheduling
3. Determining positions needed
4. Authorizing positions

1 — Sales Forecasting

Every business enterprise engages in some type of sales forecasting even though it may do so on an informal basis. In many of the larger companies, sales forecasting and planning increasingly are being performed in a formal and scientific manner. Company sales forecasts must attempt to determine and measure the influence of the various factors that may have bearing upon the demand for its products. The company can influence some of these factors through the design of its product, its pricing policies, and its sales promotion efforts. A company has relatively little influence over other factors, such as the general level of business and economic activity, consumer buying trends, and government regulations. The success with which a company can estimate and satisfy the demand for its products is thus dependent upon how well it can determine and, if possible, influence the demand for its products.

2 — Production Scheduling

Many companies develop long-range production schedules for a year ahead, or for an even longer period, based on the estimated sales of its products. More specific and detailed schedules are then prepared to cover the more immediate monthly, weekly, and daily production periods.

In developing their production schedules, most companies not only attempt to meet the delivery dates required by their customers but also to stablize production and employment within the organization. Such stabilization efforts, however, concern temporary fluctuations primarily rather than production increases or decreases of a more permanent nature. Efforts to stabilize production are usually supplemented by efforts to stabilize sales by changing customer buying habits through special sales promotional campaigns and price concessions during the slack periods. The stabilization of both production and employment is frequently accomplished by accumulating inventories during slack periods and drawing from them during the peak periods, by giving work to subcontractors during busy periods, and by developing new products that can be

dovetailed into production runs during periods of reduced sales. The use of overtime during busy periods, the reduction of the work week, and the use of part-time employees represent some of the ways by which employment may be stabilized to an even greater degree than the rate of production.

All of these various efforts to provide employees with more stable employment are desirable not only from the standpoint of increasing the economic security and the efficiency of these employees but also from the standpoint of making it easier to estimate and to recruit the personnel required to perform the various jobs. While production scheduling is primarily a function of the production department, it has a decided effect upon personnel management activities. For this reason, the personnel, production, and sales departments must work together closely in attempting to maintain an adequate and efficient work force through more effective sales and production planning.

3 — Determining Positions Needed

The manpower required to meet production schedules must be translated ultimately into the specific jobs and positions that are to be staffed. Company production schedules must be broken down into schedules for each department and division, and for other units within the organization. The production schedules for each of these units provide the basis for determining the types and number of jobs and positions, and in turn the personnel that are needed. The schedules also contain information which the personnel department can use in planning for any permanent additions or reductions in the size of the work force. Such planning can help the department to recruit and select more qualified personnel and to minimize employee layoffs by accomplishing any needed reductions in the number of personnel employed through the process of attrition.

4 — Authorizing Positions

In order to prevent some departments from having more or less personnel than they actually need, some form of control should be maintained over the number and types of positions that are permitted within each department. One form of control can be provided through the payroll budget, which allocates the funds to be expended for wages by each department. This budget may also allocate the wages that can be paid for specific positions.

In addition to the payroll budgets, controls may be provided through the use of allocation or manning tables, which establish the number and types of positions that can be staffed in each department and provide each department with the authorization for filling a position whenever a vacancy occurs. Since the control over the number of positions within a company and the wages provided for them involves the accounting as well as the personnel department, the activities of these two departments must be coordinated closely in handling this phase of the personnel program.

In determining the number of personnel required by each department, allowances must be made for temporary losses of manpower due to vacations, sick leave, absenteeism, and turnover. While absenteeism and turnover are partially controllable, every effort should be made first to reduce these two factors rather than to hire extra personnel to offset their effects. The maintenance of accurate records can be of help in determining the manpower allowance for absenteeism and turnover and to provide a basis for their control. Such records, which also provide a measure of the personnel program's effectiveness, will be discussed at greater length in connection with personnel audits and appraisal (Chapter 28).

DEVELOPING SOURCES OF MANPOWER

It is usually preferable to have several candidates for each position vacancy in order to permit some degree of choice in selecting the one who is best qualified. A company may have a sufficient number of candidates among its employees who can be promoted into a vacancy. Whenever a vacancy occurs, however, a replacement must be brought into the organization from the outside — at least at the bottom level — unless some position within the organization is either to be eliminated or left unfilled. In order to attract capable applicants from the outside, a company must locate and encourage them to apply for employment and not rely solely upon those who happen to apply for work on their own initiative and who may not necessarily be very well qualified. This section will discuss the following topics related to developing sources of manpower:

1. Cultivating adequate sources of manpower
2. Public relations aspects of recruitment
3. Overcoming manpower scarcities

1 — Cultivating Adequate Sources of Manpower

During the periods of prosperity when applicants for many types of positions are in short supply, most companies recognize the need to utilize every possible source of applicants and to engage in vigorous personnel recruitment activities. During less prosperous periods, however, when applicants tend to be plentiful, companies are more likely to neglect such recruitment efforts. In doing so, these companies overlook the fact that it is still important to seek out those applicants who are the best qualified for each position in order for the company to be successful under competitive conditions. Even when applicants are relatively plentiful, the proportion of them who are outstanding is usually relatively small. If applicants of the latter type are to be obtained, a company must exercise initiative in recruiting them. Furthermore, even if enough qualified applicants can be obtained from a particular source, there is always the possibility that the source may cease to be so productive. Therefore, it is highly desirable to cultivate and maintain several sources of applicants even though some of these sources may not be utilized fully during certain periods.

2 — Public Relations Aspects of Recruitment

A company's success in the recruitment of good personnel is influenced by the quality of its public relations, as well as by its personnel program, since a good reputation helps to attract good applicants to the company. Public relations actually are involved in each contact that the company has with suppliers, customers, local government officials, job applicants, and other individuals or groups outside of the organization, since these contacts influence the attitude of such persons toward the company.

Personnel recruitment activities, on the other hand, can have an influence upon the reputation and goodwill that a company is able to develop. In its relations with the agencies and institutions that provide applicants, as well as with the applicants themselves, a company should never overlook the opportunity to build goodwill through each of these contacts. The methods that are used to recruit personnel should be fair and ethical, for it does not take potential applicants long to learn about a company's recruitment policies and practices. Any attempt to gain personnel through "high pressure" tactics and misleading information ultimately can work only to the detriment of its public relations and personnel programs.

3 — Overcoming Manpower Scarcities

The problems of recruiting qualified personnel in some fields are likely to increase in the years ahead. This fact is true particularly in the case of

personnel with scientific and technical backgrounds, and among certain skilled groups of workers where long apprenticeship periods are required. Technological progress has greatly increased the proportionate number of scientists, engineers, technicians, and other highly trained personnel currently required by government and industry to the point where the demand for them often exceeds the supply. Companies that hope to obtain their share of personnel in those fields where they are in increasingly short supply are being forced to improve their recruitment methods. As a part of such efforts, many companies are now utilizing attractive and interesting brochures and booklets telling about the career opportunities in their organizations.

In certain areas of science and engineering where the shortages of qualified personnel are extremely critical, some companies have directed some of their recruiting efforts toward the high schools with offers of scholarships to the outstanding graduates. While such scholarships usually are provided as a social contribution, they can also help to increase the supply of individuals with technical training from which future personnel may be recruited. A number of companies are also providing part-time and summer employment to college students who may later become full-time employees upon graduation. It is very likely that these and other recruitment efforts will continue to grow in the future.

Shortages of manpower also are likely to become more acute even among the semiskilled and unskilled groups because the size of the work force in relationship to the total population is continuing to decrease. Military service obligations and the desire to gain more education are causing many persons to enter the labor market at a later age, while medical science is enabling more individuals to live for a longer period after retirement. At the same time those who are in the active labor force are working fewer hours per week and are receiving more holidays and longer vacations. With these forces in operation, it is doubtful that even increased mechanization can prevent future shortages in the needed manpower from occurring. As a result, companies will probably be forced to develop new sources of manpower and to recruit more vigorously from all possible sources.

TYPICAL SOURCES OF MANPOWER

The sources of manpower from which personnel may be obtained to fill job vacancies may be classified as internal and external. Some of the specific sources contained within these two general classes will be discussed in the following section.

Internal Sources

Internal sources of personnel are utilized in the case of employee transfers, promotions, or recalls from layoffs. Most companies try, if they have employees with the necessary qualifications, to use them to fill position vacancies before hiring persons from outside of the organization.

Advantages of internal sources. Some of the advantages in using internal sources are as follows:

(1) If there are reductions in the work force pending in any of the departments, this policy can help to prevent employee layoffs.

(2) The use of internal sources can be beneficial to employee morale, particularly when a vacancy permits a promotion to be granted.

(3) A company generally is better acquainted with the strengths and weaknesses of its own employees than it is with those of applicants from the outside. (Unfortunately, this fact sometimes can cause outside applicants to appear better by comparison than actually is the case.)

(4) Since a company has a certain training investment in its employees, it is to the company's advantage to try to gain the best possible return from this investment by utilizing the services of its personnel in the highest positions possible.

Disadvantages of internal sources. The excessive use of internal sources of personnel has certain weaknesses, which are as follows:

(1) In some instances, qualified replacements may not be available within the company to fill certain vacancies.

(2) The hiring of certain experienced personnel from other companies is sometimes desirable in order to gain new technical information or industrial "know-how." Outsiders also may bring new ideas and enthusiasm into the company, and help to revitalize it.

(3) The excessive use of internal sources can shelter employees from the competition of outside applicants who may have superior qualifications. If employees must compete only with their co-workers in gaining advancement, the quality of the company performance may suffer in the process.

External Sources

Whenever personnel are to be hired from the outside, the first step is one of selecting the best source or sources from which applicants are to be recruited. The requirements of the particular job, the condition of the labor market, and the degree to which various sources have been cultivated are among the factors that are considered in selecting the most suitable source. The following constitute some of the outside sources from which applicants are commonly obtained:

a. Unsolicited sources
b. Employment agencies
c. Advertising
d. Educational institutions
e. Employee recommendations
f. Labor unions
g. Miscellaneous external sources

(a) Unsolicited sources. Most companies continually receive unsolicited applications for employment, through the mail and in person, from individuals representing a wide range of abilities and backgrounds. Although this source may not yield a very high percentage of acceptable candidates, it cannot be ignored. The fact that individuals take the initiative to apply for employment may indicate that they have a strong interest in the company and a definite desire to work for it. It is thus possible at times to obtain some highly qualified applicants through this source. Because of this factor and the need to maintain the goodwill of everyone who applies for work, such applicants should be shown the same courtesy and consideration as other applicants.

In general, the quality of the applicants that a company receives on an unsolicited basis varies with economic conditions, the company's reputation, the attractiveness of the employment opportunities that it offers, and the types of jobs to be filled. Unsolicited applications, therefore, often represent a rather unpredictable source of applicants, and one in which a careful screening of such applicants may be necessary. Applicants from this source who may appear to be well qualified but who cannot be placed in immediate openings may be a source of employees for future vacancies. It is usually desirable, therefore, to keep on file the records of those applicants who might be required later.

(b) Employment agencies. Employers frequently can obtain assistance from employment agencies in recruiting new employees. These agencies, however, differ considerably in terms of their operating policies, services, and the type of applicants that they can provide. Some agencies are publicly supported or are operated on a nonprofit basis, while others operate as profit-making enterprises and charge fees either to the applicants or to employers. Employment agencies may supply applicants representing a variety of occupational areas, or they may limit their applicants to those for professional, technical, office, or domestic jobs. When seeking the assistance of an employment agency, therefore, a company should select the one that can provide the needed services and personnel at a cost which

it can afford to pay. Three classes of employment agencies that will be discussed in terms of their objectives and areas of service are the public employment agencies, private employment agencies, and the management consulting firms.

PUBLIC EMPLOYMENT AGENCIES. Public employment agencies, the development of which was stimulated by the depression of the 1930's, were looked upon by many employers at first with considerable suspicion and contempt. Employer attitudes were influenced in no small part by their resentment toward the growing influence of the government in regulating business activity. The outstanding contributions rendered by public employment agencies during World War II, however, and the improved services that these agencies have been able to provide have fairly well eliminated the stigma that may have been associated with them.

Public employment offices today are maintained in most of the larger towns and cities throughout the nation, with part-time offices located in many of the smaller towns. These offices are operated by the state in which they are located, but they are subject to certain general controls by the United States Employment Service (USES) because funds for state unemployment insurance come from federal tax refunds.

In order to be eligible to collect unemployment insurance benefits, a person must register for work with his state employment service and be willing to accept any suitable employment that is offered to him. This requirement enables these employment agencies to maintain a record of persons who are out of work and to refer these persons to employers who are seeking additional employees. Since public employment agencies are operated by the state governments, the type and quality of services that they provide tends to vary. The services of some state agencies may include assisting employers with employment testing, job analysis and evaluation, community wage surveys, and other personnel functions, in addition to supplying job applicants. By cooperating and exchanging job market information, the state agencies have been able to help employers in those regions where there is a shortage of needed manpower by recruiting workers from other regions of the nation where there is a labor surplus.

PRIVATE EMPLOYMENT AGENCIES. Private employment agencies originally received their revenues almost exclusively from the fees that were charged to applicants. Unfortunately, the reputation of private agencies as a group suffered because some agencies were more interested in their revenues than they were in their services. The overcharging of applicants and the splitting of applicant fees with employers caused many states to

enact laws regulating the operation of these agencies. Such laws, together with the growth of the state employment services and the shortages of many types of labor during and following World War II, forced the private agencies to modify certain of their former policies and to improve their services in order to survive. As a result, there has been a growing trend for private agencies to offer counseling and testing services in connection with their employment activities. In some instances they charge fees to the employer rather than to the applicant. In return for such fees, the agencies perform many recruitment and selection services for the employer — often more effectively than he could perform them himself.

Employment agencies that offer their services free or at a nominal charge are usually sponsored by fraternal, religious, or civic organizations as a service to their members or to the community. Because of their small operating budgets, however, the services of the agencies in this group frequently are limited to acting as a clearinghouse for information concerning job openings and job applicants.

MANAGEMENT CONSULTING FIRMS. The growing need for persons with proven managerial experience and ability has caused some consulting firms to specialize in the recruitment of executive personnel. The fees for their services may cost an employer several thousand dollars to fill a single position. For this reason, the firms have a definite incentive to investigate and appraise very thoroughly those persons whom they recommend for executive positions. Firms that specialize in executive recruitment attempt to locate, by means of personal inquiries and contacts and by selective advertising, qualified executive prospects who are interested in changing their employment and improving their salaries. While executive recruitment services are used by both large and small firms, they are of particular value to the smaller ones, which often do not have the resources for operating formal executive development programs.

(c) Advertising. "Help Wanted" and "Situation Wanted" advertisements of the type shown in Figure 5-1 are familiar to virtually everyone. The number and types of jobs being advertised or solicited through this method serve as a fairly accurate indicator of the condition of the labor market and of business activity in general. Although many companies are reluctant to recruit applicants by means of advertisements, there are times when they may be forced to utilize this method. The active competition in recent years for qualified applicants with technical, engineering, and scientific backgrounds as well as for skilled tradesmen has led many employers to spend large sums of money in advertising for appli-

Figure 5-1

Examples of Employment Advertisements That Are Directed Toward a Special Group of Readers

POSITIONS AVAILABLE—MALE

INDUSTRIAL RELATIONS MANAGER

For multi-plant West Coast employer. Must be experienced in all aspects of industrial relations, with special emphasis on development and labor relations, including contract negotiation and administration. In reply provide complete resume' including references and salary requirements. All replies confidential.

BOX 83 J, THE WALL STREET JOURNAL
1540 Market St., San Francisco 19, Calif.

SENIOR PROGRAMMER

Wanted for large scale Electronics Data Processing application with local firm.

REQUIREMENTS:

Two or three years' experience programming medium or large scale magnetic tape EDP systems. Prefer man who has either worked with user of EDP or has experience with manufacturer on customer applications. In addition to the technical requirements, this position calls for personal traits of initiative and willingness to accept responsibility. Submit resumé of education and experience to:

BOX 11 S, THE WALL STREET JOURNAL
2999 W. 6th Street, Los Angeles 5, Calif.

EMPLOYMENT AGENCIES

RESUMES and application letters composed by professional writing staff. Free editing. IBM printing of superb character. **JOB CAMPAIGNS** arranged; counseling; placement; contacts; mailing lists; research. ECRIVANT, *Executive Advisory Services (Agency) 55 New Montgomery Street, San Francisco 5, DOuglas 2-1352.*

POSITIONS AVAILABLE—FEMALE

EXECUTIVE SECRETARY

Wanted by National Administrative Manager of large automobile importing company in the Hollywood area. Must have good background, references, be attractive, well dressed, and under 35. Write:

Box 7 S, The Wall Street Journal
2999 W. Sixth St., Los Angeles 5

POSITIONS AVAILABLE—MALE

CALIFORNIA
offers opportunities to
AGRICULTURAL ECONOMISTS
as
MARKETING ECONOMIST
or
MILK ECONOMIST
with the State
Department of Agriculture

Work involves surveys and studies of the production, distribution and marketing of milk or agricultural products; administration of stabilization and marketing plans.

$613 to $745

Requires degree and four years responsible experience in marketing control programs, related research or teaching or price control activities. Advanced degrees may be substituted for part of experience.

APPLY
State Personnel Board
801 Capitol Avenue
Sacramento, California

POSITIONS AVAILABLE—MALE

SECURITY ANALYST

for New York Stock Exchange firm in Los Angeles. Should have three to five years institutional or comparable research training, ability to write statistical reports, evaluate securities, correspond with clients of Investment Advisory Department, assist salesmen. Development of own clientele will be permitted if desired. Splendid opportunity for able and ambitious man. Answer giving full details of experience, education, salary desired. Replies treated confidentially. Our organization has been advised of this ad.

Box 29 S, The Wall St. Journal
2999 W. Sixth St., Los Angeles 5

SALESMEN WANTED

Age 28-38. Pioneer in electronics dictating equipment has openings for men interested in a professional selling career in this area. Full company benefits. Salary while training. Draw against sales. Excellent opportunity for qualified men. Write for interview giving all pertinent data to:

Box 77 J, The Wall Street Journal
1540 Market St., San Francisco 19

IDP SALES MANAGER

To develop and execute national sales program. IDP sales experience. Send resumé and salary desired. Confidential.

Box 85 J, The Wall Street Journal
1540 Market St., San Francisco 19

WEST COAST REGIONAL TRAFFIC MANAGER

A leading national manufacturer in a non-defense growth industry has an opening for a Traffic Manager in its expanding multi-plant West Coast division.

The man qualified to fill this position must have a thorough knowledge of rail and motor carrier freight rates, trucking operations and freight classifications, and he must possess personal characteristics that would qualify him for management responsibility in this important area. Salary is open for discussion and will be adapted to the individual's experience, accomplishments and potential.

In reply please give complete details of your personal, educational and business background. All replies confidential.

Box 87 J, The Wall St. Journal
1540 Market St., San Francisco 19

Source: *Wall Street Journal*, August 4, 1958. Reproduced by permission.

cants through the use of radio, television, newspapers, magazines, posters, and similar media in order to recruit their share of qualified employees. Advertisements in professional or trade publications that circulate among a selected group of readers are likely to be more effective and to carry more prestige than mass advertising. Figure 5-1 illustrates advertisements appearing in the *Wall Street Journal*, whose readers are drawn primarily from the business and professional groups. Such a selected readership makes the paper a good medium in which to advertise for either applicants or employment opportunities in management positions.

Regardless of the type of media used, the recruitment of applicants by means of advertisements has certain limitations. For one thing, it is difficult to anticipate the quantity and quality of applicants who will respond to a particular advertisement. If an advertisement does draw a large number of applicants, the employer must devote a great deal of time and effort to screening those applicants, some of whom may not possess the qualifications specified in the advertisements but who apply because of the remote chance that the employer might accept them. In order to avoid being overburdened with applicants seeking job interviews and incurring ill will from among those who are rejected, companies sometimes utilize a "blind" type advertisement. This type requires that candidates mail a letter of application to a box number, and the name of the company is thereby not revealed.

(d) Educational institutions. The growing demand for personnel with scientific and technical education has prompted many companies to engage in more vigorous recruitment of high school, trade school, and college graduates. These educational institutions eliminate (by means of course grades) many of the less capable students and thereby perform a certain screening function for employers. Most schools and colleges operate a placement service, which can provide personal data pertaining to those graduates who are seeking employment. These placement services can be of assistance to recruiters in helping them to locate, arrange, and interview qualified candidates and to disseminate company brochures, handbooks, and other recruitment literature.

One of the limitations of educational institutions as a source of supply is that the applicants tend to be inexperienced and thus are qualified only for trainee positions. More and more institutions, however, are maintaining active files of those alumni who are interested in changing employment, and as a result they are becoming a source of experienced as well as trainee personnel.

(e) Employee recommendations. Employees frequently can help their company to locate qualified applicants. When applicants are scarce, some companies have even granted bonuses and prizes to those employees who recruit qualified applicants. High morale among employees also tends to make them boosters of their company, which helps the company to secure applicants for employment from within the community.

Employees usually can be relied upon to recommend the type of applicants with whom they are willing to work and associate, and whom they feel will do a creditable job. An employee who recommends an applicant sometimes can help to bring about an improvement in that person's behavior and performance if it proves to be unsatisfactory. Even though employees may attempt to be careful in their recommendations, they can make mistakes or be influenced unduly by personal friendship. The danger of building up cliques composed of employees from the same school, church, lodge, or of some other group must also be guarded against.

Relatives of employees provide another source of applicants, although companies tend to be divided in their policies regarding the employment of such persons. Some companies make it a point to publicize the fact that they have two and three generations from the same family working for them because they feel that this fact reflects favorably upon the company. Other companies, however, refuse to hire more than one member of the same family, fearing perhaps that relatives might give, or at least be accused of giving, preferential treatment to each other. Although *nepotism* — that is, favored treatment of relatives — can be harmful to company morale, the opportunities for it to exist can be lessened when relatives are employed in different units or areas of the company.

(f) Labor unions. Labor unions constitute a good source of supply when recruiting certain classes of employees. In some industries the unions traditionally have supplied companies with needed personnel either because they have controlled the principal supply of a particular type of labor or because they have been able, through their contracts with employers, to have employment preference given to union members.

Although the Taft-Hartley Act outlawed the closed-shop provisions in a labor contract, which require that employers hire only union members, this portion of the act was not rigidly enforced for a number of years. As a result, certain unions continued to constitute the sole source of applicants in some industries. In the maritime, printing, and construction trades, for example, many unions continued to furnish employers with needed personnel through their union hiring halls. These halls were permitted to

continue because theoretically both union and nonunion applicants utilized them. In certain industries, such as the maritime industry, where large numbers of workers were required for a relatively short period of time, the hiring halls have at times rendered a useful service to employers. In the spring of 1958, however, the National Labor Relations Board ruled that both employers and unions would be held liable for punitive action if they continued to observe closed-shop arrangements in which only applicants who are union members could be considered for employment.

(g) Miscellaneous external sources. Several other external sources may at times be utilized to obtain applicants. In a period of acute labor shortages, some employers use labor scouts to conduct house-to-house canvasses, to ride the buses, and to visit parks, recreation parlors, and other spots in search of persons who might desire a job. At times, companies that are experiencing a decline in their production can be a good source for other companies needing employees. Some companies, when they are forced to make layoffs, invite other companies to set up employment desks on their premises to interview those persons whose services are being terminated. Improved systems of transportation also have expanded the geographic area in which employees may live.

Underdeveloped Sources of Manpower

Several groups within our society contain well-qualified individuals whose potential contributions have not been fully utilized. These include women, the physically handicapped, older persons, and racial minorities. Because of prejudices toward persons in these groups, many companies have deprived themselves of employees who have the talents and qualifications to render a worth-while contribution. Society also has shared in the loss by being deprived of the services that members of these groups could render. Fortunately, however, there is now a trend for more companies to make greater use of persons in those groups. Educational campaigns to reduce prejudices, fair-employment laws forbidding discriminatory hiring practices, and manpower scarcities represent some of the factors that have contributed to the increased use of the following groups:

a. Women
b. Physically handicapped
c. Older persons
d. Minority groups

(a) Women. Although the trend has been gradual, women are gaining employment in a number of occupational areas that previously were closed

to them. Jobs in the fields of science, engineering, and management are typical of those where employment opportunities for women are tending to increase. Nevertheless, women must still have exceptional qualifications if they are to reach the higher levels within these fields. Some of the employment and adjustment problems of women and other special groups of employees in industry will be discussed in Chapter 8.

(b) Physically handicapped. As a result of the efforts of the United States Veterans Administration, state employment agencies, and various private organizations, greater effort is now being made to employ the physically handicapped in both government and business. Employers are tending to recognize that physical handicaps relate only to specific job requirements. A handicap that prevents an individual from performing the duties of one job need not prevent him from performing the duties of some other job. The physical requirements section of the job specification can serve as a useful guide in the selection and placement of handicapped employees. In many instances it is possible to reorganize the duties of many jobs and modify their physical requirements in order that persons with handicaps can perform them. Handicapped persons thus represent an excellent source of employees for those employers who will take the trouble to locate or to create jobs where they can be utilized. Such persons usually have better production records, less absenteeism, and lower turnover than many employees who have no physical limitations.

(c) Older persons. Many companies avoid hiring most applicants who are beyond 35 to 40 years of age. This practice is often prompted by the fear that the older workers will be less productive, have a higher rate of absenteeism, or increase the retirement costs and, therefore, be expensive to employ. Contrary to these fears, however, experience has shown that older workers, like the physically handicapped, usually tend to be more productive and conscientious with their work and have a lower rate of turnover and absenteeism than many younger employees. Today, because of improved medical care and better living conditions, the older employees can be in very good physical condition. If a company gives its older applicants careful physical examinations, places them in suitable jobs, and bases their retirement benefits solely upon years of service with the company, it should not be more costly to employ them than younger persons. The knowledge, experience, and stable qualities of older employees can make them a very desirable asset to a company.

(d) Minority groups. Personal prejudices and the fear of creating racial tensions within their plants have caused many employers to avoid

employing members of certain minority groups. Fortunately, legislation, labor scarcities, and the gradual reduction of prejudices are helping to improve the employment opportunities for persons within these groups. The employment of such persons, however, involves more than a mere recognition by management of the contributions that these persons can render. Many obstacles have to be overcome within the departments where they are to work. Proper orientation of these persons and the preparation of the workers to accept them is most important.

GENERAL MANPOWER POLICIES AND PROCEDURES

The determination of manpower needs and the recruitment of manpower to meet these needs require careful planning and coordination throughout the company. Although the personnel department has the primary responsibility for formulating and coordinating recruitment and selection policies, it must have the cooperation and assistance of the other company departments in order to anticipate and make provisions for satisfying their manpower needs. Required increases and decreases in the size of the work force or changes in job duties that occur within each department must be communicated to the personnel department as soon as possible in order that the latter department may make the necessary adjustments in its personnel recruitment activities. When the personnel department is kept informed about such information, there is a greater likelihood that the best possible qualified personnel will be recruited for each opening, and that all eligible candiates will receive fair and proper consideration for each vacancy. Similarly, when reductions in manpower needs in a department are known well in advance, the personnel department will be better able to find other jobs within the organization for those employees who might otherwise have to be laid off.

When there is only a limited supply of manpower in certain occupational areas, the ultimate solution to a company's recruitment problem is likely to be one of attempting to increase the available supply rather than of trying to outbid other companies for the supply that is available. This solution, however, requires the existence of a long-range program in which company needs are anticipated sufficiently in advance to enable it to recruit, train, and develop its own internal supply of skilled manpower.

If the supply of applicants with desired qualifications is inadequate, there is sometimes a temptation for companies to oversell these applicants on their opportunities for advancement or to offer them a starting salary that is abnormally high in order to induce them to accept employment. Both of these practices can prove to be unsound in the long run. When an

applicant is encouraged to anticipate opportunities that do not exist, he is very likely to become disgruntled and perhaps even leave the company once the actual conditions are recognized. If he is given a starting rate that is out of line with that being paid to other employees, it can have an undesirable effect upon the morale of these employees and upon the company's wage and salary structure in general.

RESUME

In the final analysis, a company can be only as good as its personnel. A successful company, therefore, is one that is able to attract good personnel and thereby increase the effectiveness with which it can train, motivate, supervise and maintain a high level of efficiency and morale among them. A good work force does not occur as the result of chance, but rather from careful planning and positive recruitment efforts. These efforts include anticipating production rates and manpower needs in terms of the number and qualifications of the employees required to man each job and taking positive steps to interest them in these jobs. A company that exerts such efforts is more likely to have personnel with the proper qualifications and in the numbers required.

Many of the problems involving disciplinary action, grievance handling, union relations, and other phases of personnel management could be prevented through more effective recruitment and selection. Unfortunately, however, too many companies do not give enough attention to seeking out qualified applicants, but instead rely upon those applicants who are most readily available. As a result, they frequently do not have much choice in their selections and, therefore, hire individuals who are potential troublemakers. Thus, it is only when adequate numbers of qualified candidates are made available that the selection process, which is to be discussed in the next chapter, can operate most effectively.

REVIEW AND DISCUSSION QUESTIONS

1. Why is it important for a company to be able to estimate fairly accurately the types and numbers of position openings well in advance of their occurrence?
2. Briefly outline the procedures that a company might follow in determining the number of personnel required to perform a particular job?
3. What is the relationship between a company's recruitment and public relations programs?
4. What are some of the factors that may cause future shortages of manpower in certain skill areas?

5. Why is it desirable to make maximum use of internal sources of manpower? What are the limitations of relying exclusively upon these sources?
6. List the more important external sources from which applicants might be recruited?
7. In what ways has the character and services of the private employment agencies tended to change during the past two decades?
8. What are some of the "underdeveloped sources" of manpower from which companies can often obtain highly qualified applicants and explain why such sources tend to be "underdeveloped."
9. What are the dangers of attempting to hire applicants who are in short supply by either overselling them on the opportunities of the job or by hiring them at a starting wage that is too high?
10. If a company is able to receive a large number of unsolicited applications for employment, why should it put forth any effort to recruit applicants or to develop any additional sources?
11. How can good job descriptions and specifications contribute to the employment of handicapped workers?

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Chapter 6

Selection Techniques and Procedures

The process of selection is dependent upon determining the job requirements, establishing manpower needs, and the recruiting of personnel. Its purpose is to pick out the individuals most likely to succeed on the job from among those who have been recruited.

The functions of recruiting and selecting employees demand that policies and procedures be established which will insure that the best qualified persons are assigned to vacant positions. The expression "putting square pegs in square holes" should characterize the objectives of those who are responsible for selecting and placing individuals in jobs. Unfortunately, many factors prohibit a full realization of these objectives; but much can be done through the careful application of sound selection procedures to improve the quality of personnel who are hired and, as a result, bring about an improvement in job performance.

Increasing numbers of employers are realizing the value of a sound selection program and are willing to spend more money for this important function. Applicants who have been carefully selected are not only easier to train and become better producers, but they are usually happier in their jobs than those who are selected on a hit-or-miss basis. It should be recognized, however, that the elaborate selection procedures to be described in this chapter are used primarily for clerical, sales, and other white-collared jobs and that operative employees in many companies are hired on the basis of a brief interview. This is not necessarily desirable, but in some instances the nature of the employment — for example, seasonal work — may not warrant the additional selection expense.

Where employees are organized, there is an additional incentive for management to improve its personnel selection methods since the union may file a grievance or call a strike if it feels that an employee has been

discharged unfairly. If care is used in the selection process, there are likely to be fewer instances where employees must later be discharged for inefficiency or for other reasons. With employees performing efficiently, they as well as the company benefit financially as a result of turning out a better quality of product at a lower operating cost.

In this chapter and in the following chapter on personnel testing, the techniques and procedures that are used in selecting personnel will be examined. The following topics will be considered in this chapter:

- The selection process
- The employment interview
- Other sources of information about the applicant
- Reaching the employment decision

THE SELECTION PROCESS

Selection is initiated when the personnel department receives a formal requisition from another department for additional or replacement personnel. Ordinarily the requisition is prepared by a supervisor with the approval of his superior. Upon receiving the requisition, the personnel department checks to determine if the position to be filled is one that is authorized by the personnel budget. If the vacancy is in an authorized position, action is then taken to fill the requisition. The first step is to check the files to determine if there are any employees within the organization who qualify and who should be considered for the position. If there are none, the files of applicants previously found to be qualified but not hired are checked. These applicants are contacted to determine if they are still available and interested in employment with the company. If qualified individuals are not available, it is then necessary to recruit candidates.

The qualifications required to fill the position listed on the personnel requisition are determined from the job specifications covering these positions. Throughout the selection process the characteristics of the candidates are checked against these specifications. In many instances an applicant's qualifications will be evaluated in terms of the specifications or requirements for many jobs since the job for which he applied may not be the only one that is open or the one for which he is best qualified.

The number of steps in the selection process and their sequence varies not only with the company but also with the type and level of job to be filled, the cost of administering the particular function at each step, and the effectiveness of a step in eliminating unqualified candidates. The selection of employees for some jobs may be accomplished successfully with only an interview, whereas several interviews, a battery of tests, and a

physical examination may be needed for other jobs. Those steps which provide the most definitive information concerning the probable success or failure of a job applicant are usually given an early place in the screening process in order that the applicant who fails to meet the basic requirements may be eliminated as early as possible.

While there is no one best or standard pattern for processing applicants, one selection pattern, prepared some years ago, has been widely disseminated and serves to illustrate the various steps that may be involved. This pattern, which is indicated by the chart in Figure 6-1 on page 98, will serve as the basis for the discussion of the selection process.

A study of Figure 6-1 will reveal that the applicant may be rejected at any step in the selection procedure. The following ten steps listed on this chart will be identified and discussed briefly:

1. Reception of applicants
2. Preliminary interview
3. Application blank
4. Employment tests
5. Interview
6. Investigation of previous history
7. Preliminary selection in the employment department
8. Final selection by foreman or supervisor
9. Physical examination
10. Placement

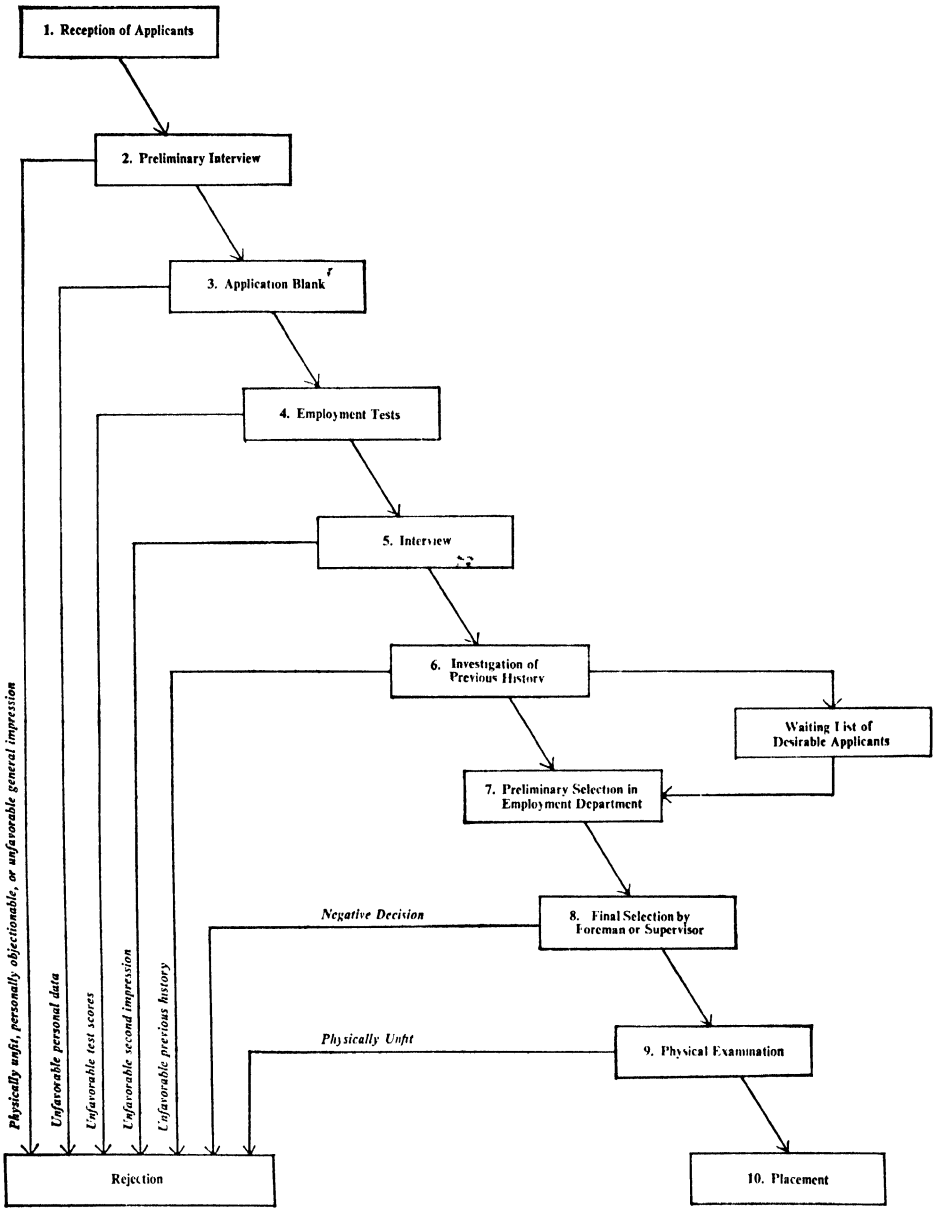
1 — Reception of Applicants

Usually the receptionist in the employment department is prepared to provide information about the company and current job openings and to assist with the completion of application forms. In addition, he or she may arrange schedules for interviews, tests, and other steps in selection. Since this may be the only contact that an applicant has with a company, every attempt should be made to treat him in a sincere, helpful, and tactful manner at this and subsequent steps in the selection procedure. Similarly, the physical layout of the employment office should provide the applicant with the comfort and privacy that he deserves, especially during the interviews and the physical examination.

2 — Preliminary Interview

The primary purpose of the preliminary interview is to screen out those who are obviously unqualified. If the employment policy of the company specifies that only men or women are to be hired for certain jobs or that

Figure 6-1
Flow Chart of Selection Procedures



Source: Richard S. Uhrbrock, "Mental Alertness Tests as Aids in Selecting Employees," *Personnel*, 1936, 12, 231. Reproduced with permission of the American Management Association, Inc.

individuals must be within a certain age range, these standards or criteria should be considered during the preliminary interview. In some companies the receptionist is trained to make quick appraisals of applicants and to eliminate tactfully those who are obviously unqualified. It is desirable, however, that this preliminary interview be conducted by a specially designated person who has a private office or interviewing booth and is prepared to devote the necessary time and attention to applicants. This is important because many rejections will be made at this point.

3 — Application Blank

Most companies ask the applicant to complete a blank that provides a place for him to record identifying data such as name, address, social security number, job for which he is applying, and information covering education, work experience, and other facts relating to his background that may be used in determining his qualifications. While the application blank may be completed at the time he is first received, there is some merit in postponing it until after the preliminary interview, thereby saving the applicant time and effort in the event that he is not found to be suitable for employment. Many companies ask all individuals who apply for employment to complete a short application form (often a 5 x 8 card), which provides the basic information needed during the preliminary interview. If he passes the preliminary interview successfully, he is then given a longer, more detailed form to complete.

4 — Employment Tests

If a review of the application blank reveals no information that would disqualify the job candidate, he may then be given one or more tests of intelligence, aptitude, and personality. The particular tests that are used must be carefully selected on the basis of the job requirements and their value in predicting his probable success on the job. (See Chapter 7.)

5 — Interview

The individual who "passes" the tests is then ready for a second interview. This interview is ordinarily for the purpose of verifying information provided on the application blank and for obtaining additional information that will be useful in assessing the candidate's qualifications. It provides an opportunity for the interviewer to describe available jobs for which there are openings and for the applicant to ask questions concerning the company, the jobs, and any other matters in which he may be interested. The length of this interview may vary from ten or fifteen minutes to two or

three hours. It may be of the type in which the interviewer asks many specific questions, or it may be of the type in which the applicant is permitted to talk about his experiences, interests, and qualifications at considerable length with little interruption.

6 — Investigation of Previous History

If the interviewer is satisfied that the applicant is potentially desirable, his previous employment and school history as he has described it on the application blank and in the interview may be investigated. Obviously all information furnished by the applicant cannot be checked, but those items that are known to be most significant in determining his acceptability for the job should be verified. Those clues obtained from the application form or the interview that cast some doubt on the applicant's acceptability should also be investigated. Some of the specific methods and forms used in these investigations will be considered in the latter part of this chapter.

7 — Preliminary Selection in the Employment Department

At this point in the selection process the employment department has completed the main steps in screening the applicant. If considered desirable, he is sent to a line department having a requisition or file for a person with his qualifications. If there are no openings, his name remains on a waiting list of desirable applicants from which selections may be made at a later date. If there is little likelihood of his being hired at any time, he is advised of his rejection.

8 — Final Selection by Foreman or Supervisor

The foreman or supervisor of the requesting department makes the final selections from among those individuals who are referred to him by the employment office and advises it of his preferences. Ordinarily a first, second, and possibly third choice are indicated. There are definite advantages in having the personnel department perform only the initial screening function and permitting the requesting department to make the final selection. The supervisor is responsible for the operation of his department and for maintaining certain standards of quantity and quality of output. If he is given the opportunity to select the individuals who will work for him, he will be more likely to be satisfied with them and he will probably make greater effort to help them succeed. The flow-chart in Figure 6-1 shows that the applicant may be rejected by a negative decision of the foreman or supervisor. If the applicant has qualifications that

may be utilized in another department, however, he will probably be referred there for interview and consideration by the personnel staff.

9 — Physical Examination

The physical examination often comes at this point in the selection process because it may be one of the most costly steps and therefore should not be undertaken unless the candidate has qualified at the preceding steps. Furthermore, it is desirable to have the physical examination immediately prior to hiring in order that the individual's physical condition at that time is known. If applicants are placed on a waiting list for possible future hiring, they may incur injuries or ailments between the time of the examination and the start of their employment. These changes would not be known unless another physical checkup were made. Similarly, if the applicants are never placed on the payroll, the costs of the physical examination can be avoided if the examination is not given until immediately before the worker is placed on the job.

If a company has its own medical staff and X-ray and laboratory equipment, the cost may be less significant. In such instances it may be desirable for the physical examination to precede the second interview. This arrangement would provide the interviewer with information concerning the candidate's physical strengths and weaknesses in addition to the knowledge of him acquired through the application blank and the employment test.

In some instances certain parts of the physical examination may be given early in the selection process. This is often done where visual or auditory requirements of the job are strict. Simple tests can be used to detect those who do not meet the requirements. The applicant's physical status may also be determined early in the selection process through the use of a questionnaire.

10 — Placement

The applicant who passes all of the foregoing screening steps is assigned to a vacant position in a department where the manager or supervisor has interviewed and accepted him. At this point orientation and training will begin.

In order that the supervisor may do an effective job of orienting and training the new employee, the supervisor should have access to pertinent parts of the file that was developed during the selection process. Too frequently the personnel department assumes that supervisors in other

departments are incapable of using the information with discretion, and this defeats the purposes for which the files are maintained. While it is advisable for a company to maintain complete records on all individuals who are considered for employment, the files should also serve as a basis of information that may be used to improve not only the selection procedures but other phases of personnel management.

THE EMPLOYMENT INTERVIEW

Various surveys have shown that about 99.5 per cent of employers use the interview as a basis for selecting employees. These employers apparently believe that it is useful or perhaps even necessary in determining whether or not to hire an individual. One authority estimates that about 150 million interviews take place annually for the selection of personnel alone, and that the total yearly expenditure for employment interviewing in the United States would run to some $750 million.[1] Considering the time and expense involved in conducting interviews, it will be well to analyze the interview further to determine if it is worth while and what can be done to increase its value in the selection process. The discussion of this topic will focus on the following:

1. The functions of the employment interview
2. Types of interviews
3. Conducting the interview

1 — The Functions of the Employment Interview

The interview, which is sometimes referred to as a "conversation with a purpose," can be used to provide the applicant with information about the job and the company, to obtain information from the applicant, and to observe his behavior during the interview. It is ordinarily assumed by employers that the information obtained from the applicant and from the observations made by the interviewer during the interview will provide a sound basis for reaching a decision as to whether or not to hire the individual. This assumption, however, is often without foundation for reasons which will be presented later.

Contributions of the interview. While the interview, as it is customarily conducted, may be ineffective as the sole basis upon which to make a selection decision, it does provide a means of verifying information that has been furnished on the application form and of obtaining additional in-

[1]Roger M. Bellows and M. Frances Estep, *Employment Psychology: The Interview* (New York: Rinehart & Company, Inc., 1954), p. 5.

formation. The face-to-face contact between the interviewer and the applicant also provides an excellent opportunity for the interviewer to observe the applicant's appearance, voice, etc. As a public relations technique, the interview provides an opportunity for convincing the applicant that the company offers a good place to work and for furnishing information that will support the interviewer's claim. It also provides an opportunity for the interviewer to answer the applicant's questions about the business, the job, and the working conditions. If the applicant is not qualified for any openings or cannot be hired, the interviewer can guide the applicant toward some other type of job or company for which he is better suited.

Limitations of the interview. The interview has been referred to as the oldest and least scientific of the various personnel selection methods that may be used. In fact Milton M. Mandell of the United States Civil Service Commission once said: "The basic difficulty of (the) interview, as usually conducted, is that it involves making extensive inferences from limited data obtained in artificial situations by unqualified observers."[2]

This observation should not be construed as meaning that the interview offers no hope, but that the interview as it is usually conducted has many deficiencies. The typical interview, which is likely to be fifteen minutes or less in duration, represents a very small sample of an individual's behavior upon which to base a judgment. Furthermore since most applicants "dress up" for the occasion and usually go out of their way to make a good impression, the opinions that the untrained interviewer forms are likely to rest on shaky ground. His opinion of the applicant may be influenced by his own biases and prejudices, which he is unlikely to recognize. One typical bias is the tendency to consider strangers who have interests, experiences, and backgrounds similar to his own as being more acceptable than those who have different ones. This type of bias is illustrated in exaggerated form in Figure 6-2 at the top of page 104.

Bias not only influences the decisions that an interviewer makes about the applicant but it also usually affects his behavior, including the manner in which he words his questions to the applicant. A slight nod of the interviewer's head may, for example, cue the applicant to respond to a certain question with a "yes" instead of a "no." The manner in which the interviewer's questions reflect his bias may be illustrated by a statement from an interview form concerning college training. The various questions that may be asked of the individual are likely to produce different effects on

[2]"The Group Oral Performance Test," *Personnel Administration*, Vol. 15, No. 6 (November, 1952), p. 2.

Figure 6-2
An Exaggerated Form of Interviewer Bias



"You're exactly the kind of man we need around here."

Source: *Dun's Review and Modern Industry*, March, 1957. Reproduced with permission.

the listener. For example, how would you react to the following questions[3] covering basically the same subject?

(1) Did you graduate from college?
(2) Of course you graduated from college, didn't you?
(3) When did you graduate from college?
(4) So you went to college, did you?
(5) How far were you able to go in school?
(6) I suppose you're another one of those college graduates, eh?

Another problem in interviewing is the *halo error.* This refers to the tendency to judge an individual favorably in many areas on the basis of one strong point. If the interviewer places a high value on personal neatness, he may judge the applicant who is neat to have many other favorable qualities that he may or may not possess, such as those pertaining to intelligence, honesty, and judgment. Halo thus blinds the interviewer to the applicant's weaknesses. The halo error can also work in the opposite direction. The above interviewer might possibly assume unconsciously that an unkempt individual was stupid and dishonest.

While the interview has many limitations, many of these may be overcome if the interviewer is willing to go through rigorous training and will

[3]Roger M. Bellows and M. Frances Estep, *op. cit.*, p. 115.

not blindly assume that he is a good judge of others. Overconfidence in this area is especially undesirable because it desensitizes the interviewer to the need for being constantly alert to the pitfalls to which all human beings are subject when evaluating others. The well trained interviewer, however, can develop accurate perceptiveness in evaluating applicants and thereby make an effective contribution to the company.

2 — Types of Interviews

Employment or selection interviews may be classified according to the techniques or approaches that are used, as follows:

a. Patterned
b. Nondirective
c. Stress
d. Board
e. Group

(a) Patterned interview. The *patterned interview* is a well-planned and organized interview designed to overcome many of the faults and limitations of ordinary interviewing procedures. Through training in the use of special interview and evaluation forms, the interviewer's skill in obtaining information and in making judgments about applicants is improved considerably. According to McMurry who developed the patterned interview, it has these important advantages over ordinary methods:

(1) It makes possible a systematic and complete coverage of all necessary information for predicting the applicant's probable success on the job.
(2) It guides the interviewer in getting the facts and discovering valuable information about the applicant.
(3) It provides a set of principles for use in interpreting the facts obtained for the purpose of judging what the applicant *will do* alongside of what he *can do*.
(4) It provides a means for minimizing the interviewer's personal biases prejudices.[4]

McMurry has prepared different interview forms for applicants for office and factory positions, for sales positions, and for executive positions. A section from one of these interview forms is shown in Figure 6-3 on page 106.

Note that the form contains questions to be asked of the applicant together with questions beneath the line in small type (and in color on the original form) that are designed to help the interviewer to obtain complete

[4]Robert N. McMurry, *Tested Techniques of Personnel Selection* (Chicago: The Dartnell Corporation), 1955.

Figure 6-3
McMurry Patterned Interview Form (page 1 only)

SUMMARY

Rating: 1 2 3 4 Interviewer_____ Date_____

Comments (List both favorable and unfavorable points) In making final rating, be sure to consider not only the man's ability and experience but also his stability, industry, perseverance, ability to get along with others, loyalty, self-reliance, and leadership. Is he mature and realistic? Is he well motivated for this work? Are his living standards, finances, his domestic situation, and the family influence favorable to this work? Does he have sufficient health and physical reserve?

Position Considered for_____

Name_____ Telephone Number_____ Is it your phone?_____

Present Address_____ City_____ State_____
Will this location affect his attendance? Is this a desirable neighborhood? Does it appear consistent with income?

Date of your birth_____ Age_____ Have you served in the Armed Services of the United States? ☐ Yes, ☐ No

(If yes) What were the dates?_____19__to_____19__ If rejected or exempted, what were the reasons?_____
Discuss military service as a job in chronological order with other jobs Will this affect his performance on our job?

Why are you applying for this position?_____
Are his underlying reasons practical? Does he have a definite goal?

Are you employed now? ☐ Yes, ☐ No; (If yes) how soon available?_____
What are relationships with present employer?

WORK HISTORY: LAST OR PRESENT POSITION Dates from_____19__to_____19__
If out of work how long?

Company_____ Division_____ Address_____
Does this check with application?

How did you get this job?_____
Did he show self-reliance in getting this job? Stability of interests? Perseverance?

Nature of work at start_____ Earnings at start_____
Did this work require energy and industry? Close attention? Cooperation?

How did the job change?_____ Earnings at leaving_____
Was progress made? Any indications of strong motivation? Is this in line with what he can earn here?

What were your duties and responsibilities at time of leaving?_____
Did he accept them? Indications of industry? Self-reliance? Perseverance? Leadership?

Superior_____ Title_____ How was he to work with?_____
Was this close supervision? Are there indications of loyalty? Hostility?

What did you especially like about the position?_____
Has he been happy and content in his work? Indications of loyalty, ability to get along with others?

What did you especially dislike?_____
Did he get along well with people? Is he inclined to be critical? Were his dislikes justified?

How much time have you lost from work?_____ Reasons_____
Is he regular in attendance on the job? Are there other interests?

Reasons for leaving_____ Why right then?_____
Are his reasons for leaving reasonable and consistent? Do they check with records?

Part-time jobs during this employment_____
Does this indicate industry? Ambition? Lack of loyalty? Lack of interest in duties of position?

NEXT TO LAST POSITION Dates from_____19__to_____19__
Any time between this and last job?

Company_____ Division_____ Address_____
Does this check with application?

How did you get this job?_____
Did he show self-reliance in getting this job? Stability of interests? Perseverance?

Nature of work at start_____ Earnings at start_____
Did this work require energy and industry? Close attention? Cooperation?

How did the job change?_____ Earnings at leaving_____
Was progress made? Any indications of strong motivation? Is this in line with what he can earn here?

What were your duties and responsibilities at time of leaving?_____
Did he accept them? Indications of industry? Self-reliance? Perseverance? Leadership?

Superior_____ Title_____ How was he to work with?_____
Was this close supervision? Are there indications of loyalty? Hostility?

Form No. EP-812

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Developed by McMurry, Hamstra & Company

Source: Published by the Dartnell Corporation, Chicago. Reproduced with permission.

information, to interpret its significance, and to become aware of inconsistencies. The interpretations are later recorded on a summary sheet that is completed on the basis of information obtained from the interview and from the application blank, tests, investigations, and any other sources of information about the applicant. Companies that have used the patterned interview have generally found they have greater success in predicting the applicant's performance on the job than when other methods are used. It is probable that the training required for this type of interviewing, as well as the standardized procedure, contributes to its reported success.

(b) Nondirective interview. In the *nondirective interview*, as the term implies, the applicant's thinking is not closely directed by the interviewer. The applicant is permitted considerable leeway in talking about what he chooses and in determining the trend of the discussion. This is brought about by the interviewer asking broad, general questions, such as "Tell me about your occupational interests and ambitions." Questions of this type allow for much more talking on the interviewee's part in contrast to specific questions such as those included in the patterned interview. While the nondirective method is more frequently associated with the counseling of individuals who are emotionally upset or who have problems, it is entirely suitable for the employment interview and is recommended by some experts in this field.[5] Many companies use both the patterned interview technique and the nondirective technique to elicit the information and attitudes needed from the applicant.

(c) Stress interview. The *stress interview*, which was developed during World War II as a technique for selecting military espionage personnel, attempts to place the interviewee on the defensive and to deliberately confuse him as to his progress during the course of the interview. The questioning begins abruptly, and the interviewer is openly hostile to the interviewee. The purpose of this approach is to determine those individuals who, even though they are highly aroused emotionally, are able to put on a calm, poised, and controlled appearance.

While the stress interview has proven particularly valuable in the selection of personnel for espionage work and other activities requiring good emotional control, its potentialities for business are somewhat limited. Since it requires a "calming down" period and may involve potential hazards because of its effects upon the individuals who are subjected to the treatment, it should be used only by professionally trained personnel.

[5]See N. A. Moyer, The Non-Directive Approach in Employment Interviewing, Chapter XXIII, in *Effective Communication on the Job* (New York: American Management Association, 1956).

(d) Board interview. The *board interview* involves a panel of interviewers or observers who sit as a "board" and question and observe the candidate. This method is often used by government agencies, including the military services. Where it has been used, board members are often found to agree with one another in their ratings.[5] While this approach may have considerable merit in the selection of executive and management personnel, its use in selecting personnel to fill vacancies in lower echelons is questionable because of the time involved.

(e) Group interview. The *group interview* may include a half dozen or so job candidates who are observed in a group discussion. There may or may not be a discussion leader for the group. Ordinarily the company observers do not participate but sit to the side or behind the group and note the performance of each individual. The leaderless group discussion method has been found to facilitate observations of such factors as initiative, aggressiveness, poise, adaptability to new situations, tact, ability to get along with people, and similar qualities.[6] The group interview with a designated leader should yield similar benefits. With either approach, the group interview is ordinarily reserved for use in the selection of personnel for jobs at the managerial and supervisory levels.

3 — Conducting the Interview

Many books and articles have been written about the interview and how to conduct it. Most of them contain advice that is useful and helpful, but only a small part of it is based on scientific evidence. In recent years there has been a developing interest in studying interview methods, and it is likely that improvements may be made on the basis of research data. Meanwhile, interviewing must be regarded more as an art than as a science. There are, however, some fairly well-established methods and procedures in interviewing with which the student should be familiar. These will be discussed under the following steps in conducting the interview:

a. Preparing for the interview
b. Establishing and maintaining rapport
c. Progressing toward interview goals
d. Recording results

(a) Preparing for the interview. While interviewers are expected to conduct interviews, many of them spend too much time interviewing and not enough time in preparing for the interview and in evaluating their

[5]Bernard M. Bass, "Selecting Personnel by Observation," *Personnel*, 26: (1950), pp. 270–271. By permission of the American Management Association.

findings. Each interview should be preceded by careful preparation. If the interviewer is expected to question the applicant concerning information that has been furnished on the application form, he must allow sufficient time in which to study the form. Similarly, if he is interviewing applicants for jobs that are new in the company, he must familiarize himself with the requirements for these jobs.

(b) Establishing and maintaining rapport. The first step in an interview is to establish friendly and cordial relationships with the interviewee. This condition, referred to as *rapport*, is achieved by the interviewer being pleasant, displaying sincere interest in the individual, and by listening carefully. Many interviewers achieve rapport by starting the interview with "small talk" about the day's baseball game or some other topic that may encourage the individual to talk and that may keep him from becoming too anxious about the interview and the job. As the interview progresses, rapport is maintained by showing continued interest in the individual and by letting him know that what he is saying is being understood.

(c) Progressing toward interview goals. It is the responsibility of the interviewer to maintain control of the interview situation in order that its objectives may be achieved in a reasonable length of time. The method used in questioning the applicant will depend largely upon the type of interview (patterned, nondirective, etc.); but regardless of which method is used, the applicant should have an opportunity to express himself fully and to bring out any points that will throw light on his qualifications. The difficulty level of the language used by the interviewer must be commensurate with the estimated intelligence and education of the applicant, since the purpose of the interview is to communicate information and attitudes and not to impress others with his skill in manipulating words. He must however, avoid "talking down" to the interviewee.

(d) Recording results. Whether or not information is recorded during the progress of the interview will depend in part upon the nature of the interview. The patterned interview, for example, requires the recording of many details as the interview progresses while a nondirective interview may often be summarized best after it is concluded. In either case the interviewer needs time at the end to record information and impressions gained during the interview. Otherwise these facts will be soon forgotten.

A useful form requires the interviewer to record his "findings" in one column and his "interpretations" of these findings in another column. This is particularly desirable since most interviewers, subject to human error,

are likely to combine facts and interpretations together and assume that both are facts. For example, the interviewer might record the fact that the applicant "Sings in church choir." From this fact the interviewer might infer or conclude that the applicant's "Conduct (was) wholesome." While this may be a reasonably sound inference, it is still an inference and not a fact. One could also infer from the same fact that she has a desire to make herself heard in the community or that she has a boy friend who sings in the choir.

The important thing to be recognized is that the interviewer, by studying interview records and performance evaluations of those applicants who become employees, can later assess the value of the inferences that he makes. Since employment interviewing involves making inferences about an individual's probable success on the job, it is essential that the interviewer be required to examine the processes by which he makes inferences just as the airplane pilot is required to have his vision tested regularly.

OTHER SOURCES OF INFORMATION ABOUT THE APPLICANT

While the interview provides an opportunity to discuss the individual's interests and experiences and to furnish information about the job and the company, it should be considered as only one method used in the selection process. In fact, many experts believe that it should be given less importance than psychological tests, which are more objective. Nevertheless, the interview that is properly conducted and evaluated does serve as a valuable tool when used with other techniques. Other sources of information about the applicant that will be considered here are:

1. Application forms
2. Background investigations
3. Physical examinations

1 — Application Forms

Most companies use some type of application form. In the larger company different forms may be used for individuals applying for managerial, clerical, and operative jobs. Unfortunately, in many companies the application form has grown with successive generations of personnel managers until it has reached unwieldy proportions to the consternation of both the applicant and those who must review it. What should be included on the form and how the application form may be used are two problems that deserve close attention.

What should be included on the application form? Each item on the form should be of some practical value to the personnel department in its work. A guide that was developed for evaluating items on the application form provides a sound basis for determining an item's value. If one or more of these questions can be answered in the affirmative, the item should probably remain in the form.

(1) Is the item necessary for identifying the applicant?
(2) Is it necessary for screening out those who are ineligible under the company's basic hiring policies? Specifically, what policy does it pertain to?
(3) Does it help to decide whether the candidate is qualified?
(4) Is it based on analysis of the job or jobs for which the applicant will be selected?
(5) Has it been pretested on the company's employees and found to correlate with success?
(6) Will the information be used? How?
(7) Is the application form the proper place for it?
(8) To what extent will answers duplicate information to be obtained at another step in the selection procedure — for example, through interviews, tests, or medical examinations?
(9) Is the information needed for selection at all, or should it be obtained at induction, or even later?
(10) Is it probable that applicants' replies will be reliable?
(11) Does the question violate any applicable federal or state legislation?[7]

How may the application form be used? The information on the form helps to contribute to the interviewer's total impression of the applicant. A more scientific approach involves a statistical analysis of the effectiveness of the items in predicting success or failure of the applicant on the job. The statistical method, first used over thirty years ago in selecting applicants for life insurance sales positions, requires that an analysis be made of the responses to items on the application blanks completed by present and prior employees who are categorized into groups according to their performance on the job. For example, the application forms for a number of employees performing the same job are first divided into two groups: successful and unsuccessful. An analysis is then made of items on the application form such as age, education, number of dependents, marital status.

Once the analysis has been made and the value of certain items in predicting job success is known, a template or scoring key may be constructed that will permit scoring the application form of new applicants in much the same manner as a test answer sheet would be scored. It should be

[7]Eileen Ahern, *Handbook of Personnel Forms and Records,* Research Report No. 16 (New York: American Management Association, 1949), p. 17.

recognized, however, that new analyses must be made periodically and the scoring key changed in accordance with the new findings.[8]

2 — Background Investigations

It is usually desirable to verify certain information that the applicant furnishes on the application blank or during the interview. Many applicants will try to distort information pertaining to their abilities or experiences, in their favor; a few will deliberately give false information; and some will even "sell themselves short." For these reasons it is advantageous to have reports of impressions from others.

Sources of information. Several sources of information for checking an applicant's background are available such as former employers, teachers, credit bureaus, and individuals who are named as character references. The latter are probably of the least value since an individual is not likely to list the names of persons who might give him a low character rating. An applicant's failure to list any character references, however, may be good reason for the interviewer to be suspicious of him. Ordinarily it is advisable not to contact the applicant's present employer since he may not be aware that his employee is seeking different employment.

Methods of investigation. Several methods for obtaining information about the applicant are available. Those used most commonly are the check list or rating form and the telephone check. Since most people are reluctant to write unfavorable comments about another person, the use of the mailed form may not bring the most candid type of reply. In addition, there is a considerable delay when this method is used as compared with the telephone check. The telephone check provides a quick way in which to verify information and to obtain opinions about an applicant.

In using the telephone as a method of obtaining such information, care must be exercised by both parties to insure that the source is bona fide and that the person requesting the information is authorized to receive it. Some companies go so far as to send an interviewer to the applicant's home to interview his spouse, to verify any information that has been obtained, and to note any conditions that may have some relationship to the applicant's suitability as an employee.

3 — Physical Examinations

Physical examinations are included in the selection process as protection both to the company and to the individual. The company is interested

[8]W. Russell and G. V. Cope, "A Method of Rating the History and Achievement of Applicants for Positions," *Public Personnel Studies*, 3 (1925), pp. 202–219.

in determining whether the applicant is physically capable of performing the job and in detecting disabilities or diseases that may incapacitate him. Such knowledge about the individual's physical condition is necessary to protect the employer from claims for injuries or disabilities which the applicant possessed before he was hired. It is also used to help place the individual in a job that is suited to his physical condition and which will not aggravate any physical weaknesses. This is particularly true where company personnel policy encourages hiring of handicapped personnel in jobs for which they are qualified.

REACHING THE EMPLOYMENT DECISION

The discussion up to this point has been primarily concerned with the collection of information about the job applicant, with little attention being given to the interpretation of such information. As in other areas of management, the making of an employment decision after assembling the facts can be difficult. Nevertheless, a decision must be made frequently within a relatively short period of time. In this section the various approaches used in making decisions about applicants and some of the problems in decision-making will be considered.

Approaches to Decision-Making

In reaching a decision as to whether to hire or not, three different approaches may be utilized. These are known as:

a. The subjective approach
b. The successive hurdles approach
c. The multiple correlation approach

(a) The subjective approach. The *subjective approach*, as the term implies, involves the making of a decision on the basis of available evidence about the applicant and the interviewer's interpretation of the applicant's potential value to the company. Unfortunately, many decisions have as their basis only the whims and personal opinions of the interviewer or personnel manager. Most progressive companies are attempting continually to improve their decision-making in this area by training interviewers, adopting interviewing and testing procedures that have been scientifically validated, and by continually evaluating the effectiveness of their selection procedures. At best, some procedures are not as objective as others, but any improvements that can be made by reducing subjectivity and human bias in the long run will be beneficial. The other two approaches, which will now be described, are of this objective type.

(b) The successive hurdles approach. The *successive hurdles approach* requires the applicant to clear in succession several hurdles such as those provided by the screening steps shown earlier in Figure 6-1. At each hurdle he is either permitted to go on to the next hurdle or is rejected, depending upon whether or not he qualifies at that hurdle. The hurdles are arranged in the order of their importance in predicting the success or failure of an applicant in a particular job. For example, if the intelligence test were found to be the best single predictor of probable success on the job, it would be placed immediately following the initial interview. If the individual did not make a qualifying score on that test, he would be rejected at that point and would not proceed further in the selection process. This method provides for rejecting the applicant at any hurdle where he fails to meet the standards established for that hurdle, and only those applicants who successfully meet the established requirements at all hurdles are hired.

(c) Multiple correlation approach. The *multiple correlation approach*, like the successive hurdles approach, is based on analyses of the manner in which the test scores, interview ratings, application blank items, and other information are related to success on the job. The major difference, however, is that this method requires the applicant to go through the entire selection process in order that complete data may be obtained on him. These data, which are usually reduced to scores, are then combined. If the combined score is above the level needed to qualify, the applicant is hired; otherwise, he is rejected.

This method, unlike the successive hurdles approach, is based on the assumption that strength in one ability may compensate for inadequacy in another important ability. Thus, if an applicant scores low on one test, he may still qualify by scoring high on one of the other selection devices. There are advantages and disadvantages to both methods. Generally, however, the successive hurdles method is more easily understood and managed by the personnel staff, and it probably rests on a more tenable foundation in that it does not assume that a weakness of an applicant in certain qualification areas can be overcome by strength in other areas.

Problems in Decision-Making

While a company may employ all of these methods, it would probably use the latter two methods for jobs where there was considerable hiring activity and for which a considerable amount of interview, test, and other data had been obtained. For jobs that require replacement personnel on an infrequent basis or in which the executives desire to have the major voice in the decision, the subjective approach would likely be used. This

does not mean, however, that the subjective approach is necessarily recommended. Wherever possible, selection methods that are based on the more objective analysis of available information should be employed. Under any system, however, certain problems are likely to arise. Included among these are:

a. Difficulties of human appraisal
b. Handling rejected applicants
c. "Flying blind"

(a) Difficulties of human appraisal. Human beings are very similar in many respects and quite different in others. In the evaluation of an individual applicant for a job, the primary interest of the employer should be in the applicant's unique pattern of abilities, potentialities, interests, and personality traits and in the extent to which this pattern meets the specific job requirements. Once all the facts have been obtained about the applicant, there is the problem of appraisal and making a decision about whether to hire or not. Such questions as these arise, to which there are no hard and fast solutions: Can minor weaknesses in the individual be overlooked? Can it be assured that a person who has been an honest and loyal employee in the past will be the same type of person in the future? Should a person with unusual ability but apparently somewhat disturbed emotionally be hired in preference to an applicant of average ability but well adjusted?

These questions are typical of those which arise in the minds of interviewers and personnel managers, and they are not easily answered. It is suggested, however, that personnel managers and their staffs devote more time to analyzing the data that they may have filed away and less time in making arm-chair decisions.

(b) Handling rejected applicants. The fact that an applicant may be rejected at any point in the selection process is an advantage of the successive hurdles method. If an applicant is found unsatisfactory at any step, it is an inconvenience to him and an expense to the company to have him continue through the whole selection process. To continue through the entire process, as in the case of the multiple correlation approach, may only serve to build up false hopes in the applicant. Where the evidence indicates that the applicant is not suitable for employment in any job with the company, he should be advised by the interviewer of this fact.

While the general principle to be followed in rejections is to be as honest as possible with the applicant, it is necessary to maintain confidences

and to minimize the possibility of creating more problems by the rejection. Furthermore, it must be made clear to the applicant that the rejection does not imply that he is generally inadequate but that there are others who are better suited for the particular job for which he has applied.

(c) "Flying blind." Many of those who are engaged in personnel selection activities are not kept advised of their performance. As a result, they are often "flying blind." The personnel manager should work continually with his staff in an effort to improve the selection program. This work should include the study of job descriptions, an analysis of performance evaluations of those individuals who are hired, as well as a study of production, absenteeism, accident, and other records that will provide clues as to the successes and failures of the different steps in the selection process. Post-selection interviews that are conducted with the employee during the probationary or early period of his employment are especially valuable in assessing selection techniques as well as in rectifying any errors which may have been made before the employee is considered permanent.

RESUME

The selection process is important in building a productive, satisfied, and stable group of employees. It is at this point that those who are likely to be successful in the company must be recognized and hired. While the line departments have an important responsibility in selection, the personnel department establishes the selection techniques and procedures that enable other departments to obtain qualified personnel from which to make their selection. The need for a variety of procedures and for objectifying the basis of selection has been continually emphasized throughout this chapter.

In spite of the availability of improved selection procedures, there are still too many instances of personnel being selected primarily on a subjective basis. Only by keeping a record of "hits" and "misses" in personnel selection is it possible to realize the source of errors and to make necessary corrections. Personnel managers, therefore, should recognize the need for allowing adequate time in which to assess the results of their labors. Merely "running" applicants through the selection process is no assurance that the program is successful. Selection, as any other area of personnel management, requires continuous audit in order to determine the extent to which the objectives of the program are being realized.

REVIEW AND DISCUSSION QUESTIONS

1. What contributions may an effective personnel selection program render to the personnel program?
2. Why is it important that job specifications be considered and utilized fully during the selection process?
3. What is the purpose of the preliminary interview?
4. Why should job applicants be interviewed by line personnel as well as by members of the personnel staff?
5. What purposes may be served by interviewing job applicants? What are some of the limitations of the interview?
6. What are the major types of interviews and how do they differ from each other?
7. Why is it important for interviewers to receive training in understanding the basis for their inferences?
8. What factors should determine whether or not an item is included on an application form?
9. Why does the telephone check usually yield better results than other methods of investigation?
10. How does the "successive hurdles approach" differ from the "multiple correlation approach"? How do they differ from the "subjective approach"?
11. Many personnel managers are confident that they "know people and can select successful employees using only a 10- or 15-minute interview." Is this possible? Discuss.
12. What are some of the possible advantages of using a nondirective interview? What are some of the possible disadvantages? Discuss.
13. What is the basic difference in making judgments about an individual on the basis of (a) "looking over" his answers to items on the application form, and (b) scoring specific items on the application form that have been found to discriminate between successful and unsuccessful employees in a particular job?
14. Can an applicant's handwriting or facial characteristics be used as a satisfactory basis for determining his suitability for a job? Discuss.

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Chapter 7

Testing Programs

Companies that desire to improve their personnel selection procedures find that the use of psychological tests can be helpful for this purpose. They recognize the limitations of the interview even when it is properly conducted and use these more objective aids to strengthen the selection program. Since World War I, when about two million recruits were tested with the Army Alpha test of mental ability, there has been an increasing awareness of the value of tests in personnel selection and placement.

One of the principal reasons for using tests in personnel management is that they provide a basis for making judgments about individuals that are likely to be less biased and more accurate than other methods. The use of tests can result in increased efficiency, improved morale, reduced turnover, and fewer grievances and accidents. While testing is sometimes an expensive procedure, the gains from the proper use of tests can more than offset its costs. It is extremely important, however, that the tests be used properly, otherwise they may provide a disservice to the individuals concerned and to the selection program. This frequently occurred in the period following World War I when many self-styled testing experts with limited knowledge and experience took advantage of the enthusiasm that employers had for tests and attempted to establish testing programs. An understanding of the values of tests and their limitations can be of assistance to those engaged in personnel work in assessing the claims of those who sell tests or testing services. This chapter will include the following topics:

- The use of tests in the personnel program
- Types of tests
- Basic requirements of tests
- Developing a testing program

THE USE OF TESTS IN THE PERSONNEL PROGRAM

Since the 1890's when students at Columbia College were administered a battery of tests each year to determine their intellectual level, personnel testing in business, government, and education has been a primary interest and pursuit of psychologists. As a result, tests that are used to measure abilities, aptitudes, interests, personality, and the other aspects of human behavior with which psychologists are concerned are commonly referred to as "psychological tests." This does not mean, however, that tests are not developed or used by persons in other fields. Many tests are available for use by personnel managers, teachers, and others who have some authentic use for them. Other tests, however, are restricted in use to persons with specialized psychological training. In all instances it is essential that persons who use the tests have a reasonable understanding of the assumptions upon which tests are constructed in order that they may use the tests properly.

The Nature of Tests

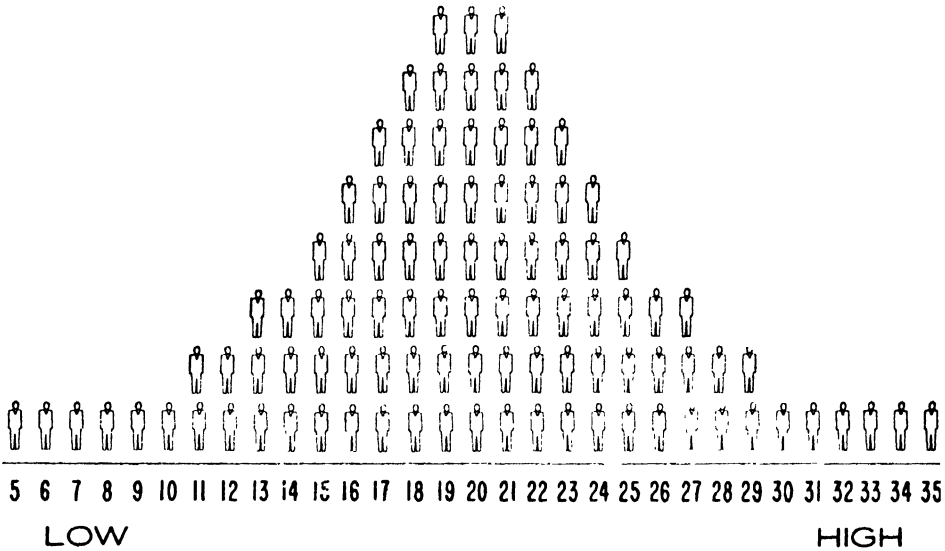
All too often psychological tests are shrouded in mystery with the result that many misunderstandings arise over their values and their limitations. Basically, a *psychological test* is an objective and standardized measure of a sample of behavior. An examination of the key words in this definition — sample, measure, objective, and standardized — should serve to clarify what is meant by a psychological test.

"Sample." A test requires the individual to perform certain tasks such as figuring arithmetic problems, solving mechanical problems, or assembling small objects. In each instance the task represents a selected sample of behavior from which the individual's future performance may be predicted. In designing and selecting tests, the test must sample the total aspect of human behavior which it is designed to measure. A vocabulary test, for example, must sample a variety of words and not be restricted to baseball or golf terminology.

"Measure." Psychological measurement, like other types of measurements, involves the determination of how much of a particular ability, aptitude, or personality trait an individual possesses. Contrary to common notions, individuals differ in degree rather than in kind. This has been determined by many studies into the nature of the psychological make-up of man. In fact, the distribution of psychological characteristics follows the normal probability curve as graphically illustrated in Figure 7-1.

Figure 7-1

The Normal Probability Curve



When large numbers of individual are tested, the scores will distribute themselves in the pattern shown above if the test is of appropriate difficulty level for the group being tested and the individuals are selected at random rather than according to ability, experience, or other factors that would influence their test performance.

Drawing adapted from the Esso Scale for Performance Report. Reproduced with permission of Standard Oil Company of New Jersey.

Note that there is a clustering of individuals near the center of the distribution and a decrease in the number of individuals as the extremes are approached. If the numbers above are taken to represent scores on a particular test, it may be seen that few individuals attained extremely high or low scores whereas most of them achieved scores in the middle range. If one looks merely at the line of scores (ranging from 5 to 35) and is told that his score is 20, it means very little. On the other hand, if he looks above and determines the number of persons with the same score and those with scores above and below 20, he has a better understanding of how his score stands in relation to others. The significance or meaning of an individual's score is thus determined by the pattern of scores made by a larger group of which that person is a part.

"Objective and standardized." The fact that instructions and answers are furnished for administering, scoring, and interpreting test results helps to rule out subjectivity. As contrasted with the typical employment interview, for example, tests require all examinees to attempt to complete

the same items with the same time requirements. These standardized procedures, when properly followed, permit comparisons to be made between individuals who are tested in New York and those who are tested in California, even though different examiners are used. As a result, it is possible to accumulate information about the test from many different sources and to use this as a basis for assessing the value of the test in selecting personnel for a particular job.

Contributions and Limitations of Tests

It is likely that in the years to come more and better tests will become available and that their uses will continue to increase. At present the major uses of tests are in the areas of selection and placement and in training and promotion. The contributions as well as the limitations of tests in the performance of personnel functions will be examined.

Contributions. The objective nature of tests makes them especially valuable in the selection and placement of personnel. If the tests are sufficiently valid in predicting whether or not an applicant will be successful, they can contribute to the selection of better qualified employees. As noted earlier, some of the tangible benefits frequently obtained from the use of tests include reduced training costs, fewer accidents, and reduced turnover. Some of the intangible benefits are improved morale, better worker adjustment, and increased job satisfaction. Companies that use tests as a regular part of their selection program tend to attract better applicants. Those applicants who feel that they could not "measure up" to the tests often do not even bother to apply. When tests are used, any invalid charges of unfair hiring practices that might be made against the company may be answered by providing objective information about the individual's performance on the tests as compared to the required standards.

By selecting individuals who are most likely to succeed on the job, training costs are ordinarily reduced since training can often be condensed or eliminated. Tests can be used to determine the areas where training is needed and as training progresses, specially designed tests may be used to measure the trainee's progress. The use of tests in selecting employees to be advanced to higher positions is not only desirable from the standpoint of placing the best talent in these positions, but it is likely to have a salutary effect on employees who note that ability is recognized. The use of special tests in selecting and training supervisors will be discussed later in Chapter 13.

Limitations. Greene lists three types of limitations of tests that are important to recognize:

First, measurement techniques cannot be expected to make decisions for a person. They can only present evidence more clearly.

Second, the best tests available cannot, at present, predict with great accuracy what a person will do in a complex learning or vocational situation.

Third, tests ordinarily cannot show why a person made a particular score, but only that he did make the score. This is true of all measures of behavior.[1]

The first point indicates that someone must decide, on the basis of need and other factors, whether or not the individual will be hired, promoted, or whatever other action should be taken. Both the second and third points attest to the complex nature of human behavior, much of which still cannot be measured or predicted accurately. In spite of these limitations, however, most of the predictions of an employee's success that are made by specialists on the basis of test results are much better than if tests had not been used.

TYPES OF TESTS

Tests may be classified in different ways. Most tests are *group tests*, which allow for testing many individuals at one time. These are in contrast to *individual tests*, which require one examiner for each person being tested. Another classification is by the manner in which the individual responds to the test items. *Paper-and-pencil tests* require the subject to respond by writing or marking answers on a booklet or answer sheet, whereas *performance* or *instrumental tests* require him to manipulate objects or equipment. In *oral tests* the examiner asks questions and the subject responds orally to the question. Paper-and-pencil tests are the most commonly used since they can be administered easily to groups.

In addition to these classifications there is a more fundamental breakdown of tests according to what aspect of human behavior is measured. On the basis of this breakdown, there are five major types of tests. In the discussion which follows, the nature and purpose of each of the major types of tests will be examined and a few of the typical tests in each of the following categories that have been standardized and are commercially available will be described.

1. Intelligence
2. Aptitude
3. Dexterity
4. Personality and interest
5. Achievement or proficiency

[1]Edward B. Greene, *Measurements of Human Behavior*. (New York. The Odyssey Press, Inc. 1952), p. 16.

1 — Intelligence Tests

The intelligence test was the first type to be used, and it is still the most widely used type of test in personnel work. If any tests are used by a company, they are most likely to be intelligence tests. While there are many different notions of what intelligence is, the typical *intelligence test* is designed to measure the individual's ability to deal with abstract symbols — words, numbers, etc.

Nature and purpose of intelligence tests. It has been determined in many instances that intelligence, or the ability to deal with abstract symbols, is related to adaptability, accuracy, and good judgment in the performance of the job. It is desirable, therefore, to determine the applicant's likelihood of exhibiting these qualities in advance of hiring. It has also been found that for some jobs, especially those of a repetitive and routine nature, a high level of intelligence is not required and in fact is not desirable. Rather than to assume that a particular level of intelligence is needed for a job, the best approach is to determine the intelligence of successful employees in a particular job and be guided by these facts rather than by armchair speculations.

Typical tests of intelligence.[2] Many different tests of intelligence are available to employers. Some are particularly suited for use in the selection of clerks and supervisory personnel, others are designed for testing applicants for factory and maintenance jobs. One of the popular tests in this category is the *Adaptability Test*, a 15-minute test constructed specifically for use in business and industry. Most of the questions are practical and job-oriented, thus making the test more appealing to the examinee. The following sample questions indicate the general nature of the items contained in the test.[3]

Which of the words below tells what an orange is? (1) animal (2) flower (3) fruit (4) vegetable (5) cloth.

What is the seventh letter of the alphabet?

If one pencil costs 5¢, how many cents will six pencils cost?

What is the first letter of a three-letter word meaning a tool used by carpenters to cut wood?

[2]The tests which are included in this section are typical of the many different tests that are commercially available. The fact that a test is named should not be construed as an endorsement of the test for a specific purpose. Each test must be tried out in a specific situation to determine its value or validity in predicting the success or failure of job applicants.

[3]Joseph Tiffin and C. H. Lawshe, *Adaptability Test* (Chicago: Science Research Associates, 1942). Reproduced with permission.

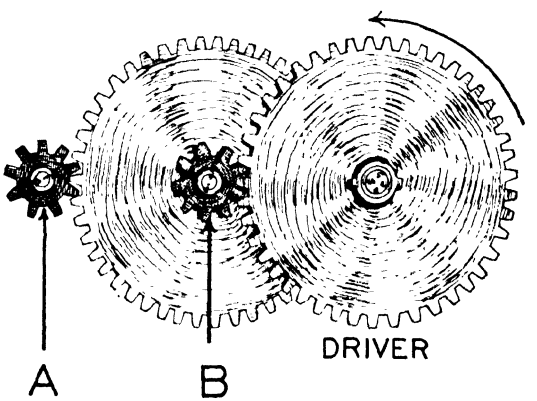
2 — Aptitude Tests

An *aptitude* may be defined simply as a capacity to learn. No longer are psychologists greatly concerned about how much aptitude is determined by heredity and how much it is influenced by environment. They are primarily concerned with how it can be measured and its significance in the occupational life of the individual.

Nature and purpose of aptitude tests. While many jobs require that individuals have certain training and/or experience before being hired, many other jobs are unique or peculiar to a particular company. In such instances the applicant probably possesses no skill or knowledge that can be assessed during the selection process. Although an intelligence test may be viewed as a general aptitude test and may be of some value in determining the applicant's potentiality or capacity for learning a particular job, the term "aptitude" is used ordinarily to refer to specific capacities.

Typical aptitude tests. One of the most widely used of the mechanical aptitude tests is the *Test of Mechanical Comprehension.* It involves solving problems of mechanical relationships and is particularly useful in selecting personnel for mechanical work and in choosing students for technical and engineering training. The test itself consists of drawings with simply phrased questions about them similar to those shown in Figure 7-2.

Figure 7-2



Which wheel moves faster?

Source: Item from the *Bennett Mechanical Comprehension Test.* Published by The Psychological Corporation. Reproduced with permission.

An example of a clerical aptitude test is the *Minnesota Clerical Test.*[4] It has two parts: number comparison and name comparison. Each part

[4]D. M. Andrew, D. G. Paterson, and H. P. Longstaff, *Minnesota Clerical Test.* (New York: The Psychological Corporation, 1953) Reproduced with permission.

contains 200 items which the examinee must inspect and check wherever the pairs of names or numbers are the same. It is a test of speed as well as accuracy, with the result that few individuals ever complete all of the items. The following sample items are typical of those included in the test:

Samples done correctly of pairs of *Numbers*

79542_____79524
5794367___√__5794367

Samples done correctly of pairs of *Names*

John C. Linder_____John C. Lender
Investors Syndicate___√__Investors Syndicate

Now try the samples below.

66273894_____66273984
527384578___ ___527384578
New York World_____ _New York World
Cargill Grain Co._ _____ Cargil Grain Co.

In addition to these tests, which have been designed for measuring specific aptitudes, batteries of tests have been designed to measure several aptitudes. One of these is the *General Aptitude Test Battery* (GATB) developed by the United States Employment Service, which measures ten different aptitudes. It is used on a nationwide basis in selecting and placing individuals who use the facilities of the Employment Service.

— Dexterity Tests

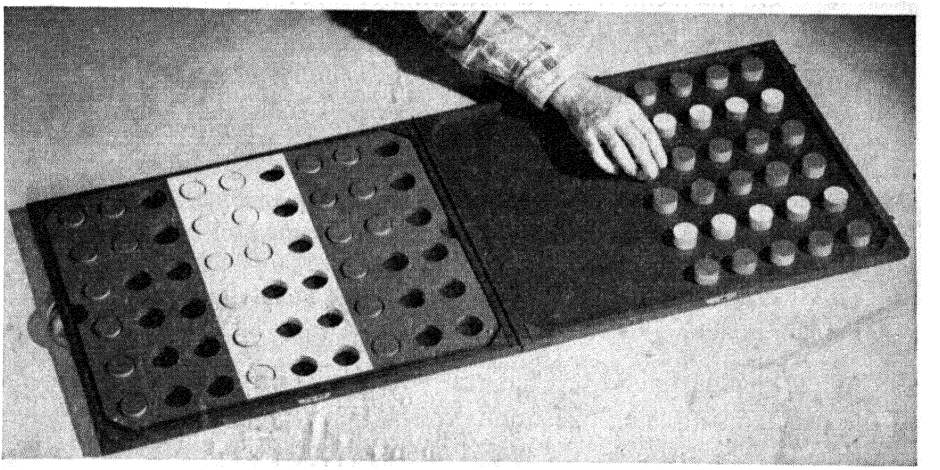
The person who is "clever with his head" is not necessarily "clever with his hands." In fact, there is little relationship between intelligence and the ability to use one's hands and fingers skillfully. Just as an interviewer cannot judge an applicant's intelligence by looking at his face, neither can he judge an individual's skill in manipulating objects by looking at his hands. There are tests, however, that can do this job for him.

Nature and purpose of dexterity tests. There are two distinct types of dexterity — manual and finger — that have been found to be unrelated to each other. Some jobs, such as those involving assembling of small electrical parts, watch and instrument making, and similar operations, require good finger dexterity. Many jobs, however, including most of the skilled trades, do not require dexterity as much as they require a knowledge of the operations involved in the work.

Typical dexterity tests. One of the commonly used tests of manual dexterity is the *Stromberg Dexterity Test* shown in Figure 7-3. In this test

Figure 7-3

Dexterity Test



Reproduced with permission of The Psychological Corporation.

the subject inserts red, yellow, and blue discs according to a prescribed sequence in the sections of the board that are colored to correspond with the discs. He is required to discriminate and to sort out the discs as well as to move and place them on the board as fast as possible. While originally designed for use in selecting laundry workers, this test has been used in selecting foundry molders, punch press operators, and assemblers, as well as general factory workers.

— Personality and Interest Tests

The value of an employee to the company is determined frequently by his ability to work cooperatively with others and to "fit" into the organization in such a manner that both he and others are reasonably happy that he is there. These are the aspects of human behavior that are measured by personality and interest tests.

Nature and purpose of personality and interest tests. Many so-called *personality tests* have been devised for the purpose of measuring such characteristics as emotional adjustment, perseverance, self-confidence, originality, and many other "traits" or characteristics. Most of them, however, are not as valid as the intelligence and aptitude tests. Until more is known about the organization of personality, it is doubtful if tests designed to measure it will be of as much value as intelligence and aptitude tests. *Interest tests* have been devised to measure an individual's preferences

for certain activities of a vocational and avocational nature. Although they have been used more often in vocational counseling, they also have been used to some extent in personnel selection, especially for sales jobs.

Typical personality tests. One of the oldest and most widely used of the personality tests is the Bernreuter *Personality Inventory*, which was designed to measure neurotic tendency, self-sufficiency, introversion-extroversion, dominance-submission, self-confidence, and sociability.

Do you often feel lonesome when you are with people?
Would you "have it out" with a person who spread untrue rumors about you?
Do you take the responsibility for introducing people at a party?
Do you prefer a play to a dance?[5]

While this particular test has proved effective in many instances, one of the problems in using questionnaires of this type is that the individual can usually "see through" the intent of the question and thus answer in a manner that he believes will help him get the job. One of the more recently developed techniques that reduces "faking" is the forced-choice type of inventory. This procedure requires the individual to choose from among two, three, or four alternatives the one that he believes describes him best. Since these alternatives are designed to appear equally desirable or equally undesirable, it is difficult for the individual to select the one that he believes will produce the desired score.

The *Gordon Personal Profile* is a forced-choice type of personality inventory that measures the following characteristics: ascendancy, responsibility, emotional stability, and sociability. Sample items from this inventory illustrate the difficulty that the job applicant would encounter in selecting the "correct" response. In the item from the *Gordon Personal Profile* shown below, the respondent is required to examine the tetrad (sets of four statements) and mark the one description that is *most* like and the one that is *least* like him.[6]

	Most	Least
a person who can be relied upon.....	....X....	.....
easily upset when things go wrong.....	.....	.....
not too sure of own opinions.....	.....	....X....
prefers to be around other people.....	.....	.....

[5]Robert G. Bernreuter, *The Personality Inventory.* (Stanford, California: Stanford University Press, 1935) Reproduced with permission.

[6]Leonard V. Gordon, *Gordon Personal Profile.* (Yonkers-on-Hudson, New York; World Book Company, 1953) Reproduced with permission. A companion test, *Gordon Personal Inventory* which measures cautiousness, original thinking, personal relations, and vigor by forced-choice items is also available.

Projective techniques for measuring personality are sometimes used in the selection of individuals for executive and supervisory positions. These techniques involve ambiguous pictures or inkblots that are shown to the examinee. He is asked to tell what he "sees" in the picture or inkblot to the examiner who records his responses. Since the administration, scoring, and interpretation of projective techniques require the services of a clinical psychologist, ordinarily only one person can be tested at a time. This approach to personality assessment will probably be used only where the expense is justified.

Typical interest tests. Two of the most widely used interest tests are the *Strong Vocational Interest Blank* and the *Kuder Preference Record.* The fundamental difference in the two tests lies in the method of analyzing the responses made by the examinees. In the Kuder record, the individual is asked to select the activity that he would most like to perform and the activity which he would least like to perform from three activities grouped together, as for example:

Compile a dictionary of slang
Discover a cure for hay fever
Install improved office procedures in a big business

Interview applicants for relief
Try out different sales letters to see which type works best
Work on the development of more efficient methods of handling office work[7]

This test provides a measure of the degree of interest in ten broad job fields: clerical, scientific, mechanical, outdoor, computational, persuasive, artistic, literary, musical, and social service. When used along with other tests, especially tests of intelligence and aptitude, it is valuable as an aid in the placement and guidance of employees.

The *Strong Vocational Interest Blank* is an inventory with over 400 items that the individual marks *L*, *D*, or *I*, according to whether he likes, dislikes, or is indifferent to the hobby, occupation, school subjects, peculiarities of people, etc. specified in the particular item. The individual's score represents the extent to which his interests coincide with the interests of individuals who are successful in different occupations. The *Strong Vocational Interest Blank* has been used quite widely in the selection of personnel for administrative and sales positions. In using the Kuder record and the Strong blank, it is important to keep in mind that they measure only interests and not intelligence or aptitude.

[7]G. Frederic Kuder, *Kuder Preference Record*— Vocational (Form C). (Chicago: Science Research Associates, 1948) Reproduced with permission.

5 — Achievement or Proficiency Tests

Achievement tests are designed to measure what an individual knows about a particular job or his proficiency in performing certain tasks at the time he is tested, as compared with tests that are designed to measure capacity or potentiality for acquiring certain knowledge or skills. Typing and stenography tests and tests of knowledge about particular jobs are examples of achievement tests. One type of achievement test that has proved quite valuable is the *Oral Trade Test.* It was designed by the United States Employment Service to obtain an indication of an applicant's knowledge about a trade during the employment interview. Other trade tests make use of pictures of equipment. Although there are many different types of standardized achievement tests, some companies have been able to take care of their special needs in this area by devising their own achievement tests. Senior employees who are highly skilled in a particular job are asked to construct items that will be incorporated into a "company-made" test. These items are assembled into a test by individuals trained in test construction procedures.

BASIC REQUIREMENTS OF TESTS

Hundreds of tests similar to those described have been standardized and are sold commercially. Many more that have been developed for private use by individuals, schools, and industrial firms are not available to the general public. Although test publishers make every effort to provide only those tests that will perform a worth-while function and do it adequately, the fact that a test is published and commercially available does not mean it is adequate for all employment purposes. A test must meet certain basic requirements if it is to do the job. These requirements which will be discussed briefly are:

1. Reliability
2. Validity
3. Other requirements

1 — Reliability

One of the fundamental requirements of a test is *reliability*, that is, it must measure consistently whatever it measures. If a test is reliable, an individual's score remains approximately the same or his standing in the group shows little change the second time that he is tested. The use of an unreliable test is comparable to measuring a room with a rubber tape, which may give a different measurement each time. The reliability of a test

is ordinarily discussed in the examiner's manual which accompanies the standardized test. While a test or other measuring device must be reliable in order to be of value, high reliability offers no assurance that the test is suitable for the purpose for which it is being used. The test must also be valid.

2 — Validity

Validity refers to the degree to which a test measures what it is supposed to measure. A test that is designed to predict success of applicants for the job of vacuum cleaner salesman would be considered highly valid if most persons scoring high on the test turned out to be top salesmen, whereas most of those who scored low turned out to be failures. Similarly, the validity of a test designed to measure potentiality for success in college would be measured by relating the scores on the test to grades earned or some other criterion of success.

The procedure by which the *measured* (or empirical) *validity* is determined will be examined later in this chapter. Consideration should also be given to another type of validity known as *face validity*, which refers to the test's apparent ability to measure a particular quality. If an applicant for a job involving mechanical operations is given a test that contains items about mechanical operations, the test would be considered to have high face validity. For the same job a test involving knowledge of musical terms would have low face validity. While face validity is never a substitute for validity determined by statistical means, the test should appear to be relevant to the situation by the person taking it.

3 — Other Requirements

While reliability and validity are the fundamental requirements for personnel tests, other requirements must be considered. These include proper difficulty level, practicality, and economy. In order for a test to measure differences between individuals, it must be of the proper difficulty level, that is, not too easy nor too difficult for the individuals who are likely to be tested with it. A mathematics test designed for advanced physics students, for example, would be of little value in testing the mathematical ability of the typical lathe operator. Likewise, an intelligence test used in a grade school would not be adequate for use in selecting adults for managerial jobs. The test must also be practical in that it requires little or no special skill to administer or score, and yields benefits in proportion to its cost. Most of the tests ordinarily used in personnel selection are relatively short and thus do not require an excessive amount of time for administration.

DEVELOPING A TESTING PROGRAM

How many tests, and specifically which tests, should be used in hiring personnel? These questions cannot be answered by merely pointing to a few of the tests that have been described. Their effective use depends upon many factors that must be considered in the development of a company testing program. As is true of other areas of personnel management, testing should never be thought of as a substitute for proper planning and effective management of personnel, nor as a panacea for all of the problems that arise within a company. Tests may, however, help in reducing the severity of some of the problems if they are used correctly. The proper use of tests may best be described and explained by considering the steps in the development of a testing program, which include:

1. Initial phases
2. Testing job applicants
3. Evaluation of testing program

1 — Initial Phases

The use of psychological tests in personnel selection requires a careful analysis of the employment procedures and the jobs for which individuals will be hired, as well as the available tests. This analysis should be made with the assistance of an expert in the field of testing. His special knowledge about tests and the human attributes that they measure is essential to getting the testing program started on a sound basis. He can also be quite helpful in procuring tests, many of which are sold only to companies that utilize the services of an outside consultant or have a staff member with advanced university training in tests and measurements. Once the testing program is established and is operating smoothly, it can be carried on by trained clerks and test administrators, with only occasional reference to the expert who set up the program. In the initial phases of establishing a testing program, the following steps should be taken:

a. Determine the probable value of tests
b. Establish criteria of job success
c. Select the tests
d. Try out the tests
e. Analyze the tryout results

(a) Determine the probable value of tests. The use of tests in personnel selection is usually predicated upon the belief that they will contribute to the selection of better personnel since they will measure human characteristics that cannot be measured as easily in other ways. While tests have

proved quite effective in hiring personnel for many jobs, they should not be used without first giving some consideration to such matters as the importance of the job in terms of numbers who are hired, the quality of personnel hired by existing methods, the size of the labor pool from which selections may be made, and the type of cooperation that may be expected from the unions and even from top management. Unless there is a need indicated for tests in hiring individuals to fill vacancies for a specific job, it would be better to concentrate efforts on those jobs that present problems of a more serious nature.

(b) Establish criteria of job success. Since the primary purpose of using tests is to predict the probable success of those who are applying or are being considered for a specific job, criteria or standards of job success must be established. Otherwise there can be no consistent and objective basis for designating who is a "successful" employee and who is "unsuccessful." Some of the factors that may be used singly or combined as criteria of job success are production (quantity and quality), job tenure, accidents, commissions, promotions, and performance ratings. For each job there should be definitely established standards based on criteria that are reliable (consistent), acceptable to line personnel, relevant to the job, and as objective as possible.

(c) Select the tests. The first step in determining which tests should be tentatively selected is to make a study of the job description and specifications. For purposes of selecting tests, however, these analyses require further refinements. By observing and questioning workers and as a result of his own experience, the test expert can pick out those human characteristics that appear to be essential for successful job performance.

> He will . . . note whether the workers are performing their tasks automatically or with apparent conscious effort, whether they have to attend only to one thing or to distribute their attention to a number of things simultaneously, whether they have to exercise a certain amount of judgment or whether the decisions are made for them, whether they apparently take advantage of any rhythm in the operation, and so on. He will also note various other more objective aspects of the work, such as whether it involves large or small muscle groups, whether the time taken to make the motions is critical, whether the men use near or distant vision, and whether they have to remember numbers, symbols, or facts . . . . In short . . . he will watch the man rather than the machine. . . . [8]

On the basis of his analysis, he will select various tests from the many different standardized tests that are available, or in some cases he may

[8] H. E. Burtt, *Principles of Employment Psychology*, Revised Edition. (New York: Harper and Brothers, 1942), pp. 221–222.

devise tests which he believes will measure those characteristics that the man should possess for the job or group of related jobs. In either case he will be interested in the tests meeting the requirements of reliability, validity, proper difficulty level, practicality, and economy.

(d) Try out the tests. One method commonly used in determining the value of a particular test or group of tests tentatively selected for use with applicants for a given job or group of jobs is to try out the test(s) on present employees. Prior to the administration of the tests, however, the quality of the performance of these experienced employees must be determined. These may be in the form of supervisory ratings, production figures, or other criteria.

(e) Analyze the tryout results. With several test scores and a measure of success (frequently referred to as a criterion score or rating) available for each individual used in the tryout group, it is then possible to determine the relationship between test scores and the criterion score. Those tests that are found to predict the criterion reasonably well are retained for use in testing job applicants. They are, in effect, the tests that are sufficiently valid for the purpose. Those tests which have little or no validity or that overlap too much with other tests are rejected.

The relationship between the test score and the criterion rating for a valid and an invalid test is shown in Figure 7-4. Note that in the valid test men with the same test score tend to achieve the same criterion rating, whereas in the invalid test men with the same test score obtain a variety of criterion ratings. It should be emphasized that validity is determined by an actual tryout of a test in a particular situation. A test may be valid for one purpose but not for another, just as a thermometer will reveal if the patient has a fever but will not reveal a hearing deficiency.

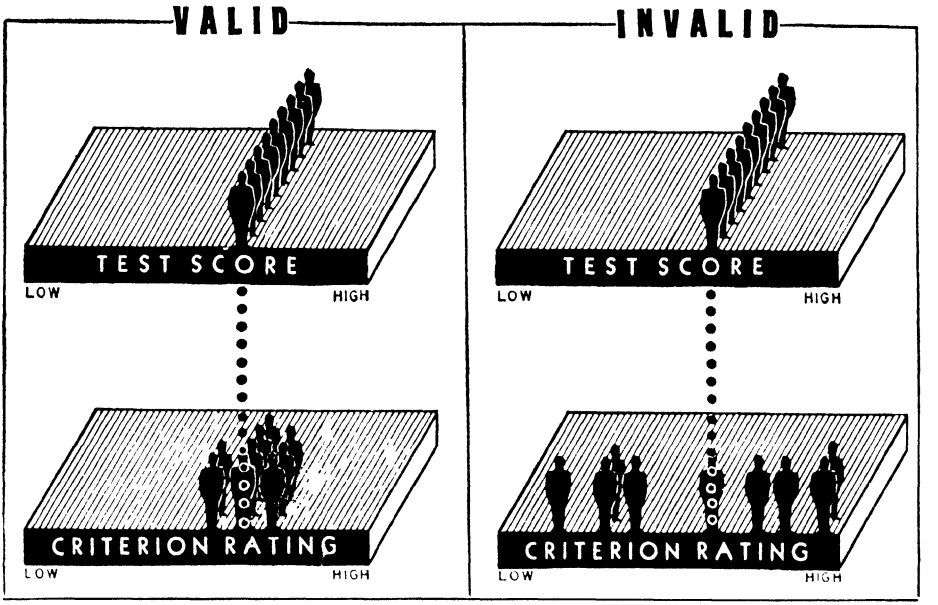
Those tests that are the best predictors of job success (that is, the most valid) are used together in what is commonly called a test battery. A typical battery may include an intelligence test, one or two aptitude tests, a personality and/or interest test, and possibly some dexterity tests. Ordinarily the scores obtained on the tests are weighted according to the degree of their validity, with the scores on the most valid tests receiving a heavier weighting than those that are less valid.

2 — Testing Job Applicants

Once the tests have been tried out on present employees and their validity determined, the test battery is then ready to be administered to job applicants. The important steps which follow the assembling of the test battery are:

Figure 7-4

Test Scores Used to Predict Criterion Ratings



Source: *Personnel Classification* Tests, TM 12-260, War Department, April, 1946, page 47.

a. Administration
b. Scoring
c. Interpretation of scores
d. Determining qualifying scores
e. Using other norms
f. Charting test scores

(a) Administration. In administering tests, any factors that might influence the examinee's performance on the tests must be given careful consideration. The physical conditions must be as favorable as possible. The heating, lighting, and ventilation of the testing room should be carefully checked. There should be freedom from noise and other distracting influences. The examiner should do everything possible to insure that the examinees aré properly motivated, understand the instructions, and are cooperating. Individuals who are fearful and suspicious of the testing procedure should be reassured. Needless to say, in order for tests to be reliable and valid, they must be administered under standardized conditions. This requires that the examiner follow all directions explicitly, that the instructions to examinees be presented clearly, and that tests with time limits be

accurately timed. Ordinarily the examiner should not be required to perform other duties that would interfere with the proper administration of tests. Unless all of the factors that might influence test results are carefully controlled, the examinees' scores may be of little value.

(b) Scoring. Most of the tests used in business and industry can be scored easily by means of a key or template, which is laid over the answer sheet and against which the answers are checked. This work may be performed by trained clerks. In larger companies where many applicants and employees are tested, an IBM electric test scoring machine may be used.

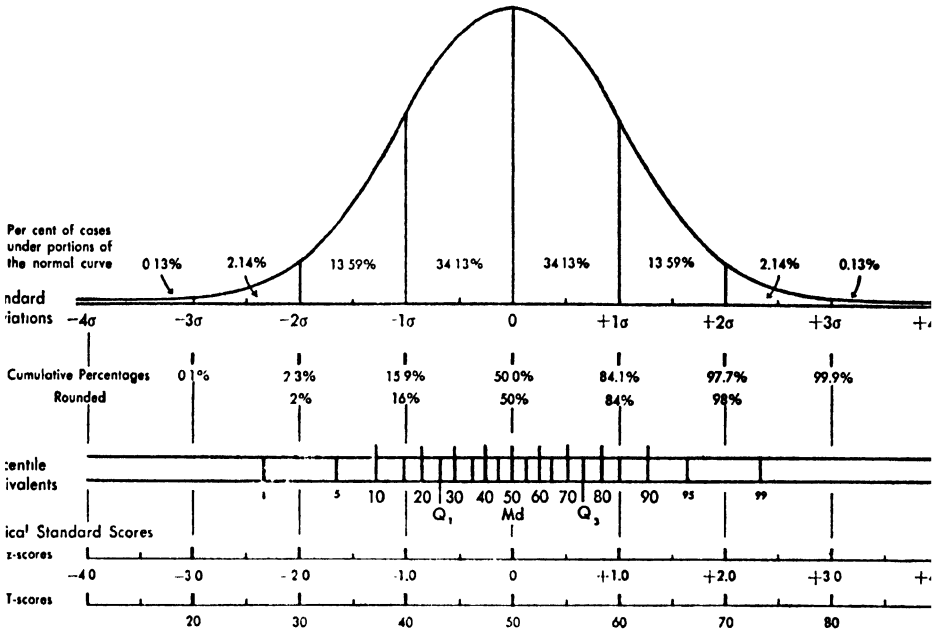
(c) Interpretation of scores. The basic principle underlying all psychological testing is that individuals differ in degree with respect to their abilities, interest, personalities, aptitudes, and achievements. To the extent that these characteristics can be defined and measured, it is possible to compare individuals. The number of answers that agree with the scoring key is commonly referred to as the *raw score.* For example, if a test has 100 items and the individual answers 65 of these items correctly, his raw score is 65. But what does it mean? Without some basis for comparison, it is impossible to attach any meaning to the score. Although it is known that he answered 65 per cent of the items correctly, this score tells nothing about the individual's standing in relation to others who have taken the test. If the average (mean) score for a group of persons tested with this test is 60, however, it is then known that the individual scored slightly above average on the test. Ordinarily it is desirable to state scores in more specific terms in order that careful evaluations may be made.

When large numbers of individuals have been tested, the distribution of raw scores provides the basis for converting the raw scores into percentile equivalents or typical standard scores as shown in Figure 7-5. It will be noted from this figure that a person scoring at the 50th percentile has exceeded the scores of half of those tested. Similarly, a person scoring at the 75th percentile on a given test has 75 per cent of the individuals scoring below him.

While percentile scores are easily computed and readily understood, they are somewhat limited in their application in testing for personnel selection purposes. Standard scores such as the z-scores or T-scores, which are computed on the basis of the mean and the standard deviation of the distribution, are normally used. An explanation of these scores may be found in most of the books on testing listed at the end of this chapter.

Figure 7-5

Normal Probability Curve
Showing Percentile Equivalents and Typical Standard Scores



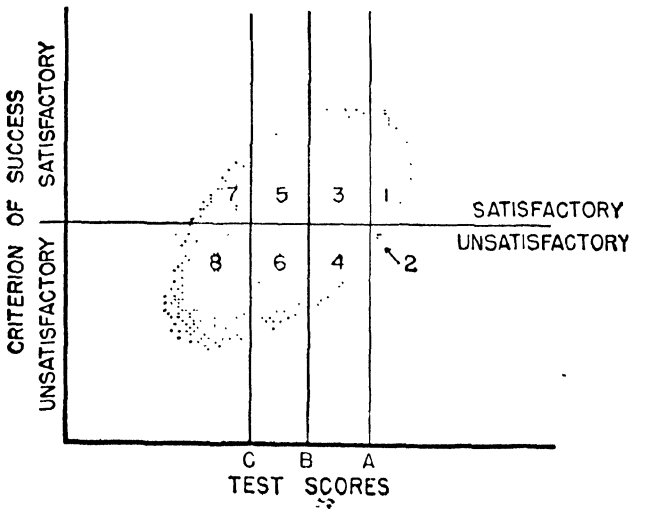
Source: Adapted from *Test Service Bulletin* No. 48, The Psychological Corporation, January, 1955, page 6. Reproduced with permission.

(d) Determining qualifying scores. The crucial question which arises in using tests for personnel selection is what score or scores must be obtained by the applicant before he can be hired with reasonable expectation that he will become a successful employee? The score that a man must achieve before he is selected is referred to as the *critical score.* It is seldom constant, since the number of applicants in relation to the number of job vacancies varies. Depending upon the status of the labor supply, it may be necessary to lower or raise the critical score.

The effects of raising and lowering the critical score are illustrated in Figure 7-6 on page 138. Each dot in the center of the figure represents the relationship between test score and the criterion of success for one individual. In this instance the test has a fairly high validity as represented by the elliptical pattern of the dots. It will be noted that the individuals scoring high on the test are concentrated in the satisfactory category on job success, whereas the low scoring individuals are concentrated in the unsatisfactory category on job success. If the critical score is set as *A*, only the men represented by areas 1 and 2 will be accepted, and nearly all of these will be

Figure 7-6

A Scatterplot Showing the Relationship Between Test Scores and the Criterion of Success for a Large Number of Individuals



Source: *Personnel Classification Tests, op. cit.*, page 48.

successful. If more men are needed, the critical score may be lowered to point *B*. Lowering the critical score in each case means that a larger number of potential failures will be accepted. Even when the critical score is lowered to *C*, the total number of satisfactory men selected (areas 1, 3, and 5) is considerably in excess of the total number selected who are unsatisfactory (areas 2, 4, and 6). This indicates that even where it is necessary to lower the critical score to obtain the numbers of persons needed, the use of tests results in the rejection of those applicants most likely to fail. In other words, the test serves to maximize the selection of probable successes and to minimize the selection of probable failures.

(e) Using other norms. Up to this point the discussion has focused on the use of test scores and criteria as measures on present employees as a basis for setting the critical score for job applicants. While this is the most desirable procedure, it is often necessary that another basis be used in interpreting test results because the company has not acquired enough data to warrant making generalizations. In such instances it is customary to use the norms provided by the test author. *Norms* are statistics that describe the test performance of specified groups assumed to be representative of a larger population.

The manual for a typical standardized test provides norms based upon the prior administration of the test to a large number of persons in a given category. The author of a clerical aptitude test, for example, may provide norms for high school students, college students, college students in commerce courses, adults, and employed clerical workers. These norms permit the test user to compare the score of an individual with the appropriate group. If an adult examinee earns a raw score of 58 on the test, his score might be at the 70th percentile when compared with adults in the general population, but only at the 60th percentile when compared with scores for clerical workers. If the test were being used in selecting clerical workers, it is likely that the norms for employed clerical workers would be used, since this norm group is presumably typical of successful clerical workers and is the group with which the individual should logically be compared.

(f) Charting test scores. During the period when the testing program has not reached the stage where the more elaborate statistical analyses have been made and it is necessary to rely upon norms established by the test author, it is often helpful to present scores in a chart or graphic form. This method of presentation, commonly referred to as a *profile*, permits easy identification of the individual's strengths and weaknesses. A profile normally contains the names of the tests administered to an applicant, the norms used as a basis of comparison, and his raw and converted scores on each test and subtest.

3 — Evaluation of Testing Program

The testing program, as much as any other aspect of the personnel program, requires continuous evaluation. The personnel requirements of an organization and the sources of personnel from which selections are made are constantly changing. As a result, a test or test battery that is performing effectively at one time may not be as effective a few months later. It is not enough to conduct a validation and then forget about it. A continuous check of the validity of the tests is essential if the testing program is going to serve its purpose.

While it is sometimes difficult to show outstanding results from a testing program, even a small increase in production or a small decrease in accidents, absenteeism, or turnover can represent a sizable savings to the company. By maintaining adequate records on personnel who are hired, it is possible to evaluate the effectiveness of personnel procedures, including the testing program. The personnel department should make these findings known to top management as well as to line personnel who are sometimes critical of the quality of personnel they receive.

RÉSUMÉ

Modern businessmen are required to make evaluations of personnel many times each day. Many of them have found that tests which are designed to provide information about various human characteristics are valuable aids in the making of evaluations, especially of job applicants. It is essential, however, that the tests be properly used and interpreted if they are to contribute to sound personnel management. Their proper use requires that they be tried out in each situation to determine their value.

Most tests that are published have some value, but it is important to know the validity or value of a test in selecting individuals for a specific job or a family of jobs. The proper use of tests is also dependent upon a clear understanding of the functions performed in a specific job and some agreement among managers and supervisors as to what constitutes acceptable performance in the job. When attention is focused on objective performance standards rather than upon personality and other subjective factors that too frequently receive undue attention, it is possible to select and train employees who will produce more efficiently. In the chapter that follows the principles and methods of training such employees will be discussed.

REVIEW AND DISCUSSION QUESTIONS

1. Define a psychological test. How does it differ from an interview?
2. What are some of the contributions and limitations of tests?
3. Why is it undesirable for a company to hire only those individuals who score high on their intelligence test?
4. Why is the forced-choice type of personality inventory generally more desirable than the questionnaire type?
5. What are the basic requirements that a test must meet?
6. What is the difference between measured or empirical validity and face validity?
7. Why is it desirable to obtain the services of a test expert in setting up a testing program in a company?
8. On what basis should specific tests be selected?
9. What factors should be considered in the actual administration of tests?
10. Why are raw scores of little value in themselves?
11. Why is it sometimes necessary for a company to use test norms furnished by the author of the test?
12. In many instances the tests that are the best predictors of job success appear on the surface to have absolutely no face validity. Should they be excluded from the test battery? Discuss.

13. It was stated in this chapter that "tests ordinarily cannot show why a person made a particular score, but only that he did make the score." Is it necessary to know why a person made a particular score in order for the test to be of value in personnel selection?
14. In developing a test battery, many different types of tests are tried out and the most valid ones finally adopted for use. Why is it important to try out these tests?
15. An applicant who is rejected because of his personality test scores wants to know why he did not get the job. Should he be told the real reason? Discuss.

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Chapter 8

Orientation and Training

The final step in the selection process is the induction or placement of the accepted applicant on the job. This involves completing the paperwork needed for entering his name on the payroll; providing him with information about such matters as pay, working hours, and safety regulations; and assisting him in becoming assimilated into the company, his department, and his job. The process of providing information and assisting the employee in getting off to a good start is an essential phase of personnel management.

When the employee is first assigned to his job, he should be given specific instructions about how to perform the tasks that are a part of his job. The nature of the instructions and the amount of time required for training will vary considerably with the type of job, the employee's previous experience, his capacity for learning, and efficiency of the trainers. It is essential, however, that he receive the type and amount of training necessary for effective performance in his job and that additional training be provided as he needs it throughout the period of his employment.

Training is one of the important personnel functions that contributes not only to increased production, but also to safety, job satisfaction, and personal adjustment of employees. The gains derived from training are sometimes difficult to measure, but companies have found that proper training does not cost but that it pays instead. The most important reason for providing training is to increase the quantity and quality of production. With improved skills there is usually less material waste and less damage to equipment. As a result, the company may enjoy better relations with customers by furnishing them better products or services at lower prices. Another benefit of training is improved safety, which along with increased proficiency is likely to result in increased job satisfaction. Under these improved conditions supervisors may be able to devote more time to planning and preparing for future operations.

The discussion of orientation and training that follows includes these topics:

- Orientation
- The training program
- Training methods
- Increasing the effectiveness of training

ORIENTATION

The initial training of the new employee should give him an understanding of the importance of his job, the company's personnel policies and procedures as they concern him, as well as a broad picture of the role of the company in the business world and in the local community. This phase of the training program, which bridges the gap between selection and training, is known as *orientation*. The new employee receives orientation whether or not there is an orientation program. Through his contact with others he acquires information and attitudes about the company. It is more desirable, however, that he receive his orientation under a formal system that has been established by management.

The first few days that the new employee is with the company are especially important. There are many new persons and situations to which he must adjust. The interest and cooperation of management, the supervisor, and fellow employees in helping the employee to cope with the new situation will contribute to his total adjustment.

Orientation, however, is more than just a one-time procedure or a mere program through which the new employee becomes acquainted with the company and his job. Since a company must be dynamic in order to meet the ever-changing conditions affecting its operations, the organizational policies and procedures, and the structure and content of jobs must change with it. Unless the employees are kept up to date on these changes, they may find themselves unaware of those aspects of the business of which the new employees are currently being advised. While the discussion that follows will focus primarily upon the needs of the new employee, the fact that all employees need to be reoriented from time to time should not be overlooked. In the discussion of this topic consideration will be given to the following:

1. Responsibility for employee orientation
2. Formal orientation experiences
3. Making orientation more effective
4. Orientation of special groups

1 — Responsibility for Employee Orientation

Successful orientation requires that the personnel and line departments cooperate closely to insure that their efforts are well coordinated and that there are no gaps or inconsistencies in the operation of the program. Those responsible for planning the orientation program should have complete understanding and agreement among themselves as to what is to be accomplished by such a program. Certain broad objectives, however, appear to characterize most orientation programs. These include providing the new employee with facts concerning the company, his job, and conditions of employment, creating a favorable attitude toward them, building confidence in the employee, and helping him to feel that he "belongs" in the company and in his work group. While these objectives are stated in terms of what is being done for the employee, the successful accomplishment of these objectives by the personnel and other departments will yield benefits to the company. The personnel department, the supervisor, and present employees — all have a role in the attainment of these objectives of the orientation program.

Role of the personnel department. The personnel department is ordinarily responsible for coordinating orientation activities in the company and for providing information concerning conditions of employment, pay and benefits, and other areas that are not directly under the supervisor's direction. It is also generally responsible for organizing and conducting classes in which employees are assembled for instruction and discussion, for the preparation of handbooks and other literature for distribution to employees, and for producing films and planning company tours for employees.

Role of the supervisor. The supervisor has one of the most important roles in the orientation program. The manner in which he greets the new employee when the latter reports to his department often determines the pattern of relationships that are to follow. His interest and ability in making the newcomer feel welcome and wanted are essential to the success of the orientation. If he neglects these responsibilities, the whole orientation program can be severely weakened.

There is hardly a supervisor's manual that does not emphasize the importance of the supervisor's role in orientation. The manual of the Riverdale Plant of Acme Steel Company, for example, includes the following statement:

The success or failure of the new employee during his probationary period depends to a large extent on the foreman's ability as a trainer and teacher. In this role the foreman is expected to:

(1) Thoroughly acquaint the new employee with the best method of performing his work.
(2) Enthusiastically and carefully explain Acme Steel policies and procedures to the new employee.
(3) Develop in the new employee an interest in his work and promote a friendly and cooperative attitude between the new employee and his fellow workers.[1]

Role of present employees. The employees who have been with the company for a period of time often have considerable influence on the attitudes of the new employee. If their morale is high, it is likely that the new employee will be accepted more readily into their group. On the other hand, if morale is low and it appears that there is some possibility of their jobs being endangered by the hiring of the new employee, he may receive a cool reception. Present employees, therefore, should be prepared for the hiring of new personnel by an explanation of the need for the individual and assurance that their own status will not be altered. If any changes in company policy or organization are contemplated in conjunction with the new hirings, present employees should be advised of the changes before new individuals are introduced into the group. The assignment of a senior employee as a sponsor for the new employee is often helpful. The senior worker is usually selected on the basis of his familiarity with the company and department policies and on the basis of attitudes that are favorable toward the company.

2 — Formal Orientation Experiences

Planned orientation should consist of a series of well-integrated experiences that acquaint the individual with the company, the job, and his fellow workers in such a way that he is able to benefit from such experiences. Some of the typical experiences that are provided in the orientation program include:

a. Recruitment and selection interviews
b. Group meetings
c. Individual briefings
d. Use of orientation aids

(a) Recruitment and selection interviews. The initial interview or contact with the applicant is the beginning of the formal orientation

[1]Quoted with permission of the Acme Steel Company.

process. Orientation, however, actually begins as soon as a person first hears about a company. In order to interest this person in making application, it is customary to "sell" him on the advantages of working for the company. The products and services, working conditions, pay and benefits, opportunities for advancement, and other items of interest are described to him in the recruiting interview.

During the selection interview these areas should be covered again and the applicant given a chance to ask questions. Too often the emphasis in the selection interview is on obtaining information about the employee with insufficient attention to convincing him of the merits of working for that company. If the individual can be made to appreciate the opportunities for him, he will probably begin his employment with greater enthusiasm.

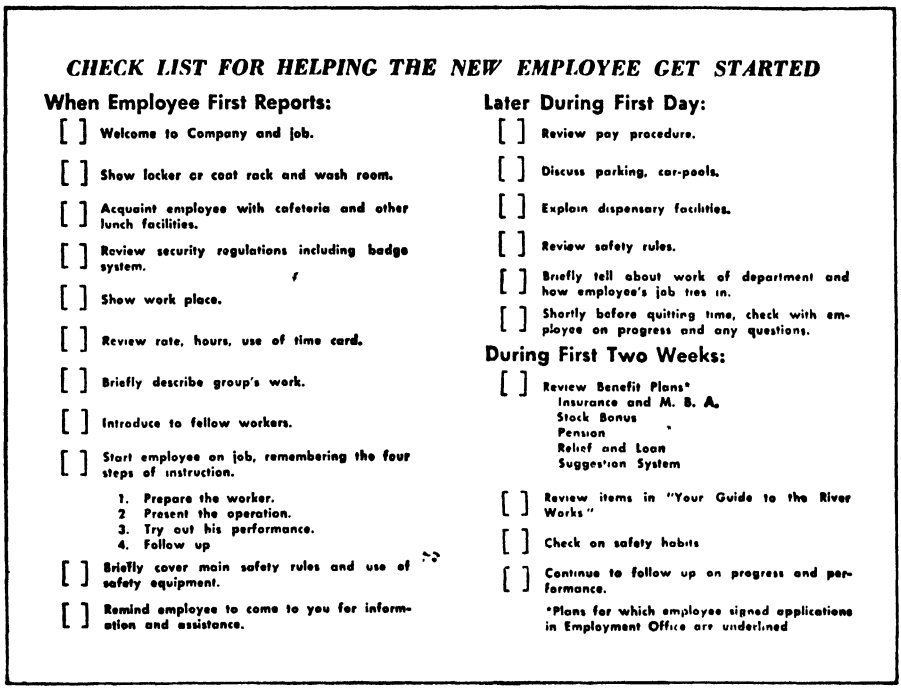
(b) Group meetings. One of the ways of insuring that employees are properly oriented is to assemble them for group meetings that have been carefully planned so as to include most of the information that an employee should have. Typically an orientation meeting is opened by a representative of the personnel department who calls on one of the executives for a "kickoff" talk. This may be followed by a series of talks by representatives of the personnel department, safety committee, medical services, and other branches of the company. During this meeting or series of meetings, effective use should be made of audio-visual aids and opportunities should be provided for questions.

(c) Individual briefings. In most cases individual conferences are conducted by the immediate supervisor. When the employee first reports, his supervisor should take sufficient time to establish an acquaintanceship and to familiarize the new employee with those matters that are of first concern to him, such as where he will work, his fellow employees, and his locker assignment. The supervisor should allow time for questions that may arise during this first meeting and should invite the employee to come to him for information and assistance at any time. Many companies provide their supervisors with check lists which may be used to insure that the important items are not overlooked during the briefing. A typical check list in use at the General Electric Company is shown in Figure 8-1 on page 148.

(d) Use of orientation aids. Employee handbooks that contribute to the orientation process may be distributed. If the handbooks are discussed during the orientation talks, they will probably be read with greater understanding. The typical handbook contains a welcome statement from

Figure 8-1

Supervisor's Check List



CHECK LIST FOR HELPING THE NEW EMPLOYEE GET STARTED

When Employee First Reports:

[ ] Welcome to Company and job.

[ ] Show locker or coat rack and wash room.

[ ] Acquaint employee with cafeteria and other lunch facilities.

[ ] Review security regulations including badge system.

[ ] Show work place.

[ ] Review rate, hours, use of time card.

[ ] Briefly describe group's work.

[ ] Introduce to fellow workers.

[ ] Start employee on job, remembering the four steps of instruction.

1. Prepare the worker.
2. Present the operation.
3. Try out his performance.
4. Follow up

[ ] Briefly cover main safety rules and use of safety equipment.

[ ] Remind employee to come to you for information and assistance.

Later During First Day:

[ ] Review pay procedure.

[ ] Discuss parking, car-pools.

[ ] Explain dispensary facilities.

[ ] Review safety rules.

[ ] Briefly tell about work of department and how employee's job ties in.

[ ] Shortly before quitting time, check with employee on progress and any questions.

During First Two Weeks:

[ ] Review Benefit Plans*
Insurance and M. B. A.
Stock Bonus
Pension
Relief and Loan
Suggestion System

[ ] Review items in "Your Guide to the River Works"

[ ] Check on safety habits

[ ] Continue to follow up on progress and performance.

*Plans for which employee signed applications in Employment Office are underlined

Source: General Electric booklet, "Orientating the New Employee." Reproduced with permission.

the president, important rules and regulations, personnel policy, and other items of importance to the new employee. Included among these items may be information concerning pay, vacations, working hours, insurance plans, cafeteria and parking facilities, and recreational opportunities. Since the handbook is designed to provide the answers to many of the new employee's questions, its contents should be carefully organized and indexed for ready reference.

The use of films, filmstrips, charts, and displays during the orientation process may add considerable interest and facilitate understanding of what is being presented. Sometimes guided tours are also used to give the employee an over-all picture of the company's operations. Displays of finished products with cutaways may make it possible for the employee to visualize their detailed construction. For maximum effectiveness, however, audio-visual materials should be integrated into the orientation program and used as aids and not as substitutes for an organized presentation.

3 — Making Orientation More Effective

The orientation program is fairly expensive when the time of all of the individuals concerned with it is considered. Although some benefits are derived even from a program that is arranged and conducted haphazardly, one that is efficient can produce many additional benefits. Some of the ways in which orientation may be made more effective are:

a. Providing time to assimilate new material
b. Minimizing rules and regulations
c. Encouraging individual initiative
d. Providing for follow-up

(a) Providing time to assimilate new material. The new employee too often is deluged with so many facts and instructions that he is not able to assimilate the more important material that is presented. By scheduling meetings over a period of two or three weeks or more, it is possible for a greater proportion of this material to be absorbed. Furthermore, meetings should be scheduled so as to permit ample time for a question-and-answer period. The encouragement of questions not only gives the persons conducting the orientation an opportunity to clarify any problem but also provides clues as to the effectiveness of the presentation.

(b) Minimizing rules and regulations. Although the orientation program is the logical place to acquaint the employee with company rules and regulations, this phase should not be overemphasized to the point where the orientation program assumes a negative tone. By giving an explanation as to the importance and significance of company rules and regulations, a positive approach can be used that is not likely to offend the new employee or to build up resistance. It may be assumed that most employees will abide by the rules if they know what they are and understand their significance.

(c) Encouraging individual initiative. In orienting its employees, a company should recognize that a person has within himself the power to adjust to his new job and the company with a moderate amount of guidance and encouragement from management. This position represents a middle of the road approach to the problem. It is preferable to handing the employee a manual or handbook with little opportunity for clarification or discussion of its contents, or to the spoon-feeding approach which leaves little room for employee initiative.

(d) Providing for follow-up. At the end of the formal orientation period — usually 30 to 60 days — the employee may have questions that

have arisen as a result of his experience with the company. The follow-up interview provides an opportunity for him to state these questions and to express his views on matters of interest to him and to the company. In many companies the employee is scheduled for follow-up interviews with the personnel department as well as with his supervisor. This not only gives the personnel staff an opportunity to help in clarifying matters for the employee but also enables it to get an appraisal of the effectiveness of the orientation program from the standpoint of the employee.

4 — Orientation of Special Groups

The regular orientation program, which is designed for the majority of the employees, may not be adequate for certain groups of employees who have special problems or require supplementary guidance. In some instances it is not only a matter of providing special orientation for the new employee, but supervisors and established employees may also need to be oriented for certain situations. While the discussion which follows is limited to three groups, there may be other groups that need special attention in a particular company.

Since the beginning of World War II the percentage of employed women has increased considerably. The employment of women does not necessarily present special problems, but there may be problems arising because of other factors. For example, with the influx of women into war industry during World War II special adjustment problems arose that made it advisable for industry to provide more employee counselors. Many of these women who had children at home or husbands overseas required someone with whom they could discuss their problems. As a result of this experience some companies now include a general discussion of these and similar problems and their possible solutions during orientation sessions for women.

Handicapped persons require special attention at the outset for optimum adjustment to the job. Such attention should not be in the nature of pity but should be in the nature of helping the handicapped person to help himself.

Since the introduction of racial minority groups into the company can sometimes create problems, it is advisable to discuss proposed changes with present employees and to make assignments of the new employees on a basis that will cause the least friction. By knowing what to expect and being prepared for it, existing employees are more likely to accept the change as indicated.

THE TRAINING PROGRAM

Not all companies have formal training programs, but some type of training is carried on in practically every company. Ordinarily the training program is under the general supervision of the personnel manager or director. In the larger company, however, the personnel director usually delegates the responsibilities for the training to an assistant in charge of the training division.

Functions of the Training Division

The training division is established primarily for the purpose of insuring that the training objectives and policies of the company are met. In order to meet these objectives, the training division often provides a variety of services. While it must never lose sight of the fact that it is performing a staff function, members of the training division may find it necessary to display considerable initiative as well as to exercise tact in accomplishing its objectives, since training is a responsibility of supervisors in each department. There is often a serious lack of attention to training on the part of supervisory personnel who become primarily concerned with meeting production standards and fail to recognize the need for and the benefits of training. The training division ordinarily assists other departments in the following aspects of training:

a. Determines training needs
b. Organizes formal training classes
c. Selects and trains instructors
d. Obtains employee cooperation
e. Evaluates the program

(a) Determines training needs. The training division is responsible for making supervisors cognizant of the needs for training and for working with them in planning and developing courses and other types of instruction that will satisfy these needs. Certain signs may reveal the need for training employees. If production records indicate, for example, that workers are not producing as much as expected, additional training may be needed. Similarly, an excessive waste of material in production can often be reduced through proper instruction. An increase in the number of accidents is certainly an indication that employees need refresher training in the use of safety devices and in safe working procedures.

Although training represents a positive approach to the improvement of performance, it cannot provide the solution to all such problems. For example, if production is dropping because workers are disgruntled and

resentful over working conditions, additional training will not be likely to increase production. It may, in fact, cause further resentment among employees because management may appear to them to be blind to the basis for their original feelings. The cause of each personnel problem, therefore, must be accurately determined and the most appropriate action taken. Although the need for further training should be explored, other possible solutions to these problems should also be considered.

In clarifying the objectives of training and in planning methods and procedures for attaining the desired outcomes, the training division should be careful when examining the programs of other companies. "Package programs" taken over from another company may appear attractive in that their use does not appear to require any additional preparation. Such programs, however, are seldom adequate in their original form since they were designed to meet the needs of a different company. These needs may not be the same as those of the company that attempts to use the "package program." It should not be inferred, however, that a program prepared by a professional organization or by one company cannot be adapted to fit the needs of another company once its needs have been determined properly.

(b) Organizes formal training classes. As training needs are determined by the training division and by each department, action should be taken to provide the appropriate training. Close coordination must exist between the training staff and the supervisors in other departments in order that an agreement may be reached as to the type of training required, the appropriate time and place for the training, and the selection of instructors and trainees. Other matters such as the method of training and the types of audio-visual and other materials to be used must also be considered.

(c) Selects and trains instructors. The success of training depends to a great extent upon the quality of the instruction. Careful selection of personnel to serve as instructors and special training of these instructors in methods of teaching can mean the difference between a successful and an unsuccessful course. Individuals who are selected to teach should not only be experienced in the skills and techniques that they are teaching, but they should also have the ability to instruct others. Some of the most competent individuals, as far as job knowledge or performance is concerned, may turn out to be the least effective teachers; hence, both criteria need to be considered when selecting instructors. In addition to selecting instructors, the training division should be prepared to train those who,

without much prior experience in instructing, may be called upon to perform this function.

(d) Obtains employee cooperation. Employee cooperation and receptivity toward training is an important factor in its success. By recognizing employee viewpoints, making them aware of the benefits, and rewarding results of training, their cooperation is likely to be increased. This may be accomplished by asking employees for their viewpoints regarding any deficiencies which they have that may be overcome through training. Upon completing a training course, the employee should be recognized by management as contributing to the company's welfare and progress. Ceremonies at which diplomas are awarded facilitate individual as well as group morale and serve to point out some of the benefits to be derived from participation in the courses. These types of recognition help to obtain the cooperation of other employees in training activities.

(e) Evaluates the program. The training program of a company should be evaluated continuously to determine if it is meeting the established objectives. While experience has shown that training programs are usually worth many times their cost, this should not be automatically assumed in a particular company. The evaluation of the program will frequently point out the need for improvement in training methods or in the content of courses. Such information can then be used in improving subsequent training efforts.

Changes and improvements in production, accidents, morale, absenteeism, and other factors help to serve as indicators of the program's effectiveness. These factors, however, are often influenced by personnel policies and procedures that are not directly related to training. As an employee progresses through his period of instruction, his progress should be measured frequently and he should be advised of his progress. Tests and other types of measurements, such as production records, can be used as a basis for evaluating the progress of trainees and in turn the effectiveness of instruction.

Areas of Coverage

Training in business and industry may be used as a means for imparting information, teaching skills, and influencing opinions and attitudes of the employees. Although most employees will have some proficiency prior to entering upon a job assignment, many companies, particularly the small ones, too frequently assume that formal training is either unnecessary or too costly. This attitude on the part of managers and supervisors often leads to misunderstandings, poor quality of workmanship,

accidents, and personal maladjustments among employees. Most of the larger companies recognize the importance of providing training in certain areas or subjects, even at the risk of repeating what the employee already knows. While unneccessary repetition is to be avoided, it should be remembered that it is the company's responsibility to orient and train its employees. Instruction may be provided to meet any type of training need; however, the following areas, in addition to orientation discussed earlier, are those most commonly covered in training programs:

a. Job training
b. Attitude training
c. Safety training
d. Supervisory and executive training

(a) Job training. As the title implies, *job training* involves instructing the employee in the use of the tools, methods, and procedures of the job to which he is assigned. The primary purpose of job training is to bring the employee's knowledge and skills up to a satisfactory level of performance. Management should be alert to the need for job training not only for new employees but also for those who have been in their employ for a number of years. The invention and installation of new equipment, the adoption of new procedures, and the individual desires for upgrading require that employees receive training throughout their careers.

(b) Attitude training. Most managers feel that some attempt should be made to indoctrinate the new employee concerning the company's philosophies and traditions. Although there is much that can be done in the way of providing facts about the company and in inspiring the employee, it should always be remembered that actions speak louder than words. Certainly every management should state its philosophies and objectives as clearly as possible to its employees as well as to others who are interested. However, its practices should coincide with its story. Attempts to "high-pressure" the employees into believing what management wants them to believe are usually sensed and often resented. Because of the importance of employee attitudes this topic will be considered in detail in Chapters 14 and 15 on communication and morale.

(c) Safety training. There has been a gradual recognition of the importance of the individual worker in contributing to the safety conditions within the plant or office. The attempts of workers to circumvent the safety devices, their lack of knowledge or willingness to follow safe working procedures, and their oblivious attitude toward other potential danger areas in their daily lives make safety training a continuous requirement.

(d) Supervisory and executive training. Most of the larger companies provide special training for supervisors and executives and those individuals who are being prepared for these higher jobs. Since the nature of this type of training usually is fairly specialized and differs in content from that given to most employees, it will be considered in detail in the next chapter which deals with executive development and in Chapter 13 on the supervision of personnel.

TRAINING METHODS

Several different methods by which the objectives of the training program may be met are available. In the larger company probably all of the methods to be described will be used at one time or another. The use of a particular method, however, depends upon the objectives of the particular training, the abilities and potentialities of the individuals to be trained, and such factors as the time and expense involved. The responsibility of the training department is to keep the objectives in mind and to recommend the method or methods that will best enable them to attain the desired results.

The various subject-matter areas that constitute the content of the training program may be imparted to the trainees through the following methods of training:

1. On-the-job training
2. Classroom training
3. Combination methods
4. Supplementary training

1 — On-the-Job Training

On-the-job training is conducted by the supervisor or by a senior employee who is responsible for instructing the employee. In most instances it is preferable for the supervisor or foremen to instruct the new employee, since training provides an opportunity for him to become acquainted with the new worker and to establish the proper relationships from the beginning. If the training of the new worker is left to another employee, he may not take as much interest in the new employee as the supervisor, perhaps because of the fear that the new employee will "outshine" him.

One advantage of the on-the-job training method is that the employee has first-hand experience with the job and learns by doing. If he has adequate supervision and guidance, those things that he does well can be

rewarded and the errors that he makes can be corrected immediately. While performing on the job, he can become better acquainted with it in its typical setting and under normal working conditions.

On-the-job training also has certain disadvantages. One potential limitation is that the emphasis may be placed on production rather than upon learning. This fact may force the worker to direct his attention toward producing more units with little regard for safe and proper methods. In addition, the worker may not be given the opportunity to learn all of the activities of his job. A further limitation is that the subject matter to be learned is not organized and presented as carefully as it might be since the supervisor-instructor is ordinarily not able to give his undivided attention to training. As a result, the trainee may learn the job only partially. These limitations, however, may be minimized with proper planning and orientation of supervisors and employees.

2 — Classroom Training

Classroom training takes place in a room that has been set aside for training purposes. Procedures similar to those that are used in the public school — lecture, demonstration, films, etc. — are used. Classroom training provides for handling the maximum number of trainees with a minimum number of instructors. The classroom is particularly suited to large-scale instruction where the intent is to acquaint personnel with policies, operating procedures, or other features of the business that may be readily understood as a result of group instruction. Where more complicated procedures are to be discussed or where it is desirable that there be participation, the number of trainees should be limited for maximum effectiveness.

The lecture is one of the most commonly used methods of classroom training. It is adaptable to many different types of subject matter and is quite economical since one instructor can teach as many individuals as can hear his voice. Its value can be enhanced by the use of audio-visual aids. The lecture method by itself, however, is seldom a satisfactory way of developing skilled movements or of making changes in basic attitudes and behavior. The participative methods, such as role playing and discussion of cases used in supervisory and executive training to be examined in later chapters, are more effective for this purpose.

3 — Combination Methods

Some training methods combine the classroom and job experiences. The advantage of these combination methods is that the employee is able

to devote adequate time to classroom instruction, and at the same time he has practical first-hand experience in performing the operations of the job. It is important, however, that the trainee receive proper orientation and guidance in order that he may understand the relationship between the two phases of the training. Effective controls should also be established to insure that the trainee puts forth his best effort in the classroom, and that the classroom instructors and the job supervisors maintain a close liaison between themselves and with the trainees. The major types of combination methods that will be discussed include:

a. Apprenticeship training
b. Cooperative training
c. Vestibule training

(a) Apprenticeship training. A number of trades and crafts require a period of *apprenticeship training* of from two to six years under the supervision of journeymen or master craftsmen. Included among the trades that use this method are construction, machine, printing, and metal crafts. In addition to supervised shop experience, many apprenticeship programs provide for coordinated classroom work. In recent years apprenticeship training programs have been influenced by federal and state legislation. The Federal Apprenticeship Act and other laws pertaining to the training and vocational rehabilitation of veterans regulate such factors as the pay, number of hours of work, and amount of time devoted to schooling. Such training usually entails arrangements involving the trainee, the union, the vocational trade school, and the employer.

(b) Cooperative training. Many high schools, colleges, and trade schools provide *cooperative training*, which includes practical, on-the-job experience for their students on a part-time basis. Arrangements are made by the schools with business and industrial concerns for such training. Typically the student is in school part of the day or part of the year and during the remainder of the time he is assigned to a company that can provide him with practical experience in a job that is directly related to his major course of study. For his work the trainee usually receives compensation. The company not only has the advantage of his services but is able to make an employment offer to him if it is interested in hiring him on a permanent basis upon graduation from school. Such training is offered generally for clerical, retailing, and manual jobs at the high school level and for technical and executive jobs at the college level.

(c) Vestibule training. *Vestibule training* is conducted by the company in an area separate from the production departments. It is through this

area that new employees progress before being assigned to work or reassigned to different work in the production departments. Here the employees are taught to operate the equipment to which they will later be assigned. While on-the-job training programs frequently overemphasize production, vestibule schools are sometimes criticized for not properly simulating many production problems. Moreover, the equipment placed in the vestibule school is often obsolete or worn out with the result that the worker is required to make further adjustments when he is permanently assigned to more modern equipment in an operating department.

4 — Supplementary Training

It is not always feasible for a company to set up training courses for certain jobs because of the limited number of personnel to pursue such a course, the cost, or for other reasons. By making use of the facilities of high schools, colleges, universities, and correspondence schools, the training needs of these personnel may be met, at least partially. Many companies encourage such participation and sometimes even pay the employee's costs when the course is successfully completed.

College courses often meet the needs for particular types of training, especially in such subjects as business administration, economics, psychology, and statistics. Where high school or college facilities are not available for employees, correspondence courses provide opportunities for self-improvement. Correspondence courses, however, may not be able to generate the employee's interests because they do not provide personal stimulation that can be obtained in classroom instruction.

Professional and technical organizations provide an opportunity for employees to receive a type of training that is usually aimed at meeting their needs quite directly. By attending meetings and conferences, the employee is kept up to date in his particular field. The stimulation that he receives from speakers and from exchanging ideas with others in the same type of work are very valuable to him and to the company.

An increasing number of companies maintain libraries from which the employee may obtain books and journals that provide him with current information on various phases of his job.

INCREASING THE EFFECTIVENESS OF TRAINING

It is not sufficient merely to establish a training program. Attention must also be devoted to increasing the effectiveness of this training program in order that the time and efforts of trainers and trainees alike may yield

maximum results. Some of the ways in which the effectiveness of training may be increased at little or no cost to the company are as follows:

1. Motivating the trainee
2. Recognizing individual learning capacities
3. Improving teaching methods

1 — Motivating the Trainee

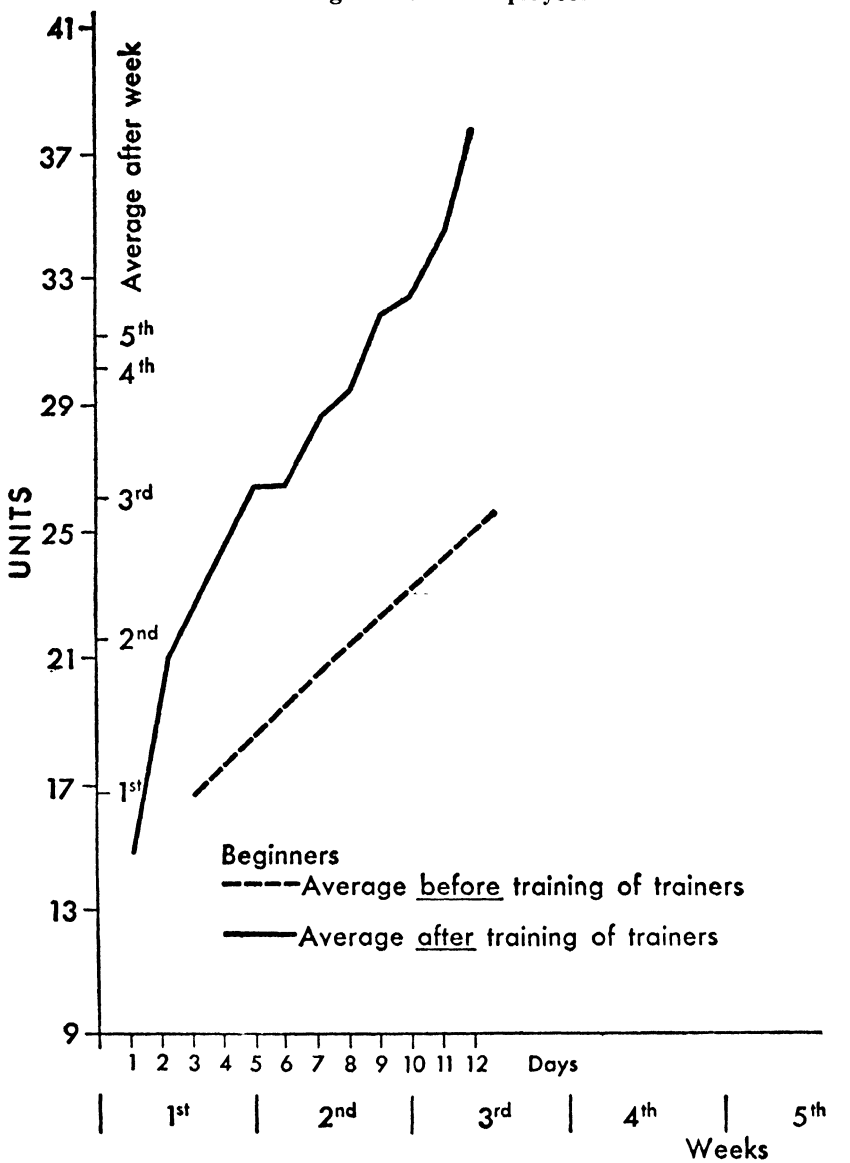
Learning is facilitated if the trainee is motivated, that is, if he recognizes the goal to be reached in learning. This goal may be the satisfaction of having learned something, or of having received an increase in pay, recognition from fellow workers, praise from his boss, a promotion, or a combination of these rewards. For these reasons, a training program should be organized and announced to employees in such a way as to appeal to their goal-interests. A variety of appeals will normally help to interest more employees in the training opportunities because different individuals tend to have different goals.

As an employee's training progresses, motivation may be maintained and even increased by following certain principles of learning. One important principle is that the trainee be advised of his progress throughout the training. He should know what he is doing correctly and what aspects of his performance need correction. Information obtained from use of achievement tests during learning, measurements of production, and rating devices may be used in counseling the trainee.

The progress of trainees as determined by tests and other records may be plotted on a chart. The pattern formed by such plottings over a period of time in known as a *learning curve*. In Figure 8-2 on page 160, a learning curve for a group of employees is shown. Note that the curve expresses the relationship between time (in days and weeks) and units of production.

In many learning situations there are times when no additional progress is being made. Such periods of no return show up on the curve as a fairly straight horizontal line, which is called a *plateau*. A plateau may be the result of reduced motivation or ineffective methods of work. Through proper guidance during instruction, the cause of the plateau may be determined and the trainee stimulated to improve or advised of the correct procedure to follow. The manner in which the material to be learned is presented, the opportunities provided for participation, and other aspects of the instructional situation also play a part in motivating the trainee.

Figure 8-2
Learning Curves of Employees



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2 — Recognizing Individual Learning Capacities

In planning any type of training program the intelligence, aptitudes, and interests of the trainees should receive special consideration. The extent of the differences among trainees should determine the types and amount of instruction required to attain the desired goal as well as the

speed and method by which materials should be presented. It is often desirable to group individuals according to their capacity to learn as determined by scores from intelligence and aptitude tests, or to provide a different or extended type of instruction for those who need it. The interests of trainees must also be recognized. All too often employees are "pushed" into training sessions in which they have little interest, with the result that neither they nor the company achieve the benefits desired from training.

3 — Improving Teaching Methods

One of the best approaches to the improvement of teaching methods is through the training of instructors. Some of the common ways of improving instruction will also be considered.

Training instructors. Company personnel who perform training functions should receive special training in instructional methods. Research indicates that when instructors are given such training, the trainees will show much greater progress than when the instructors are not given special training. In one study approximately eight hours of special training by the discussion method were given to men who taught the operation of a stitching machine.[2] The training emphasized techniques of establishing favorable social relations, methods for increasing motivation, and procedures by which the training could guide and lead rather than push workers. The effects of the training are shown in Figure 8-2, which was also used to illustrate the nature of learning curves. Note that the rate of learning a stitching operation is distinctly more rapid after the company trainers received the special instruction in teaching methods.

The Training Within Industry (TWI) Program of World War II emphasized the importance of training instructors in industry in its Job Instruction Training (JIT) program. This program was taught throughout the United States along with the other TWI courses in job methods, job relations, and program development training plans. Over 1,750,000 individuals received instruction under the TWI program with the result that its effect has been felt in most companies. The basic ideas of the JIT program were summarized on a pocketsize reminder card shown in Figure 8-3 on page 162.

Presentation of material. Regardless of the particular instructional method used, some basic principles of learning should be followed in instructing employees. One of the more important of these principles is that training should proceed from the known to the unknown, from the

[2]This study was conducted by Alex Bavelas of Stanford University.

Figure 8-3
Training Within Industry Job Instructor Reminder Card

SIDE 1	SIDE 2
How to Get Ready to Instruct *Have a Time Table—* how much skill you expect him to have, and how soon. *Break Down the Job—* list principal steps. Pick out the key points. *Have Everything Ready—* the right equipment, materials, and supplies. *Have the Work Place Properly Arranged* just as the worker will be expected to keep it.	**How to Instruct** Step 1—*Prepare the Worker* Put him at ease. Find out what he already knows about the job. Get him interested in learning job. Place in correct position. Step 2—*Present the Operation* Tell, Show, Illustrate, and Question carefully and patiently. Stress key points. Instruct clearly and completely, taking up one point at a time—but no more than he can master. Step 3—*Try Out Performance* Test him by having him perform the job. Have him TELL and SHOW you; have him explain key points. Ask questions and correct errors. Continue until you know HE knows. Step 4—*Follow Up* Put him on his own. Designate to whom he goes for help. Check frequently. Encourage questions. Get him to look for key points as he progresses. Taper off extra coaching and close follow-up.

simple to the complex, and from familiar material to the unfamiliar. Although some learning occurs without conscious effort, the attention of the learner to what is being presented is important. The trainer can use certain techniques to increase and maintain this attention. The use of good examples and effective demonstrations can help to increase the attention-getting qualities of instruction.

Practice. The old expression "practice makes perfect" is only a partial truth. Practice makes perfect only when the learner is performing

an operation correctly. Close attention on the instructor's part to insure correct practice is therefore essential. In most cases learning of skills is more effective and more economical in the long run when the practice is distributed over several training sessions rather than when it is condensed into one or two sessions.

Trainee participation. That "people learn through doing" has long been recognized by psychologists and educators. The participative method is recommended for training in attitudes as well as in skills. Even when learning involves only verbal material, the participation of the learner facilitates his acquisition of it. For example, the recitation of what one has just read either to another person or to oneself can facilitate learning. One method of study emphasizes reciting to oneself the main points covered in what was read. This method recognizes the fact, based upon research, that the reader's time is utilized more efficiently in recitation than in additional time spent in rereading the material.[3] It is important, therefore, that the trainee be given an opportunity to practice using the information or skills that are being taught to him. Learning will be facilitated as a result.

RESUME

While many companies recognize the values of personnel training, there is often a gap between the policies and practices concerning such training. In the interests of production, training is frequently relegated to a secondary position. The personnel department can help in correcting this type of situation by being continually alert to the needs that employees have and by providing assistance to other departments in training and orientation. This latter area of training may be slighted unless the training experts take the initiative to develop a standardized orientation program that covers the areas of importance to the employees. While the personnel in each department should have an important part in the planning and carrying out of their programs, the training division should not wait until the other departments make their needs known. It is the responsibility of the training division to be alert to the needs and problems and even to anticipate them on the basis of its broader view of the company. One of the areas in which training plays an important part is in the development of executive talent. This will be considered in the following chapter.

[3]The reader who desires to improve his reading and study skills will find the cited study method very effective. It is discussed in F. P. Robinson, *Effective Study* (New York: Harper & Brothers, 1946).

REVIEW AND DISCUSSION QUESTIONS

1. What benefits may a company derive from its training program?
2. Why should orientation and training go on throughout the period of an individual's employment?
3. How should the responsibilities of the personnel department and the supervisor for orienting the new employee be divided?
4. What can be done to make an orientation program more effective?
5. What are the primary responsibilities of a training division?
6. What areas of instruction are typically covered in a training program?
7. What are the advantages and disadvantages of
   A. On-the-job training
   B. Classroom training
   C. Combination on-the-job and classroom training?
8. What are some of the methods used in motivating trainees?
9. What consideration should be given to individual learning capacities when developing a training course and in selecting trainees for it?
10. What can the personnel department do to foster effective cooperation and participation of supervisors in the orientation of new employees? Discuss.
11. What might be done to encourage interest in training on the part of the older employee who says, "You can't teach an old dog new tricks"?
12. The production manager of a company blames the high rate of production waste on poor training. Would this necessarily be the cause? What factors other than training may be at fault?

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Chapter 9

Executive Development

Training is as important for executives as it is for operative personnel. The programs and methods that are used to train executives, however, are somewhat different. Executive training programs, for example, tend to place more emphasis upon the growth and development of the total individual than upon the learning of specific skills or performance requirements. The term "executive development," instead of "executive training," therefore, is preferred by many companies because development implies a broader scope of improvement, covering the knowledge, attitudes, and personality traits of the individual in addition to specific job skills. The discussion in this chapter will include the following topics.

- Need for executive development
- Nature of executive development programs
- Methods for developing executives
- Administering the executive development program

NEED FOR EXECUTIVE DEVELOPMENT

One of the most important of a company's assets is its executive personnel. The advantage that enables some companies to expand more rapidly than others is not always financial capital but rather adequate numbers of qualified executive personnel. The availability of such personnel in many instances has been due to the formal attention that these companies have devoted to the development of executive personnel. Their development programs in certain respects might be compared to the "farm systems" of the major league baseball teams.

The number of companies with formal executive development programs has increased rapidly since World War II. In a study conducted

in 1946 by the National Industrial Conference Board, only a little more than 5 per cent of the number surveyed had some type of an executive development program. In a study conducted eight years later by the American Management Association, nearly one third of the companies that responded had such programs.[1] A comparison of the results of these two studies indicates the increased emphasis on executive development programs to meet the growing needs for greater numbers of better qualified executives. These executive needs stem from the expansion that the companies are experiencing as well as from the technological progress that has created proportionately greater numbers of executive positions, particularly in the technical and staff areas of an organization. Since World War II there has also been a need to overcome the lag that occurred during that war and the preceding depression of the 1930's in the recruitment of potential executives.

NATURE OF EXECUTIVE DEVELOPMENT PROGRAMS

The primary objective of most formal executive development programs is to help executives perform their jobs more effectively and to keep abreast of changes that occur within these jobs. Another objective usually is that of helping executives to prepare and qualify themselves for more important jobs into which they can be promoted. Some companies, however, take particular care not to permit this latter objective to overshadow the fact that primary emphasis must be placed upon helping each executive to achieve the best performance possible in his existing job. Thus, while it is very important that executives prepare themselves for advancements, this fact should not provide an invitation for them either to neglect or to become dissatisfied or impatient with their current job assignments.

To accomplish these objectives, a program must provide for the development needs of each individual in terms of the specific requirements of his job. These provisions for individual development, furthermore, should give individuals both the encouragement and the opportunities through which they may develop themselves within a company. In order to do this, an executive development program should provide for the following:

1. Analysis of executive requirements
2. Inventory of executive talent
3. Determination of individual development needs
4. Appraisal of individual progress
5. Program evaluation

[1]American Management Association, *Management Education for Itself and Its Employees* (New York: 1954).

1 — Analysis of Executive Requirements

An analysis of executive requirements serves to identify the executive jobs within the organization that must be staffed now and in the future. Records containing such information for each position as the code number, title, department, physical location, name of incumbent, the date for his replacement, and the names of potential replacements are usually established to identify the jobs in which and for which executives must be developed. These job records, which also serve as a part of the inventory records of executive talent, may be represented by charts, tables, or record cards. The replacement table that is illustrated in Figure 9-1 can, for example, serve the dual function of identifying both the jobs and the individuals covered by the executive development program.

The analysis of executive requirements must also provide information covering the duties and performance requirements for each executive job. Most of this information, which may be gained through the regular job analysis program mentioned in Chapter 4, can be included in the descriptions and specifications for each job.

The information relating to the job duties and performance requirements is vital to a development program because it serves as a basis for determining the abilities and traits that each executive should develop and for measuring the progress that he is making in his development efforts. Because many of the requirements related to successful executive performance — such as ability to make decisions, to plan, or to provide leadership — are of an intangible nature, they are often difficult to describe. While a list of functional duties to be performed or a list of personal traits that contribute to the effective performance of these duties can be compiled for a particular job or group of jobs, it is very difficult to define these traits precisely. In other words, it is usually relatively easy to describe "what" an executive does but quite difficult to describe the various processes concerning "how" he does it. One of the most important objectives of current personnel research is to gain greater insight into the exact nature of the executive process and the requirements for successful executive performance.

2 — Inventory of Executive Talent

The inventory of executive talent identifies the individuals in the various executive jobs and those individuals who are considered to have the potential that will eventually elevate them into these jobs. These inventory records may include such data concerning each executive as his age, years of service with the company, years of service in present position,

years remaining until retirement, as well as the status of his current performance and his potential for promotion.

Executive inventory data are summarized by some companies on a replacement chart that resembles an organization chart. These data are represented in the form of code symbols that indicate each executive's current performance rating and his potential for promotion. In other instances, inventory data may be summarized by means of a replacement table such as is shown in Figure 9-1 on page 170.

The personal history records of each executive and prospective executive provide more detailed inventory information. These records normally include the various data gained at the time of his employment as well as the record of his company work experience and performance evaluations that have been compiled since then. Records of background investigations, psychological tests, physical examinations, and other information also may constitute a part of each individual's personal history records. It is from these records that most of the information provided on replacement charts or other records summarizing the status of a company's executive force is abstracted.

A company's inventory records of executive talent, which should be utilized in a confidential manner, can serve several purposes. First, the records can help to direct attention to the developmental needs of each individual in terms of his current job assignments and those into which he may be promoted. Second, the records can help management to anticipate vacancies resulting from expansion, retirements, or promotions sufficiently in advance to permit qualified replacements to be developed and, if necessary, recruited for these vacancies. Finally, executive inventory records can contribute to better morale among executive trainees and certain operative personnel who are attempting to qualify themselves for eventual promotion into executive jobs. These records can help to reassure such individuals that management is observing them and keeping a record of their progress, and consequently has not forgotten about them. Although prospective executives in some companies may not be identified as replacements for any particular executive job, the inventory at least places them within a "reserve pool" from which future executives are to be selected.

Provisions for detecting personnel in the operative and supervisory ranks who have executive potential should be included as a part of every executive development program. Not only do these provisions help to supply a company with a source of good talent, but they also provide hope and encouragement for individuals at these levels who have ambition to

Figure 9-1
An Executive Replacement Table

Job No.	Job Title	Job Incumbent	Age	Rating	Replacement #1	Age	Job No.	Rating	Replacement #2	Age	Job No.	Rating
1	General Superintendent	Scott	45	B	Howard	44	2	B-	Flynn	48	9	B-
2	Asst. General Superintendent	Howard	44	B	Flynn	48	6	B-	Price	45	23	B-
3	Asst. to Gen. Superintendent*	Moore	38	B+	-	-	-	-	-	-	-	-
4	Night Superintendents	Keller Carter Reid	49 51 57	B B- B-	Porter	52	21	B	Davis	55	-	B-
5	Package - Department Head	Lawson	56	B	Parker	47	27	A	***			
6	Mech. & Power - Dept. Head	Quinn	48	B+	Bell	50	25	B	Taylor	41	31	B-
7	Process Control - Dept. Head**	Sanders	38	B	Green	36	-	B	Butler	49	38	B-
8	Laboratories - Dept.Head	Jordan	47	A	Lloyd	53	30	B-	***			
9	Process - Department Head	Flynn	48	B	Rogers	42	-	B-	Cameron	52	29	Cxx
10	Empl. Rel. - Dept. Head	Black	41	B	Doyle	38	17	B	Jones	36	-	B-

*This position is a training job, used for rotational assignments only.

**This position is a regular job but is also used for rotational assignments.

***A young engineer is to be appointed as a second replacement for this position.

xxThis employee has long service and practical experience. He is best replacement if change must be made now.

Source: Department of the Army, *Civilian Personnel Pamphlet* No. 51, 1954, page 40.

improve their status. The provisions are in line with the democratic philosophy of providing equal opportunities for all individuals, based upon their demonstrated abilities rather than entirely upon the formal education that they have been fortunate enough to acquire before entering the job market. While many personnel below the executive level probably do not desire to put forth the required effort to become executives, most of them usually will have a better attitude toward their company if they know that opportunities for advancement do exist.

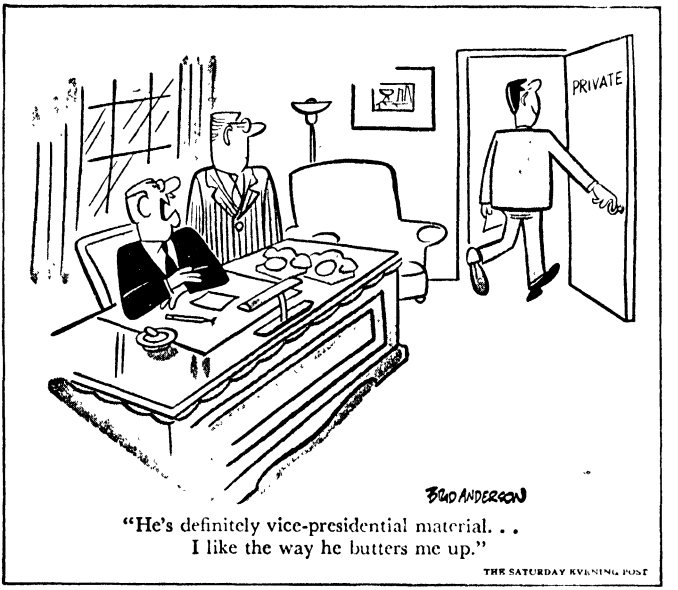
3 — Determination of Individual Needs

Because the requirements of each executive job and the qualifications of each person are different, no two executives or potential executives will have identical development needs. An executive development program in effect, therefore, must be a program for coordinating individual development programs. The individual programs should be based upon the appraisal of each person's development needs. This appraisal should help to determine the improvements that are needed in order for him to achieve maximum effectiveness in his current job, as well as to develop himself for those jobs into which he has the estimated potential to advance. An individual's program for self-improvement thus should represent the master plan of developmental experiences that will enable him to overcome such deficiencies as those relating to his knowledge, skills, or personality. For some individuals, self-development may concern the ability to write reports, to give talks, or to lead conferences; for others, it may consist of learning how to supervise subordinates or to get along better with others in the organization. Depending upon the person's needs, the experiences provided for acquiring such development may consist of self-study, course work, professional activities, as well as selected work assignments on the job. All of these development experiences, however, merely represent the opportunities by which the individual can develop himself, for in the final analysis effective executive development must consist primarily of guided self-development.

4 — Appraisal of Individual Progress

The periodic appraisal or evaluation of each individual's progress is a very important phase of an executive development program. This appraisal should not be like the one in Figure 9-2 on page 172, but rather it should be a systematic and objective one. An objective appraisal can provide a basis for measuring the progress of each individual in his planned

Figure 9-2



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improvement program, and for making any adjustments that appear advisable in the light of his progress. Performance appraisals also permit each person to know how his superior feels about his performance and what weaknesses, if any, the superior considers should be corrected. This information can be helpful to a subordinate, since he may not always recognize many of his own weaknesses.

In order to improve the quality of appraisal ratings, many companies require that each individual, particularly those at the lower organizational levels, be rated by more than one superior. This policy permits weaknesses to be detected that might otherwise be overlooked by just one rater. The use of a committee, consisting of members of top management and personnel department representatives, to review the ratings that executives and supervisors have made on the subordinates they are developing also can help to improve the quality of the ratings. Such reviews encourage supervisors and executives to observe and to give closer attention to those subordinates whose development they are guiding, since the ratings can provide a basis upon which their own fitness for advancement may be determined.

Performance ratings that are made of executive personnel and executive trainees generally tend to be more comprehensive than those of nonexecutive personnel and vary considerably among different companies.

Figure 9-3 on pages 174 and 175, developed by General Foods Corporation, illustrates a performance rating form that lists certain specific factors upon which executives are rated. Space on this form is provided to permit the rater to make specific comments concerning the subordinate's performance and improvement needs.

The Kaiser Aluminum and Chemical Corporation rates the performance of its executives on the basis of a scale composed of the following factors, which differ somewhat from those shown in Figure 9-3:

(1) Knowledge of work
(2) Analytical ability
(3) Judgment
(4) Mental alertness
(5) Planning and organizing
(6) Quantity of work
(7) Quality of work
(8) Leadership
(9) Development of men
(10) Cooperation
(11) Personality
(12) Initiative

The rating forms listing these factors provide space for recording substantiating evidence pertaining to the rater's evaluation given for each factor, and for recording brief statements covering the subordinate's performance and development needs.

Performance ratings of persons in the development program are of little value unless these individuals are informed of their ratings so that they may know their strengths and weaknesses. It is also essential that each person discuss with his superiors the possible action that the former should take in attempting to overcome his weaknesses. These rating discussions or counseling sessions should also attempt to reconcile any disagreements that a candidate may have regarding the ratings or comments that appear on his evaluation sheet. If certain objections of a candidate do prove to be valid, the appraisals should be promptly corrected by the rater to remove the error.

Appraisal counseling sessions may also reveal misconceptions on the part of some candidates regarding the opportunities and the requirements governing their promotions. When the individual's aspirations within the company, for example, are inconsistent with his capacity or available opportunities, it is the superior's responsibility to help him to redirect his efforts toward achievable goals. If the individual's ambitions are being frustrated because he lacks executive potential, he should be advised of this fact as tactfully as possible and eliminated from the executive development program. Chapter 11 will discuss the subject of performance ratings and rating interviews in much greater detail.

Figure 9-3
A Performance Rating Form for Executives (page 1)

HOW TO USE THIS REVIEW FORM

The care and accuracy with which this Review is made will determine its value to you, to the employe, and to the organization. The Review should reflect a sound and impartial judgment of the employe's performance on currently assigned responsibilities.

Reference to the employe's position or job description will help you in making a realistic appraisal, based upon actual job requirements and performance.

Consider each "Factor for Review" separately and independently. Your entries in the "Performance Record" columns should be indicated by placing a check mark in ink under the appropriate heading. Space is provided for an added narrative comment.

"How am I doing?"

FACTORS FOR REVIEW	PERFORMANCE RECORD: UNSATISFACTORY	SATISFACTORY	VERY SATISFACTORY	COMMENTS
Knowledge A clear understanding of those facts or factors which are pertinent to the employe's work.			✓	He is acquiring a reputation in the industry for his experience in this business
Judgment The ability to arrive at sound, logical opinions and conclusions on the basis of available data.			✓	
Dependability Conscientious, thorough.			✓	
Stability under Pressure Mental and emotional balance under stress due to pressure of work.		✓		
Imagination & Originality The ability to visualize and anticipate new problems, conceive new creative ideas or techniques.			✓	He is working on two major process improvements.
Initiative The ability to act independently without specific instructions in an aggressive, self-confident, eager manner within the scope of assigned responsibilities.			✓	
Self Expression Clear, effective, oral or written presentations.		✓		Has difficulty speaking to groups.
Health & Vitality Soundness of mind and body, physical endurance (based upon observation)			✓	
Ability to Plan & Control The ability to provide a logical, effective course of action, and follow through to see that established objectives are achieved			✓	
Ability to Delegate Authority** The assigning of appropriate duties to subordinates with power to develop and execute their designated duties.		✓		
Ability to Develop Assistants** Arouse subordinates' interests and ambitions, strengthening their weaknesses through counsel and guidance.		✓		
Cooperation The ability to successfully deal with people, implying the willingness and capacity to work harmoniously with others, whether subordinates or superiors, in attaining established objectives.			✓	

**For use only on employes with supervisory responsibilities.

Figure 9-3
A Performance Rating Form for Executives (page 2)

"Where do I stand?"

Enter here in narrative form your comments on the following three points:

What is your over-all evaluation of the employe's performance, summarizing the entries already made on the opposite page?

Very good!

What is your current estimate of this employe's capacity and ambition for future growth?

Mr. Mills has excellent possibilities for executive growth — and he has the energy and over-all ability to advance.

What needs to be said here about any particular strengths or weaknesses?

His knowledge of the job, his judgment and initiative are substantially gratifying and very satisfactory. He could improve his stability under pressure and his public speaking. He should delegate more and then train his assistants better. Community contacts could be improved.

"What can I do to improve?"

ACTION TO BE TAKEN	TIME-TABLE
1. Public speaking course offered at Business Men's Club.	Begin in 2 months. Complete in 5 months.
2. Begin to delegate all possible responsibility to staff with required authority to act.	Will follow him on this in 3 months.
3. Join Business Men's Club and attend present groups more regularly.	"

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5 — Program Evaluation

The entire executive development program should be evaluated periodically to insure that it is meeting the development needs of the company and of each individual that it serves. Such an evaluation normally should include a re-examination of the program's objectives in order to determine if they are still valid enough to be observed. This re-examination of objectives can help not only to remind personnel of those objectives that should be followed by the program, but also to indicate which objectives should be modified to meet changing conditions that have affected the program. The solicitation of opinions from individuals participating in the program may help to reveal certain needed changes or improvements in the program. Information of this type can be secured from performance rating comments, from morale survey questionnaire data, and from information that individuals volunteer during their counseling sessions with superiors. The effectiveness of an executive development program can be determined to some degree by analyzing the records covering the candidates' progress as well as the records of those individuals who seek admittance to the program or those who quit the program during their training periods.

The sources of information upon which the evaluation of an executive development program is based tend to be subjective in nature. Actually, there is no method for determining with complete accuracy the effectiveness of a development program. Neither is there any way of measuring exactly a program's contribution in terms of dollar savings or percentage increases in efficiency. The absence of such precise data, however, does not mean that attempts to evaluate a program are useless or that these attempts cannot serve as a basis for its improvement. Such evaluations, even though they are subjective, can provide some basis for the improvement of a program.

Examples of Company Programs

The various phases of an executive development program that have been discussed are not typical of any one company. Most programs contain certain variations in content or emphasis which have been developed around the problems and needs of the companies they serve.

The executive development program of the Standard Oil Company of New Jersey, for example, consists of four basic phases. These include: (1) organization planning, from the standpoint of a current, interim, and ideal organization requirements; (2) selection of tentative replacements; (3) appraisal of executive abilities, including what each executive is, what

he may become, what he needs to get there, and the planned course of action for him; and (4) training and development for present and higher jobs.[2]

The program of Westinghouse Electric Corporation consists of four basic phases that are quite similar to those of the Standard Oil Company. These phases include: (1) organization analysis, (2) management personnel appraisal, (3) management personnel inventory, and (4) individual development.[3]

The program of Sears, Roebuck & Co. follows the general pattern of the programs just mentioned, but it places more emphasis upon candidate recruitment and selection, and upon the building and utilizing of reserve groups of executive trainees for executive replacement needs.[4]

General Mills, Inc. has built a development program around a series of "packaged services" that can be used by its various organizational branches and that are suited particularly to the decentralized nature of the organization. Included among these services are discussion guide materials covering personnel policies and procedures, development conference programs, management information, appraisal procedures, supervisor training procedures, and supervisor selection procedures.[5]

METHODS FOR DEVELOPING EXECUTIVES

Most executive development programs utilize a number of activities in providing participants with an opportunity to improve their performance, because the development needs of these individuals as determined by the requirements of their present and future positions and their personal qualifications tend to vary a great deal. Developmental activities in general may be grouped into two classes: those that occur on-the-job and those that occur off-the-job. This section will cover some of the more common development activities and experiences in each of these two categories.

On-the-Job Activities

Executive skills and abilities cannot be acquired solely by listening and observing or by reading about them in a book. They must be acquired through actual practice and experience in which a person has an oppor-

[2]M. Joseph Dooher (Editor), *The Development of Executive Talent* (New York: American Management Association, 1952), pp. 309–322.
[3]*Ibid*, pp. 419–445.
[4]*Ibid.*, pp. 345–367.
[5]*Ibid.*, pp. 509–516.

tunity to learn by making mistakes and having them corrected. On-the-job experience is the most popular method used by business firms to develop executive personnel, according to a study by the American Management Association.[6]

In order to be of maximum value, however, work experience should be properly planned and directed. Otherwise, the experience may provide no more training than that which could be gained from an ordinary work assignment. Planned and guided work experience helps to insure both that an individual's knowledge and skills will be strengthened and that his time will not be wasted performing activities that have little training value.

Some of the methods for development that are used by companies in connection with the on-the-job experience include:

a. Coaching
b. Job rotation
c. Understudy assignments
d. Lateral promotions

(a) Coaching. The term "coaching" as it is used in connection with executive development has much the same meaning as it does when used in connection with athletics. It involves observing a subordinate's performance for the purpose of analyzing his weaknesses and helping him to correct them. In contrast to the performance ratings and interviews that are conducted on a more formal and periodic basis, coaching tends to be rather informal and continuous in nature. The responsibility for coaching should rest primarily with each individual's superior since he is the one who has the best opportunity to observe and to know the subordinate's weaknesses and improvement needs.

Most companies, however, do not leave coaching entirely to the initiative of the immediate superiors. In order to insure that a superior gives adequate attention to his coaching responsibilities, he may be required to submit periodic reports of each subordinate's progress to higher management, giving a detailed account of the suggestions and assistance that have been given to the subordinate. In many companies a coordinator for the development program — frequently a senior executive from one of the operating departments of the company or a representative of the personnel department — may have conferences with the participant and discuss problems related to his current training activities or to his general progress and his future within the program. These conferences can serve to en-

[6]American Management Association, *Management Education for Itself and Its Employees* (New York: 1954).

courage prospective executives to continue their improvement efforts and to prevent them from feeling that they have been forgotten. They can also provide a basis for revising the individual's development plan. The coordinator, through these conferences, should attempt to determine not only how well each person is doing, but also how effectively the class instructors and work supervisors are executing their development responsibilities.

(b) Job rotation. Job rotation, which is one of the most common methods of executive training, is another effective development tool. Normally used in connection with the training of the inexperienced executive trainees, it enables them to gain work experience in a variety of different positions within the organization. The rotational assignments usually are among jobs on the same organizational level and for only a short period of time. The assignments may be in jobs established for training purposes, or they may be in regular production jobs. In some instances trainees may be placed in a "utility" or "flying" squad and assigned each day to departments where extra personnel are needed temporarily.

When executive trainees are rotated among special jobs that are established for training purposes, they normally do not make a very great contribution to production. In such cases their task is largely to observe and familiarize themselves with different department operations. When trainees are rotated among regular production jobs, on the other hand, they are expected to produce approximately the same amount of work as other employees, with the result that their training needs may be neglected.

The value of rotation training depends in large part upon the attention and supervision that is given to the trainees, and upon the seriousness with which these trainees pursue their job assignments. If the coaching of the trainees is neglected or if they are given only "busy work," job rotation can sometimes do more harm than good as far as both their development and morale are concerned.

A trainee's salary, plus the cost of training and supervising him, can make job rotation an expensive method. It can be particularly expensive if a company has its junior executives hired away from it once they have been trained. Some companies, therefore, are finding it preferable to place executive trainees in regular operative jobs, rather than to rotate them among a number of jobs. Many of the companies follow this practice because they consider it to be cheaper and more effective. Under this policy the individual's breadth of work experience must be acquired primarily through the course of regular job transfers and promotions.

(c) Understudy assignments. In some companies special jobs are created in which individuals serve as understudies to senior executives. An individual assigned to one of these jobs can relieve the superior of some of his work load while being permitted to learn as much as possible about the superior's job and his techniques for handling it. The person assigned as an understudy in some companies may be an experienced executive who is being groomed to take over the superior's job. In most instances, however, the understudy is not a prospective replacement for the superior's job but is given the assignment as a trainee to learn what he can.

The benefits that an individual gains from his understudy assignment depend upon the time and interest that the superior devotes to him. If a superior permits his understudy to gain experience in handling important functions and gives him the help and suggestions that will enable him to develop, the understudy method of training can be very effective. If the superior resents having to spend time with an understudy or feels that the understudy is a threat to his job security, the superior may assign him only menial tasks to perform. In such instances, the understudy method is likely to be detrimental to the best interests of both the company and the individuals concerned.

(d) Lateral promotions. It usually is not feasible to rotate the more experienced executives among different assignments for training purposes because excessive salary costs are entailed. In order to provide additional skill, knowledge, and experience for executives in this category, therefore, some companies provide *lateral promotions*. Such a promotion differs from an ordinary promotion in that the candidate is advanced to a job in another department rather than to one that is immediately above him in the same department or in the same line of authority.

Lateral promotions help to provide individuals with a broader background of experience in different phases of a company's operation as they progress up the executive ladder. Positions in the industrial engineering or personnel departments are frequently among those in which executives may be given some experience. Work experience in these departments brings a candidate into contact with nearly every department within the organization, and thus increases his knowledge concerning many different company functions. Lateral promotions, like rotational assignments, also provide an opportunity for individuals to receive guidance from a variety of executives and to observe many different executive methods and techniques in action. A change in superiors can often have a stimulating effect upon a candidate and bring to light certain abilities or deficiencies that previously were overlooked.

Lateral promotions, however, have certain limitations. Some executives may be reluctant to have capable trainees whom they have developed assigned to other departments. The promotion of an individual into a new department, furthermore, can create resentment on the part of the personnel within the department who may feel that one of them rather than an "outsider" should have received the promotion. If this resentment is sufficiently strong, the morale and efficiency of both the candidate and the personnel within the department can suffer. Since the movement of personnel between branches and between departments is inevitable in operating a company, however, the limitations of lateral promotions probably are no greater than those connected with ordinary transfers and promotions.

Off-the-Job Activities

While on-the-job experience constitutes the most important phase of an executive's development, other forms of development that are provided off the job can be used to supplement the work experiences. Off-the-job activities include those that can help to increase the individual's knowledge, to broaden his outlook, or to influence his attitudes. These activities may be provided on either an individual or a group basis, and either during or after normal working hours. Such activities, which are not a part of the normal job duties, may involve either formal or informal learning situations.

The discussion of off-the-job training in the remainder of this section will cover the following:

a. Company training courses
b. Role playing activities
c. Committee assignments
d. Educational and professional organizations
e. Professional reading
f. Problems concerning off-the-job development

(a) Company training courses. Many of the larger companies provide formal training courses of their own for their executive personnel. While most of these courses are conducted through the use of lecture or discussion sessions, some may be conducted on a home-study basis. Among the subjects most frequently covered by company training courses are those dealing with human relations, supervision, personnel administration, labor relations, general economics, general management, and communication.

In many of these subjects class members can contribute from their own personal experiences as well as from their professional readings. Cases taken from a company's actual experiences or from published casebooks also are used as a basis for stimulating class discussion and the interchange of ideas. Case studies are particularly useful as a means for helping executives learn how to obtain and interpret facts, to recognize the many variable factors that are involved in a management decision, and to improve their skills in making such decisions.

(b) Role playing activities. *Role playing* is another training method that is sometimes used in connection with executive development sessions. Although there are a number of variations to role playing, the basic method is for class members to enact before others in a group the roles of the individuals who are involved in a personnel problem. Often the problem is one between the supervisor and his subordinate. The participants attempt to assume the attitudes and behavior of the individuals whose roles they have assumed. The major burden in role playing situations normally rests with the individual who has the supervisor's role since he has the responsibility for attempting to improve the attitude and behavior simulated by the person in the subordinate role.

Role playing can help the participants to improve their ability to understand other persons better and to gain their cooperation. It also can help these participants to gain a better insight into certain weaknesses in their attitudes and behavior, which they may have developed in their relations with others. Role playing thus is probably one of the most effective methods for getting executives to recognize and to accept good human relations principles. Definite care, however, must be exercised to keep all criticisms that are made of the role participants on an objective and constructive basis in order that class members will not be reluctant to participate in role playing.

(c) Committee assignments. Participation on committees is used by some companies to provide their executives with broader experience and the opportunity to study problems that they might not encounter in connection with their regular jobs. While most company committees may not be organized primarily for training purposes, they can contribute to this function.

One form of committee organization, which was originated by the McCormick Company of Baltimore, Maryland, and which has been adopted by many other companies in connection with the development of their executives, is called *multiple management.* This term is used because

the committees, or *junior boards* as they are often called, assist the senior board of directors. The members comprising the junior boards are often experienced executives who occupy responsible positions within the organization but still are "junior" in status with respect to members of the senior board of directors.

The function of a junior board generally is to make studies of major problems within a company and to submit recommendations for corrective action to the senior board. Executives serving as junior board members not only gain knowledge and skill from their investigation and discussion of top level problems, but they also have the satisfaction of participating in decisions affecting the company and of making a contribution to it.

Some critics of multiple management, however, feel that its benefits are offset by the possible friction it may cause among line executives whose departments are the subject of committee study. These critics also point out that the junior board assignments do not provide the members with the actual experience of taking risks or of being held accountable for their mistakes in judgment as they would be if in charge of a department.

(d) Educational and professional organizations. When it is not practical for a company to conduct its own training courses, it can usually secure assistance from educational institutions and professional organizations. Most companies encourage their executives to take advantage of such development opportunities by paying the tuition costs of those who participate. Some companies also contract for academic courses to be conducted exclusively for their personnel, often on company premises. Educational opportunities of this type frequently can prove to be more effective and more economical than those that a company might conduct for itself. Many leading colleges and universities are now offering advanced and middle management programs to meet the growing demands of companies for executive development assistance. These programs, which normally last from six to twelve weeks, place emphasis on the stimulation of executive thinking and the exchange of ideas and experience on management problems of mutual interest to executives.

Certain professional organizations, such as the American Management Association and the Society for Advancement of Management, have greatly expanded their executive development activities during recent years. Increasing numbers of regional conferences and seminars covering general and specialized fields of management are now being provided by these organizations. The American Management Association, for example, offers a continuing series of management seminars and conferences covering

many areas of management to meet the constantly increasing demands of business and industry for such offerings.

(e) Professional reading. Many of the larger companies maintain extensive business and technical libraries for their personnel. Their executives are encouraged to make maximum use of these facilities as a means of improving their knowledge and of keeping abreast of the latest management practices. Some companies also have inaugurated reading improvement courses. These courses are designed to improve reading speed and comprehension, and to increase executive efficiency in the handling of paper work. Reading improvement programs are in effect a device for improving executive capacity for self-development. Another technique that has proved helpful to management personnel consists of using professional readers to digest the information from the more significant articles appearing in professional and trade publications. This information is distributed among executive personnel through the media of tape recordings or printed materials.

(f) Problems concerning off-the-job development. Such development activities as classes, seminars, and committee assignments can provide an important contribution to a candidate's development. In the assignment of personnel to these activities, however, care must be taken to insure that each person has both the need and the desire to participate in the training activity as well as the background to profit from it. If personnel are assigned to courses or committee activities that are of little value to them or if they are forced to participate in certain activities, they are not likely to profit from the experience. The value of a particular development activity for executives thus is dependent largely upon the care that is exercised in assigning candidates to the activity, and upon the amount of motivation and the quality of instruction that they receive while in these activities.

ADMINISTERING THE EXECUTIVE DEVELOPMENT PROGRAM

Because an executive development program involves the use of a number of developmental types of activities and the participation of many different departments and individuals, the proper administration of this program is essential to its success. The following topics relating to the administration of the program will be discussed:

1. Provisions for program coordination
2. Role of the personnel department
3. Overcoming resistance to the program
4. Requirements for program effectiveness

1 — Provisions for Program Coordination

Although executive development must be individualized, there must still be some uniformity throughout the program in order to insure fair opportunities for development and advancement among all persons participating in it. The work experiences, training activities, and changes in position assignments, therefore, must be properly coordinated. Such coordination requires that the authority and responsibility for conducting the program be clearly established and that each line executive's responsibilities as well as those of the personnel department be well defined.

In the larger firms, as noted earlier, a senior executive in one of the operating departments is often given the responsibility for directing and coordinating the development program; while in others, the responsibility may be assigned to the personnel department. An executive development committee composed of senior executives also may be appointed to assist the coordinator with the administration of the program. In some companies the over-all authority and responsibility for the program are placed in the hands of such a committee. A committee can provide definite strength to a development program because the members normally represent the major divisions that provide the work experience and the advancement opportunities for participants in the program.

A typical function of an executive development committee, therefore, is one of insuring that each individual receives proper consideration and attention, and that company-wide support and cooperation are maintained for the program. Usually the committee reviews each trainee's performance rating and approves any major changes in his position, including transfer, promotion, or dismissal. Periodic appraisals of training methods, program phases, company organization, job description, future executive needs, or any other factors related to the general program of developing executives may also come under committee advisement or control.

If the senior executives from each department can be encouraged to take an active part in the program, their subordinates — who must supervise the less experienced executives and executive trainees — will take their development responsibilities more seriously. Senior executives can give status to the program, either by conducting certain development course sessions or by taking some of the courses themselves. This active participation is one of the best methods for generating cooperation for the program throughout the organization.

2 — Role of the Personnel Department

A personnel department performs many functions in connection with executive development, even though the primary responsibility for providing on-the-job experience must rest with the line executives. The personnel department normally is given the task of planning and scheduling training classes and of arranging other forms of off-the-job development. Instructors or discussion leaders may often be provided or arranged for by the personnel department. The personnel department also normally handles the details concerning arrangements for executive personnel to enroll in courses, seminars, and development programs conducted by colleges or by professional organizations.

In the performance of many of its regular functions, the personnel department can contribute to the building of a good executive staff. In the selection of personnel for operating jobs, the department should be alert for applicants who evidence executive potential. Personnel who are hired directly as executive trainees furthermore are usually screened first by the personnel department. The paper work and communication of information relating to the placement, transfer, promotion, or discharge of trainees within the program also are performed by the personnel department. The personnel records of those in the development program, including the employment histories and performance appraisals, furthermore, are normally maintained in a central location by the personnel department, and information relating to replacement needs may be gathered by it. Representatives from the department, through their consultation with the line executives, may exercise a certain amount of influence over decisions relating to trainee assignments.

3 — Overcoming Resistance to the Program

Those who are responsible for the administration and coordination of the executive development program must be careful to prevent misunderstandings and resistance toward the program from arising. Some executives and supervisors, for example, may fear that the program will cause them to be bypassed in favor of younger college-educated trainees. Others may resent the additional work that is entailed in the appraisal and coaching activities of the program. Still others may resent having attention called to their deficiencies, as well as receiving any suggestions that they should engage in training activities.

Such resistances often can be reduced, however, by stressing the opportunities that the program provides in helping personnel to prepare for and to receive advancements. Supervisors and senior employees can be made

to feel more favorable toward the program if full recognition is given to their contributions in helping young people to get a start and to progress upward within the company. If the purposes of the executive program are introduced and explained to them properly and if they are made to feel that they have an important role in the program, much of the resistance on their part may be prevented entirely.

Opposition to executive development may be encountered from the union if it feels that executive trainees are doing work that should be performed by its members. The fact that executive trainees are retained during periods of reduced work load, while operative employees with more seniority are let go, may also provide a source of friction with the union. For these reasons, every effort must be made not to let the program impair the employment security of the union members.

4 — Requirements for Program Effectiveness

The success of any executive development program is contingent upon the prior existence of good organization and management within a company. This condition is important to insure that each participant receives the experience and attention that are essential to his development. Thus, unless the development program has the proper organizational environment in which to operate, it may serve only to further propagate inefficient management practices rather than to improve them.

In the administration of an executive development program, it is important that all phases of the program receive their proper share of attention and emphasis. Participation in training courses, committee activities, conferences, or advanced management programs, in particular, should not be permitted to overshadow the guided work experience that is provided on-the-job. Job requirement and executive talent inventories, replacement charts, and other records, as well as the various systems and procedures relating to the program, can render a useful service but they should not be permitted to become an end in themselves. They can be only as effective as the general program that they are designed to serve.

Work experiences and other development activities, which can look very good on paper, may be rather ineffectual in practice. In emphasizing the number and duration of the various work experiences provided for an individual, for example, the qualitative aspects of these experiences can easily be overlooked. A single assignment, of even short duration, where a candidate has a real opportunity to learn, improve, and receive corrective help, can often contribute more to his development than a series of assignments where he merely "puts in time." The real value of a development

program therefore is determined by the quality of the activities that are afforded individuals to develop themselves and by its success in getting individuals to utilize and profit from these activities.

RESUME

While a formal executive development program should never be a substitute for the initiative and responsibility that an individual should assume for his own development, it can help to insure that such development will be achieved systematically. A formal program can provide a systematic basis for determining the development needs of each individual and for permitting these needs to be satisfied. The satisfaction of individual development needs, however, should be centered around the experience and assistance that a person receives in learning to perform the functions of his job more effectively. The development gained through work experience often can be supplemented or made more meaningful through participation in classroom or other formal learning activities that may be achieved within or outside of the company.

While the more qualified executive personnel probably will find adequate opportunities to develop themselves, the presence of a formal program can help to prevent any gaps in these opportunities from occurring. A formal program also can help to insure that persons with good executive potential are not overlooked or forgotten in "blind alley" assignments. Thus the trend among companies to establish formal development programs reflects the growing realization of the importance of these programs in developing the number of executives with the qualifications that are needed to meet their current and estimated future needs.

REVIEW AND DISCUSSION QUESTIONS

1. Why have firms been giving more attention to executive development during recent years?
2. What should be the two basic objectives of executive development? Which is the more important of these two objectives? Why?
3. What are the phases that typically comprise an executive development program?
4. How do the instructional methods that are used in executive development differ from those used in operative employee training?
5. What are replacement charts and what types of information are they likely to provide?
6. What are some of the methods that are used by companies to provide executive trainees with guided work experience?

7. How can a firm determine whether or not it has a satisfactory executive development program?
8. Why is top management support so important to the success of an executive development program? What types of support can top management provide?
9. A group of company executives from different companies were discussing executive development at a management conference. One executive expressed the opinion that those executives who had the potential talent would find ways of developing themselves. Another one stated that his firm had several promising young men who were qualified but could not be promoted because the higher positions were all filled. He stated that his company would be wasting money in training persons either for positions that they had already outgrown or for positions that would not be open for several years to come. What is your reaction to the statements of each of these two men?
10. What other personnel functions must be coordinated with those of executive development?
11. What danger do you anticipate might occur when too much emphasis is placed upon executive development?
12. When asked if his firm had an executive development program, the president of the Zeba Company stated, "We have been earning a net profit of over 5 per cent during each of the past 15 years. I think this proves that our executives are competent enough and that we do not need a development program." Would you agree with his statement? Why?

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Chapter 10

Job Changes

The manpower needs of every company in terms of the numbers and requirements of the jobs to be staffed change continually, as do the nature and qualifications of the personnel who are available to fill these needs. In view of this fact, it is often necessary for the company to change the jobs to which employees are assigned in order to utilize these employees most effectively and to have each job adequately staffed with those personnel who are best qualified to perform the duties which that job entails. The rotation of personnel among different jobs, furthermore, often can contribute to their training and to their qualification versatility. It also can help to counteract monotony and boredom in those jobs where the work is repetitious or otherwise unchallenging.

Job changes at times may be necessary in order to meet variations in manpower requirements arising from increases or decreases in the work load of certain departments or changes in the nature of the company's products, its organizational policies, procedures, or structure. Job changes may arise also from the need to adjust to changes in the numbers and qualifications of employees who comprise the work force. The improvement or deterioration of the qualifications of an employee may make it necessary to move him to some other job that is more in line with his current qualifications. Furthermore, when an employee leaves his job because he quits or because he is discharged, laid off, or retired, the job assignments of other employees may have to be changed in order to absorb his previous work load. Job changes also may be necessary when an employee is unable to get along with his supervisor or his fellow employees and must be moved to a job where he may "fit in" better.

In order to adjust to the many changes that occur within a company with respect to the availability and composition of its work force and with

respect to its production requirements, personnel must be shifted between jobs. This chapter will discuss these job changes under the following topics:

- Types of job changes
- Policies and procedures relating to job changes
- Seniority considerations in making job changes

TYPES OF JOB CHANGES

A change in an employee's job may constitute a transfer, a promotion, or a demotion, depending upon whether it is to another job at the same level, or at a higher or lower level, within the organization. This section will discuss the nature and purposes of each of these three types of job changes and the problems relating to them.

Transfers

In a *transfer* an employee is moved to another job at approximately the same level within the organization, which has similar performance requirements, status, and rate of pay. A transfer can involve a change of jobs within or between work areas, work shifts, or organizational units. Employees are normally transferred to jobs where there is a greater need for their services, or where they prefer to work, can perform more effectively, get along better with others, or be more satisfied.

Transfers can be used also as a means of providing for personnel training and development. Experiences in different jobs and departments can help to prepare an individual for advancement to jobs at a higher level as well as to increase his effectiveness at his present level. Transfers also can provide a means of removing employees from "blind alley" jobs and placing them in jobs where they have a better opportunity to develop and advance.

Transfers that are made to meet changes in work loads or job requirements sometimes are called *production transfers*, while those that are made in order to place employees in jobs for which they are more suited or for which they have personal preference are termed *personal transfers*. The latter may be carried out on the basis of company initiative or employee requests.

Control of transfers. Since there is often a temporary loss of efficiency by those who have been transferred until they have learned and adjusted to their new jobs, it is important that transfers not become excessive. More accurate sales, production, and manpower planning, coupled with more effective employee selection and placement procedures, can help considerably to reduce the number of unnecessary transfers.

The transfer of "problem employees" also must be properly controlled since all too often transfers of this type do not solve the underlying causes of the problem. It is a responsibility of the personnel department in such cases to encourage the supervisors to make every possible effort to help their problem employees to improve before trying to "unload" these employees and their problems upon an unsuspecting supervisor. Frequently, appropriate training, counseling, or punishment by the supervisor may eliminate the need for a transfer by correcting the trouble at its source. If it is impossible for the employee's problem to be solved by the supervisor or the personnel department, it usually is preferable to discharge the employee than to transfer him to some other supervisor.

Transfers at the requests of employees must also be controlled in order to prevent certain individuals from continually changing jobs in search of an occupational Utopia. An employee who is continually seeking a change of jobs is often more in need of psychological help than a change of environment. When too many transfer requests originate within a particular department, it may indicate a need to improve the supervision or other conditions within that department rather than to move employees out of it. There are times, however, when transfers requested by employees can serve a useful purpose if they help to make them more satisfied. Transfers that enable employees to work with their friends, to participate in a particular ride pool, to keep certain hours, or to work in a given location or with a supervisor that understands them can prove to be very important to some individuals. The benefits accompanying this type of transfer, furthermore, often outweigh any temporary losses in efficiency.

Resistance to transfers. Any benefits to be gained from a transfer can be nullified if the transfer is not accepted favorably by the person concerned. Some resistance to transfers is to be expected because of the natural human tendency to fear the unknown. When an employee learns that he is to be transferred, for example, he may fear that he will not be as proficient, or as happy, or that his boss or co-workers will be less desirable in his new job. A change of jobs may necessitate also certain inconveniences, hardships, or a revision of living habits.

Employee attitudes toward transfers, of course, vary with the individual and the circumstances. Persons who have become fixed in their habits or who are well satisfied in their present assignments are likely to object more often to being transferred than those persons in the opposite categories. The possible reactions that a transfer may have upon a given employee thus should be given consideration along with the individual's personal qualifications for the new job when deciding upon his transfer.

Promotions

A *promotion* is the movement of an employee to another job at a higher level, normally to one that carries increased prestige, pay, and performance requirements. Although a promotion may not always involve a significant improvement for an employee, it normally represents movement up the organization ladder which a person must cover if he is to continue to progress within the firm.

Purposes of promotions. A primary purpose of promotions should be to increase operating efficiency by permitting the more effective utilization of the skills and abilities that employees have been able to develop through training programs and through their individual effort. Promotions also should serve to reward employees for their past efforts and contributions and to encourage them, as well as other employees, to continue to improve their performance in the future. When administered on this basis, promotions can render an important contribution to efficiency and morale.

Basis for promotion. It is important that the factors upon which promotions are determined be clearly established and understood by all employees. This requirement of a promotion program can have an important effect upon the success of the entire personnel program. Most companies give consideration to both merit and seniority as a basis for determining promotions, but they differ as to the relative importance that is to be attached to each of the factors. Usually, however, companies prefer to give more weight to merit, if they are not restricted by union contract provisions, because promotions made on this basis provide employees with a greater incentive to become superior producers. In some instances promotions are made entirely upon the basis of individual merit, while in other instances merit influences a promotion only when it distinguishes an employee as being "head and shoulders" above other eligible candidates who have greater seniority. If no employee is clearly outstanding with respect to the others who qualify for a promotion, then the senior employee is given the advancement.

It is very important that employee qualifications for promotion be viewed in terms of the requirements of the jobs for which they are being considered, and not just in terms of their performance in their present jobs. An employee's performance in a job at one level is not always an accurate predictor of how well he will perform in a job at the next higher level. For this reason, each candidate for promotion must be considered in terms of his potential as well as his past performance record. Success or failure in one job thus does not by itself represent positive evidence of an

employee's probable success or failure in some other job because of differences in the performance requirements, supervision, working conditions, and other factors affecting the job.

Getting employees to accept promotions. The fact that a promotion may represent a definite advancement for an employee does not mean necessarily that he will accept it. Many persons prefer the comfort and security of their current jobs to promotion to new jobs in which they might encounter new problems and risk possible failure. Just as in the case of transfers, certain individuals may want to "play it safe" and wait for retirement in the comfortable company rut that they have developed for themselves, rather than to be promoted to possible frustration and failure in a higher job. While company growth and efficiency can suffer if too many employees are unambitious, it is not essential that every employee within a company have a strong desire to "get ahead."

During the postwar years, the pay for most operative employees has risen faster than that for the supervisory and executive personnel. This has narrowed the differentials between jobs on the lower and higher levels and has helped to decrease the incentive for advancement. A reaction among some employees when offered a promotion is, "Why accept all of that extra work and grief for just a few more dollars; besides, the government will get most of it anyhow."

In order for promotions to be attractive to employees, they must be worth while from both a financial and a psychological standpoint. This can be accomplished in part by providing adequate differences in salary and status between the jobs at each level so that those who are promoted receive adequate rewards for the increased demands that are placed upon them. Proper employee communication can contribute also to the desire of employees for promotion by explaining and convincing them of its benefits.

Considerations relating to promotions. If not handled properly, promotions can create resentment among other employees who do not receive promotions and can affect both the morale and the future job performance of these persons. When promoting employees, therefore, it is very important that those candidates for promotion who were unsuccessful be counseled by their superior regarding the reasons why they were not promoted. Such counseling should stress the fact that the promotions were made on an objective basis and also inform the unsuccessful candidates where they stand with respect to future promotions. Proper counseling, furthermore, should enable them to know what improvements, if any, they must make in order to achieve advancement.

If a company's personnel are proportionately distributed in terms of age and years of service, the opportunities for promotion within it are likely to be more continuous. If a certain proportion of these personnel are continually reaching retirement age in jobs above the starting level, this condition can create promotion opportunities among the jobs at the lower levels. If, on the other hand, employees in the higher level jobs have many years of service remaining before their retirement, promotion opportunities may be lessened for those employees who are below them. Under the latter conditions, a company is likely to lose some of its more promising employees unless new jobs are created through growth and expansion.

Demotions

A *demotion* involves changing an employee's assignment to a job with a lower status and pay grade. Employees may be demoted because of a reduction in the number of positions at the level that they are occupying or because a deterioration in their performance prevents them from doing the work required of them in their present positions. Demotions also may be used as a form of disciplinary action in punishing employees for certain serious offenses.

Demotion problems. A demotion can create personnel problems within a company by the psychological effects that it may have upon the demoted employee and upon his fellow workers. It is difficult for most employees to accept and adjust to the loss of pay and status that are usually involved in a demotion. Even if an employee is better placed and eventually may be happier in a job at a lower level, he may experience difficulty in adjusting to what he considers to be a loss of face for him. It is important, therefore, that an employee who is demoted be given assistance in adjusting to his new job and any encouragement that may be warranted regarding his chances for returning to his former level. If a person can be convinced that he actually will be happier and more effective in the lower level job or if he is given an opportunity eventually to regain his former job, the adjustment problems arising from his demotion can be considerably reduced.

Since demotions can affect the morale of employees other than those who are directly involved, a company should make every effort to curb false rumors about demotions through proper communication. When certain demotions must be made because of a reduction in work load, for example, all employees should be informed as quickly and as accurately as possible about the security of their positions. If demotions are due to

performance deficiencies or disciplinary reasons, sufficient details should be released by management so that it will not be accused of arbitrary or unfair action. Information, that might reflect unfavorably upon the demoted person, however, should be tactfully phrased so as to avoid embarrassment on his part. In most instances, it is advisable also to notify the union in advance of any demotions affecting their members in order to prevent unnecessary difficulties with the union.

Alternatives to demotion. Sometimes an alternative course of action may be preferable to a demotion. When the abilities and skills of a senior employee decline below the requirements of his job, the problem may be solved by transferring some of the duties of his job to other jobs, while allowing the title and pay of the job to remain the same. In other instances, the problem may be handled by "kicking the person upstairs" to some job with an impressive title but relatively little authority or responsibility. This latter course of action is usually taken when a company feels indebted to the individual because of his years of faithful service or his large holdings of company stock, but yet it wants to keep the individual "out of the way." When an employee's difficulty is due to a hostile attitude or an emotional disorder, a demotion may serve only to aggravate the problem. If these difficulties cannot be overcome by means of counseling or similar corrective action, a discharge may represent a better solution to the problem than a demotion.

POLICIES AND PROCEDURES RELATING TO JOB CHANGES

If changes in jobs are to be made in a manner that is fair and consistent for all employees, such changes should be based upon proper policies and procedures. Policies provide a guide for determining the conditions under which changes in jobs are to be executed. They also provide the rules for job transfers, promotions, or demotions. Procedures, on the other hand, establish the steps to be followed in considering and selecting employees for job changes, for making the changes, and for handling other actions concerned with the change. Procedures thus represent the path of action to be followed in observing the policies related to carrying out the job changes within the organization.

Although policies and procedures relating to job changes constitute an important management aid, they cannot cover all of the details that might be involved in a particular transfer, promotion, or demotion. They do, however, contribute to the judgments and decisions that management must make in handling such cases.

Communication of Policies and Procedures Relating to Job Changes

While the policies and procedures relating to job changes need not be in writing, they can be communicated, interpreted, and enforced more effectively when they are in written form. When such statements are written, they are usually included as a part of the personnel manual. If a company does not have a personnel manual, as is often the case among the smaller companies, statements concerning policies and procedures affecting job changes may be included as a part of the general company rules, regulations, or instructions dealing with the personnel program. Employee handbooks, if available, also generally include some statements about job changes since this subject is one of vital interest and importance to employees. Clauses relating to this subject and to seniority provisions, furthermore, usually are a part of the union contract if the employees are represented by a union.

Organization charts, job descriptions, and other similar materials can help to clarify information about the nature of job changes. Organization charts show the vertical and horizontal relationships of the different jobs, as well as their location within the organization structure, with respect to department and organizational level and with respect to each other. The charts also help to clarify lines of promotion and to indicate whether a change of jobs for an employee constitutes a transfer, a promotion, or a demotion. When employees and brief facts relating to their qualifications are identified with their jobs on a chart, such as a replacement chart, the selection of personnel for job changes is made easier.

Authority for Job Changes

It is normally the responsibility of the personnel department, as one of its staff functions, to insure that the operating departments observe all company policies pertaining to changes in employee assignments, that the rights of all employees are protected, and that none of them receives favored or discriminatory treatment. Since the personnel department maintains the personal history records, qualification files, and other personnel data, it is also usually the responsibility of this department to assist the operating departments in locating and selecting, in accordance with company policy, those individuals who are the most eligible to make a particular job change.

A personnel department can have difficulty in enforcing established policies and procedures relating to job changes because of the unilateral negotiations between department supervisors over the reassignment of

certain employees. It is not uncommon, as an example, for a supervisor to contact other supervisors within his organization in an effort to find a place for an employee whose services he can no longer use or to have one of his employees promoted to a vacancy in another department. Unless controlled, reassignments that are made upon the basis of personal contacts between supervisors rather than upon the basis of established procedures can be unfair and can lower morale among the other employees who are not supervisor favorites. In order to control job changes and reduce political favor-trading between supervisors and executives, the procedures in many companies require that job changes for all employees — at least below the executive level — be cleared through the personnel department. This procedure permits the personnel department to know about and to exercise some control over changes that occur between departments, and thus to keep such changes in conformity with company policies.

Location of Eligible Employees

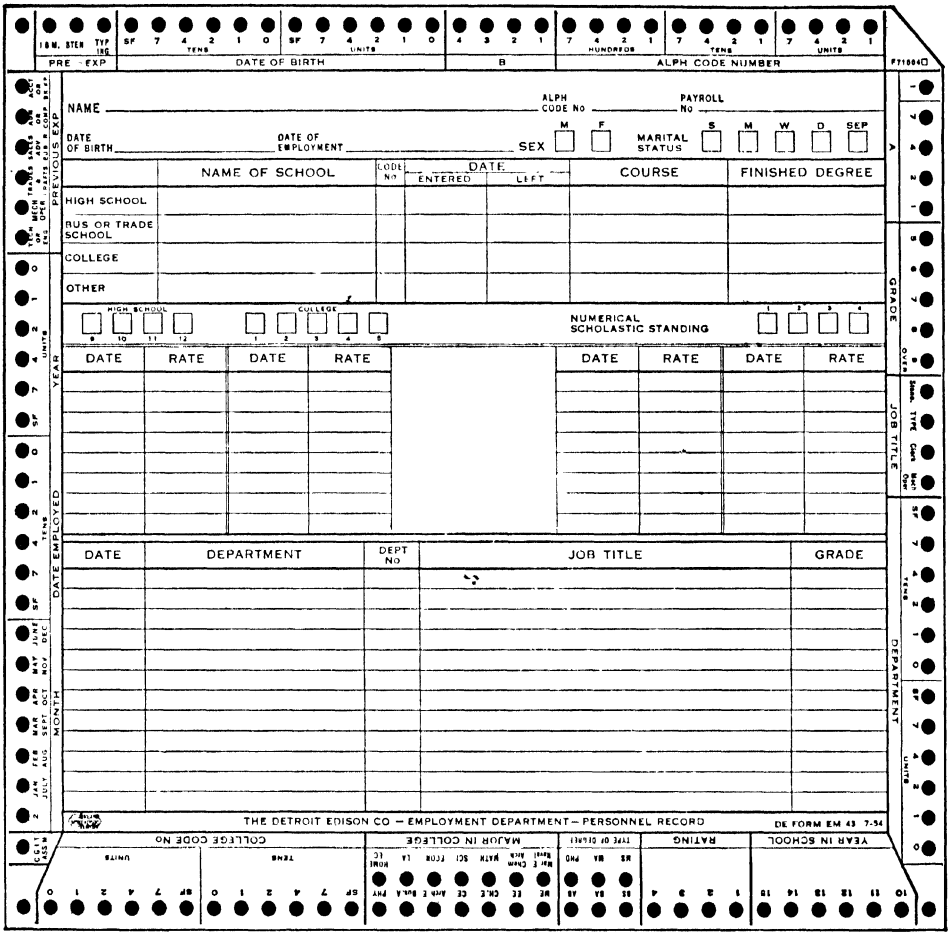
When a company has reached the size that its personnel staff can no longer be personally acquainted with each employee, some systematic basis must be developed for locating those candidates within the organization who are most eligible to make a particular change. Such a basis helps to guarantee that the large number of people who may be employed at widely scattered locations throughout the organization will receive equal attention and fair treatment.

The location of eligible candidates can be facilitated through the use of machine-sorted punch cards, which contain qualifications and pertinent data on each employee. Eligible candidates can be identified by sorting out the punch cards and selecting the persons with the desired qualifications. Where the use of a mechanical punch-card system is not feasible, the location of specific individuals can also be expedited by placing colored tabs on personnel record cards to indicate certain types of qualifications. Manually operated keysort cards, of the type shown in Figure 10-1 on page 200, are also used to locate those employees who are most eligible for a particular job change.

Some companies follow a practice of posting vacancy notices and permitting qualified personnel to bid for the job. The most eligible candidate is then selected and either transferred or promoted into the vacancy.

A bidding system, if it is to operate successfully, must insure that all persons throughout the organization receive adequate notification of openings that might be of interest to them. Indiscriminate bidding also

Figure 10-1
Personnel Record Card



Record card for college graduates and women employees by the The Detroit Edison Company. Reproduced with permission.

must be curbed. Some companies solve this bidding problem by limiting the number of bids that an employee can submit during a given period and by refusing to let individuals submit additional bids for a given period of time if they bid on jobs for which they are not qualified, or if they later refuse to accept a job for which they have bid when it is offered to them.

Bidding restrictions, as well as other aspects of the bidding procedure, may be defined and set forth in the union contract. One union agreement, for example, provides that:

An employee shall be limited to three successful bids during the contract year except that this limitation shall not apply to an employee bidding on a higher paid job.

Another agreement provides:

Any employee refusing to accept an award shall lose his bidding rights for 1 year.

Unsuccessful bidding may be controlled by the following provisions:

If an employee has twice within any period of six consecutive months bid for a job classification and failed to qualify in such job classification, no bids for the same job classification filed by such employee during the following 6 months shall be recognized.[1]

Instituting the Job Change

Objections, resistances, and disappointments, which are likely to arise in connection with reassignments, can be greatly lessened if the employees who are involved are notified in such a manner as to secure their cooperation. Such action can help to prevent any person from feeling that he has been ignored or that he has not been treated fairly. In particular, the present and future supervisors of the employees whose jobs are being changed should be given advance notice by the personnel department.

Notification methods and procedures. Since the employee's supervisor is the management representative who is directly in contact with him and often the one who had a voice in deciding upon the change, it is generally a good policy for him to notify his employees personally about any job changes affecting them. If the change represents an advancement, the supervisor is in a position to receive some pleasure and status from being able to notify the employee about his good fortune as well as to take some credit for getting the employee the improvement.

If the change is to a less desirable position or constitutes a demotion, the supervisor also is normally in the best position to convey the news to the employee and to attempt to provide some encouragement regarding his future opportunities. Although such action on the part of a supervisor may not eliminate disappointment on the part of an employee, it can serve to let the employee know that someone else is concerned with his welfare. If an employee receives the bad news from a printed notice or, even worse, via the "grapevine," he is likely to be further embittered by the apparent lack of concern for his feelings. Therefore, regardless of whether the change of jobs is good or bad for an employee, notice should be given to him in person and before it becomes general knowledge among other employees.

[1]United States Department of Labor, *Collective Bargaining Provisions*, Bulletin No. 908–7 (Washington, D. C.: U. S. Government Printing Office, 1948), p. 11.

The effects that the lack of proper notification about a job change can have upon an employee is illustrated by the following incident that happened to a supervisor in a large aircraft manufacturing plant. It occurred one day when the supervisor called a meeting with his lead men to discuss a change that he proposed to make in the department. As he started to explain the change, one of his lead men remarked, "I don't see why we should spend a lot of time talking about this since you're going to be transferred in a few more days." The supervisor was visibly disturbed over the remark and concluded the meeting as soon as possible. Upon checking with his superiors, he found that he was to be transferred to another department at the end of the week, but apparently he was one of the few persons who had not received the news. Needless to say, he was quite embittered by the experience and quit the company as soon as he found other suitable employment.

Providing employees with assistance. Many of the types of adjustment problems that are encountered by an employee when he is moved to a new job are the same as those encountered when he enters the organization for the first time. Quite often, therefore, an employee needs to be assisted in making the transition from one job to another. If the new job requires different skills and abilities, the employee may need to be given some additional training in order to qualify for it. Additional orientation and coaching in the new assignment also may be required before the employee can fulfill his new duties.

When the new job is in a different geographic area, the problems and expenses connected with the change of jobs are greatly increased, not only for the employee but also for his family which must be uprooted. The separation from former professional and business services and from friends and relatives can have a depressing effect upon the morale of both the employee and his family. While a company cannot eliminate the necessity for many of these personal adjustments, it can assist with certain of the moving problems. It is the practice of some companies, for example, to pay all moving expenses, including hotel rentals while the employee is locating a new home. A few companies reimburse the employee for any loss that he may incur from the forced sale of his home because of the move. Although relocation assistance is primarily a personnel department function, many companies also have committees which may include company wives, as well as certain employees, to help new families get settled and acquainted in the new community. The assistance of these committees can help to prevent an employee's arrival in a new community from being a discouraging experience.

Maintaining the Proper Perspective

It is most important in any program governing changes in job assignments to avoid overemphasis of its mechanical and procedural aspects. When large numbers of personnel records and forms are handled in many widely separated areas of a company, managers who administer the program may tend to forget that the records represent people who cannot be shuffled as easily as their record cards.

On paper, it often appears to be a simple process to select an employee for an opening by comparing his personal qualification records against the job specifications for the opening, and to change him from one job to another. The actual physical movement of the employee cannot always be accomplished quite so easily because of the many adjustment problems that the employee may have to overcome. The proper anticipation and handling of these latter problems, therefore, are often more important than the mere mechanics of selecting and notifying the employee for a new job and preparing the necessary forms and record entries to effect the change.

SENIORITY CONSIDERATIONS IN MAKING JOB CHANGES

Seniority provides a basis for employees in many companies to achieve job status that is commensurate with their length of service with the company. Where provisions for recognizing seniority exist, those employees with longer periods of service are granted certain preferential treatment over those with shorter service periods. Such treatment has been particularly important to management and employees in making decisions relating to job changes.

Traditionally, it has been the employee and the unions who have sought to have seniority provisions established within a company, while management has tended to look upon seniority as an infringment upon its basic rights. The demands of employees to have seniority recognized reflect their desire for greater protection against possible arbitrary or unfair treatment by their superiors. Although the seniority provisions originally were used to give the senior employees greater protection against layoff and priority during a recall from a layoff, there has been a trend for the principle to be expanded to cover transfers, promotions, and demotions, as well as other personnel actions involving such items as vacations, overtime, shift preferences, and raises within a wage class. In a study of union contracts conducted by the Bureau of National Affairs, 90 per cent of those contracts inspected gave some form of recognition to seniority. Approximately 66 per cent of the contracts gave recognition to seniority in selecting

employees for promotions but only 2 per cent recognized it as the sole factor in determining promotions.[2]

Advantages of Seniority

There are certain advantages in giving recognition to seniority as far as transfers, promotions, and demotions are concerned. Seniority can be determined objectively, and it is not so subject to errors of judgment as merit ratings, once the policies governing seniority have been firmly established. Recognition of seniority helps to insure that the rights of employees with long years of loyal service are protected against the discriminatory or arbitrary actions of certain supervisors or against attempts by the latter to push favorites ahead. Senior employees thus have the security of knowing that they are not in danger of being replaced by younger men who could perhaps work a little faster. Since seniority can be measured rather objectively, decisions involving job changes based upon it can be understood more readily by employees, thus helping to reduce the number of grievances on the subject.

Disadvantages of Seniority

One of the main arguments against giving too much recognition to seniority is that it often tends to reward or to protect an employee on the basis of his ability to stay alive and to avoid being discharged rather than upon his actual value to a company. Seniority protection can also limit the flexibility and authority of management in shifting its personnel to jobs where they are considered to be most needed or most suited, and in rewarding its more efficient producers. Such limitations on management's freedom of action can have a decidely adverse effect upon production efficiency.

Excessive credit for seniority can also lessen the incentive that employees otherwise might have to work harder or to develop their capacities further. Young and capable employees working under such conditions are likely to quit for more attractive jobs with other firms, leaving their inept and inert colleagues behind. Excessive recognition of seniority also ignores the fact that one of the greatest sources of security for any employee should be his ability to excel in his performance and to have this ability recognized and utilized. A limited amount of job insecurity actually may be good for an employee if it helps to keep him from feeling that he "has it made" and thus encourages him to maintain good performance in order to protect his job.

[2]Bureau of National Affairs, *Collective Bargaining — Negotiations and Contracts*, Vol. 2 (Washington, D. C., 1957), p. 75.

Accumulation of Seniority

Seniority may be based upon service within the company as a whole, or upon service within some smaller unit such as a division, department, job classification, or collective bargaining unit. If seniority is determined on the basis of service in some particular unit within an organization, seniority accumulated in that unit cannot be applied within a different seniority unit. If seniority within a company, for example, were computed on a departmental basis, an employee would have to start reaccumulating his seniority if he were moved to another department.

The accumulation of seniority may also be affected by interruptions in an employee's service. Temporary layoffs, leaves of absence, time lost through strikes, or through quitting and returning to work are among the types of breaks in service that may interrupt the accumulation of seniority or may result in the loss of it according to the policies observed by some companies. In other companies, however, temporary layoffs and authorized leaves of absence at least do not impair the accumulation of seniority. Most companies provide, however, that when an employee quits or does not return from a layoff or a leave of absence, he suffers the loss of his seniority as the result of such action.

Exclusions from Seniority Provisions

In many companies, seniority provisions do not apply to certain classes of personnel. It is quite common for companies to exclude their supervisors, executives, and executive trainees from seniority provisions, particularly those provisions that may apply to layoff procedures. Similar exclusions may also be made for certain personnel in security, maintenance, or other vital jobs. Unions may insist that their officers and plant representatives be excluded from regular seniority provisions so that those officers who are junior to other employees are not laid off to the detriment of the union administration. The key union and company personnel who are to be excluded from the regular seniority provisions are usually mentioned specifically in the union contract.

Supervisor seniority has been the subject of considerable controversy during recent years. It formerly was common practice in many companies for employees not to accumulate additional seniority or to be covered by its provisions once they were promoted to supervisory jobs. If these employees were returned later to operative jobs, they frequently found themselves junior to co-workers with the same amount of company service but who had remained in operative jobs. The exclusion of supervisory jobs

from seniority protection, along with other factors, has caused qualified personnel in many firms to refuse promotions to such jobs. Because of these factors, there has been a trend in industry during recent years to credit service in both supervisory and operative jobs toward an employee's seniority standing.

Union Attitude Toward Seniority

Although unions normally favor seniority provisions, this is not always the case. Union attitudes toward seniority depend in a large part upon whether or not the segment of the membership that controls the union's policies has a great deal of seniority. If the union policy is dominated by members with long periods of service, then the policy of the union organization will tend to favor those contract provisions that give protection and recognition to seniority. In other instances, however, such as when a company has undergone rapid expansion and employees with relatively little company service are in control of the union, the policy of the union as a whole may be opposed to seniority protection.

Although companies generally do not favor seniority provisions, their personnel policies and practices may actually cause seniority provisions to be demanded by their employees. Whenever the layoff or demotion of a long-service employee is unjust or considered to be unjust by other employees, these employees through their unions are likely to demand contract provisions that will give them protection against such treatment in the future. In order for a company to avoid union demands for security provisions that may restrict its freedom of operations, the company should make every effort through good personnel policies and practices to provide employees with the protection and the security they need. If employees are guaranteed fair and equitable treatment, seniority provisions are not likely to be so important to them.

RÉSUMÉ

In every company, changes must be made continually in the jobs to which employees are assigned in order to serve company production requirements and to permit the effective utilization of its personnel. Such changes, in the form of transfers, promotions, or demotions, can have significant effects upon the individuals who are involved and necessitate many readjustments on their part. Because of the important effects that they can have upon employee efficiency and morale, any changes in an employee's job should be carefully and fairly made, if possible, according

to the best interests of the company and the individual, and should be in line with established policies and procedures. The relative importance to be attached to merit and seniority in selecting personnel for the changes should be well-defined and understood by all employees.

In carrying out the change, every effort should be made to achieve the cooperation of the individuals who may be directly or indirectly affected by it. Those individuals who are involved directly should be given help and assistance in adjusting to their new jobs so that any undesirable effects of the change upon their morale and efficiency are minimized.

In order to insure that the status and interests of their members are protected, many unions have been able to force employers to give major recognition to seniority when making job changes. While seniority provisions can help to give some employees a greater sense of job security, such provisions, if carried far enough, can also curb the employer's ability to achieve maximum operating efficiency. The fair and equitable treatment of employees in making changes in their job assignments, therefore, is particularly important, and it can help an employer avoid union pressure for excessively restrictive seniority provisions in labor contracts.

REVIEW AND DISCUSSION QUESTIONS

1. How may efficiency and morale be improved by means of transfers and promotions? . . . . or impaired?
2. What are some of the abuses that must be controlled in connection with employee transfers?
3. What are some of the reasons that an employee might have for wanting to refuse a promotion?
4. What undesirable effects can the promotion of a given employee have upon other employees? How may these effects be avoided?
5. After the decision has been made to promote or transfer an employee, does it make any particular difference how or by whom he is notified? Discuss.
6. What are some of the types of adjustment that an employee may have to make in a new job?
7. Why is it important for the personnel department to maintain some degree of centralized control over personnel transfers and promotions?
8. What are some of the advantages of using seniority as well as merit in selecting employees for a transfer or promotion?
9. What are some questions concerning seniority that generally must be clarified by seniority policies?
10. Under what conditions might an employee prefer a layoff to a demotion? Give reasons for your answer.

11. Could it be argued that an individual's seniority is to a certain degree a measure of his merit? Discuss.
12. In some companies, if an employee refuses to accept more than one promotion offer, he normally loses any future opportunities for advancement. Do you feel that such a company policy is justified?
13. In some instances, the granting of strong seniority provisions within a union contract has actually been more costly for a company than giving the union another 10 to 15 cents an hour wage increase. How do you account for this fact?

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PART THREE

EFFICIENCY AND EMPLOYEE MORALE

— 11 — Performance Evaluation

— 12 — Employee Motivation

— 13 — Supervision of Personnel

— 14 — Communicating with Employees

— 15 — Morale Development and Appraisal

— 16 — Facilitating Employee Adjustment

— 17 — Grievances and Disciplinary Action

Chapter 11

Performance Evaluation

In the preceding part the procedures for procuring and developing a competent work force were discussed. The accomplishment of this objective requires that job and manpower requirements be determined in order to provide a sound basis for selecting personnel. After hiring a new employee, it is necessary to orient and train him in order that his potentialities can be realized in the performance of his job. As he continues on his job, it is essential that his performance be evaluated and that he be advised as to his progress by his superior.

The procedure for evaluating personnel is commonly referred to as *performance evaluation.* An evaluation is customarily reported in the form of a rating to which different terms have been assigned. Among these terms are "performance rating," "efficiency rating," and "merit rating." Through the use of the rating procedure the quality of performance of each individual may be known to management as well as to the personnel department, which is ordinarily charged with the responsibility for establishing and coordinating the evaluation program. By means of a formal evaluation program, a considerable amount of information may be obtained that may be used to the benefit of management as well as to the individuals who are evaluated.

The evaluation program is especially valuable as a means of motivating greater efficiency, improving the quality of leadership, and providing a basis for remuneration and promotion. It may also be used to determine the effectiveness of personnel policies and procedures. One of the ways to motivate an employee to be more efficient is to discuss his progress with him in a helpful and constructive manner. Such a discussion may provide a sound basis for individual improvement, especially where the superior is effective in relating the individual's goals to the company's goals.

In order for superiors to indicate the performance strengths and weaknesses of their subordinates, they must give some attention to evaluating the individuals in terms of specific qualities of behavior. As a supervisor improves in his rating ability, he is not only able to develop the subordinate but is also able to improve his own worth to the company by providing a type of leadership that encourages good communication and effective human relations. By having recorded information concerning an individual's job performance, management is in a position to remunerate, promote, and demote employees with greater assurance that its action is fair and sound. Evaluations can also serve as a check upon the effectiveness with which such functions as recruiting, selection, placement, and training are performed within the personnel program.

The major topics that will be discussed in this chapter are:

- The concept of evaluation
- The evaluation program
- Utilizing reports of performance evaluation

THE CONCEPT OF EVALUATION

The evaluation of one person by another is as old as man himself. Men have typically assessed the value of other men in a variety of situations. A company's evaluation of its personnel is merely an extension of this general tendency. While many of these evaluations have often been based upon casual and haphazard observations of employee performance and contaminated by bias and prejudice, there is a growing interest among employers in the more objective and refined methods of personnel evaluation. These methods, while far from perfect, are based upon certain scientific concepts and procedures, such as the concept of individual differences, and upon the establishment of standards of satisfactory job performance. The discussion of these topics will be followed by an examination of the various methods of evaluation available for use in the evaluation program.

Individual Differences

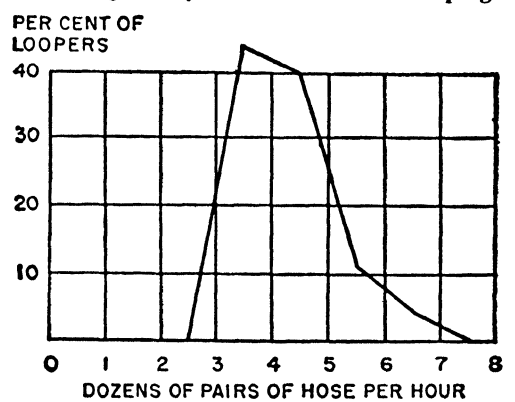
The concept of individual differences that was mentioned earlier in connection with employee testing applies equally to employee performance. Employees do not all perform in the same manner. There are performance differences among individuals that are measurable but which often go unrecognized by supervisors and managers. The nature of the distribution of human characteristics, difficulties which arise in evaluating these differences, and sources of error in evaluation will be examined.

Distribution of human characteristics. A study of the various human characteristics that may be classified under the broad headings of abilities, aptitudes, interests, and personality reveals wide variations in all of these characteristics among individuals. Through the use of procedures such as those described in Chapters 6 and 7, employers attempt to select those persons who possess the specific characteristics to the degree necessary for probable success in the jobs where they are to be placed. While proper selection and training help to reduce the range of abilities or skills in a group, differences in performance among individuals on the same job are likely to remain and must be recognized.

An illustration of the differences among workers in one type of operative job is shown in Figure 11-1. The job is that of hosiery looping. The looping operation involves the gathering of the loops of thread at the bottom of a stocking after it is knitted in order to close the opening left in the toe. Production is ordinarily computed in terms of dozens of pairs of hose per hour, and wages are on an incentive basis. Since the job requires careful and constant visual attention as well as skill in placing the loops on separate needles, maximum production is not reached until after at least a year of experience. The employees whose production is charted in Figure 11-1 all had one or more years of experience. It will be noted, nevertheless, that the variation in production is still from three dozen pairs to more than seven dozen pairs an hour.

Figure 11-1

Distribution of Quantity of Production in Looping Hosiery



Source: Joseph Tiffin and Ernest J. McCormick, *Industrial Psychology* (4th ed.; Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1958), p. 27. Reproduced with permission.

Similar differences in performance among employees will be found on any type of job whether it be of an operative, sales, supervisory, or clerical

nature. It is extremely important, therefore, that both line and staff personnel recognize differences and examine their significance in relation to the many factors that contribute to job performance, including such factors as selection, training, motivation, morale, and communication.

Difficulties in evaluating individual differences. The example of variations in production among the loopers indicates how easy it is to evaluate a production job in terms of objective measures. Quantity of output is easily determined and recorded. An employee's performance on a so-called nonproduction job (for example, a foreman, a receptionist, an accountant), however, is more difficult to evaluate because the performance may not be directly measurable. Ability to get along with others, to analyze and solve problems, and similar requirements are difficult to measure. These requirements are important, however, and must be considered when evaluating persons holding such jobs. Evaluations of this type require the evaluator to record his observations and/or interpretations of the individual's performance in terms of more general characteristics such as attitude, dependability, and initiative. The fact that these characteristics often mean different things to different people creates problems in evaluation and gives rise to errors.

Sources of error in evaluation. The most common error in evaluating others is the halo error, which as explained in an earlier chapter, is the tendency to rate an individual either high or low in many traits because the rater knows or believes the individual to be high or low in some specific trait which the rater likes or dislikes. This is a form of prejudice or bias which prevents the evaluator from perceiving the behavior of another person accurately. The halo spreads or generalizes to other areas. For example, the supervisor who values punctuality may tend to rate punctual persons high on characteristics other than punctuality. While punctuality may be an important job requirement, this characteristic should be viewed and evaluated separately and not confused with quantity and quality of production, honesty, or other factors. The isolation of these factors is often difficult for the rater. The use of special approaches and the training of raters, however, offer hope for minimizing the halo error.

Other types of errors in evaluation are the leniency error and the error of central tendency. The *leniency error* stems from the rater's attitude that all employees are performing effectively. While understanding and reasonable tolerance of employee behavior are qualities that the supervisor should develop, he should not fail to note and advise employees of their shortcomings. The *error of central tendency* is shown in ratings that are

grouped around the middle or average. This error is caused by the failure of the rater to take into account that there are wide variations in behavior or performance. The rater, therefore, considers most employees as average in the characteristics upon which they are being evaluated.

Standards of Satisfactory Job Performance

In any evaluation process it is important to consider the basis against which individuals are compared — namely the job standards or criteria of satisfactory performance. While each person who is conducting an evaluation has some standard or guide against which he makes comparisons, these standards or criteria must be selected in advance on the basis of study and understanding of the requirements of the job.

In production work the output of an individual in terms of quantity and quality may be compared with the standards developed from time and motion studies. These standards provide objective criteria against which evaluations can be made. In jobs where performance cannot be evaluated primarily in terms of output or in which such intangible qualities as persistence, loyalty to company, speed in making decisions, and similar characteristics are considered essential, it is necessary that the observations and reports of supervisory personnel be used.

In developing evaluation methods that are to be used by supervisors, attention must be given to the employee traits or characteristics upon which the supervisor is asked to observe and report. Three criteria for judging the probable value of reports on such traits are:

(1) *Observability.* Can the rater actually observe this trait in action? Is the worker's possession of this trait clearly evident to the rater in what the worker does? These are the questions to be answered in considering whether a trait is observable.

(2) *Universality.* Is the trait under consideration an important characteristic in successful performance of all the jobs to be rated? Obviously, it should be if the rating procedure is to be generally applicable. It is unlikely, too, that the trait could even be observed when the job does not call it into play.

(3) *Distinguishability.* Is the trait under question clearly distinguishable as meaning something different from another trait with a different name? Do they overlap so much in meaning that ratings on the two would be nothing more than two ratings on the same basic characteristic?[1]

[1]Reign Bittner, "Developing an Employee Merit Rating Procedure," in M. Joseph Dooher and Vivienne Marquis (Editors), *Rating Employee and Supervisory Performance* (New York: American Management Association, 1950), p. 26.

Methods of Evaluation

The behaviors or characteristics that are to be considered by the superior in his evaluation of the employee are typically incorporated into a standardized form that is designed to meet the needs of the particular company. These evaluation forms not only should contain the traits or characteristics that meet the criteria of observability, universality, and distinguishability, but they also should be designed in such a manner that the rater can render the most objective opinion or evaluation of the person being rated.

There are several different evaluation methods, most of which represent an attempt to objectify or quantify the superior's observations and interpretations of employee performance. While many of the methods are still subject to the types of errors mentioned previously, improvements are being made in evaluation methods, with the result that performance evaluation is making a greater contribution to personnel management. In the discussion that follows, the major types of evaluation methods will be examined briefly. These include:

a. Ranking method
b. Method of paired comparisons
c. Graphic rating scale method
d. Forced distribution method
e. Man-to-man method
f. Check-list method
g. Critical incident method
h. Forced-choice method
i. Free-form evaluation method

(a) Ranking method. Under the *ranking method* of evaluation each evaluator or rater arranges his men in rank order from the best to the poorest. This method has the advantage of being simple to understand and to use, and it is quite natural for the rater to rank his subordinates. One of the main disadvantages of this method is the assumption that the differences between ranks are the same. An individual who ranks fifth on the list may be considered quite superior or just average by the rater, but this fact is not revealed in the employee's rank position. Another disadvantage of this method is that when the number of persons to be rated is fairly large, it is difficult for the rater to make differentiations between them.

(b) Method of paired comparisons. The *method of paired comparisons* involves comparing each individual with all of the others in the group.

With ten individuals this involves 45 comparisons times the number of traits or characteristics to be considered. If raters are asked to judge on 5 characteristics, the total number of comparisons would be 225. This figure indicates the sizeable task that confronts the rater. For this reason the paired comparisons method is used most frequently in evaluating over-all job performance rather than specific characteristics.

(c) Graphic rating scale method. The *graphic rating scale method* is the most commonly used type of rating scale. Each trait or characteristic to be rated is represented by a line or scale on which the rater indicates the degree to which he believes the individual possesses the trait or characteristic. One simple graphic rating scale involves a scale of numbers as shown in the following example. With this type of scale the rater is asked to circle the number that is most indicative of the degree to which the employee possesses this characteristic.

	Poor				Average						Excellent
Cooperation with fellow workers	0	1	2	3	4	5	6	7	8	9	10

A type of graphic rating scale that contains descriptions of the employee's behavior is generally more satisfactory because it provides the rater with more concrete guidelines for making judgments. An example of this type of scale is shown in Figure 11-2 on page 218. While the descriptions of employee behavior are helpful, the rater still has the problem of evaluating his observations of the employee and attempting to relate them to the various degrees on the scale.

(d) Forced distribution method. On any trait or characteristic being considered, a few persons will exhibit superior performance, and a few inferior performance, but most of the individuals will cluster about the middle or average. The *forced distribution method* of evaluation requires the rater to distribute his ratings in accordance with a pattern that conforms to the normal frequency distribution, thereby forcing him to assign some low ratings to some employees and high ratings to others. While a supervisor may believe that he is dealing with a "special" or "unusual" group, there are differences within that group that should be observed and recorded if the evaluation system is to be of value. The use of the forced distribution method encourages raters to note and report such differences.

(e) Man-to-man method. The *man-to-man method* involves a master scale for each trait. On this scale the names of men who are known to the rater (usually present and past employees) are located according to his judgment. Each individual who is rated is compared with the men on the

Figure 11-2
A Graphic Rating Scale

PERFORMANCE REVIEW FOR SERVICEMEN

1. Rate the employee by placing an X in the space above the description which most nearly expresses your judgment on each quality.
2. Consider only one trait or quality at a time.
3. Consider the individual's entire work performance on each trait. Don't base your judgment on only one or two occurences.
4. Use the space provided on the back page for comments and explanations.
5. Make your rating an accurate description of the one rated.

	1	2	3 4	5 6 7	8 9 10
I-QUALITY Consider the thoroughness of his work and ability to perform work of high grade consistently.	Work almost worthless.	Rather careless. Below standard	Just satisfactory.	Good quality.	Highest quality.
II-DEPENDABILITY Consider reliability in execution of assigned tasks; dependability in following instructions; does he stick to his job and do good work without constant supervision?	Unreliable and irregular	Slightly neglectful.	Fairly dependable.	Trustworthy	Extremely dependable.
III-CUSTOMER CONTACTS Consider tact and other qualities in dealing with customers; ability in maintaining favorable customer relations and company good will.	Displays little or no ability to handle customers.	Lacks qualities to do and say the right thing.	Average ability to get along with customers.	Makes favorable impressions with customers.	Builds excellent relations with customers.
IV-QUANTITY Consider the volume of work accomplished under normal conditions and the promptness with which it is completed.	Very slow worker. Little output.	Barely meets requirements.	Average	Turns out good volume.	Rapid worker. Unusually big producer.
V-MECHANICAL SKILL Has he consistently demonstrated the ability to cope with varied mechanical problems?	Requires continuous and repeated instructions.	Requires repeated instructions. Has some difficulty solving new problems.	Satisfactory on routine work; meets requirements on new problems.	Good ability in coping with mechanical problems	Exceptional ability in analyzing and solving mechanical problems.
VI-COOPERATION Consider his attitude toward his work, company and his associates, and his willingness to work with and for others.	Dislikes to cooperate.	Has some difficulty getting along with others.	Acceptable	Willing worker. Cooperates readily.	Goes out of his way to cooperate.
VII-PERSONALITY-DISPOSITION Consider behavior; effect of disposition on others.	Definitely unfavorable.	Behavior and attitudes disturb harmony occasionally.	Gets along well generally. Not good and not bad.	Gets along well with majority of associates.	Excellent behavior. Well liked by all associates.
VIII-ATTENDANCE What attitude does he have toward attendance. Is he on the job?	Indifferent attendance.	Frequent absences.	Occasionally absent. Usually with good reason.	Very regular. Seldom absent	Excellent record.
IX-APPEARANCE How is he in dress and personal appearance. Does he make a good impression?	Indifferent	Slightly indifferent.	Acceptable	Makes good impression.	Extremely impressive.

Source: Pitney-Bowes Company.

master scale and given a numerical rating that corresponds to that of the man with whom he compares most closely. This method is seldom used today because the standards used by one rater (namely knowledge of the characteristics of certain individuals) would not be the same as those used by another rater. Furthermore, since different raters use different individuals as standards, it is impossible to determine the extent to which the ratings of the different raters are equivalent.

(f) Check-list method. As the term implies, the *check-list method* involves having the rater check those statements on a list that he feels are characteristic of the employee's performance or behavior. Some years ago Procter & Gamble developed a check-list for rating their salesmen. Starting with over a thousand statements that were descriptive of these salesmen, the list, after considerable experimentation and analysis, was finally reduced to 51 items. A portion of this check list follows:

Figure 11-3
Sample of the Check-List Method

Below are a number of statements that have actually been made about Procter & Gamble case goods salesmen. Read each statement, and put a plus (+) sign before it if it applies to this man. Put a minus (−) sign before it if it does not apply. Use a question mark (?) if you are not sure.

_____ He is somewhat in a rut on some of his brand talks.
_____ He tends to keep comfortably ahead of his work schedule.
_____ He is a good steady worker.
_____ He is weak on planning.
_____ He is making exceptional progress.

Source: M. W. Richardson and G. F. Kuder, "Making a Rating Scale That Measures," *Personnel Journal*, 12 (1933–1934), pp. 36–40. Reproduced with permission.

Once a check list has been developed and standardized, it has the advantage of being easy to interpret and score. Since it is usually restricted to one or a few jobs, it is necessary to have several check lists for the different jobs that exist in a company.

(g) Critical incident method. One of the newest of the evaluation methods is the *critical incident method*, which involves identifying, classifying, and recording critical incidents in employee behavior.

Briefly, an incident is "critical" when it illustrates that the employee has done, or failed to do, something that results in unusual success or unusual failure on some part of his job.

Critical incidents are facts (not opinions or generalizations), but not all facts are critical. Suppose you are supervisor of a highly efficient group of sales

correspondents. On a certain day, Mary Jones, one of your best people, turns out 40 letters, a typical daily output. This is a fact and could be so recorded on your department's productivity records if you keep such records, but it is not a critical incident . . . if Mary is expected to average about 40 letters per day.

However, if Mary turned out 40 letters on one of those "bad" days when her dictaphone needed minor repairs, and when there were an unusual number of complicated customer inquiries and telephone interruptions, then you would record an incident of effective performance — a "blue" incident for Mary's *Performance Record.* This is a critical incident because Mary worked rapidly, keeping an unusual number of things going at the same time, and still turned out the usual number of letters.

Critical behavior like this is the thing to look for — not merely good performance or bad performance in itself, but the employee actions that really make performance outstandingly effective or ineffective.[2]

The use of this method involves spotting critical incidents of employee performance, classifying the incidents according to the headings given in the record sheet maintained on each employee, and jotting them down. Before every performance review, the detailed entries under the headings are summarized. There are 16 headings on the incident sheet for nonsupervisory salaried employees that include such behaviors as Carrying Out Instructions, Accuracy, Alertness to Problem Situations, Attending to Details, Accepting Supervision and Regulations, Taking Needed Action on Own Initiative, and Capacity for Increased Responsibility, under which entries are made. In addition to recording the incident, the supervisor is instructed to let the employee know that he noticed what happened.

Under each heading on the Performance Record form, space is provided for recording the "blue" incidents (favorable) and the "red" incidents (unfavorable). In Figure 11-4, examples of red and blue critical incidents are shown. These examples would be entered under the heading "Alertness to Problem Situations" on the *Performance Record* for the particular individuals concerned.

This method, which emphasizes the importance of recording both strengths and weaknesses in specifically categorized areas, is valuable in training supervisors how to evaluate their subordinates. It is probably the most effective method of achieving the results desired from the personnel evaluation program, since it provides concrete information that can and should be discussed with the employee.

(h) Forced-choice method. Also among the newest of the rating methods is the *forced-choice method,* which uses the procedure that was

[2]John C. Flanagan and Robert B. Miller, *The Performance Record Handbook for Supervisors* (Chicago: Science Research Associates, 1955), p. 6.

Figure 11-4

Example of Recorded Critical Incidents

ALERTNESS TO PROBLEM SITUATIONS

Did not see problem; b. Overlooked cause of problem; c. Failed to special situation.

DATE	ITEM	WHAT HAPPENED
4/14	c	delay on special letter

RED

special delivery letter came in about the same time as the regular il delivery. Instead of delivering the special letter at once, this ploye put it in with the regular mail.

A. Saw problem as soon as it arose; B. Recognized cause of probl C. Recognized situation that might produce problems.

DATE	ITEM	WHAT HAPPENED
11/2	C	furnace proble

BLUE

This fellow was working late one Friday. He discovered an elec furnace had been accidentally shut off. He phoned his superv at home. This prompt action prevented the furnace from free up over the week-end.

Source: John C. Flanagan and Robert B. Miller, *The Performance Record Handbook for Supervisors* (Chicago: Science Research Associates, 1955), p. 16. Reproduced with permission.

discussed in Chapter 7 in connection with the forced-choice type of personality test. While it is not used as extensively as some of the other methods, it was used on a wide-scale basis following World War II for rating officers who were being considered for commissions in the regular Army. More recently it has been used by consultants in preparing evaluation forms for large industrial firms.

The typical forced-choice rating scale requires the rater to indicate by a check mark those statements that are descriptive of the individual being rated. Since several statements equally favorable or unfavorable appear, the person completing the forced-choice report cannot be certain whether he is giving the employee a high or a low rating. Thus the effect of bias is considerably reduced through the use of this method.

One type of forced-choice scale is made of groups of four statements (known as *tetrads*), two of which are descriptive of desirable characteristics and two of which are descriptive of undesirable characteristics. For example:

Tetrad 1
a. Able to handle emergency assignments
b. Hesitates to offer new ideas
c. Definite in goals
d. Gets confused under pressure

Tetrad 2
a. Uses criticism to good advantage
b. Work quality varies with interest
c. Spends too much time on minor details
d. Helpful with new employees

The rater is presented with a list of such tetrads and instructed to indicate in each the one statement that is most descriptive and the one state-

ment that is least descriptive of the individual being rated. In constructing a rating scale of this type, the statements in a tetrad should have equal preference value. In Tetrad 1, for example, statement *a* is on a par with statement *c* as far as rater preference is concerned. Similarly, statement *b* is on a par with statement *d* as far as the undesirable qualities are concerned. By subjecting these statements to many individuals before they appear in the final evaluation form, the preference values may be determined and those statements of equal preference value may be paired together in the same item. Thus, when a rater is reading a statement and relating it to the individual, he is likely to choose the statement because it is descriptive of the individual and not because it sounds a little better or worse than the other statement. Thus the extent to which his bias may influence his ratings is minimized.

One of the outstanding features of the forced-choice rating scale is that it can be easily scored once the discriminative value of each of the statements has been determined. The term *discriminative value* refers to the degree to which a statement distinguishes between good and poor employees who have been evaluated in terms of some other index of job proficiency. These values then serve as scoring weights for each statement. It is important that the rater be kept unaware of the discriminative value of the statements, otherwise he would be able to "control" the over-all rating that the individual receives. This inability to "control" the ratings has been a source of frustration to many raters, but it has been a step in the desired direction toward objectivity and away from personal bias.

The forced-choice method is not without limitations. The fact that it has been a source of frustration to many raters has sometimes caused it to be eliminated from evaluation programs. In addition, it cannot be used as effectively in advising employees of their needed improvements as some of the other methods. Where this method is used with other evaluation methods, however, as it frequently is, there is no problem since the employee may be advised of his strengths and weaknesses through other methods.

(i) Free-form evaluation method. The evaluation methods described up to this point have involved a minimum of writing on the part of the rater. For the most part these methods, except for the critical incident method, required him to make a check mark or to circle a number on a prepared form. Some companies, however, prefer to use an evaluation form that permits the supervisor to comment in his own words about the employee's performance. This is called a *free-form evaluation.* While this method provides for a more complete description of the employee's

performance, it is particularly useful when used with other methods, such as the graphic rating scale, that provide for comparisons among employees.

Selecting the Method of Evaluation

Performance evaluation, like any other type of evaluation, requires that some standard be used against which individuals may be judged or compared. The standard or basis of comparison may be of two general types, relative or absolute. Under the *relative method* the employee's performance is compared with that of other employees holding the same or similar jobs. Under the *absolute method* the employee's performance is compared with predetermined standards. The relative method is used primarily to evaluate employees for the purpose of making promotions, wage adjustments, and similar personnel actions. The absolute method, on the other hand, is designed mainly to improve the performance of employees on their jobs. The method of comparison used will thus depend largely on the primary purpose for which evaluations are being made. It is possible that more than one method may be used. The United Parcel Service, for example, combines the free-form evaluation with the forced-choice method and a graphic rating scale. Thus the rater is required to furnish information in a variety of ways, which permits cross-checking and a more thorough analysis of the value of different methods.

Another important factor to be considered in selecting the method of evaluation is the extent to which an evaluation scale or form is consistent with job demands. One job, for example, may require the worker to possess the following characteristics in a very high degree: ability to plan, skill in written expression, emotional stability, and ability to meet and deal with people. Another job may emphasize other characteristics. If the same rating scale is used for both jobs, one job will be discriminated against.

While the ideal situation would be to have different rating scales (containing different characteristics) for each job or job family, this is seldom practical because a large number of job families are usually represented in a large company. It is usually necessary, therefore, to compromise between the ideal situation of having a different rating scale for each job and the opposite situation of having only one rating scale for all the jobs in the company. Many companies use several different scales, which appears to be a reasonable solution to the problem. There may, for example, be separate forms for executives, supervisory personnel, office employees, and operative employees. In the final analysis, however, the number of different forms needed will depend largely upon the amount of variation between the requirements for the different jobs.

THE EVALUATION PROGRAM

If performance evaluation is to contribute effectively to the personnel program, it must be designed to fit the particular needs of the company. As in the case of other phases of the personnel program, it is seldom adequate to take an evaluation program from one company and attempt to use it in another company. Although the concept of evaluation and the methods of evaluating personnel have general application, the objectives and the approach used in attempting to realize these objectives vary considerably from one company to another. Some of these differences will be noted in the preliminary planning phase to be discussed. Following this, the procedures normally followed in conducting the evaluation will be examined.

Preliminary Planning

The planning phase of the evaluation program is where the success or failure of the program is largely determined. The policies and procedures that are established during this phase will influence the entire program. In developing the evaluation program it is generally advisable that top management, supervisors, employees, and the personnel department be represented on the planning committee. This representation insures that the viewpoints of members of these groups are known and may be considered in developing a program that will be acceptable and workable. The planning committee will probably be primarily concerned with establishing and clarifying the objectives of the program, but it may also make other contributions, such as determining the method or methods of evaluation to be used.

In the early part of this chapter the values of an evaluation program were enumerated. While all of these values should be recognized, certain specific objectives should be agreed upon at the outset. For example, it may be determined that the evaluation procedures are to be used as measures of job proficiency. Promotions to supervisory positions and in-grade increases would then be made on this basis. These objectives, which are agreed upon by the representatives, should be communicated to all personnel in order that they will understand the purposes of the program and the importance of it to them as well as to the company.

Conducting the Evaluation

Once the evaluation program has been organized and proper forms have been developed, the next step is to conduct the evaluation. Those who have the primary responsibility in the evaluation procedure should be given detailed instructions. In this section the discussion will be focused

on such considerations as: who is responsible for conducting ratings, the frequency of rating, and the training of raters.

Who rates whom? Ordinarily the immediate superior is responsible for evaluating the performance of those who are directly subordinate to him in the organization. Thus the first-line supervisor rates employees who are responsible to him, department managers rate first-line supervisors, vice-presidents rate department managers, and so forth. In many companies, however, no formal evaluation procedure is used for those personnel above the supervisory level or even above the operative employees.

A review procedure is normally provided in most rating systems. Ratings are usually reviewed by the rater's superior who presumably is able to evaluate the person being rated more objectively than the rater. If the reviewer approaches his job seriously and does not merely rubber-stamp the rater's evaluations, the reviewing procedure can be a valuable contribution to the program.

Frequency of rating. While there are variations in the frequency with which personnel in different companies are evaluated, once or twice annually seems to be fairly standard for employees who have gone through the probationary period and are considered permanent. Under certain circumstances, notably where there has been a decline in performance or attitude, a special report may be submitted. In certain instances it is usually advisable to have evaluations made more often than once or twice a year. This procedure is usually followed with probationary employees who may be rated every month or two during the probationary period. Similarly, management trainees are rated more frequently and usually by many different managers and executives with whom they are in contact.

Training raters. If representative personnel at all levels within the organization have participated in the formulation of the program, they probably will have more interest in the program. It is important that considerable attention be given at the beginning of the training sessions to furthering the understanding which raters have of the program objectives and how the program will benefit them. They must also be assured of management's interest in the program, and they must be given adequate time in which to perform the rating functions.

While it may be assumed that the raters know something about evaluating their subordinates, a training program should be conducted in such a way that they are reminded of what they already know and that

nothing is left to chance. Some of the topics that should be covered in training raters include: the nature of differences among employees, problems in observing these differences, the types of errors discussed previously, biases and prejudices, and similar topics. Raters should also be given some training in how to differentiate between facts and inferences in employee behavior, as was discussed in Chapter 6.

The training program should also familiarize the rater with the forms to be used, with particular attention to the traits or characteristics that are to be evaluated. It is essential that these be defined in comprehendable terms. If the evaluation scales include such observable characteristics as being on time, working carefully, and following directions, understanding on the part of the rater can be facilitated. If, on the other hand, such characteristics as loyalty and honesty are used, it is likely that the rater will have difficulty in defining and observing these. Since a large part of the value of the evaluation program depends upon improvements that are actually made in supervision and employee performance, the raters should be trained in procedures for conducting the rating interview and encouraged to use them.

Analysis of Performance Ratings

Although the care with which the various rating forms were devised and raters were trained will usually be reflected in the quality of the ratings, it is important that statistical analyses of these ratings be made. It is only through careful analysis of this type that the reliability and validity of the ratings may be estimated. It will be recalled from the discussion of personnel tests (Chapter 7) that although perfect reliability or validity can never be achieved, every effort should be made to improve it. This may be accomplished in the evaluation program by:

a. Determining rater tendencies
b. Noting departmental and job differences
c. Developing scoring systems
d. Relating evaluation data to other information

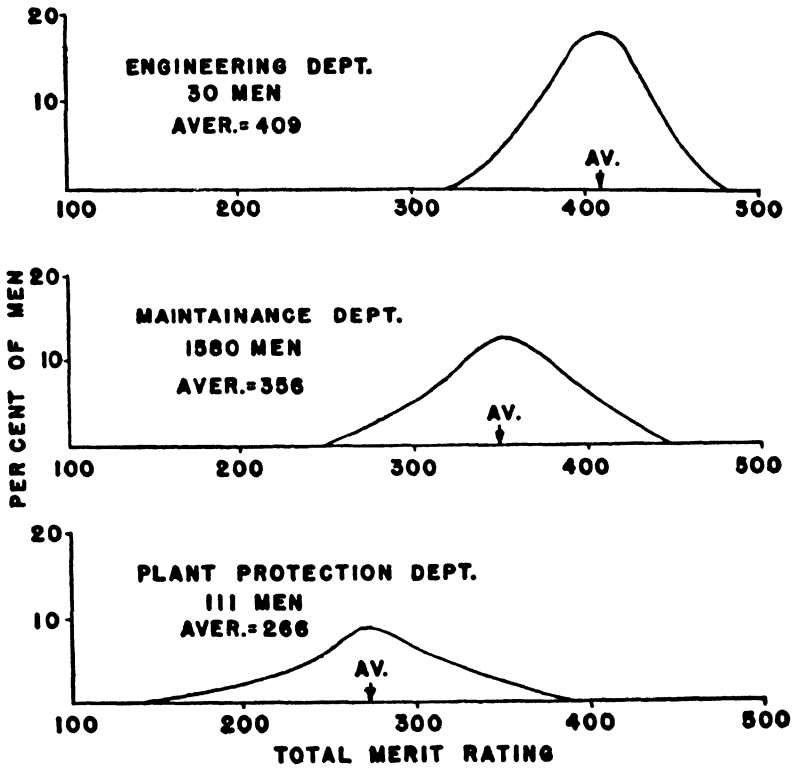
(a) Determining rater tendencies. One approach to determining the validity of ratings is to check the tendencies that the various raters have in assigning their ratings to subordinates. Some will be quite lenient while others will be strict. As a result, the ratings assigned by the lenient supervisor cannot be compared with those made by the strict supervisor unless some allowance is made for the differences in their rating tendencies.

(b) Noting departmental and job differences. Where careful analyses are made of ratings within a company, it is not unusual to find that the

ratings on employees in different departments or in different jobs vary sufficiently to warrant some adjustment. In one company, for example, the total merit ratings (scored in points) were found to be distributed quite differently. Note that in Figure 11-5 a merit-rating score of 350 would be a very low rating in the engineering department, average in the maintenance department, and very high in the plant-production department. Thus, interdepartmental comparisons of individual ratings should be made only after a correction is made for these differences.

Figure 11-5

Differences in Merit Ratings Among Departments in a Steel Mill



Source: Joseph Tiffin and Ernest J. McCormick, *op. cit.*, p. 229. Reproduced with permission.

A similar problem often arises in connection with different jobs in the same company. Usually those individuals in jobs that require little skill are, on the average, rated lower than those persons in jobs requiring a high level of skill. This likewise calls for comparing the merit ratings of individuals holding the same job, rather than using the ratings from individuals on all jobs as a basis of comparison.

(c) Developing scoring systems. Many scoring plans provide for a weighting of the traits or characteristics used in the scale. Various weightings are assigned on the basis of the different jobs and their requirements. For example, in one job judgment may be an important factor whereas in another job there is no requirement for the exercise of judgment. Instead of using separate forms for the different jobs, it is possible to recognize its importance or the lack of it by assigning different weights to this characteristic on the scoring key for the rating scale.

(d) Relating evaluation data to other information. Objective measures of job performance, such as production records, should be utilized wherever possible in evaluating personnel. There are, however, many jobs for which objective measures are not readily available or are inadequate and therefore ratings are used in evaluating personnel. While the ratings may be used as a basis for making decisions affecting personnel, it is advisable to study the relationship between ratings and other available data about individuals, such as accidents, disciplinary action, grievances, and absenteeism, that may prove helpful in determining the value of the merit ratings. Although perfect relationships between ratings and these other types of information should not be expected, discrepancies that occur should be pointed out to the raters.

UTILIZING PERFORMANCE EVALUATION REPORTS

The careful attention that is given to the planning, rating, and analysis phases of the evaluation program will contribute substantially to the success of the program. For the most part, however, the success of the program is dependent upon the effective utilization of performance evaluation reports by supervisors, managers, and the personnel department. Some of the ways in which the reports may be used will be discussed in this section. These include counseling employees after merit rating and taking appropriate corrective action where it is indicated.

Counseling Employees

Where the performance rating report is used as a basis for counseling the employee, it is customary for the rater to first submit his ratings to his immediate superior for review. As noted earlier, the review procedure provides the superior with an opportunity to evaluate the rating ability and tendencies of the supervisor and to indicate his agreement or disagreement with any of the ratings. If he believes that the supervisor has been unfair in assigning a rating to an employee or that he has not used good

judgment, he can make any necessary adjustments before further use is made of the performance reports. This review procedure is customarily followed in most companies even though interviews with employees may not be conducted. It should be recognized, however, that such interviews may serve many useful purposes and should not be ignored if maximum benefit is to be derived from the evaluation program.

Purposes of rating interviews. While there is not universal acceptance of the belief that the rating results should be discussed with employees, such interviews have many advantages if they are properly handled. A rating interview provides an opportunity for giving the employee a picture of his performance and for making plans for improvement in those areas where he is not performing at the desired level. If the supervisor has received training in conducting such interviews and is able to apply the instructions skillfully, the interview may improve communication between the supervisor and the employee and result in a feeling of greater harmony and cooperation.

Supervisors may be reluctant to discuss evaluations with employees because they feel incompetent to conduct such interviews. They may excuse themselves by rationalizing that they might hurt the employee's feelings, or that most employees should consider "no news" from them to be "good news," or that they are too busy to take time out for interviews. Since most of the unwillingness to discuss ratings with employees probably stems from a feeling of inadequacy on the part of supervisors, the best way to solve this problem is to help raters to improve their interviewing procedures. Although the general principles and procedures of interviewing and counseling, which will be discussed in detail in Chapter 16, are applicable to rating interviews, some specific approaches should be noted at this point.

How to conduct rating interviews. One of the major faults of many rating interviews is that the interviewee is not given enough opportunity to talk. In order for there to be communication, it is essential that the interviewer spend more time in listening than he does in talking. The following interview guide is offered as an illustration of an effective way to approach the problem of how to tell the employee where he stands. These steps in interviewing cannot and need not always be followed in the order listed.

(1) Be prepared for the interview. (Be in a congenial frame of mind, have necessary material available, use a place where privacy and lack of interruptions are assured.)

(2) Put ratee at ease.

(3) Discuss purpose of interview and rating plan. (The rater should first determine how well the ratee understands the rating system and then, where necessary, attempt to clarify his understanding of it.)
(4) Pause — give ratee a chance to respond. (At this point the rater should be a good listener. He should give the employee a chance to digest what he has been told and to express his feelings about it.)
(5) Present over-all rating.
(6) Pause — ratee should have a chance to respond both to good and to bad news.
(7) Present strong points.
(8) Pause.
(9) Present weak points.
(10) Pause.
(11) Discuss ways in which ratee might improve. (First give ratee an opportunity to make suggestions. If he offers none, ask him if he has any ideas concerning improvement. If he still makes no suggestions, make suggestions in the form of questions, such as, "Do you think it would help to———?")
(12) Give ratee a chance to ask further questions concerning the rating.
(13) Tell ratee that he can reopen the discussion at a later date if he wants to.
(14) Follow up — look for improvement in the ratee's work and compliment him whenever you can.[3]

Taking Appropriate Corrective Action

In many instances the rating interview with the employee will provide the basis for noting deficiencies in employee attitude and performance and for making plans for improvement. As a result, corrective action can be taken by those who are in the best position to do something about it — namely the employee and the supervisor. Without the interview, deficiencies could continue until they became quite serious and beyond the point where it was believed possible to take corrective action. It must also be recognized that occasionally it is necessary for the supervisor to refer problem cases to his line superior or to the personnel department, with a recommendation that certain types of action be taken.

In addition to taking action on these problem cases that are referred to it, the personnel department should study, evaluate, and take action on the evaluation reports as they are submitted. Performance ratings are of little practical benefit if the results are merely filed away, since these results may serve as a basis for changing the employee's status in the company and for improving the effectiveness of the personnel program.

[3]Extracted from Bernard J. Covner, "The Communication of Merit Ratings — a Philosophy and a Method," Chapter 17 in M. J. Dooher and V. Marquis (Editors), *Effective Communication on the Job* (New York: American Management Association, 1956), pp. 165–167.

Changing the employee's status. As evaluation reports are forwarded through formal channels to the personnel department, they should be examined for any evidence that indicates the need of administrative action such as a promotion, demotion, transfer, or counseling. If supervisory personnel fail to recognize the need for such action, the personnel department should bring it to their attention and recommend that appropriate action be considered for the employee in question. Ordinarily the personnel department should not take the action, but it is their responsibility to advise and recommend in such matters.

Improving the personnel program. Once the evaluation system has been found to be effective, it may be used to evaluate the various phases of the personnel program. It provides information that may reveal the need for improvements, especially in the selection, placement, and training policies and procedures. Performance evaluation reports have been found to be valuable as measures of employee success that may be used in validating the tests used in personnel selection. On the basis of information concerning the value (validity) of the tests, it is possible to make improvements in the testing program that will result in the selection of employees who are more likely to be successful. Performance evaluation reports may also provide information that reveals the need for corrections in the values used in determining the relative worth of the job under a job evaluation program. Finally, it is important to recognize that the success of the entire personnel program is dependent upon the knowledge of employee performance in relation to the goals established for them and for the organization of which they are a part. This knowledge can best be obtained from a carefully planned and administered personnel evaluation program.

RESUME

A personnel evaluation program is essential to the success of the company and its employees. If the company is to utilize effectively the abilities and capacities of its employees, it must continually evaluate their progress. Similarly, if employees are to direct their energies most effectively, they must recognize their strengths and weaknesses. Throughout this chapter an attempt has been made to emphasize the importance of objectifying the process of evaluation in order that personal biases and prejudices may be minimized. This may be done through the selection of the methods to be used and through training of raters. As raters receive

training in evaluation methods and develop an awareness of the importance of objective and unbiased evaluations of their subordinates, they usually develop an appreciation of the importance of using the information as a basis for developing the competencies of their subordinates. Improvement of subordinates may be accomplished through more effective supervision, which includes the ability to communicate with employees concerning their strengths and their weaknesses.

All too frequently insufficient time and attention are given to the interview that follows the rating procedure. Unless supervisors are successful in conducting the interviews with employees, the evaluation program is of little value to the company or to its employees. It is essential, therefore, that the training of raters include instruction and practice in conducting performance evaluation interviews. Finally, as confidence in the evaluation program develops, evaluation can provide a basis for promotions, demotions, transfers, and similar personnel actions. This objective basis for making such decisions not only strengthens the personnel program but can serve as a motivating force to employees who recognize its value to them.

REVIEW AND DISCUSSION QUESTIONS

1. How does the concept of individual differences relate to performance evaluation?
2. What types of errors are made in evaluating personnel?
3. What are the requirements for job performance criteria?
4. What are the major types of evaluation methods? Give the advantages and disadvantages of each method.
5. What is a critical incident?
6. What is meant by "preference value" and "discriminative value" in the forced-choice method?
7. What training should raters receive prior to making evaluations?
8. What is the purpose of performance rating interviews?
9. What are some objective criteria that may be used in evaluating the performance of employees in the following jobs: department store sales clerk, stenographer, milkman? What problems are likely to arise in using these criteria?
10. Some companies do not permit employees to see their performance ratings. What are the advantages and disadvantages in this procedure?
11. If it was found that several raters were assigning average ratings to a large number of employees, what should be done?
12. Consider a job in which you have worked or in which you have had an opportunity to observe others. Can you think of any critical incidents that appeared to distinguish superior from "run of the mill" employees?

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Chapter 12

Employee Motivation

Performance evaluation may provide the basis for improving the employee's subsequent performance on the job. It should be recognized by his superior, however, that while the knowledge and skills possessed by the employee are important in determining his job performance, these factors alone are not sufficient. Motivation is needed to activate these abilities and skills and to release their potential.

Motivation is concerned with the "why" of human behavior. Why does one man work diligently and another attempt to avoid work? Why does one man find happiness in performing a job while another loathes it? These and similar questions represent attempts to understand the motives for human behavior. It is often difficult, however, to understand what motives are operating within an individual at a particular moment. Furthermore, the individual himself usually does not fully understand the causes of his behavior. Nevertheless, it is important that those who are attempting to make effective use of the knowledge and skills of others recognize the importance of the causal aspects of human behavior.

Motivation involves a condition within the individual that is usually referred to as a need and something outside of him that is known as an incentive. An understanding of what is required to motivate workers requires a more thorough examination of both needs and incentives. They will be examined in the discussion of the following aspects of human motivation:

- Employee needs: key to motivation
- Satisfying individual needs
- Applying motivational principles in business

EMPLOYEE NEEDS: KEY TO MOTIVATION

Employees should be motivated to perform in such a manner that their own personal needs, as well as those of the company, are satisfied to a maximum degree. While the specific goals of a company will vary with the nature and purpose of its operations, some goals are common to most business organizations. The personal needs of the employees likewise vary from one individual to another. There appears, however, to be a common ground in the area of human needs that provides a basis for understanding what makes people "tick." In this section attention will be given first to the nature of needs and the manner in which this concept may be used in understanding human behavior. This will be followed by a discussion of the differences in needs among individuals.

The Nature of Employee Needs

Any reference to the needs that human beings have should include not only physiological needs but also the higher needs for love, self-respect, and social approval. Most of us are keenly aware of our physiological needs if our lunch hour is postponed or if we are unable to get to a drinking fountain when we are thirsty. Furthermore, it is easy and natural to talk about physiological needs and the thwarting or frustration of them. The needs for love, self-respect, and social approval, on the other hand, are not so easily defined, and they are not so easily verbalized. Nevertheless, they are a part of our psychological self and they do require satisfaction.

While the physiological needs must be satisfied if life is to be maintained, they are generally of lesser importance than the higher needs in understanding the behavior of employees in a society where the physiological needs are usually satisfied. The satisfaction of the higher needs largely determines the extent to which the abilities and potentialities of employees will be released on the job. Thus in the discussion of motivation that follows, attention will be focused on the higher needs which demand recognition and satisfaction through various activities or relationships.

Classification of needs. Since human needs cannot be seen but must be inferred from human behavior, it may be expected that there will be different theories about them. One classification that is widely accepted comes from Maslow, a psychologist who has developed a theory of human motivation. He has organized or classified human needs into five categories: (1) the physiological needs, (2) the safety needs, (3) the belongingness and love needs, (4) the esteem needs, and (5) the need for self-actualization.

(1) *The physiological needs.* Included in this group are the needs for food, water, air, rest, etc., that are required for maintaining the body in a state of equilibrium.

(2) *The safety needs.* These include the need for safety and security, both in a physical and psychological sense. The need to be protected from external dangers to our bodies and our personalities are included in this group. Most employees, for example, desire to work at jobs that are free from physical and psychological hazards, and that provide tenure.

(3) *The belongingness and love needs.* The need for attention and social activity are the major needs in this category. An individual desires affectionate relationships with people in general and desires to have a respected place in his group.

(4) *The esteem needs.* These include the desire for self-respect, for strength, for achievement, for adequacy, for mastery and competence, for confidence in the face of the world, and for independence and freedom. Also included in this group is the desire for reputation or prestige or respect and esteem from other people.

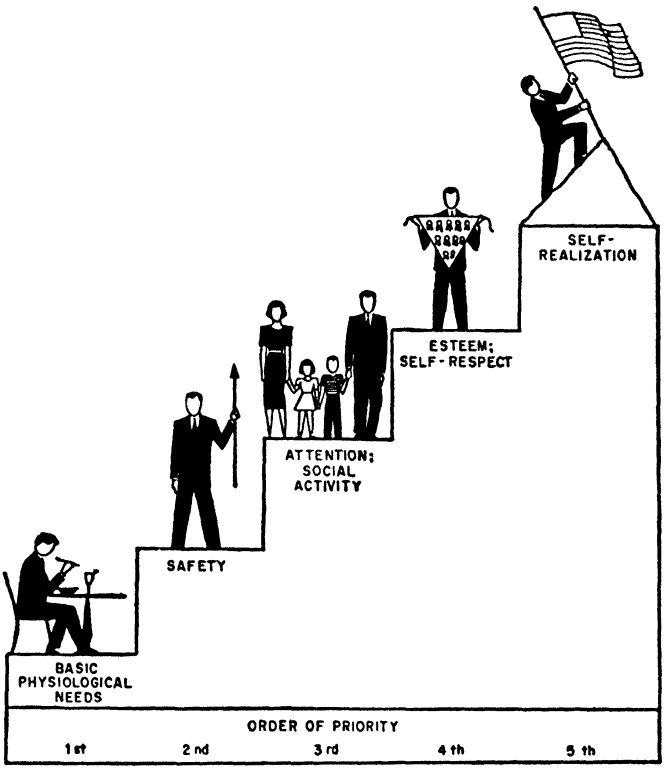
(5) *The need for self-actualization* (*realization*). This refers to a man's desire for self-fulfillment, namely, to the tendency for him to become actualized in what he is potentially. "What a man *can* be, he *must* be." This tendency might be phrased as the desire to become more and more what he is, to become everything that one is capable of becoming.[1]

The fact that human needs have been analyzed and categorized should not cause us to believe that we have a complete explanation of human behavior. The needs of the individual are often unconscious or unrecognized. It may be assumed, therefore, that any attempt to find out from the individual himself why he did or did not do a particular thing would only lead to an explanation that often bears little relationship to reality. In analyzing the motivation of an individual, attention cannot be focused on any one of the needs to the exclusion of the others. Behavior is multimotivated; therefore, several needs usually demand satisfaction concurrently. Thus, the supervisor cannot focus his attention on the employee's need for belongingness to the neglect of his need for safety.

Priority of needs. Effective motivation must give consideration to the relative importance of different needs. According to Maslow, human needs are arranged according to the priority shown in Figure 12-1. According to this theory, the physiological needs are the most fundamental; however, it is probably true that man lives by bread alone — only when there is no bread. Once the physiological needs are gratified, the safety

[1]Paraphrased and adapted from A. H. Maslow, *Motivation and Personality*. (New York: Harper & Brothers, 1954), pp. 80–106.

Figure 12-1
Priority of Human Needs



Source: Keith Davis, *Human Relations in Business* (New York: McGraw-Hill Book Company, Inc., 1957), p. 41. Reproduced with permission.

needs become predominate. At this point, individuals become concerned over their physical and psychological well-being. Related to this concern is the employee's desire for security from injury as well as from adverse economic conditions and unpleasant or threatening behavior of other persons.

If both the physiological and the safety needs are fairly well satisfied, the belongingness and love needs (the next step) will emerge as dominate in his need structure. His behavior will now be in the direction of seeking companionship with others and in striving for a place in his group. While much of the employee's need to feel that he belongs and is accepted by others may be satisfied through relationships with his family and his friends, this need should also be satisfied to some degree on the job. A large part of the individual's day is spent on the job in association with superiors and fellow employees. If relationships with them are friendly and congenial,

this need will be satisfied to some degree. On the other hand, if dissension and disharmony prevail, one may expect the employees to look for satisfaction of this need elsewhere.

At the top of the ladder are the needs for esteem and self-actualization. These needs include achievement, mastery, confidence, independence, recognition, and a realization of all that one is capable of becoming. As the other lower needs are satisfied, these needs become dominate. Very few of us ever fully realize the fulfillment of these higher needs, however, and we are continually striving to satisfy them. While it is probably well that we keep striving for need-satisfaction, the job and all that is related to it should be organized in such a manner that human needs are recognized and fulfilled rather than ignored and frustrated. Since the physiological and safety needs are fairly well satisfied in the American culture, management should concentrate more of its attention on providing the psychological and social environment that will satisfy the higher needs.

Differences in Needs of Employees

Management must recognize that the need pattern of each individual is different. These differences among employees are especially important to the supervisor who is the member of management closest to the employee. In performing the functions of his position, the supervisor must be able to recognize these differences and to utilize the knowledge of them in ways that will provide greater satisfaction to the individual as he works toward the accomplishment of the organizational objectives. Because of the importance of these individual differences in need patterns, attention will now be given to how individuals differ, the factors creating differences, and the implications of these differences for management.

How individuals differ. As the needs at one level are satisfied partially, the needs at the next higher level tend to come into predominance. Thus a need does not have to be completely satisfied before the next need emerges. If, for example, the physiological and safety needs are 75 per cent satisfied in an individual and his love and self-esteem needs are 25 per cent satisfied, his behavior will be primarily in the direction of satisfying the love and esteem needs with the physiological and safety needs taking a subordinate role. A millionaire executive, for example, who is readily able to satisfy his physiological and safety needs without performing another day's work, may work as hard or harder than the individual who needs money for the bare necessities of life. He may find that his job satisfies to a large degree his need for self-esteem and self-realization. The money

that he receives is not as important for what it will buy as for the "standing" it will give him among others and the feeling of accomplishment that he receives from engaging in important work.

On the other side of the picture we may find a person who is primarily concerned with earning sufficient money with which to buy food and shelter to satisfy his and his family's physiological needs. He may not expect to have the higher needs of belongingness, esteem, and self-actualization satisfied to any degree through his job. The satisfaction of higher needs that he receives from his family, lodge, union, and participation in sports and hobbies compensate for the lack of job satisfaction. In between these two extremes we are likely to find all shades of differences in need satisfaction among individuals.

Factors creating differences. The differences in need patterns among a group of employees are as much to be expected as differences in intelligence, interests, and attitudes among them. As a result of prior experiences, satisfactions, and frustrations in the life of the individual, some needs have become stronger than others. Childhood and youth experiences, previous employment experiences, and daily contacts with supervisors and fellow employees have played their part in developing unique motivational patterns within the individual employee. Another important influence in the motivational pattern of individuals is that of the family. The employee who is married may aspire to attain a higher position in the company primarily to be able to bring home a larger pay check. This will not only enable him to be a better provider for his family, but it will give him additional recognition in the family circle.

Implications for management. It is not enough for management to organize the company and then to expect that under its direction and control the employees will not only produce but will be responsible and loyal to the company. Unless the higher needs of belongingness, esteem, and self-actualization are partially satisfied at work, the qualities desired by management will not emerge. What is needed is a realization of the needs of employees — both as a group and as unique individuals — and what can be done to relate these needs to the job. One expert in this area advises that —

> The motivation, the potential for development, the capacity for assuming responsibility, the readiness to direct behavior toward organizational goals are all present in people. Management does not put them there. It is a responsibility of management to make it possible for people to recognize and develop these human characteristics for themselves.

The essential task of management is to arrange organizational conditions and methods of operation so that people can achieve their own goals best by directing their own efforts toward organizational objectives. This is a process primarily of creating opportunities, releasing potential, removing obstacles, encouraging growth, providing guidance.[2]

SATISFYING INDIVIDUAL NEEDS

In order to satisfy human needs, an object or condition must be present outside of the individual that will serve as a satisfier. This object or condition is known as an *incentive.* Management is primarily concerned with making use of those incentives that will stimulate employees to be more productive. Ordinarily, positive incentives, such as pay and praise, are used because they are not only effective but also bring pleasure and satisfaction to the individual. At times, however, such negative incentives as fear and punishment are used to motivate behavior, but this approach is not usually recommended.

Positive Incentives

The positive incentives that are used most widely in business and industry consist of (a) money, (b) security, (c) praise and recognition, (d) competition, (e) knowledge of results, and (f) participation. Money and security have often been overemphasized, and in many instances management has assumed that these are all that the worker expects from his job. Mayo has called this erroneous assumption the "rabble hypothesis."[3] The nonfinancial incentives of praise and recognition, competition, knowledge of results, and participation will never take the place of the financial incentives of money and security, but they may be used effectively to supplement them and to motivate behavior in the desired direction toward goals that are rewarding and satisfying to management and to the employees.

(a) Money. In an industrial society, money is the incentive used most frequently to stimulate the worker to greater production. When employees are asked to state what they would most like to receive from their jobs, however, pay is very seldom at the top of the list. This is in contrast to the demands of unions, which often emphasize increased pay for their members. While it would be foolish to assume that employees are not interested in a fair wage, some demands for wage increase may be the result of

[2]Douglas M. McGregor, "The Human Side of Enterprise," *Management Review,* Vol. 16, No. 11 (November 1957), pp. 88–89.

[3]Elton Mayo, *The Social Problems of an Industrial Civilization* (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1945), Chapter 2.

their inability to recognize or to verbalize other needs that are not being satisfied through their jobs. Furthermore, unions often ask for more money as part of their bargaining strategy to gain more security and other benefits. Nevertheless, money is generally effective as an incentive because it not only will buy food and a home but it also can provide the worker with such prestige items as a new automobile or membership in a social club. Management should certainly recognize the incentive value of money, but it should keep that incentive in its proper relationship in the pattern of total needs of employees.

Wage incentive systems that relate wages directly to output are usually effective in stimulating production if standards are properly developed and the system is effectively administered. The support and the confidence of employees are important factors in determining the success of such systems. Where employees share in the profits, they not only produce better but their attitudes toward the company are usually more favorable than where employees do not share.

(b) Security. Most employees want to feel secure in their jobs. They want to feel that they will be protected against loss of job and earnings whether it be because of accident, illness, insufficient work to keep them busy, arbitrary firing, or other reasons. They are also concerned over security in the years after retirement. Thus security is a positive incentive to work. The employee who is secure enjoys a type of freedom or independence that stimulates him to participate more wholeheartedly on the job and to work toward the achievement of the organizational objectives. He is in the position of being free to direct his energies primarily toward the goals of the company rather than toward the achievement of personal security. Because of the importance of this factor in the lives of most employees it will be discussed at considerable length in Chapters 24 and 25.

(c) Praise and recognition. It is important that employees be recognized and praised for a job well done. Praise, however, should be reserved for those instances where it is truly deserved and where it can be given with sincerity. If praise is used too frequently, it may become like an opiate in that it must be used in increasing amounts in order to be effective. If the praise is given sincerely, it should eventually be accompanied by more tangible forms of recognition, such as a pay increase or promotion. Otherwise its sincerity may be questioned.

(d) Competition. Competition may be used as an incentive in stimulating certain types of desirable behavior. An employee may compete with himself, with other employees, or as a member of a group competing

with other groups. In competing with oneself, such as when an employee tries to improve his own record, satisfaction may come to the individual and no one loses face by not being a winner. Competition among individual employees or employee groups may be advantageous in stimulating increased safety, better housekeeping, and improved attendance. Care must be taken, however, to insure that overcompetition does not result in the winning being more important than the attainment of specifically desired goals. Otherwise employees may falsify records or work when they are sick or injured in order to help win the contest.

While in many areas competition is effective for obtaining better results, it is seldom used directly by management as an incentive to increased production where employees are unionized. In many instances, labor unions have attempted to minimize competition among workers. This has been accomplished by establishing work-load limits and emphasizing seniority when promoting and laying off employees.

(e) Knowledge of results. A knowledge of results serves not only as an incentive to better performance, but it also facilitates the learning of the job. An illustrative case from Maier shows how the desire for knowledge of results may operate on the job:

A repair crew in the telephone industry objected to the procedure used in handling "repeats" (repair cases where a station is reported out of order two or more times in a month). The company procedure in such cases was to send a repairman who was not involved in the initial repair on such jobs. The crew argued that the company procedure gave them no way of knowing whether or not they had made the repair properly. They recommended that the same man should be sent back on a repeat job with the foreman accompanying him. Under the latter procedure, which was adopted by management, repeats that consistently had constituted over 17 per cent of all service calls, immediately dropped to 4 per cent and remained at this or a lower figure.[4]

(f) Participation. Participation is recognized as one of the best incentives for stimulating employee production and for providing job satisfaction. Participation in those matters which are concerned directly with the job should be encouraged in order that employees may feel some responsibility toward the job and identify themselves with the company and its objectives. In addition to providing opportunities for the employee to participate in meetings and conferences, on committees, or through the

[4]N. R. F. Maier, *Psychology in Industry* (2nd ed.; New York: Houghton-Mifflin Co., 1955) p. 403.

suggestion box, greater attention needs to be given to participation in the making of decisions about the work itself and the conditions under which it is accomplished within the work team. Because of its importance as a motivator, specific methods of providing for maximum employee participation will be examined in detail in the following chapter.

Negative Incentives

The positive incentives reward the individual for his performance. Negative incentives, on the other hand, involve punishment or the threat of punishment to motivate employee behavior in the desired direction. The negative approach involves playing upon the fears of the employees so that they will seek to avoid punishment. The typical punishments in business are reprimand, monetary fines, layoff, demotion, and discharge. The reprimand is the method used most often to punish the worker for unsatisfactory performance or personal misbehavior. This is probably what the salesmen will get from the sales manager pictured in the cartoon in Figure 12-2 as a result of the executive's suggestion.

Figure 12-2 — An Example of Negative Motivation



"My advice to you, Hawkins, is to take the pins out of the map and stick them into the salesmen."

Reprinted by permission of Chon Day.

Punishment or the threat of punishment is believed by many supervisors to be an effective device for securing obedience from employees, and it may occasionally have some value. Punishment, however, often introduces other factors that make it considerably less desirable than positive forms of motivation. For example, punishment is likely to frustrate the individual being punished, with the result that he may become aggressive or perhaps childish in his behavior. These reactions usually make it more difficult for him to change his behavior in the desired direction. The threat of punishment may also cause the employee to become sufficiently fearful that he is not able to respond in a positive manner to suggestions and instructions. He is likely to develop unfavorable attitudes toward everything associated with the job when the negative approach is used.

At this stage in our knowledge and understanding of human behavior, we cannot say that negative incentives should never be used. The negative approach too often is used because it usually is easier to punish the employee than to provide guidance and assistance. Through supervisory training programs, the attitudes and behavior of supervisors can be changed so that they are equipped to handle employee infractions or misbehaviors with better understanding. Through the use of counseling techniques, which will be discussed in Chapter 16, the cause of the misbehavior may be detected and action taken that will lead to improved employee behavior in the future.

APPLYING MOTIVATIONAL PRINCIPLES IN BUSINESS

A variety of incentives may be used to provide motivation. That combination of incentives which results in sustained motivation toward the organizational goals, and at the same time brings satisfaction to the employees, is the most desirable. In this section the emphasis will be on the factors in a business organization that are commonly associated with employee motivation. Those factors include:

1. Organization and management
2. Job content and organization
3. Social organization
4. Other influences

1 — Organization and Management

The psychological and social climate of the company is largely determined by the individuals occupying the key positions in the organization. The attitudes and behavior of those at the top have a permeating effect

on the motivational patterns of individuals at all levels in the organization. While an unusual individual here and there within the organization may be able to ignore the influences of management without jeopardizing his own position or individual security, the "tone" established by higher management strongly affects the attitudes and behavior of most employees. As a result, any attempts to improve employee performance must begin with a study of the nature of the organization itself and those who create and exercise major control over it. The factors in this connection that have a direct bearing on the motivation of subordinates include the efficiency of the organization and its operation, the delegation of authority, and the manner in which activities are controlled.

Efficiency of organization and operation. The manner in which the activities are organized and authority is delegated within a company can have a major influence on employee motivation. A high level of employee motivation is likely to be present where duties and responsibility for each position are well defined, lines of authority are clearly indicated, the proper tools and equipment are provided, and the work can be completed in a steady, well-organized manner.

Delegation as a motivator. It was pointed out in Chapter 3 that superiors should delegate as much authority as possible to their subordinates in order that all of the activities within the company can be performed effectively. Where ample opportunity for decision-making is provided within a job, interest and initiative are stimulated. Such interest and initiative grow out of the fulfillment of the needs for belongingness, for prestige, and for self-realization. Unfortunately, a failure to delegate usually starts at the top and affects the entire organization. The inability of management personnel to organize their own work in order that some of it can be delegated and their failure to train subordinates to assume responsibility affect the motivation of subordinates. In addition, the insecurities and fears of top management personnel often cause them to be distrustful of the competencies and intentions of their subordinates, with the result that they stifle the initiative of managers and supervisors. The employees, in turn, are similarly affected.

Control but not overcontrol. Related to delegation is the matter of control. A conscious effort must be made to avoid overcontrol and oversupervision of personnel at all levels in the organization. The employee can and should be given every opportunity to exercise his initiative. If he is dependent upon the supervisor for clearance of results, he is overcontrolled.

Overcontrol may be avoided by having accurate job descriptions, properly planned work schedules, and a system of internal checks. In one study involving office workers in several companies, it was found that lower productivity tends to be associated with close supervision whereas higher productivity tends to be associated with a more general type of supervision. The latter type of supervisor tends to specify the goals to be accomplished and gives subordinates some freedom in how the work is accomplished. On the other hand, those using close supervision methods are more likely to limit the employees' freedom to do the work in their own way.[5]

2 — Job Content and Organization

Equally important factors in motivation are the content and organization of the job itself. Although a thorough exploration of this important topic would encompass many chapters, certain trends in this area that have some bearing on motivation should be noted. Among these are job enlargement and automation.

Job enlargement. Instead of limiting the employee to simple repetitive tasks, his job may be designed in such a way that he performs several related operations in a production cycle. He may also be teamed with other employees and made responsible for completing several operations. This is the opposite of job specialization and is known as *job enlargement*. It is fundamentally the process of restoring some of the basic human satisfactions that have been taken out of the job in the past by engineering and production experts. A number of large corporations, including International Business Machines Corporation, have used the job-enlargement approach with outstanding results. In enlarging the job, the responsibility for machine setup, for inspection, and for delivering completed work and picking up new work has been given back to the employee. As a result, employee morale and productivity have usually increased and absenteeism, spoilage, and accidents have decreased.

Although job enlargement should help to reduce the monotony that is found in many jobs, there are differences in the manner in which individuals respond to monotonous tasks. What may be monotonous for one individual can be interesting and absorbing to another. Burtt cites the case of a woman who packed electric lamps, wrapping each lamp in tissue paper and putting it in a carton. She packed some 13,000 lamps a day and had been doing this for 12 years. When interviewed, she said that the work was

[5]D. Katz, et al., *Productivity, Supervision, and Morale in an Office Situation:* Part I (Ann Arbor: University of Michigan Press, 1950), page 17.

interesting and pleasant. She went on to tell how she sometimes grasped the lamps differently for variety. She also let her imagination run as to where the lamps were going. She would spend the morning at Grand Central watching commuters, and then in the afternoon she might shift over to the dining room at the Waldorf.[6]

Since there are many different individual reactions to repetitive jobs, the first place to attack the problem is in the selection of workers. The intelligence of those who are selected for repetitive jobs should be commensurate with job demands. There is also some evidence to indicate that personality traits should be considered. Those who are extroverted are more likely to get bored than those who are introverted. Another approach is to make the job more interesting. Job enlargement is one way to build interest, but it may not always be feasible. However, such methods as pointing out the significance of the employee's contribution, building a working environment that stimulates social interaction to a reasonable degree, rotating jobs, and providing rest pauses may also help to make the work more tolerable. Similarly, music has proved valuable in many companies for relieving monotony and improving the morale of those doing repetitive work.

Automation. Since the beginning of industrial mechanization, machinery and equipment have increasingly taken over functions that previously were accomplished by the worker. This has been the trend down to the present-day age of automation. In certain industries — especially the oil, paper, and chemical industries — many jobs have been reduced to dial watching. In other industries, such as the automotive industry, parts are machined by automatic equipment that incorporates a "feedback" device, which interprets and controls the machine. As a result of such devices, fewer operators are needed. The operator has become primarily an attendant, but his responsibilities are much greater because of the large array of equipment for which he is responsible.

In a sense there is a certain amount of job enlargement in this type of situation, and jobs of this type may be satisfying to many individuals. The trend toward further automation is likely to be accompanied by a shortening of the work week for the individual worker. It is possible that this may introduce new problems of motivation. With the work week reduced from 40 hours to 36 or 32 hours, there will be additional leisure time and increased attention to off-the-job interests. As a result, the job will be in greater competition with leisure-time activities.

[6]Harold E. Burtt, *Applied Psychology* (2nd ed.; Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1957), pp. 440–441.

3 — Social Organization

Every organization has a social system that in part follows the formal organizational lines but which also follows the informal patterns of interpersonal relationships. Although this patterning of social relationships is quite complex, the need for management understanding of the social relationships in the company cannot be overlooked. Important motivational aspects of the social organization are group approval, teamwork, and status.

Group approval. The Hawthorne Studies conducted at the Western Electric plant near Chicago, beginning in the 1920's and continuing for many years, revealed quite clearly that the attitudes of the work group constitute a powerful motivating influence. In the Bank-wiring-room observations, several experienced workers were studied by an observer. The workers were engaged in wiring switchboards, a repetitive manual operation, under a wage-incentive system that did not function as management had intended. The workers decided among themselves that two units a day was to be their output. Those who exceeded this level were called "rate busters" whereas those who fell behind were known as "chiselers." Persons in both groups were controlled by sarcasm, ridicule, and "binging" (striking the upper arm with the fist) from the other members of the group. This is an example of the fact that the control exercised by the group over its members cannot be ignored. Teamwork is essential for production and worker satisfaction.[7]

Developing teamwork. How can group loyalty be developed? Studies conducted by the staff of the Institute for Social Research of the University of Michigan reveal that when a superior treats subordinates with consideration, greater group loyalty and pride are evident. When supervisors stay psychologically close to their workers and try to see the workers' problems as their own, they are better able to develop group loyalty. Identification with employees, open communication between the supervisor and employees, and the participation of employees in decisions affecting the group have been found beneficial in developing group loyalty and team spirit.[8]

Importance of status. Related closely to the need for recognition is the factor of status — social ranking in comparison to others. At all levels

[7]Fritz L. Roethlisberger and W. J. Dickson, *Management and the Worker* (Cambridge: Harvard University Press, 1939), Ch. 18.

[8]N. Morse, "Satisfactions in the White-Collar Job" (Ann Arbor: University of Michigan Press, 1953), as summarized by Rensis Likert in *Motivation: The Core of Management*, Personnel Series No. 155, American Management Association, 1953.

in the organization the personnel are seeking to maintain their status or to achieve a higher status in the formal and informal structure of the organization.

An individual's rank in the organization, the conditions under which he works, his duties, his pay, his seniority, how others feel about him, and similar factors all have some influence on the status that he enjoys. The white-collar worker, for example, often enjoys higher status because he works under pleasant environmental conditions. If his pay is substantially lower than that of the shopworker, however, he may be considered to have lower status if pay is given more weight than working conditions in that company. One's status in an organization may be influenced (as well as evidenced) by *status symbols.* Such visible factors as the type of office, the manner of dress, and special eating and restroom facilities are indicative of the status an individual has in the organization.

4 — Other Influences

The discussion up to this point has been mainly focused on the motivational influences that are available for management to use in the achievement of the company's goals and in the satisfaction of employee needs. It must be recognized, however, that all of the employee's needs will rarely be met on the job. Other facets of life are required for satisfaction of man's complex pattern of needs, even for the individual who attains maximum satisfaction from the pursuit of his job. While management's emphasis must necessarily be focused on those aspects of motivation over which it has control, an understanding of the employee's behavior requires that some attention be given to other influences to which employees respond. These are many and varied because of the variety of backgrounds and experiences in the lives of the individuals. Certain influences, however, are generally applicable to personnel management and therefore should be discussed. Among these are family influences, union influences, and economic conditions.

Family influences. The influence of the employee's family upon his attitudes toward his job and upon his job performance is difficult to measure. It is safe to assume, however, that the children and the wife in particular exert an influence upon an employee's behavior. The extent to which he responds to the incentives that management uses to motivate employees is somewhat dependent upon the manner in which his attitudes have been influenced by his wife and children. If, for example, the family

is in debt and needs more money, the wife may have the opinion that her husband is underpaid. Her constant expression of that opinion may influence his job performance with the result that he turns out less (since he is presumably underpaid) or becomes dissatisfied and disagreeable on the job. The fact that he may be earning more than others in comparable jobs may be of lesser importance to him.

Family influences deserve the attention of management. Although attitudes and opinions are not easy to change, appropriate action should be taken to maintain or improve the outlook of the family toward the company and the employee's position. Communication should be maintained with the home. Therefore, employee publications should be designed with the family in mind. Social events, recognition banquets, and other affairs to which the families are invited can be helpful in developing favorable attitudes among wives. While it is difficult to measure the attitudes of the family toward the employee's company and position directly, morale surveys and counselor's reports may provide some information that would be helpful in planning a positive program.

Union influences. Unions have developed and expanded in response to human needs. Workers not only have obtained higher wages and better working conditions, but also their needs for recognition and belonging have been satisfied to a considerable degree through their affiliations with unions. Since the union is able to play such an important part in satisfying employee needs, competition between management and the union for the loyalty of the workers may be expected.

Management, through a "humanistic" approach, attempts to appeal to the individual worker. Emphasis is on individual competition for advancement within the company. The union, on the other hand, emphasizes advancement of the group and is usually concerned with job rights and the employment security of the worker. The competition for worker loyalty in most instances results in the workers' receiving benefits from both sides so that they have nothing to lose unless there is destructive conflict or unless one side gives in to the other. A recent study has shown that companies whose employees had the most favorable attitudes toward management also had the most favorable attitudes toward the union.[9]

Another item of concern in the area of motivation is the typical reaction of unions to management's attempts to stimulate workers to better performance. Since one of the primary goals of the union is to protect the

[9]R. Stagner, "Dual Allegiance as a Problem in Modern Society," *Personnel Psychology*, I, (1954) pp. 41–47.

worker from being displaced or having his pay reduced because of technological improvement, changes in work methods, production speedups, or attempts on the part of management to motivate workers to achieve greater production by any method may encounter resistance from the union. Some companies, however, have been successful in developing financial incentive systems with the cooperation of the union. Because of their importance for employee motivation, such systems will be discussed in detail in Chapter 23.

Economic conditions. The ability of management to make good on the financial incentives of pay and job security is largely dependent upon the economic conditions of the company and the nation. During the depression of the 1930's, for example, workers gave maximum performance for long hours at minimal pay. They were happy to have any kind of a job that would enable them to provide their families with the basic necessities of life. When economic conditions are reversed and there is a shortage of personnel to fill the jobs, some decline in the effectiveness of the financial incentive may be expected. Under these conditions the basic needs are satisfied and employees expect to have the higher needs satisfied by their job. Even though they may be earning high wages, they would prefer to have a job that, in addition to paying high wages, meets their needs for belongingness, esteem, and self-realization.

RESUME

Job performance is not only dependent upon the abilities and skills of the employees but also upon their motivation. An understanding of the basic needs can be quite useful to management in achieving the type of performance that it desires. Special attention, however, should be given to the needs for belongingness, esteem, and self-actualization. The needs of employees should be recognized not only by supervisors but by those in higher positions since the job content, the structure, and the social climate of the organization determine whether or not employee needs will be satisfied. Too frequently the financial incentives are overemphasized by management to the neglect of the nonfinancial incentives that are often assumed to have little place in an enterprise built upon advanced technology. It should be recognized, however, that if the same ingenuity and perseverance that have been given to technological problems are given to problems of human motivation, the chances are greater that the goals of employees will parallel the goals of management.

REVIEW AND DISCUSSION QUESTIONS

1. What is the relationship between ability and motivation in determining the employee's job performance?
2. Name the five basic human needs? What is their relative importance?
3. What accounts for differences in need patterns among a group of employees?
4. What is the "rabble hypothesis" and why is it an erroneous concept of employee attitudes?
5. What is the relationship between needs and incentives?
6. What are the nonfinancial incentives that may be used to motivate employees?
7. What dangers are there in using negative incentives?
8. In what way does the structure and policies of the organization affect employee motivation?
9. How is job enlargement related to motivation?
10. What factors outside of the job affect the employee's job motivation?
11. Why does the supervisor often use the negative approach when "things go wrong"? Can you suggest ways in which supervisors may be trained so that such occurrences may be positive learning experiences for all concerned?
12. Why does the employee's need for praise and recognition often go unheeded by supervisors?
13. In what ways may management provide employees with greater knowledge of the results of their work?
14. How may management control the motivational influence of the family? Discuss the ethical considerations involved in such a procedure.
15. Why do men work? Analyze this question in relation to what you have observed about your friends and acquaintances and consider its implications for management.

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Chapter 13

Supervision of Personnel

In the preceding chapter the importance of motivating employees was emphasized. It is the responsibility of those persons in management positions to exercise the type of supervision or leadership that will provide the motivating conditions needed to bring about the desired level of performance in their subordinates. This requires that they give attention to employee needs and their satisfaction.

The function of supervising or directing personnel is the responsibility of all individuals who hold executive, managerial, or supervisory positions. They are, in effect, the managers of personnel who actually perform the major part of the personnel functions in the organization with the guidance and assistance of the personnel department. For this reason, any study of personnel management must be concerned with the nature of the supervision that employees receive.

Although all individuals who have formal control over others are responsible for the supervision of personnel, the supervisors (or foremen) and their assistants, who are directly above the operative employees in line departments, are probably in the most critical leadership positions in the organization. These supervisors, who are commonly referred to as first-line supervisors, as a group are responsible for supervising the largest portion of the company's work force. Their effectiveness as supervisors, however, is determined to a large degree by the quality of supervision or leadership that they receive from their superiors — the department managers. Similarly, the effectiveness of department managers is largely determined by their superiors in higher levels of management.

The discussion of supervision in this chapter will focus on the first-line supervisors or foremen and their role in the management process. Much

of what is said about their activities, however, especially in the handling of personnel, also applies to individuals in higher management positions. The discussion will include the following topics:

- Supervisory leadership
- Human relations in supervision
- Improving supervisory leadership

SUPERVISORY LEADERSHIP

The supervisor is considered by the National Labor-Management Relations Act (Taft-Hartley) of 1947, as being a member of management. In Section 101, Sub-section 2 (11) of the Act a supervisor is defined as:

> . . . any individual having authority, in the interest of the employer, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibility to direct them, or to adjust their grievances, or effectively to recommend such action, if in connection with the foregoing the exercise of such authority is not of a merely routine or clerical nature, but requires the use of independent judgment.

Although supervisors are considered under law to be a part of management, in the performance of their duties they must also identify themselves closely enough with the employees whom they supervise in order to provide the type of leadership that will be accepted and followed by subordinates. The fact that their attention and loyalty must be divided between higher management and subordinates may present problems when there is a conflict of interests. These and similar problems that confront the supervisor will be considered in the discussion of the following aspects of supervisory leadership: the role of the supervisor, the supervisor's status, and characteristics of the effective supervisor.

Role of the Supervisor

Through the efforts of the supervisor orders received from higher management are transformed into some type of completed action. This is accomplished by the supervisor's effective utilization of the personnel who are assigned to him. Thus the supervisor is not only a manager of work activities but also a manager of personnel. Although both of these roles are important and interrelated, the latter one will be emphasized.

Manager of work activities. The supervisor's job typically gives him authority over the personnel who are assigned to him and responsibility for the equipment and materials in his department. Within the limits of the authority delegated to him by his superiors, it is the supervisor's respon-

sibility to perform the basic processes of management within his own department. This involves getting out on time the required amount of work of the quality established by management and formulating methods to increase efficiency and to reduce waste. In addition to these responsibilities, the supervisor's duties include the maintaining of various types of production records and the preparing of reports to management.

Manager of personnel. Because of the importance of manpower in the accomplishment of the work, the supervisor must devote a large share of his time and effort to personnel matters. It is his responsibility to determine if he has sufficient personnel to perform the functions assigned to him and to advise his superior as far in advance as possible of any changes in his personnel needs. Good production planning permits personnel needs to be anticipated by supervisors and the personnel department, but unforeseen changes in the work loads may require some adjustment.

As noted in earlier chapters, the supervisor usually interviews those applicants who have been tentatively selected by the personnel department. Once the new employee is assigned, it is then the supervisor's responsibility to assist in orienting and training him. From that point on, each employee must be evaluated continually. The supervisor should assist the employee in achieving better job performance and adjustment to all aspects of the job. He should also assist the employee in the solution of problems that may be directly or indirectly related to his employment with the company. As the employee continues to work under him, the supervisor is usually the one best able to recommend his promotion, transfer, discharge, or any other changes in assignment that he believes are appropriate.

Since the supervisor is the main link between management and operative employees, it is his responsibility to insure that the lines of communication are kept open. He is also expected to discipline employees where such action is indicated in accordance with company policy and to take action on grievances that are filed with him by employees and the union steward. The extent to which the supervisor is able to perform these many functions effectively determines his success as a manager of his employees. For many of the employees, the supervisor is looked upon as "the company" because he is in close contact with them and is the one they consider responsible for their success and happiness or the lack of these qualities in their employment.

Scope of supervisor's job. It used to be quite common for management to look upon the supervisor primarily as a "driver" or "bull of the woods." Little concern was given to the methods that he used to achieve

results as long as he achieved them and carried out the directives of management. More recently, however, management has recognized that the supervisor must be more than a "driver." Technological progress in industry demands that the supervisor be intelligent and competent to communicate ideas effectively in order that he can work with consultants and technicians and can instruct employees in the intricacies of their jobs.

There is also an increasing need for supervisors who are able to promote good human relations. Often the satisfactions that the early-day factory employee obtained from his job — as in working on an item from start to finish — have been removed or reduced by specialization and the introduction of new equipment. As a result, the social relationships on the job frequently must compensate for the satisfactions that were once received from the completed task.

The Supervisor's Status

The supervisor's effectiveness is determined not only by his personal qualifications but also by his status in the organization. His standing is determined by management's attitude toward the supervisors. If management ignores the fact that supervisors need status and incentives in order to perform effectively, it probably will not be able to recruit good men for supervisory positions or to hold good supervisors in these positions very long. It is important, therefore, that management adopt policies and procedures that will contribute to the status of supervisors. The personnel department should also conduct its business in such a way that the status and authority of supervisors are not impaired.

Management attitudes toward the supervisor. The supervisor must be clearly recognized by management and the employees as part of the management team. Management must make this clear by words and actions so that there is no misunderstanding or doubt in the minds of either the supervisors or employees. Many persons, who have observed that the supervisor's status has reached a low point, have asked what can be done about it. The following suggestions are offered by Halsey:

(1) A restoration of his standing as a person of some importance in the eyes of the people he supervises.

(2) A clear definition of exactly what is his degree of authority in each phase of his work so that he will not be caused the embarrassment of having to back down from decisions he has made.

(3) Adequate training in every phase of his work.

(4) A feeling that he really is a part of management — a feeling which can be brought about only by his being actually consulted on important policy matters before final decisions are made.

(5) An adequate differential between his pay and that of the highest paid worker under his supervision.
(6) A feeling of security in his position, that he cannot be arbitrarily discharged or demoted without being given a reason and a chance for a hearing by top management.[1]

If these suggestions are heeded by management, it is likely that supervisors will be able to perform the important functions which are expected of them. Otherwise the chain of management from the top of the organization to the employees who must do the work will be broken at its most vital link, with the result that production as well as human relationships will suffer.

Relations with the union. The supervisor has an important role in the company's relationships with the union that represents the employees. His ability to foster good relations with the employees and the *union steward*[2] may have widespread effects on union-management cooperation. It is essential, therefore, that management do everything possible to prepare its supervisors in order that they may contribute effectively to labor relations. Since the supervisor is responsible for enforcing the labor contract, he must thoroughly understand it and his advice must be sought in the negotiation of the contract in order to determine what provisions need to be improved in the new contract. Nothing can be more embarrassing to the supervisor than to find that the union steward in his working area knows more about the contract than he does, or to find that he is required to enforce contract provisions that he considers to be unsound.

Relations with the personnel department. Effective personnel management depends upon a high degree of cooperation between the supervisor and the personnel department. The supervisor is not only dependent upon the personnel department for qualified personnel, but the personnel department can assist him in the handling of such functions as training, employee rating and promotions, wage administration, and employee benefit and service programs. The availability of these services to the supervisor facilitates his work and relieves him of the necessity of performing those functions that can be handled more effectively on a company-wide basis through the personnel department.

The personnel department likewise is dependent upon the supervisor for the effective accomplishment of its assigned functions. The supervisor

[1]George D. Halsey, *Selecting and Developing First-Line Supervisors* (New York: Harper & Brothers, 1955), Chapter 3.
[2]The steward is an employee, often elected by his fellow-workers, who conducts union business in his department in addition to performing his regular job duties.

who cooperates by providing information about employee performance, by fostering good human relations among the employees, and by making referrals to the personnel department of those who should be transferred to other jobs or considered for training or promotion contributes to the success of the company's personnel program.

The personnel department should take the lead in encouraging increased cooperation between its staff and the supervisors. In some cases the supervisor is not fully aware of what the personnel department can do to facilitate his work. In other cases the personnel department may have on previous occasions usurped the authority of the supervisor with the result that he is no longer willing to cooperate. The personnel staff, therefore, must continually recognize that the supervisor has primary authority and responsibility for the operation of his department and must be careful not to encroach upon his authority in attempting to provide service and assistance.

Characteristics of the Effective Supervisor

While the status of the supervisor is largely dependent upon the attitudes and behavior of his superiors, his subordinates, and others in the organization, the personal characteristics and behavior of the supervisor are also important factors in the achievement of status. In examining the personal characteristics of supervisors, however, it is essential to keep in mind that the organizational climate primarily established by management influences the extent to which these personal characteristics may emerge and permit the supervisor to function effectively.

What are the characteristics of the effective supervisor? The more important characteristics that describe the effective supervisor are:

a. Employee-centered
b. Creates teamwork
c. Delegates authority
d. Technically competent
e. Communicates effectively

(a) Employee-centered. A series of studies of leadership conducted by the Survey Research Center at the University of Michigan has revealed that the supervisors of high-producing departments in many different types of business organizations were consistently employee-centered. Supervisors of low producing departments, on the other hand, tended to be more production-centered. The attitudes of the employee-centered supervisors were revealed in such statements as:

I study the girls' work, find out who works together, and put them together. The main thing is to keep the girls happy. I talk with them and learn what their peculiarities are so that if a girl gets excited, I know whether it is important or not. Your girls have to feel that you are one of them, not the boss. Some girls get sort of cranky, and you can't just say, "Do it." It is much better to ask them to do the work in other ways; that's only human nature.

It was found that the employees who worked for the employee-centered supervisor felt that he was personally interested in them, found him available for discussion, and saw him as a nonthreatening person. It was also found that the kind of supervision that results in the highest productivity also results in the highest morale. The employees of high morale groups mentioned more frequently than those of low morale groups that their supervisors engaged in such employee-centered functions as "recommends promotions and pay increases," "informs men on what is happening in the company," "keeps men posted on how well they are doing," and "hears complaints and grievances."[3]

(b) Creates teamwork. In the past there was a tendency to emphasize the relationship between supervisors and employees as individuals. More recently, however, there has been increasing evidence that the supervisor's skill in supervising his subordinates as a group is an equally important factor in determining his success. The University of Michigan studies reveal that the greater the supervisor's skill in using group methods of supervision, the greater is the productivity and satisfaction of the work group. In the high-producing work groups it was found that employees cooperate more and help one another in getting the work done on their own initiative. The willingness to help one another seems to come from a better team spirit and better interpersonal relationships that the supervisor has developed in the group.

(c) Delegates authority. The motivational effects of delegated authority were noted in the preceding chapter. The Survey Research Center studies revealed that the supervisors of high-producing groups delegated more of their authority than did the supervisors of low-producing groups.

(d) Technically competent. In order to train and assist the employees, the supervisor should have adequate competency in the area of work being supervised. This should not be construed as meaning that the supervisor should be outstanding in the performance of all of the jobs which he supervises. He should have sufficient knowledge and experience, however, to be

[3]Rensis Likert, *Motivation: The Core of Management*, Personnel Series No. 155 (New York: The American Management Association, 1953), pp. 3-21.

able to direct the efforts of his employees in these jobs. In most cases supervisory failure has not been a result of technical incompetence, but rather a failure to direct the activities of others successfully.

(e) Communicates effectively. Ability to communicate effectively with others is essential in supervision. The supervisor must be able to interpret company policy to the employees in such a way that they generally will understand and accept it. He must also be able to communicate the feelings of his subordinates to management, and to advise management of the progress and problems of his department. Ability to give clear orders and directions and to conduct satisfactory interviews and discussions that result in improved attitudes or performance of employees make the supervisor a decided asset to the company. Because of the importance of communication in supervision this topic will be discussed in detail in the following chapter.

HUMAN RELATIONS IN SUPERVISION

In an effort to accomplish the work assigned to him, the supervisor often finds that there are obstacles which make it difficult or impossible to attain the goals that he or management desires. Sometimes these obstacles are faulty or inadequate equipment, delayed arrival of materials, lack of skill, or other factors over which the supervisor may or may not have control. More frequently, however, the obstacles are likely to be his subordinates who may have the required knowledge and skills but are unable or unwilling to utilize them in the effective performance of their jobs. These problems of human relations in supervision should be examined because of their importance not only to production but to the total personnel program. Some of the major human relations problems include:

1. Motivating employees
2. Improving employee efficiency
3. Controlling employee performance

1 — Motivating Employees

Since this topic was discussed in detail in the preceding chapter, no attempt will be made to review all aspects of motivation. It was noted there, however, that participation is one of the most effective motivators and that more opportunities should be provided for employees to participate in activities pertaining to their job and their work group. This is an area where the interests of management and those of the employees come together. It is also where the actual production activities occur and where the

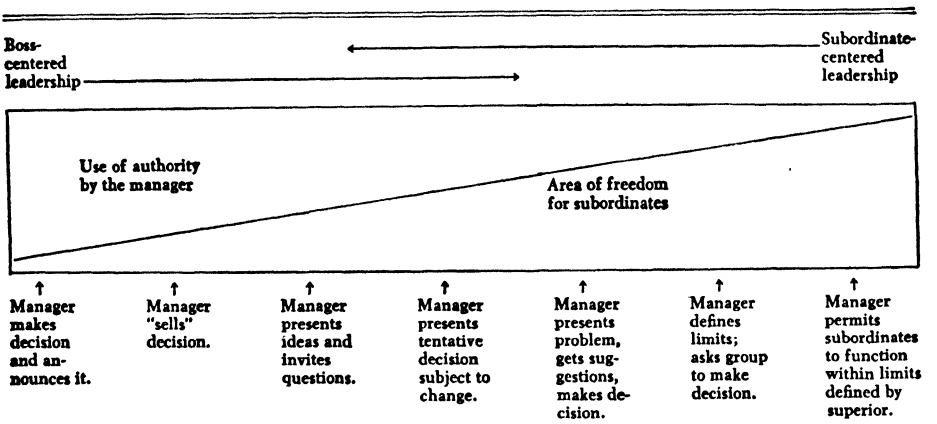
employees should receive their major satisfactions. The use of the participative method is an important quality of democratic leadership. The effects of democratic leadership on employee motivation will be examined further in the discussion of the following topics: types of leadership, factors in the choice of leadership approaches, implementation of the democratic approach, and values of the democratic approach.

Types of leadership. The terms democratic, autocratic, and laissez-faire are often used to describe the behavior of leaders. The *democratic leader* is one who encourages participation and mutual understanding among employees, who controls their behavior through emphasis on common goals, training and counseling, and who gives his subordinates authority to make decisions within certain limits. The *autocratic leader*, on the other hand, tends to use arbitrary methods of giving orders, controls employee behavior through discipline and legalistic approaches, makes the decisions himself and informs subordinates of them. The *laissez-faire leader* permits each individual to do what he chooses and imposes very few limitations. This approach is seldom effective since an organization is not a group of individuals but rather a team in which the working members are interdependent upon each other. Most of the discussion over leadership patterns center around the concepts of democracy and autocracy.

These concepts may be represented on a continuum or range of possible leadership behavior as shown in Figure 13-1. While the chart refers to the

Figure 13-1

Continuum of Leadership Behavior



Source: R. Tannenbaum and W. H. Schmidt, "How to Choose a Leadership Pattern," *Harvard Business Review*, 36 (March-April, 1958), pp. 95-101. Reproduced with permission.

"manager," its implications also apply to the supervisor. Boss-centered leadership (most autocratic) is at one end of the continuum and subordinate-centered leadership (most democratic) at the other end. Each type of action is related to the degree of authority used by the boss and to the amount of freedom available to his subordinates in reaching decisions. At the one extreme the manager or supervisor maintains a high degree of control, whereas at the other extreme he releases a high degree of control. In each situation calling for a decision, the manager or supervisor has a variety of approaches available to him as described in Figure 13-1.

Factors in the choice of leadership approaches. Each situation calling for a decision requires the supervisor to determine the approach to be used. The choice should be made on the basis of an evaluation of forces within himself, within his subordinates, and in the situation. Forces within himself include such matters as his confidence in his subordinates and his own inclinations as to how to handle the particular situation that calls for a decision. Forces within his subordinates include their interest in the problem, their understanding and identification with the goals of the organization, their knowledge, and their expectancy to share in the decision-making. Forces in the situation include such factors as the type of organization, the effectiveness of the group, the problem itself, and the pressure of time. Sensitivity to all of these forces at the time that a problem arises is the first step in effective leadership, but it is not enough.

> . . . The successful leader is one who is able to behave appropriately in the light of these perceptions. If direction is in order, he is able to direct; if considerable participative freedom is called for, he is able to provide such freedom.
>
> Thus, the successful manager of men can be primarily characterized neither as a strong leader nor as a permissive one. Rather, he is one who maintains a high batting average in accurately assessing the forces that determine what his most appropriate behavior at any given time should be and in actually being able to behave accordingly. Being both insightful and flexible, he is less likely to see the problems of leadership as a dilemma.[4]

The type of leadership approach that a supervisor should use at a particular time in handling a particular situation cannot be dictated by any theory of leadership. It is the responsibility of the supervisor, as problems arise, to determine whether he should be permitting his employees more or less freedom in making the necessary decisions concerning these problems. There is, however, a need in the business organization operating in a democratic society to recognize the values of the democratic approach.

[4]Robert Tannenbaum and Warren H. Schmidt, "How to Choose a Leadership Pattern," *Harvard Business Review*, 36 (March-April 1958), pp. 95–101.

Implementation of the democratic approach. Each person likes to feel that he is contributing to the organization and that he is an indispensable part of the team. Moreover, most individuals like to believe that they are able to direct and control their work to a large degree. For these and other reasons managers and supervisors have tended to move from the autocratic toward the democratic approach in their dealings with subordinates.

Maier[5] emphasizes that managerial and supervisory personnel can learn the democratic approach through training. He indicates, however, that a leadership style should be considered as a method and not as a description of a person. The supervisor may, for example, handle a problem on vacation scheduling democratically by conducting a group-decision conference, but he may behave autocratically in setting up a tool control system by making the decision without inviting discussion. In any case, the supervisor may make decisions himself or submit to the group for decision only those matters or problems that fall within his jurisdiction.

Supervisors who have never used the democratic approach are often of the opinion that there are no problems which can be successfully solved by the group decision approach. After a study of those problems which a supervisor may ordinarily solve by himself, however, several problems that could have been decided upon by the group are evident. Changes in work methods, scheduling coffee breaks and vacations, and handling excessive use of sick leave are a few of the problems that supervisors have successfully passed on to the work group for their decision.

The supervisor of a group of employees, according to Maier, has two roles when the group is involved in the decision-making process. In one role he is the discussion leader and has the job of conducting a good discussion about the problem under consideration. In the other role he is an expert who has certain information about the problem that should be made available to the group. The skills needed for the democratic type of discussion must be consistent with a permissive approach.

Values of the democratic approach. Maier's extensive experience and research conducted with various groups reveal that the democratic approach has several values. Agreement among participants has been high and a source of surprise to most supervisors. Employees are enthusiastic about the success of their decisions and cooperate in enforcing them. Furthermore, groups that participate in setting goals often make higher

[5]Norman R. F. Maier, *Principles of Human Relations* (New York: John Wiley & Sons, Inc., 1952), Chapters 1, 2, and his *Psychology in Industry* (2nd ed.; New York: Houghton Mifflin Co., 1955), Chapter 6.

demands upon themselves than the supervisors and methods engineers would make upon them.

Group decisions are typically of high quality and of lasting duration. Maier cites an interesting case to illustrate this fact. After a month's trial a group of 30 women set a monthly tardiness figure of between 2.5 and 3 per cent as a fair and reasonable objective. Over a period of two years the figure never exceeded 3 per cent. The company average was 3.5 per cent for the period, and in the year prior to the group decision the particular unit in question had a tardiness figure that exceeded 10 per cent. Similar success has been experienced in establishing production goals.[6]

2 — Improving Employee Efficiency

Most companies, through the use of improved machinery and equipment, much of which is becoming automatic, hope to achieve a higher level of production. Efforts to obtain maximum efficiency from the workers have also been made. This problem has been approached from an analysis of the motions required to complete a task or a series of tasks and the time that it takes the average worker to perform them. These procedures are commonly referred to as motion and time study. While both approaches have had a long history (see Chapter 1) and have yielded benefits to both management and employees, they have typically given rise to problems in human relations. Some of the problems created by time and motion study and some suggestions for gaining employee support for them will be discussed.

Human relations problems created by time and motion study. The practice of establishing time standards has been a source of many problems beginning with Taylor and continuing down to the present. Of the 3,399 grievance cases handled by the American Arbitration Association in 1955, 23 per cent were caused by disputes over job standards, wage incentives, and time studies. In the period 1951–1956 more than 25 per cent of all man-hours lost from work stoppage were directly caused by arguments about measuring a worker's performance.[7]

Trouble over time standards stems largely from an attitude of suspicion on the part of the workers and the unions, which grows out of inadequate communication between management, employees, and the union. If it is suspected that the time studies are being used as a basis for speeding up production, eliminating jobs, and discharging workers, or if the time

[6]Norman R. F. Maier, *Psychology in Industry*, *op. cit.*, p. 174.
[7]*Time*, March 26, 1956, p. 94.

study methods are not understood by employees, such studies will invariably lead to trouble.

Motion study may also create personnel problems. At the outset a change in methods is likely to create worker resistance, as any change may. There is also the implication that the worker has been performing his job incorrectly and must now revise his working habits. Motion study may also cause workers to feel that the tasks are being standardized to the point that they will be required to use a certain pattern of motions, thus destroying opportunities for initiative and creativity. Where the job can be made less arduous or incentive pay may be increased through the application of motion principles, these advantages should be pointed out to the worker.

Gaining employee support for time standards and methods improvements. The success of any program involving the establishment of time standards or the introduction of improved methods of job performance will depend largely upon the support and cooperation of the employees who will be affected by the changes. Without their cooperation, difficulties may arise which are likely to alter the entire personnel relations structure of the organization. In addition to some of the specific recommendations mentioned, there are approaches that will facilitate the gaining of employee support for the program.

A personnel program that has been favorably received by employees makes innovations easier. Where employees recognize that their interests have always been carefully protected and where they have confidence in management, proposed changes are likely to be received with a minimum of suspicion and resentment. If, however, employees have had unpleasant experiences with other management innovations that have placed them in an unfavorable position, it is quite likely that any proposal for an improvement of methods will result in a reluctance on their part to accept them.

Effective communication between management and employees, including opportunities for employees to participate in the planning of method improvement programs, often helps to stimulate employee acceptance of the programs. It is also important that provisions be made for training employees in the new methods in order that they will be able to reach a level of competence that will bring them a fair wage as soon as possible. If employees suffer a loss in pay as a result of the new procedures, they are likely to resist the change. One way to minimize the possibilities of such difficulties is for management to work closely with the union before attempting to introduce any change in system of time standards or production methods and to insure that employees do not suffer financially.

3 — Controlling Employee Performance

The process of manufacturing a product or of providing a service ordinarily involves some type of inspection of a worker's output. This is done to insure that prescribed standards of quality and cost are controlled. It should be recognized, however, that inspections require that certain principles of human relations must be observed if the most effective results are to be obtained. The importance of the other personnel functions should also be noted.

Human relations in quality control. The task of controlling quality depends to a certain degree upon controlling the performance of workers. Since most persons do not invite criticism of their performance, the ability of foremen and inspectors to point out errors and to correct mistakes and deficiencies in performance without arousing undue resentment is a valuable skill. The general attitude of the foreman toward employees will have an appreciable influence on his approach to such problems. Similarly, if standards that are used in the control of quality are objective and this fact is made apparent to the employees, the majority of them will not feel that they are being "picked on." The foreman who is able to develop his employees into a working team which has group loyalty will usually find that the individual workers stimulate each other, with the result that the achievement of quality in production becomes the desire of the entire group. The use of group participation methods may be helpful in the achievement of these goals.

Importance of the personnel functions. Every phase of the personnel program may contribute substantially to an improvement in the quantity and quality of output. Inability to perform according to expected standards often reflects the inadequacies of the training program and points to the need for more attention by supervisors on specific aspects of training. Substandard performance may also indicate that there have been some deficiencies in the selection or placement processes. In such instances transfer to a different job or even dismissal may be the recommended solution, once it has been established that the employee is not able to learn the necessary skills. In the establishing of quality controls, however, care must be taken to insure that the standards are sound and that workers are not being expected to accomplish the impossible. Another personnel function that deserves special consideration is the selection and development of the supervisors who are charged with the responsibilities and functions discussed above.

IMPROVING SUPERVISORY LEADERSHIP

Concurrent with management's recognition of the importance of the supervisor's role is a realization that positive steps must be taken to develop supervisors who will be able to function effectively as managers of work activities and as leaders of employees. Many companies have established supervisory development programs that are similar to the executive development programs discussed in Chapter 9.

Selection of Supervisors

The aim of any supervisory development program is to select the persons best qualified to meet the requirements of the supervisory positions. The achievement of this goal requires management to specify the requirements of the positions, to determine the qualifications of potential candidates, and to select the best qualified of the candiates on an objective basis. In determining the qualifications of potential candidates, several sources of information are available. These include present supervisors, co-workers, test scores, and college sources.

Present supervisors. The role of the present supervisors in promoting the development program cannot be overestimated. Employees who would be promising candidates for supervisory positions may be identified and given supervisory responsibilities of a minor nature, as opportunities arise. Supervisors should be encouraged to consider not only the needs of their own departments but the needs of other departments for supervisory personnel. While it is often undesirable to promote an employee to a supervisory position within the department where he has served as an operative employee, usually little difficulty is encountered by assigning him to a supervisory position in another department if he is qualified.

Co-workers. The fellow employees of the individual who is being considered for upgrading to a supervisory position are often able to provide information concerning their estimates of the individual's capacity for leadership. North American Aviation, Inc., for example, has co-workers rate candidates for supervisory positions. The rating form used in such instances is shown in Figure 13-2. The reverse side of the form (not shown) includes the following characteristics: Ability to Instruct, Self-Control, and Over-all Appraisal.

Test scores. The aptitudes and abilities that are measurable and are known to be related to success as a supervisor may be evaluated by tests. Many companies develop their own testing programs for selecting super-

NORTH AMERICAN AVIATION, INC.
Supervisory Selection Board

Figure 13-2

Score

CO-WORKER RATING OF A CANDIDATE FOR A SUPERVISORY POSITION

_____ (Name of Candidate) is a candidate for the position of _____ in Department _____.

We would like to have your opinion of him to help in selecting the best qualified candidate. Please give your opinion by checking ☑ the statement in each section which you think best describes the candidate. We want your independent judgment based on your own observation of the candidate. Do not sign your name.

JOB KNOWLEDGE

☐ **POOR:** Unsatisfactory in every way.

☐ **FAIR:** Limited knowledge of jobs done by his group, needs more knowledge of how to handle men; often does not know company policies and procedures.

☐ **AVERAGE:** Knows enough about the jobs in his group to see that they are done satisfactorily, knows how to supervise the average worker but not the "special" cases; knows company policies and procedures for most everyday situations.

☐ **GOOD:** Knows thoroughly all jobs performed by his men; good knowledge of how to supervise men, usually well-informed about company policies and procedures.

☐ **OUTSTANDING:** Knows thoroughly all jobs performed in his own and in related groups, knows how to supervise all types of men in all kinds of situations, always well-informed about company policies and procedures.

JOB PERFORMANCE

☐ **POOR:** Unsatisfactory in every way.

☐ **FAIR:** Work is not always properly planned, often fails to meet schedules, quality of work is sometimes below standard; record of wasted time and material is not always satisfactory.

☐ **AVERAGE:** Work is usually planned so regular jobs are finished on time, sometimes lets errors and poor quality work get by him, satisfactory conservation record.

☐ **GOOD:** Planning of work is good, schedules are met except in unusual cases, work of his men is above average in accuracy; good conservation record.

☐ **OUTSTANDING:** Work is carefully planned, schedules are always met, quality of work of his group is always superior, always alert to ways of improving methods and output, excellent conservation record.

LEADERSHIP

☐ **POOR:** Unsatisfactory in every way.

☐ **FAIR:** Has difficulty in maintaining discipline of some of his men, often does not have the confidence and respect of his men, depends too much on his superiors.

☐ **AVERAGE:** Has the respect and confidence of most of his men, able to handle discipline except in special cases, able to get a standard rate of production from his men.

☐ **GOOD:** Has the respect and confidence of his men, discipline in his group is good, his men are willing to try to improve for him.

☐ **OUTSTANDING:** Always has loyal support of his men, men have confidence in his ability, his men put forth their best effort to do a good job for him.

MORALE IN HIS GROUP

☐ **POOR:** Unsatisfactory in every way.

☐ **FAIR:** Morale in his group is sometimes low, usually does not keep his men informed about work plans, fails to act on their suggestions; sometimes shows favoritism and prejudice.

☐ **AVERAGE:** Morale in his group is satisfactory; listens to suggestions from his men, knows he should keep his men informed about work plans but does not always do it, sometimes shows favoritism.

☐ **GOOD:** Morale in his group is good, his men are kept informed about work plans, encourages suggestions from his men; rarely shows favoritism.

☐ **OUTSTANDING:** Morale in his group is always high, his men are consulted about the work, encourages suggestions; gives credit to his men for their ideas, always impartial.

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visory personnel, using standardized tests such as those described in Chapter 7. One test entitled *How Supervise?*, which measures supervisory knowledge, is commercially available for use in the selection of supervisors.[8]

College sources. Many companies recruit personnel from college campuses with a view to obtaining individuals who are likely to be successful in supervisory positions after a brief period of training and experience as operative employees. Because of their advanced training, college students are generally able to progress more rapidly to positions of leadership. This results in a savings to the company since the supervisory training program for college-trained persons may often be condensed. However, the manner in which college students are integrated into the existing work force and are eventually elevated to supervisory positions must be handled most carefully. If employees with equal ability but lacking a college education are overlooked too frequently in favor of the college graduate, employee morale will be likely to suffer.

Training of Supervisors

Those individuals who are being considered for supervisory positions typically need specialized training to prepare them for the varied duties that they will be required to perform. Although it is most desirable that they receive such training in advance of their assignment as a supervisor, this is not always feasible. In recognition of the importance of supervisory training, many companies carry on a continuous development program in order that those who are placed in supervisory positions before initial training is completed may continue to increase their knowledge and skills. Such training programs may use a variety of training methods to good advantage. It has been found, however, that the methods which provide for maximum participation on the part of the supervisor are usually the most effective, especially in the developing of attitudes toward human relations problems.

RÉSUMÉ

It is primarily through effective supervision that employees are motivated to use their abilities in the performance of their assigned duties. The quality of the leadership from top management to the first-line supervisor plays a vital part not only in stimulating efficiency but in providing satisfaction to the worker as well. While an individual's leadership ability

[8]By Quentin W. File and H. H. Remmers. Published by The Psychological Corporation, 304 E. 45th St., New York 17, N. Y., 1948.

has often been assumed to be inborn, there is considerable evidence that the attitudes and skills needed for successful leadership can be learned by most individuals of average intelligence and normal personality make-up. As a result of this evidence, considerable attention has been given in recent years to teaching managers and supervisors and those being considered for such positions the attitudes and skills needed for effective leadership. The skills required for effective leadership include not only the ability to perceive and handle relationships in the technical phases of the work but also the ability to communicate instructions to subordinates in a manner that leads to the desired action and acceptance. Being a good listener and recognizing the attitudes and feelings of others are also important qualities of the effective manager or supervisor. These qualities, all of which can be learned, will be considered in detail in the chapter on communication that follows.

REVIEW AND DISCUSSION QUESTIONS

1. Who is responsible for the supervision of personnel in a company?
2. What can management do to improve the status of first-line supervisors?
3. What can the personnel department do to improve relations between it and first-line supervisors?
4. What are the characteristics of the effective supervisor?
5. What are the three major approaches that the leader may use in communicating with subordinates, controlling their behavior, and in making decisions?
6. What factors should be considered by the manager in selecting a particular leadership approach?
7. What two roles does the supervisor play in the group-decision conference?
8. How may employee support be obtained for time standards and methods improvements?
9. What are the principal sources of supervisory talent?
10. As a member of the personnel staff, what would you do to develop and maintain good human relations with line managers and supervisors?
11. An employee comes to the personnel department with the complaint that his supervisor is a "slave driver." What action should the personnel department take? Discuss.
12. If you were a first-line supervisor, how would you know to what extent you used the democratic approach? How would you go about becoming more democratic?
13. What can you do as an employee to make the leadership of your superior more effective? Discuss.

14. Many supervisors are reluctant to use the democratic approach for fear that employees will take advantage of them and view them as being "soft." Is this a reasonable fear? What may be the real reason for their reluctance to use the democratic approach? Discuss its implications for the training of supervisors.

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Chapter 14

Communicating with Employees

The successful operation of a business is dependent not only upon the effectiveness of its individual members but also upon the cooperation and teamwork of its members in their relationships with each other. The responsibilities and duties of each subordinate ordinarily are included in his job description, but it is seldom possible for him to work without communicating with his superior or those around him. While the supervisor has an important influence upon the achievements of his subordinates and the teamwork that develops among them, the influence of higher management is likewise important because of its permeating effect. Through the process of communication this influence permeates the organization and affects its entire membership, from executives to operative employees. Thus communication may be thought of as a network that binds all of the members of an organization together.

Progressive management has become increasingly aware of the importance of communication and is making an effort to improve it. It is recognized that unless the employee has been properly instructed in his job duties, he will not be able to perform them efficiently or safely. Furthermore, unless he understands why he is doing something or how well he is doing it, his motivation will decline. Communication also has an important influence on individual and group morale, and failure in communication has often been the cause of grievances, accidents, waste, and other problems. Although in the past management has frequently measured the effectiveness of its communication in terms of how well it was telling its own story, there has been an increasing recognition of the importance of learning the employee's story and how he thinks and feels. This approach to communication, commonly called "two-way" communication, is the only road to the development of mutual understanding between management and employees.

The following aspects of communication will be examined:

- The nature of communication
- Communication media
- Developing and maintaining effective communication

THE NATURE OF COMMUNICATION

The different meanings and implications of the word "communication" are frequently overlooked. An analysis of the process of communication will reveal that it includes many facets which must be recognized if communication is to be effective. Most of these facets may be considered in connection with the content of communication, how communication takes place, and the nature of formal and informal communication.

Content of Communication

In a typical day communication takes place between individuals and groups on a variety of subjects such as work activities, safety, a new personnel policy, the current labor contract negotiations, or the many other daily activities of business. These subjects may be grouped into the following categories: directions and orders, information and ideas, and attitudes and feelings.

Directions and orders. One of the primary uses of communication by the superior is to issue directions and orders to subordinates. These directions may be written in the form of job descriptions, procedural manuals, or memoranda, or they may be given orally. In transmitting instructions and orders the purpose of the communication should be made clear and the receiver should understand clearly what he is supposed to do. Undoubtedly millions of dollars are lost annually because of misunderstandings between superiors and subordinates. It is the superior's responsibility to give clear, unambiguous instructions and to check the work as it progresses to assure himself that he has been understood. The subordinate must also be given a clear understanding of his responsibilities and the authority that he is granted in order to meet them.

Information and ideas. In addition to the directions and orders that he needs to perform his job effectively, the employee should be informed of those matters which are of concern to him. Information concerning his job security, pay, benefits and services, and similar topics should be made available in a form that the employee can understand. Management also should recognize the importance of creating an environment in which subordinates are free to submit ideas to their superiors. Since the progress

of a company is dependent upon new ideas, a formal system must be established for obtaining them. Some of the ways in which participation in the suggestion system may be encouraged will be examined in detail later.

Attitudes and feelings. Communication involves more than the transmission of words and ideas. Behind every communication are the attitudes and feelings of the communicator and the recipient. These attitudes and feelings provide the frame of reference from which words and facts are interpreted (and misinterpreted). If the attitudes and feelings of those on both sides of the communication process are reasonably similar, it is likely that they are referring to approximately the same thing when they use such terms as "management rights" and "fair pay." If their attitudes and feelings are decidedly different, it is quite likely that such terms have different meanings to them. One of the major ways to improve communication is to try to understand the other person's attitudes and feelings about certain subjects, to understand our own, and to work from there in finding a common ground of understanding.

How Communication Takes Place

There are not only many subjects to be discussed in the typical business day but also there are several ways in which they may be communicated. Communication takes place not only through speaking but also through doing and listening. In actual practice a combination of these ways is ordinarily used.

Speaking. Speaking is used most often by management in communicating with individuals and the work group about assignments, job performance, and matters that demand immediate attention or personal emphasis. It is also used as a means of imparting ideas, instructions, and information to individuals and to groups. The use of spoken communication provides an opportunity for those listening to share the situation and to express their opinions and feelings. This is usually an advantage as was noted in the preceding chapter in the discussion of the group decision approach. Speech also involves less work than written communication, but the fact that one should attempt to organize what he is going to say and give some thought to how he is going to say it is often overlooked.

Writing. Although there has been considerable emphasis on eliminating "red tape" and personalizing communication through the spoken word, written communication is still essential. Those messages that are complex, quite important, or of long-term significance, or that affect several persons are customarily written. Common forms of written communication are

letters and memoranda, newspapers, bulletin board notices, posters, and other media. In written forms of communication, the communicator is usually cautious and discrete. Often, however, individuals attach more significance to the printed word than is usually warranted. In written communication the personal contact is absent and unless the writer is available for discussion, his intentions may not be understood by the recipient. It is often necessary, therefore, that written communication be explained and clarified orally.

Doing. Speaking and writing are recognized as the common ways in which communication takes place. More important than these ways, however, is doing. Employees are primarily influenced not by what management says but by what it does. While management intentions may be concealed by the effective manipulation of the written and spoken word for a short period of time, they eventually become evident by what management does. The old saying "actions speak louder than words" must be the basis for good communication at all levels in the organization.

Listening. When management talks of communication, it is often thinking of the need for making its purposes and intentions clear to the employees. While this is a valuable aspect of communication, there is a tendency to overlook the importance of listening — the most neglected skill of communication. Most of us feel that we are good listeners, but this usually means that we can remain passive and silent while the other fellow talks. Listening, however, is not a passive process. It requires that we be active. In commenting on the listening process one authority has advised that . . . . .

> Figuratively or literally, too many of us 'sit back and listen.' This attitude may work well for music, but we need to 'sit up and listen' when we're trying to take part in communication. A good listener's mind is alert; his face and posture usually reflect this fact. He may further show his interest by questions and comments which encourage the speaker to express his ideas fully . . . .[1]

It is only through this type of listening that understanding — the purpose of all communication — may be achieved.

Formal and Informal Communication

The nature of the relationship that exists between individuals in the communication process determines the type of communication. There are two major types — formal and informal — that should be distinguished in order to understand some of the problems of communication.

[1]Lydia Strong, "Do You Know How To Listen?", in *Effective Communication on the Job* (New York: American Management Association, 1956), pp. 26–33.

Formal communication. *Formal communication* takes place between personnel according to established lines of authority or procedural relationships. A supervisor giving instructions to a subordinate is engaging in formal communication based on the lines of authority. The office secretary who discusses a correspondence problem with the mailing department is following established procedural lines of communication.

Formal communication may flow in different directions — downward, upward, and horizontal. A communication that originates with management and is directed toward subordinates is known as *downward communication.* That which provides for subordinates to make their ideas, attitudes, and feelings known to management is known as *upward communication. Horizontal communication* refers to communication that takes place between personnel on the same level in the organization.

The responsibility of management is to develop an organizational structure that provides for clear-cut lines of authority and communication from management to operative employees and vice versa. As communication passes through channels to subordinates, it should be translated into terms that are meaningful and understandable to the personnel at the different levels within the various departments of the organization. When the flow follows this pattern in the line and staff departments, communication is in formal channels. If, however, some or all of the levels are bypassed, communication is said to be "direct," as would be the case where the personnel department contacted an employee directly without first going to his supervisor. It is sometimes necessary for management to communicate directly when there is a need for disseminating information rapidly, when the material is detailed or complicated, or when it is desirable to make the information a matter of record. An urgent matter may, for example, be announced over the public address system to all employees.

Most communication should take place through formally established channels whenever possible. The use of formal lines of authority as the primary channels of communication not only strengthens the status of supervisors and the formal organizational structure, but it also helps to provide for the "feed-back" or upward flow of information to management. The personnel department should be particularly careful to follow formal channels in communicating with employees.

In addition to promoting conditions that facilitate upward communication, management should also develop the type of social climate that facilitates horizontal communication — between personnel at approximately the same levels in the organizational structure. Supervisors in different departments, for example, should be given encouragement and

freedom to communicate with each other about common problems. Similarly, members of the personnel department and other staff departments should have free communication with individuals in other departments in order to carry on their work effectively. Subordinates, however, should recognize the responsibilities that they have to obtain permission from their supervisors and to keep them advised of the content of their communication with personnel in other departments.

Informal communication. *Informal communication* takes place between friends and acquaintances in the organization outside the formal channels. While these contacts follow patterns that are independent of the formal organizational structure, they nevertheless provide an important channel of communication, frequently referred to as the "grapevine." While the grapevine can be longer than formal lines of communication, it usually provides for more rapid transmission of news and gossip and, therefore, presents a real challenge to the planned communication of management. It is doubtful, however, whether the grapevine can or should be eliminated.

The grapevine, with its rapid transmission facilities, can be used by management. It may, for example, provide the means for sending up "trial balloons." Management may feed proposed ideas or plans into the grapevine in order to get a sample of employee reaction. On the other hand, where the grapevine is spreading information that is detrimental, management should make every effort to counteract it. Some companies wisely provide for quick and authoritative answers to rumors by having a "rumor board," on which employees are instructed to write their questions. Answers are given promptly by responsible officials.

COMMUNICATION MEDIA

Many communication media are available to management, and a few that are specifically designed for facilitating upward communication should be considered in some detail. These media may be classified under the headings of face-to-face communication and written communication.

Face-to-Face Communication

A large part of communication in business takes place on a face-to-face basis. This is probably because it is decidedly faster than any type of written media, and it provides for an exchange of ideas and information among the individuals concerned. This method of communication is not necessarily as simple as it appears to be and should not be taken lightly by the manager or supervisor. His effectiveness in dealings with employees as

well as with superiors is largely dependent upon his ability to communicate with others effectively on a face-to-face basis. Three situations in which face-to-face communication may occur include person-to-person, committees, and conference meetings.

Person-to-person communication. The supervisor has many dealings with individuals in the course of a day's work. If he is an effective manager of personnel, he gives orders and instructions, he advises employees on matters that are of interest and concern to them, he advises and counsels with them on problem situations, and he communicates with them in many other ways. This requires that he be able to maintain an employee orientation, as well as his management orientation, if he is going to be able to communicate with employees on their own ground. This means that he must be friendly, sincere, and approachable; it does not mean, however, that he must be "soft." It is usually more difficult for the executives and managers to "think like an employee" than it is for a supervisor. Differences in position or rank create barriers that make understanding and free expression difficult, but these barriers can be lowered if superiors will establish good interpersonnel relationships with subordinates.

Members of the personnel department would also do well to heed this advice. Since they are members of a staff department and may be viewed by employees somewhat in the same manner as the "brass" are viewed, they must go out of their way to establish cordial relations with the employees with whom they come into contact, whether it be in the office, the cafeteria, the bowling alley, or in the corridors.

Committees. Another type of face-to-face communication takes place in the committee. As was indicated in Chapter 3, the committee not only provides the advantage of group deliberation and judgment but also facilitates coordination and integration of the activities of a complex organization. Line personnel of different levels and staff personnel may comprise the committee's membership. Many of the committees include employee representatives from the various departments who serve as sounding boards in their own groups and report their findings and impressions in the committee meeting. Other committees are composed of employees in the office or shop who meet in committees to deal with such topics as safety and recreation. Through such processes both upward and downward communication is facilitated.

In recent years the committee has been used quite widely for the purpose of obtaining new ideas. One approach is to conduct *brainstorming* sessions. The sessions are conducted on an informal basis and the par-

ticipants are instructed to "let themselves go" and state their ideas. No attempt is made to evaluate the ideas until the participants have exhausted all possibilities. As a result, the participants are not as inhibited as they would ordinarily be and the outcome is often more successful than typical committee meetings.

Conference meetings. Communication may be facilitated by having personnel assemble for conference meetings which provide a rapid means for obtaining and disseminating information and for exchanging ideas. The face-to-face contact in conferences enables the participants to achieve a level of understanding that is not possible with the written word or with information or instructions passed through many channels. Where a group is assembled to consider a problem or a proposed course of action, the members are in a position to consider each other's ideas, weigh the pros and cons of each suggestion, and to arrive at a decision in which each member has played a part.

Written Communication

Management should communicate certain matters directly to all employees. It is important that employees be advised of rules and regulations that they are expected to know and to follow, and be furnished information concerning benefits and services, or other aspects of the company's policies, procedures, or activities. While many types of written media are available for downward communication, only a few of them will be examined here. These include:

a. Handbooks
b. Financial reports
c. Job descriptions and procedural manuals
d. Advertising materials
e. Audio-visual aids

(a) Handbooks. Handbooks are often used to convey information concerning company history and policies, as well as information concerning employee benefits and services, and work rules. They are likely to be more effective if distributed during the induction or orientation period for new employees. This method provides an opportunity to discuss some of the more important material and to answer questions concerning it.

(b) Financial reports. In recent years there has been an increase in the communication of financial information to employees. Employees,

as well as stockholders, are interested in the financial status of their company. Such information is of concern to them because it is directly related to their present income and future security. They are interested in knowing that their wages are in fair proportion to profits and that the company is planning wisely for the future upon which their own security rests. Also in many companies employees now own stock under stock ownership plans, which will be discussed in Chapter 23. While financial data are sometimes difficult to present in a manner that can be easily understood, the use of pictures and cartoons often simplifies and clarifies what otherwise might be uninteresting or confusing.

(c) Job descriptions and procedural manuals. One of the most important media for communication with the employee is the job description. It spells out in detail the duties that he is expected to perform, the equipment that he will use, and other important information necessary to his success on the job as discussed in Chapter 4. Manuals in which operating procedures are described are often made available to employees in order that a reasonable degree of uniformity, efficiency, and safety may be achieved. Such manuals may be prepared to cover one job or a group of related jobs. Some branches of the General Electric Company, for example, provide stenographers with a manual that contains such information as approved styles of correspondence, routing of mail, handling of material for duplication, and other instructions, which acquaint the employee with the standard procedures to be followed.

(d) Advertising materials. Another way that management can communicate with employees is through advertisements in magazines, newspapers, and other media. For example, Pacific Telephone, one of the companies associated with the Bell System, frequently pictures actual employees in its newspaper and magazine advertisements. These advertisements can be quite effective as morale boosters even though they are designed to tell the general public what the telephone company is doing to bring more and better service to its customers.

(e) Audio-visual aids. The use of films, slides, and other audio-visual techniques can be effective in carrying management's story to the employee. Films and filmstrips are normally expensive to produce, but they can be shown to all employees regardless of their geographical location. This is particularly important in a company whose operations are spread over a wide area. Often films are designed so that they may be later shown to the general public and to students in schools and colleges. Displays that show the steps in the production of goods are often helpful in pointing out to the

employee the importance of his part in the process. Pitney-Bowes has built a mobile display of this type that is moved throughout the plant. It includes one of the postage meters which they manufacture at the top of the display with parts mounted on the sides. Each employee may then see how his operation contributes to the finished product.

Newspapers and Magazines

One of the most widely used media for downward communication within a company and for reaching the families of employees is the newspaper or magazine — commonly referred to as the *house organ*. According to *Fortune*[2], about three fourths of all big companies now have a house organ with combined estimated readership of over 100 million.

The typical company newspaper or magazine attempts to build employee morale by accentuating the positive and ignoring the negative. News about employees and their families is still the backbone of the house organ, although there are indications that the reader desires more than this in his publication. Specifically, employees want news about those plans, policies, and operations that directly affect the security of their jobs. They are seldom interested in company pronouncements about the benefits of free enterprise and other topics which they seem to resent being discussed by management. Some companies publish special house organs aimed at a particular family audience. General Electric, for example, publishes *Adventures Ahead*, which is written primarily for teen-agers in the employee's family.

If the company newspaper or magazine is to be an important communication medium, it must receive the interest and financial support of management. While many managements have taken communication seriously, few have recognized the importance of the editor's job. Many companies appear to be willing to pay big money for printing and distributing the publications, but not to pay the salaries necessary to attract and hold good editors. In addition to having good editorship, procedures should be established so that employees are encouraged to contribute material. The designating of employees to serve as reporters in each department of the company often facilitates the obtaining of articles and news items that otherwise might be overlooked. This employee cooperation not only makes the publication more appealing to the employees because their interests are recognized, but it also assures them that the publication is not designed to serve solely as a mouthpiece for management. While management should not attempt to antagonize the employees through its publications, neither should it avoid discussion of controversial issues at

[2]"How to Play the House Organ," *Fortune*, Vol. 46, No. 4 (October 1952), pp. 144–147.

all costs. There is an increasing feeling among some authorities that management should use employee publications to get its story across to employees, particularly in such matters as those involving union relations.

Suggestion Program

While upward communication is commonly in the form of face-to-face communication between the superior and subordinate, one media characteristically uses written communication initiated by the employee. This is the suggestion program, which is designed to reward and to recognize the employee who submits ideas for improved work methods, changes in equipment or tools, or other suggestions of benefit to the company.

Benefits of a suggestion program. The individual worker eventually should know his job better than anyone else. As he works from day to day, he finds new and often improved ways of performing the duties for which he is responsible. Thus he becomes a source of valuable ideas for improving efficiency. Unless there is some formal system by which these ideas can be considered and put into operation, however, they are likely to remain unknown to management. By encouraging the participation of employees in the larger and important aspects of the company's operations, the employees are more likely to feel that they "belong" and are important to the success of the operations.

Necessity for management support. Although a large proportion of employees participate in suggestion plans, it cannot be assumed that the mere establishment of these opportunities for participation will produce the desired results. Employees may be uncertain of management's attitude toward such plans or they may feel that their suggestions are of little value. If management is sincerely interested in having employees participate, they must support and promote the suggestion program on a continuous basis. This includes providing personnel who will give careful appraisal to all suggestions and keep personnel advised of the status of their suggestions, making funds available for awards to winners, as well as personal identification with the program. Booklets designed to acquaint employees with the suggestion plan frequently have an introductory statement signed by the president, encouraging employee participation. Similarly, awards to employees who submit suggestions that are adopted are usually made by the president or other members of top management.

Encouraging employee participation. Employees need to be encouraged to participate in the suggestion program. Publicity campaigns, as well as the distribution of pamphlets in which the details of the program are

explained, can be used to stimulate interest in the program. In Figure 14-1 on pages 286 and 287 the booklet describing the Goodyear Suggestion Plan illustrates the type of information that may be used to stimulate employee thinking about suggestions.

Another source of stimulation is the supervisor. Many companies wisely reward the supervisor who encourages employees to submit suggestions. Such recognition of the supervisor's efforts helps to overcome jealous tendencies that the supervisor may have, since suggestions are often submitted without his knowledge.

In order to maintain interest in the program, it is important that a system be established so that suggestions are given prompt consideration and the employee is notified of the committee's recommendation. The manner in which unaccepted suggestions are handled may influence the success of the whole program. A suggestion may not be usable in the form in which it was originally submitted, but after modification it may turn out to have considerable merit. Assistance and helpful comments from the suggestion committee to those whose suggestions are turned down can go a long way in promoting interest in the program.

Rewarding employees for suggestions. Many suggestions that are adopted result in a financial saving to the company. Others may not save money and may even involve additional expense. Their value may lie in indirect benefits such as improved employee morale or safer working conditions. Where there is no appreciable saving realized for an adopted suggestion, the employee is usually given a fixed amount in recognition of his contribution. Where a suggestion does result in a financial saving to the company, the employee is ordinarily given a share of the savings with a set maximum. International Business Machines, for example, awards 10 per cent of the estimated savings on labor and material during the first year of use — up to the maximum of $5,000 for any single award. By providing an adequate return, employees are encouraged to participate in the program.

DEVELOPING AND MAINTAINING EFFECTIVE COMMUNICATION

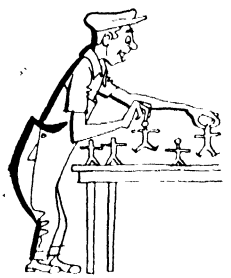
Effective communication is dependent upon more than sound ideas and well-reasoned decisions that management desires to make known to employees. It is built upon continued attention to the many factors that are a part of the communication process and which make for understanding among those who are attempting to communicate with each other. In the earlier part of this chapter the nature of communication, its channels,

Figure 14-1 (page 1)

One Way of Encouraging Employees to Participate in the Suggestion Program

START THINKIN'

During the 40 years which the Suggestion Plan has been in operation more than $1,000,000 has been paid out in awards to employees. It is hoped that another million will be paid out in a much shorter period and it will be, if we all "start thinkin'" about . . . .



METHODS

Can You . . . .

Simplify Present Methods
Group Or Combine Jobs
Simplify Your Own Job
Devise New Methods



MACHINERY

Can You . . . .

Simplify Machines
Reduce Machine Set-Ups
Improve Machine Output
Reduce Maintenance Cost

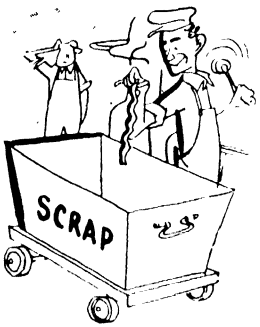


WORK CONDITIONS

Can You . . . .

Improve Safety And Health
Reduce Fire Hazards
Reduce Fatigue
Make Job Less Strenuous

Figure 14-1 (page 2)



MATERIAL

Can You . . . .

Eliminate Scrap
Cut With Less Waste
Find Use For Scrap
Eliminate Rehandling
Eliminate Waiting Time
Suggest Better-Cheaper Transporting
Speed Delivery



OFFICE PROCEDURE

Can You . . . .

Conserve Supplies
Reduce or Simplify Filing
Eliminate Duplications
Combine Forms
Simplify Office Systems
Improve Procedure



MERCHANDISING

Can You . . . .

Offer New Promotional Ideas
Improve Service
Develop Sales Aids or Demonstrators
Improve Store Operations
Reduce Selling Costs
Improve Dealer Selling

START THINKIN'. . . STOP WISHIN'!

Source: Goodyear Tire and Rubber Company. Reproduced with permission.

and the available media were examined. With this information as a background, principles of and methods for developing and maintaining effective communication will be suggested. These include:

1. Need for sincerity
2. Understanding the employee
3. Importance of good techniques
4. Evaluating the effectiveness of communication

1 — Need for Sincerity

The sincerity or insincerity of management soon becomes apparent. All too often management has plans for one type of action but, in communicating its plans to the employees, attempts to cover up this fact or to tell the employees what it believes the latter would want to hear. It does not take many episodes of this type to lead the employees to question the sincerity of management's intentions. If management has a record of fair and honest dealings with employees, its communication is more likely to be accepted.

2 — Understanding the Employee

Attention must be given to the persons who are to receive the information or instructions. What are their interests and attitudes? What effect do their intellectual and educational levels have on their capacity to understand what management is attempting to communicate? These are important factors.

It is human nature to listen to someone who has something to say about those things in which we are interested. Management's attention to employee interests and attitudes can go a long way toward facilitating employee receptivity. For example, the manager who discusses prospects for continued employment with employees at a time when there are rumors of widespread unemployment in the industry is very likely to have an interested audience. He must, however, use a type of language that employees can understand. This requirement also applies to the printed material that he issues. In recent years considerable attention has been given not only to making printed material more readable and understandable, but also efforts are made to recognize that words mean different things to different people. The word "profit," for example, may represent a measure of success and deserved return to the executive, whereas to the employee it may represent some of the funds that he should have received in the form of higher wages.

3 — Importance of Good Techniques

Although sincerity toward and understanding of the employee are the most important factors, management should not overlook the importance of good techniques in planning its communication. Some of the major considerations here include timing, use of appropriate media, and the need for clarity.

Timing. An announcement made at one time may be received enthusiastically by the employee. The same announcement made at another time may create havoc. The circumstances under which communication takes place must be carefully evaluated and the timing carefully considered. For example, the premature announcement of the merger of two companies, both of which are considerably overmanned, is likely to create many problems. On the other hand, if the announcement is made after arrangements have been worked out for placing excess personnel in other related jobs, it may be willingly received and accepted.

Use of appropriate media. While a variety of media are available to management, some media are found to be better than others for a specific purpose. In one instance, the most appropriate approach might be to have supervisors disseminate information. In another situation, it may be advisable to have mass meetings of employees at which the president or other executives talk to the group. The selection of the most appropriate media for a given occasion will depend upon such factors as urgency, the need or lack of need for a uniform presentation, the nature of the information to be communicated, and similar factors that must be considered at the time a decision is to be made.

Need for clarity. Regardless of the educational or intellectual level of the persons with whom we are attempting to communicate, there will be little understanding if the material presented is not clear. Both the spoken and the written word may be misunderstood if the communicator uses words of many syllables or long, complex sentences. This type of speaking or writing has been labeled "gobbledygook" and should be eliminated through training and experience in plain talk and writing. The absurdity of gobbledygook is illustrated by a story about a plumber who was trying to communicate with a government bureau in Washington.

A New York plumber wrote the Bureau that he had found hydrochloric acid fine for cleaning drains, and was it harmless? Washington replied: "The efficacy of hydrochloric acid is indisputable, but the chlorine residue is incompatible with metallic permanence."

The plumber wrote back that he was mighty glad the Bureau agreed with him. The Bureau replied with a note of alarm: "We cannot assume responsibility for the production of toxic and noxious residues with hydrochloric acid, and suggest that you use an alternate procedure." The plumber was happy to learn that the Bureau still agreed with him.

Whereupon Washington exploded: "Don't use hydrochloric acid; it eats hell out of the pipes!"[3]

Unfortunately, writing of this type is not confined to some government agencies. Business firms have the same problem and should take positive steps to overcome deficiencies like these in communication.

4 — Evaluating the Effectiveness of Communication

Since communication is one of the most vital aspects of a company's operations, it is important that it be analyzed and evaluated. While there are no clear-cut criteria of the effectiveness of communication, certain indications can be used as guide-lines. Freedom of expression among employees, which manifests itself in cordial relationships with their supervisors, and the existence of similar conditions between supervisors and managers, indicate a healthy condition.

One direct method that is commonly used to assess communication is the *employee attitude survey*. The typical questionnaire includes items that ask the employee for his opinion of the effectiveness of communication within the company. A study of disciplinary problems, formal grievances, questions raised by employees, comments made during exit interviews, and the extent to which employees read company publications may also reveal something of the status of communication. Although communication is not the only function of management that demands continuing attention, it is certainly one of the most important. It yields benefits not only in terms of increased productivity but also in terms of improved employee attitudes, mutual confidence, respect and understanding, all of which are important factors in employee morale.

RÉSUMÉ

Because of the importance of communication in the management of personnel, companies are tending to give it careful attention. Communication pervades the entire organizational structure and occurs whether or not it is planned. Through careful planning, however, communication may be effectively used to impart orders and instructions to personnel as well as to

[3]From *Power of Words*, Copyright 1953, 1954, by Stuart Chase. Reprinted by permission of Harcourt, Brace and Company, Inc.

receive their ideas and to determine their attitudes and feelings. It is, thus, an important tool of management that serves as a network which binds all of the members of the organization together. Unfortunately, management often emphasizes communication from the standpoint of speaking and writing to the neglect of its doing and listening phases.

Effective communication also depends upon the establishment of formal channels of communication and the nurturing of these channels in order that communication is free to move in all directions. The use of the formal lines of authority as the primary channels of communication is the most effective procedure since it serves to strengthen the interpersonal relationships between supervisor and employee as well as to enhance the supervisor's status. The company that has achieved good communication among executives, managers, supervisors, and employees is likely to be one in which the personnel at all levels have high morale.

REVIEW AND DISCUSSION QUESTIONS

1. What purposes may be served by the process of communication?
2. What are the four ways in which communication takes place?
3. Why should management communicate through formal channels whenever possible?
4. Why is it sometimes necessary for management to use "direct" communication?
5. Why do informal channels of communication develop in an organization? What should management do about them?
6. Why should the manager or supervisor give careful attention to his face-to-face relations with subordinates?
7. What can be done to make company newspapers and magazines more interesting to the employees?
8. In what ways can management establish and maintain a successful suggestion program?
9. What can a company do to develop and maintain effective communication?
10. Some companies publish unfavorable articles about the company, e.g., strikes and antitrust suits, as well as favorable articles. Is this desirable or undesirable? Discuss.
11. Should companies have suggestion programs? Is it not the responsibility of management to plan and organize the work and for employees to accomplish it? Discuss.
12. How may an employee suggestion program be organized so as to stimulate employee participation and at the same time enhance the status of the supervisor? Discuss.
13. "Listening" was described as one form of communication. Isn't it the responsibility of management to do the talking and for employees to listen and follow? Discuss.

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Chapter 16

Facilitating Employee Adjustment

The amount of satisfaction that an employee derives from his job, the quality of his job performance, and his ability to work harmoniously with others depend in part upon his personal adjustment. Although some managers are inclined to feel that the personal adjustment of employees is not their responsibility, they should realize that good mental health is essential not only to the individual but also to the company and to society. Fortunately many companies are taking an increased interest in the personal adjustment of their employees. Through campaigns that are sponsored by many national, state, and local organizations, the need for improved mental health in a country where over one half of its hospital beds are occupied by mental patients is becoming more apparent. The stigma that was once attached to this type of illness is fortunately declining, and there is increasing recognition that minor adjustment problems should receive attention before they become more serious.

Much can be done to facilitate the adjustment of employees, and it is one of management's responsibilities to recognize the contributions it can make in this area. In this chapter the focus will be on understanding the employee and the ways in which management can create environmental conditions that will facilitate the adjustment of employees to the job and to life. It will include a discussion of the following topics:

- The concept of adjustment
- Role of the personnel program in facilitating adjustment
- Interviewing and counseling as aids to adjustment

THE CONCEPT OF ADJUSTMENT

The process of adjustment involves our attempts to satisfy those of our needs which are aroused or dominate at the moment. The physiological and safety needs are usually satisfied without much difficulty whereas the needs for belongingness, esteem, and self-realization tend to go unsatisfied. The frustration of these latter needs causes most of the problems of adjustment.

From birth until death the satisfactions and dissatisfactions that arise out of our interpersonal contacts are "recorded" in our personalities and determine our future relationships with people. Some persons have perhaps been more fortunate than others in having their needs satisfied, and therefore they are reasonably well adjusted. Others who are not so well adjusted create problems for their boss, their family, the customers, fellow employees, and for others with whom they come into contact. In most instances these individuals are also problems to themselves and do not feel comfortable about their own behavior. This implies that the troublesome behavior of others has its roots in something deeper than a "desire to be a nuisance" or "sheer cussedness" which, unfortunately, are common ways that supervisors view maladjusted persons.

An understanding of employee behavior will be facilitated by an examination of some fundamental psychological facts about human behavior, including the nature of adjustment, common reactions to problem situations, and abnormal reaction patterns.

The Nature of Adjustment

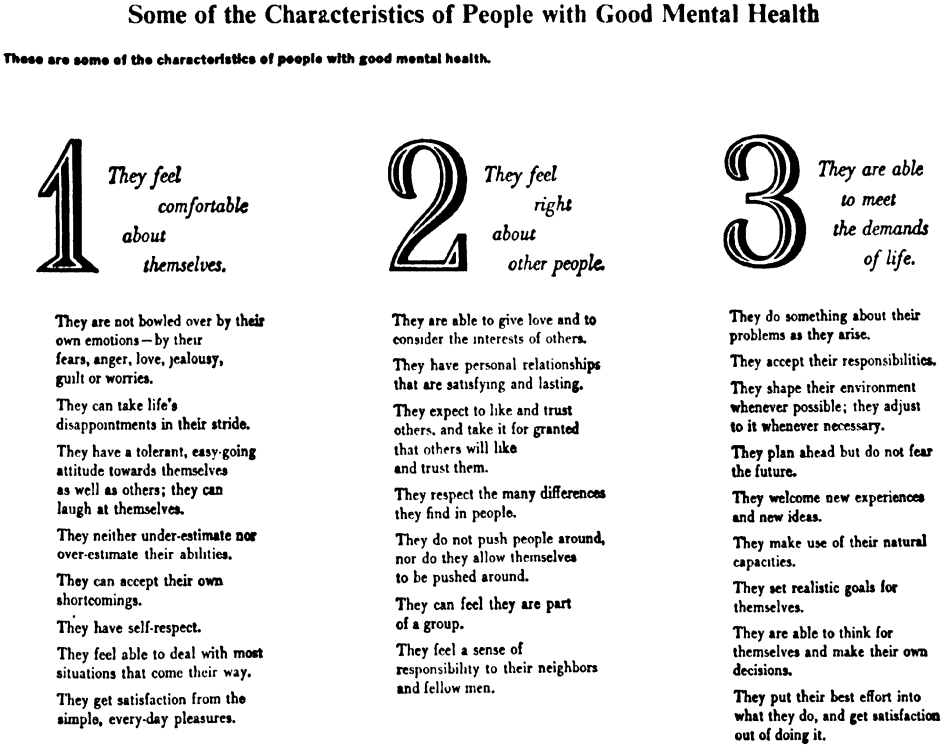
Human beings are continuously engaged in adjusting to many situations in an attempt to satisfy their needs and to maintain an equlibrium that may be viewed as a state of adjustment. When this equilibrium is sufficiently disturbed, it is often apparent not only to the individual but also to others who observe his behavior and note that it differs from his typical behavior or from the behavior of others. The significance of these differences may be realized by examining the nature of adjustment.

Adjustment is relative. Although it is easier to describe behavior in terms of opposites or extremes, the many different characteristics of human behavior cover a wide range. Adjustment, like intelligence or aptitude, is not something that a person either has or does not have. It varies by degrees from one person to another and within the individual from one hour or day to the next. While most of us remain sufficiently adjusted to our social environments and to ourselves to function effectively

on the job and away from the job, we often deviate from our normal pattern of adjustment as we are confronted with problem situations. We may, for example, have occasional outbursts of temper, feel tense, or develop a headache as a result of an unpleasant situation. Since adjustment is measured by degrees rather than kind, one may ask if it is possible to define "good adjustment" or "mental health."

One way of describing mental health is to describe mentally healthy people. The basic characteristics of people with good mental health are: (1) They feel comfortable about themselves, (2) they feel right about other people, and (3) they are able to meet the demands of life. Some of the specific attitudes, feelings, and behaviors that are ordinarily considered are described in Figure 16-1. In studying these descriptive characteristics, it should be remembered that one characteristic by itself cannot be taken as evidence of good mental health, nor the lack of any one as evidence of mental illness. Instead the pattern of behavior should be judged against all three basic characteristics.

Figure 16-1
Some of the Characteristics of People with Good Mental Health



Source: *Mental Health Is 1-2-3.* Copyright 1951 by The National Association for Mental Health, 10 Columbus Circle, New York 19, New York. Reproduced with permission.

Behavior varies with the individual. In managing personnel, it should be recognized that individuals often react differently to what appears to be the same situation. One employee, for example, considers his supervisor to be the "best" person he has ever known, while another employee in the same department may have the opposite viewpoint. Although it is the same supervisor, the perceptions that others have of him vary and, as a result, each employee acts somewhat differently toward him. Individuals likewise have different opinions of and reactions toward changes in work methods, time and motion study, the food in the cafeteria, recreation facilities, or any other aspect of the job. Such differences in opinions among individuals are normal.

Conformity is not necessarily the sign of good adjustment. In fact, for an individual to maintain his equilibrium or adjustment, it may be necessary for him to think and act in a way that is contrary to what another person or group of persons desire or expect of him. All too frequently the individual who is labeled as "maladjusted" merely has a different point of view from the person who is doing the labeling. While the personnel staff should be alert to the possibility that some employees are more maladjusted than others, it should also recognize bias and prejudice among supervisors and managers in "sizing up" their employees. Bias and prejudice cause them to be intolerant of employees who are "different," with the result that talented personnel are sometimes considered as being eccentric and inadequate and therefore are not given a full opportunity to use their talents.

Causes of behavior are often unknown to the individual. It is often assumed that each individual is entirely conscious of the causes of his behavior. While man is certainly a rational being who is capable of thinking and planning, much of his daily behavior is unconsciously motivated. An employee who is fearful of his boss probably does not know the basis for his fear. It may be that because of prior experiences as a child who received a daily beating from his father, he now fears any person in a position of authority. Or the fear may be caused by other experiences that he has long forgotten but which come to life in situations similar to those in which the original fear was learned. While the basic causes of his present problem are likely to be unknown to the individual, he may attempt to explain his behavior. The explanations that he gives of his own behavior, however, may not be accurate. This does not mean that the supervisor or personnel worker should not listen to what the employee has to say or should not assist him in talking through a problem that may be troubling him. By

using a counseling approach to problems, the likelihood of his arriving at an understanding of the true causes of his behavior are increased.

Common Reactions to Problem Situations

Adjustment may be achieved a large part of the time by following learned procedures and routines, which are commonly referred to as *habits.* Habits play an important part in the way we react to other persons or approach a particular task at work; in our established patterns of eating, sleeping, and exercising; in driving an automobile; and in the many other situations of everyday life. Some habits facilitate a person's adjustment and others hinder it. Habit patterns that do not make for good adjustment to a situation may be thought of as barriers. These barriers often create emotional tensions if they cannot be overcome. Although the tensions from problem situations are seldom pleasant and usually trouble the individual who is experiencing them, they are found in some degree in all human beings and should be considered normal unless they are unduly harmful to the individual or to those with whom he works or lives.

An understanding of the common reactions to problem situations may be found in an analysis of the following concepts of human adjustment: frustration, conflict, anxiety, and defense of self.

Frustration. *Frustration* is a barrier or obstacle to the satisfaction of one's needs. Some external barriers or obstacles to the satisfaction of needs are encountered by many employees in the form of discriminatory practices, hostile supervisors, monotonous jobs, unpleasant working conditions, and similar situations. Some of the possible internal barriers that may frustrate the employee are poor habits or inadequate intelligence, personality, or aptitude for a particular job. A perceived inadequacy (imaginary barrier) is just as real to the person who sees himself this way as an actual barrier.

Where the desire to reach a particular goal is strong and the barrier is another individual, it is quite common to find the frustrated individual engaging in some type of *aggressive behavior* toward the person causing it, which may range from gossiping about the frustrator to making an actual physical attack upon him. Although the manner in which frustrated individuals respond depends largely on their personality make-up, aggression is a common type of reaction to frustration.

Other reactions to frustration are *regression* (a return to childish actions), *fixation* (persisting in a type of behavior that is not adaptive), and *resignation* (giving up). While these are symptoms of frustration, they tell us nothing about the cause of the frustration. This can only be determined by a better understanding of the individual — his needs, his actual

and perceived barriers, and his feelings. It is only through increased understanding on the part of superiors and fellow employees that the individual concerned may be helped in obtaining relief from the frustrating situation. Punishment only aggravates a state of frustration.

Those who supervise and assist employees with the problems of their jobs should recognize that what may be a barrier for one employee may be a source of satisfaction to another. The complexities of a job might be a challenge to one employee but be dreaded by another. What significance a barrier has for a given individual is the important factor. This can be determined only by careful observation of the individual and through conferences in which the individual feels free to express his feelings.

Conflict. In frustrating situations the person has no adequate response that will enable him to overcome the barrier. In a *conflict* situation, however, too many ways of responding may be available to him with the result that he is unable to decide which course of action to take. The employee who has an urge to ask his boss for a promotion and yet is afraid to do so is experiencing a conflict. The urge to ask because of the chances that he might be promoted and the fear of being told he is not qualified represent forces tugging at each other. The employee is in a sense being pulled in two directions — a characteristic of conflict situations.

Needless to say, conflicts are present in our everyday lives and must be dealt with. In one evening a student may want to study in order to earn a high grade on a test and also to go to a dance with an attractive girl. It is a conflict situation. The best he can do is to consider the alternatives carefully, make a decision, and accept the consequences.

Anxiety. *Anxiety* is the unpleasant emotional pattern that accompanies frustrations and conflicts. It is characterized by apprehension and uneasiness. The person experiencing anxiety has much the same feelings as one who is afraid. Unlike fear, however, the anxiety persists and is relatively independent of the immediate environment. The anxious individual may realize that his worries are needless, but he cannot get away from them, as illustrated by the following quotation:

> In fear we are aware of ourselves as well as of the object, and we can orient ourselves spatially with reference to the thing feared. But anxiety attacks us . . . from all sides at once. In fear one's attention is narrowed to the object, tension is mobilized for flight; one can flee from the object because it occupies a particular point spatially. In anxiety, on the other hand, the individual experiences the threat as not coming from a particular place, and hence he does not know where to flee.[1]

[1]Rollo May, *The Meaning of Anxiety* (New York: The Ronald Press Company, 1950), p. 52.

Figure 16-2



"I like your attitude, Hobson—you're the only one who's not after my job."

Source: *The Management Review*, January, 1957, p. 35. Reproduced with permission.

Anxiety may account for various employee behaviors that are often misunderstood and misinterpreted. For example, resistance to change is fundamentally caused by the anxiety that arises from a proposed change — in job, work method, or merely the relocation of a desk. Employees who resist changes, therefore, are not going out of their way to be "difficult" but rather are threatened — or frightened — at the prospects of a change. Unfortunately anxiety affects managers and supervisors as well as employees. In fact, managers as a group are more likely to suffer from anxiety than the employees. Their anxieties often lead to failure to delegate and a distrust of those employees who exhibit any ambition. The supervisor pictured in the cartoon (Figure 16-2) characterizes the anxious and suspicious supervisor who is uncertain of his own worth.

Trembling, nausea, a pounding heart, and dryness in the throat are physical symptoms that accompany anxiety. As a result of the physiological effect that anxiety has on the body, its persistence can lead to psychosomatic illnesses.

Studies show that almost 50 per cent of all people seeking medical attention today are suffering from ailments brought about or made worse by such emotional factors as prolonged worry, anxiety, or fear. Emotional tensions often play a prominent role in certain kinds of heart and circulatory disorders, especially high blood pressure; digestive ailments, such as peptic ulcer and colitis; headache and joint and muscular pains; skin disorders; and some allergies.[2]

[2]*Emotions and Physical Health* (New York: Metropolitan Life Insurance Company, 1955).

Thus anxiety is not only unpleasant but may have serious physical effects on the body. In the interests of good physical and emotional health, managers and supervisors should do all that they can to reduce anxiety. It should not be inferred, however, that anxiety is always undesirable or indicative of maladjustment. A moderate degree of anxiety can serve as a drive to overcome shortcomings. The salesman, for example, may develop a mild state of anxiety after losing an important customer because he failed to follow through on a request made by the customer. His anxiety may motivate him to examine and improve his work methods with the result that he is more successful in future contacts. If, however, the loss of one customer results in an extreme state of anxiety that incapacitates him for his work, the salesman is in apparent need of assistance in reducing his anxiety to a more normal level.

Defense of self. In the process of overcoming frustrations, resolving conflicts, and reducing anxiety, the individual is striving to regain his equilibrium and to return to his normal state of adjustment. In many instances this can be done with a minimum of effort. In other instances, however, the individual's self-concept — his view of himself — is threatened by the frustrating or conflict situation. The individual's self-concept must be protected and defended from danger and injury, which are usually in the form of embarassments, defeats, and failures. Since it is not possible for an individual to avoid these unpleasant situations at all times, there is a need for protection against them. Behavior patterns, commonly referred to as *defense mechanisms*, serve to protect the individual's self-concept and shield him from the psychological pain of embarassment, defeat, and failure. Three major types of defense mechanisms are aggressive reactions, withdrawal reactions, and substitute reactions.

Aggressive reactions, as described earlier in the chapter, are common reactions to frustration. *Withdrawal reactions*, including excessive daydreaming, regression, and repression, are the opposite of aggressive behavior. *Regression* involves engaging in child-like behavior or complaining that "things aren't like they used to be." *Repression* is the process of pushing unpleasant thoughts or feelings out of conscious awareness.

Most of the time aggressive and withdrawal reactions are not adequate for restoring equilibrium. *Substitute reactions*, involving a lowering of ambitions or accepting substitute goals, are more common, and they constitute a more satisfactory method of adjustment for the individual and for society. Common substitute reactions are compensation, rationalization, and projection. Most instances of *compensation* are those in which the person overreacts in the same general area in which he perceives

himself to be inferior. For example, the individual who has little schooling and is concerned over it may use big words and complicated language in an effort to impress others. Another form of compensation is that in which the individual selects and attempts to achieve substitute goals to make up for his weaknesses. The borderline employee, for example, may become the star on the company baseball team.

Rationalization involves the giving of false reasons for one's behavior in order to preserve his own self-esteem and the approval of others. The employee who aspires to be a foreman but was passed over may say to himself and others, "It would hardly have been worth the small difference in pay." *Projection* is the act of blaming others for our own thoughts, feelings, or behavior. Some employees continually blame others because they sincerely believe that they themselves are not at fault.

Defense mechanisms are common modes of behavior that are used by all persons in an unconscious effort to maintain their own self-respect and the approval of others. Unless used to an extreme degree, defensive behavior is considered normal. Although an individual's defensive behavior should not be pointed out to him directly, it is a symptom of frustration and conflict and should be recognized as such by the supervisor who desires to understand his employees.

Abnormal Reaction Patterns

The differences between normal and abnormal behavior are not as great as many persons believe. This makes it difficult for a layman, such as a supervisor, to detect readily those who may need professional assistance. While the so-called abnormal person is likely to be detected by the medical examiner during the physical examination given as part of the selection process, managers, supervisors, and personnel workers should be generally aware of the behavioral symptoms of those who deviate sufficiently from the normal to require special attention. The importance of this problem to business and industry as well as to society is evident from the following statement:

> The problem presented by nervous and mental diseases is an enormous one — the most serious medical problem facing our nation. Out of every twenty living persons, one will spend part of his life in a mental hospital. Recent studies indicate that one out of every ten persons in the United States is emotionally or mentally maladjusted and needs treatment for some personality disorder. . . .[3]

[3]George Thorman, *Toward Mental Health* (New York: Public Affairs Pamphlet No. 120, 1956), p. 22.

The individuals who suffer from emotional disorders are people who have cracked under the strain of living. The frustrations and anxieties of everyday living have become too much for them, with the result that they have been unable to meet life situations with the same degree of adjustment as those who are considered normal. The categories under which abnormalties are grouped encompass a wide range of behavior patterns that are often difficult to classify. It should not be assumed, therefore, that one person's abnormality is the same as another's. Most abnormal persons were once classified as normal. Therefore, the nature of an individual's abnormality develops out of his normal behavior patterns and will resemble them. This should be remembered as the mild abnormalities, neuroses, and the severe emotional disorders, psychoses, are examined.[4]

Neuroses. At least 5 per cent of the population suffer from a mild form of emotional disorder that may be called a *neurosis.* It may take several forms, but seldom is it so severe that the person must be hospitalized. Usually the person is able to carry on the functions of everyday life but at a reduced level of efficiency.

Characteristically, the neurotic is an anxious, unhappy individual, easily upset, lacking self-reliance and self-confidence, and prone to minor physical complaints such as fatigue, headaches, and indigestion. He often feels helpless, insecure, inferior, and inadequate. In brief, the neurotic is a maladjusted person whose inadequate behavior, due to excessive stress, renders him partially incapacitated to handle the life situations confronting him with normal efficiency.[5]

In addition to their general feeling of inadequacy and their emotionally disturbed condition, neurotics may also have specifically abnormal behavior patterns, such as an anxiety neurosis, a phobia or fear, extreme concern over health, or other behavior patterns. In general, the neurotic either becomes a nuisance to himself or to others. He may have trouble getting along with other people in the shop or office and be generally disagreeable. More frequently, however, he is a nuisance to himself by constantly punishing himself. As a result, a psychosomatic ailment such as an ulcer, high blood pressure, or asthma may develop.

Since alcohol is especially effective in producing an escape from feelings of insecurity and inferiority, many individuals who have neurotic

[4]The reader should keep in mind the difference between those persons who are mentally or intellectually deficient and those who are suffering from emotional disorders. Those persons who are severely retarded intellectually as a result of birth or other injuries to their nervous systems are not likely to be of direct concern to the personnel manager or line supervisor since they are ordinarily institutionalized or, at best, employed in jobs that are extremely routine. However, the fact that any employee, regardless of his mental capacity, may become neurotic or psychotic, requires that attention be given to the emotional aspects of human behavior.

[5]Floyd L. Ruch, *Psychology and Life* (4th ed.; Chicago: Scott, Foresman & Company, 1953), p. 166.

tendencies are likely to turn to this as a source of strength and relief from their frustrations and conflicts. Alcoholism is a form of mental illness that requires treatment with some type of psychotherapy. Successful results may come from the individual's participation in Alcoholics Anonymous. Many companies work closely with AA, and some even employ members in their personnel departments in order to provide first-hand contacts for employees who are in need of assistance. Because of the scope of the problem, special educational programs have been established in many companies.

Psychoses. The more extreme types of emotional maladjustment are known as *psychoses*. While there are many different classifications, certain characteristics are common among the psychotic. They are likely to have *hallucinations* (see, hear, or feel something in the absence of any stimuli), *delusions* (strong, persistent beliefs that are contrary to fact), and to exhibit distorted patterns of emotional behavior such as gloom or elation. There is also a marked detachment from reality that soon becomes evident to the observer. All of these symptoms indicate that the individual is attempting to adjust in much the same manner as the normal person does, and these behavior patterns serve him in the same manner as the defense mechanisms help to preserve the self-concept of the normal individual.

While some of the psychoses are caused by organic changes within the individual, most of them are functional in origin. This means that the life situations to which the individual has been subjected and his methods of adjusting to them have been primarily responsible for his illness. The frustrations and conflicts have become so overwhelming that the only mode of adjustment available to him is through psychosis. With improved methods of treatment, many individuals are sufficiently cured to be released from the mental hospital and are able to return to work. This often poses a problem for the personnel manager who is faced with the problem of placing the new applicant or the former employee who has a history of emotional illness.

Personnel managers should recognize the responsibility that they have to society to give these individuals as careful consideration as they would to the individual who has a history of physical illness. On the other hand, they must recognize their responsibilities to management in developing a sound and stable work force. While these individuals may pose a dilemma, there are often many jobs in which they may be placed. The advice and assistance of available medical personnel in evaluating their probable job success and adjustment should be sought.

ROLE OF THE PERSONNEL PROGRAM IN FACILITATING EMPLOYEE ADJUSTMENT

From the time that the employee is recruited until he is separated from the company, a large part of his life is influenced by the personnel policies and procedures of management, the supervisor for whom he works, and the relationships that he has with fellow employees. All of these influences, together with his past and present life experiences, determine his adjustment to his job as well as to other areas of his daily life. By establishing policies and procedures that facilitate employee adjustment, the company will not only contribute to the mental health of the employee but will also find itself in a favorable position from the standpoint of efficiency, turnover, and labor relations. Managerial and supervisory personnel within and outside of the personnel department must cooperate in contributing to employee adjustment.

Contributions of Managerial and Supervisory Personnel

Every action taken by managerial and supervisory personnel affects the emotional adjustment of some of the employees. Certain areas, however, are especially important in influencing employee adjustment. These are supervision, communication, and the handling of grievances.

Supervision. Good supervision is one of the most important factors in employee adjustment. The nature of the supervisor's personality, as revealed in the manner in which he deals with employees, may facilitate or hinder the employee's adjustment.

The medical department of one company became concerned when ten workers from the same office reported to the dispensary during a short period of time. "They had backaches and headaches, nothing you could pin down to a certain cause," said the company doctor. A check into the operation of the office revealed the supervisor was being overly strict and autocratic. His trouble was diagnosed as an emotional disturbance over a family affair. "We sent him to a psychiatrist, and after a few sessions he was okay. He's one of the best supervisors we have now," claims the doctor.[6]

By improving the adjustment of supervisors and by training them to be more effective in human relations, improvements in employee adjustment may be realized. Regardless of all that can be done to provide a good psychological climate within the office or plant, however, there will be those who need assistance. Every supervisor has employees who are problems — malcontents, daydreamers, chronic absentees, those who stir up trouble, and those who are touchy. It is important, therefore, that

[6] *Wall Street Journal*, June 30, 1958.

supervisors be trained to recognize these and other symptoms of maladjustment and to be able to handle the individuals in a manner that will not create more problems for them and the individuals concerned. Such training not only should include attention to the symptoms of maladjustment but also should develop an understanding of the difference between symptoms and causes. Symptoms are merely signs that something is troubling the individual. The cause may lie in the nature of the job, a barrier created by relationships with his family, inadequate pay or recognition, or any other situations to which the individual is unable to adjust. Through the use of counseling techniques, the supervisor can assist employees in understanding the causes of their feelings and in working out more satisfactory solutions to their problems.

Communication. The adjustment of employees depends in large part on their needs being fulfilled and upon their freedom from excessive anxiety. Where there is effective communication up and down the line between management and employees, the needs and anxieties of employees may be made known to management with the result that appropriate action can be taken. Effective communication between management and employees, as described in Chapter 14, in which employees are kept advised about their employment status, future company plans, problems in production, and the many other aspects of their jobs, helps to reduce anxiety.

Grievance handling. A system for filing grievances is a means of expressing complaints in a manner that is acceptable to management, the union, and the employees. The fact that a standard procedure exists contributes to the employee's mental health even if he never uses it. It is assurance to him that he can voice his complaints without fear of reprisal by management. It gives him a freedom that is based upon the principle that the individual in a democratic society has the right to be heard. If an employee files a grievance report, he knows that he will be heard even if it may be established later by a union-management committee that his complaint was unfounded or of little significance. The opportunity to express one's complaints in socially acceptable ways facilitates adjustment.

Contributions of the Personnel Department

It is as true of the personnel department as it is of other departments that every action which it takes has some effect on the adjustment of one or more of the employees. There are, however, special areas in which the personnel department may contribute to employee adjustment. These include:

a. Selection of emotionally mature employees
b. Proper placement and orientation of employees
c. Mental health education
d. Employee counseling

(a) Selection of emotionally mature employees. Many of the individuals who apply for jobs are emotionally immature to the extent that they are not able to withstand the normal job conditions. While it is often difficult to detect emotionally immature persons during the selection interview, the use of personality inventories and other types of tests may provide information concerning the applicant's emotional maturity. The early detection and elimination of those who are emotionally immature to the extent that treatment is not feasible will result in a better working environment for all employees.

(b) Proper placement and orientation of employees. The assignment of an employee to a department should be based not only on the ability of the employee to meet the technical and skill requirements of the job but also on what is known about his personality characteristics and those of the supervisor to whom he will be assigned. Every possible effort should be made to match persons who will be compatible and cooperative. Although the nature of interpersonal relationships cannot be predicted with a high degree of success, attention given to this phase of placement can facilitate the adjustment of the supervisor and the employee to each other.

(c) Mental health education. Many companies have wisely extended their health education programs to include the principles and practices of good mental health. By means of films, lectures, and discussions, managers, supervisors, and employees can be provided with practical information that will help in understanding their own problems as well as those with whom they work. In recent years a wide variety of pamphlets has been prepared by various health agencies as well as by private companies. Figure 16-3 is from a pamphlet *The Worry-Go-Round: How to understand your everyday tensions*, a typical mental health publication for laymen.

Many of the special publications for the businessman contain articles that are designed to promote interest in mental health and to provide practical suggestions on facilitating adjustment among executives and employees. One article of this type, "How to Live with Job Pressure," includes advice by Dr. Robert H. Felix, Director of the National Institute of Mental Health, to those who are in business or are preparing for employment.

Figure 16-3



Envious Ed

Look at Ed! How can he do his job if he lets envy strangle him. Think of the nervous energy this man uses worrying about what someone else is getting paid. Envy never increased anyone's salary.

Ed ought to be honest with himself, try to face up to his own frustrations, and do something about them. For only frustrated people are envious of others. Let Ed look to himself.

Put everything you've got into your work. You'll get a kick out of working at the top of your ability. Your life is for yourself; make the best of it. You'll have something no one can take away from you.

Source: *The Worry-Go-Round* (Hartford, Connecticut: The Connecticut Mutual Life Insurance Company, 1955). Reproduced with permission.

Try to relate your job to a goal or purpose that is larger than your own narrow self-interest. In other words, don't let your pay check, or the next promotion, be your only motives for doing a good job.

Look for a challenge — even in the most routine and uninspiring sort of task.

It is natural and desirable to go as far as you can in your field. But don't overreach yourself. Every man has his limitations; know yours and stay within them.

Develop a pace to do your day's work, and, except in real emergencies, stick to it.

Don't waste today's energy stewing over yesterday's decisions.

Develop the kind of personal relations with your staff that will make it possible for you to blow your top occasionally without wrecking morale.

Don't take your business home with you every night.

Remember that you owe some time — and vitality — to your family.

Begin preparing now for retirement. Develop hobbies and outside interests.

Take at least one good vacation a year.

Don't build all of your relaxation around alcohol.

Don't badger your doctor for tranquilizing drugs.

Decide what philosophy of life can give ultimate meaning to your existence.[7]

(d) Employee counseling. The personal adjustment of an employee is often improved when he is able to obtain information that he needs for making intelligent decisions or when he is able to express his feelings without fear of reprisal. Many companies have established advisory services to assist employees with various problems such as those involving housing, finances, health, and similar areas. Other companies have gone further and have established counseling facilities where the disturbed employee may obtain professional assistance from psychiatrists, clinical psychologists, and personnel counselors. Many companies also are training supervisors in counseling techniques in order that they may be more helpful in fostering good mental health among employees.

EMPLOYEE INTERVIEWING AND COUNSELING AS AIDS TO ADJUSTMENT

Interviewing and counseling provide the greatest opportunity for improving and for maintaining mental health among employees. Executives, personnel department representatives, and supervisors who use effective interviewing and counseling procedures may expect their employees to be better adjusted. While it is very difficult to draw lines between interviewing and counseling, the interview might be described as a "conversation with a purpose." Counseling may be thought of as an extension

[7]Louis Cassels, "How to Live with Job Pressure," *Nation's Business*, Vol. 44, No. 9, Copyright, 1956 (September, 1956), pp. 38-39.

of the interview in which an attempt is made to uncover and examine the employee's feelings and attitudes through unrestricted discussion.

In conducting selection, performance evaluation, and other types of interviews, as well as during informal contacts with the employee, certain personal adjustment problems of the employee often become known to the supervisor or personnel department representatives. Even though these problems may or may not be related directly to the employee's job, they may affect his job performance and satisfaction. While supervisory personnel may be reluctant to become involved in the personal problems of their employees, the latter, nevertheless, are likely to bring problems with them to the job. The supervisor who is trained in assisting troubled employees can make a substantial contribution to their mental health.

The discussion of the supervisor's role as a counselor that follows will include these subjects:

1. Methods of handling problem situations
2. Nondirective counseling
3. Use of professional counselors

1 — Methods of Handling Problem Situations

The supervisor (or counselor) who is attempting to help the troubled employee may make use of a variety of methods of assistance. The particular method that he may use will depend on the nature of the problem, its severity, and the extent to which the employee is likely to benefit from the particular type of assistance.

> The three methods of individual trouble shooting in industrial personnel work are: *advice*, which considers the surface crisis and dictates the solution; *guidance*, which considers the surface crisis, guesses at the cause, offers a number of possible solutions, and lets the employee make the deciding choice; and *counseling*, which goes to the underlying cause, the real crisis, and leads the employee to an emancipating understanding of his trouble.[8]

The giving of advice by a supervisor or a counselor is a form of *directive counseling*. The counselor guides the course of the interview and offers advice to the employee on the action that he should take to work out a solution to his particular problem. *Guidance* is a middle-of-the-road approach in which the counselor provides the counselee with a choice of possible solutions and lets him make his own choice. Counseling, as the term is used in the above quotation, refers primarily to *nondirective counseling*. This approach has proved most effective in dealing with employee problems and with so-called "problem employees." The nondirec-

[8]William G. Shepherd, "Advice, Guidance and Counseling," *Personnel Journal*, Vol. 25 (1946), pp. 167-170.

tive method differs from directive counseling and guidance in that the counselor does not attempt to make a diagnosis and no advice or solution to the problem is suggested. This method is also referred to as *client-centered counseling* because the client or employee determines the course of the discussion.

It should not be inferred, however, that counseling must be either directive or nondirective. Many counselors use a combination of techniques ranging all the way from the most directive to the most nondirective. There are times during a discussion when an employee desires information. This calls for the direct approach in which the information is given to him. When he expresses strong feelings about some problem, however, it may be that the exact nature of the problem is not recognized and that the employee would probably not appreciate nor benefit from advice. The nondirective approach has been found to be particularly effective in such instances in helping employees to clarify their problems and work toward solutions.

2 — Nondirective Counseling

The initial success of nondirective counseling in the interviewing studies at the Hawthorne Plant of the Western Electric Company and its use in industry on a fairly wide basis during World War II have resulted in considerable interest in and acceptance of this method of assisting employees with their problems. Since no attempt is made to diagnose the nature of the individual's problem and no solutions are offered, it is generally agreed that this method may be safely used by those with a minimum of training in counseling procedures.

Assumptions of nondirective counseling. In the first place, nondirective counseling is based on the assumption that a person is capable of solving his own problem if he is placed in a psychological climate in which obstacles to the solution of the problem are minimized. Another assumption is that if a decision is made by the client or interviewee, he is more likely to carry through with the action than if a solution is given to him by the counselor. Related to these assumptions is the belief that the individual is responsible for living his own life and that no part of this responsibility should be taken over by the counselor.

Nondirective counseling skills. One of the fundamental rules in nondirective counseling is that the counselor listen carefully and with understanding to what the employee is saying. The counselor should also have a willingness to accept the counselee as one whose problems merit attention and that what he says is of interest to him. Furthermore, he should not condemn or disapprove of the employee's expressed attitudes or feelings.

As the interview progresses, the counselor should strive to reflect the feelings of the employee by restating them in his (the counselor's) own words. For example, if the employee has discussed several situations which indicate that he feels his supervisor has treated him unfairly, the counselor at the conclusion of this particular statement would probably say, "You feel that you have been treated unfairly." While questions are used at appropriate places in the interview, the interviewer should use general questions that stimulate the employee to pursue his examination of those areas which are troubling him. Questions that call for "Yes" or "No" answers on the part of the employee should be avoided.[9]

Values of nondirective counseling. The free expression that is encouraged in the nondirective approach tends to reduce tensions and frustrations. After the employee has had an opportunity to release his pent-up feelings, he is in a better position to view the problem area more objectively and with a problem-solving attitude. The permissive atmosphere gives him an opportunity to try to "work through" the entanglements of the problem and to see it in a clearer perspective. This approach has proven valuable many times in counseling "problem employees." At first, such persons are likely to be on the defensive and critical of everything and everybody. Before the session is over, however, they often come to realize and admit that their own behavior could be improved. The chances for improved behavior are found to be much greater under such circumstances than if the individual is threatened with punishment or admonished to "improve."

The supervisor's use of nondirective techniques. Two of the supervisor's primary responsibilities are to insure that the work is accomplished in accordance with established standards and that good human relations are maintained among the members of the work group. In carrying out these responsibilities, the supervisor will find many occasions where the use of nondirective techniques will lead to effective solutions of problems that confront him and his employees.

Since he may not have the skill or time in which to handle the more complex personal problems that employees may bring to him, he should be able to recognize the need for making referrals to trained counselors in the personnel department or medical department. Such referrals should be made on the basis of the severity and complexity of the problem. Likewise, if the problem area is one over which the supervisor has little or no influ-

[9]For a detailed discussion of nondirective techniques see Carl R. Rogers, *Counseling and Psychotherapy* (Boston: Houghton Mifflin Co., 1942), and his *Client-Centered Therapy* (Boston: Houghton Mifflin Co., 1951). Specific applications of this method to business are discussed in N.R.F. Maier, *Psychology in Industry* (2nd ed.; Boston: Houghton Mifflin Co., 1955), Ch. 20.

ence, as for example the employee's family relationships, it would probably be desirable for the supervisor to refer the employee to the personnel department where specialists are available or may be contacted. Needless to say, the act of referring an employee to the personnel department for professional assistance requires considerable skill and tact.

3 — Use of Professional Counselors

Several companies, including IBM, DuPont, American Cyanamid, and Metropolitan Life Insurance, employ full-time psychiatrists to spot employees with emotional disturbances and to arrange treatment for them. Other companies have arrangements with clinical psychologists to handle their problem cases. A few companies even have full-time employee counselors who are available for counseling personnel at any level in the organization who come to them with their problems. The Western Electric Company, as an example, attempts to employ one full-time counselor for every 300 employees. Under their plan any type of problem may be considered by the counselors, who use nondirective techniques for the most part. The employee is guaranteed that the intereview will be held in strictest confidence.

If the company is not able to support such qualified personnel on its own payroll, it should at least make referrals to clinical psychologists or psychiatrists through the medical staff. This is advisable because organic causes for an employee's illness should be ruled out before psychotherapy is started. Furthermore, individuals with emotional problems requiring the assistance of professional persons should be referred to a specific individual whose qualifications are known, since there are many quacks ready to "serve" the unwary.

Both clinical psychologists and psychiatrists specialize in the treatment of emotional problems. Professional competency should be the main consideration in engaging the services of a specialist in this area. This can be assessed most validly by those working in the field. The names of competent clinical psychologists and psychiatrists can best be obtained from the local mental health agency or social welfare agency, the local medical society, or from a local college or university.

RÉSUMÉ

In this chapter the need for recognizing the symptoms of emotional maladjustment, for understanding its causes, and for helping disturbed employees to attain a better adjustment has been emphasized. Managers

and supervisors should recognize that eccentric individuals, troublemakers, or other so-called "problem employees" are really employees with problems. These problems — like the problems of physical illness and disease — require attention and care. While many managers may feel that the emotional life of employees is not their concern, they cannot escape the fact that a good part of the individual's life is under their guidance and control. As a result, management actually does play an important part in influencing the type of adjustment that an employee may enjoy. Therefore, it is not a gesture of charity to create a working environment that will contribute to the emotional adjustment of personnel and to provide some assistance to those who apparently are not enjoying good mental health.

The art of counseling can be used to relieve tension and to permit a change in attitudes and a resulting change in behavior. By permitting a expression of attitudes in counseling and in similar contacts with employees, dissatisfactions may be made known and eliminated through mutual understanding and appropriate corrective action. In this way counseling may contribute to the prevention of grievances and the elimination of the need for disciplinary action in many instances. There will still be dissatisfactions, however, and an occasional need for disciplinary action where the problems could not be solved without resorting to action of a more formal nature. The formal procedures for handling grievances of employees and of management will be discussed in the next chapter.

REVIEW AND DISCUSSION QUESTIONS

1. What is meant by the phrase "adjustment is relative"?
2. What are the characteristics of people with good mental health?
3. What is the relationship between frustration and motivation?
4. What are common ways that people react to frustration?
5. What is anxiety? What effects does it have on the human body? Is it always undesirable?
6. What are the three major types of defense mechanisms?
7. How do neuroses and psychoses differ in severity and the type of symptoms?
8. How may managers and supervisors contribute to the mental health of employees? What may the personnel department do?
9. How does advising differ from counseling?
10. What are the basic assumptions of nondirective counseling?
11. What skills are used in nondirective counseling?
12. To what extent should management demand conformity of its subordinates? What effect may demands for conformity have on employee adjustment? on efficiency?

13. Why is it important to distinguish between symptoms and causes in understanding human behavior?
14. A personnel manager advises his staff that they must hire only normal applicants who apply for jobs. Who is normal? What are some of the problems in determining normality? Should normality be considered more important than skills and experience?
15. In view of the financial liability that the employer must now assume for the physical health and welfare of his employees, what do you predict will be future trends in his responsibility for safeguarding the emotional health of employees?

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Chapter 17

Grievances and Disciplinary Action

In any employment situation there are likely to be instances where employees feel that they are not being treated fairly or that the working conditions are unsatisfactory to them. These dissatisfactions must be detected promptly and corrections made wherever possible. If the dissatisfactions of an employee go unheeded or if the conditions causing them are not corrected, the irritation is likely to grow and lead to unrest among other employees as well as to unsatisfactory attitudes and reduced efficiency for the individual concerned.

The labor contract typically provides for a grievance procedure by which employee dissatisfactions and disagreements may be expressed. The *grievance procedure* is designed to facilitate the handling of complaints and disputes between the employee and the employer, as well as between the union and the employer, over the interpretation, administration, and enforcement of the labor contract. Since the labor contract specifies in detail the conditions of employment, the grievance procedure provides a basis for handling many of the day-to-day problems that arise on the job concerning the interpretation of the contract.

Typical grievances of employees, which may be filed by them or by their union representatives, involve such matters as wages, job classification, type of supervision, environmental conditions, layoffs, promotions, transfers, and loss of seniority. Any act or failure to act on the part of management, however, may be the cause of an employee grievance. The grievance procedure may also be used by management where it feels that it has received unfair treatment from an employee or the union. In most instances, however, management usually takes some type of disciplinary action against the employee who has acted contrary to established rules

and policies. If the employee's infraction is serious, management may use the most extreme type of disciplinary action and discharge the employee from the company. Thus, both employees and managers have established and accepted procedures available to them through which their grievances may be resolved. This is necessary in a complex industrial society where the rights of individuals must be recognized and protected. The discussion of the methods by which these rights may be protected will be considered in this chapter under the following headings:

- The nature of grievances
- Formal grievance procedure
- Disciplinary action

THE NATURE OF GRIEVANCES

In a study of dissatisfactions and grievances it is important to recognize the difference between symptoms and causes. While symptoms are indicators that all is not well with the individual, they do not tell what the underlying cause is. The many factors that influence employee behavior must be analyzed to uncover the real cause of the grievance. Merely working with the symptom will not produce satisfactory results. It is important, however, to be alert to the symptoms which indicate a need to look for the underlying causes.

Symptoms

Employee dissatisfactions may be revealed in ways other than through verbal complaints. Sometimes the employee cannot identify the exact cause of his dissatisfaction, and thus is not able to talk about it. In other instances, the employee may recognize the source of his ill-feeling but is unable to find the words with which to express it to his supervisor. Thus, the supervisor not only should be trained in interviewing and counseling methods that will facilitate employee expression, but he also should be alert to some of the common symptoms of dissatisfaction.

When an employee's attitude toward his job or his supervisor changes, it is likely to be reflected in his behavior. There is no one typical pattern of behavior but such signs as sullenness, moodiness, worrying, lack of cooperation, insubordination, and absence from the job often indicate dissatisfaction. These behaviors, furthermore, may be indicators of dissatisfaction that is not necessarily related to the job. A decrease in the quantity and quality of work of an employee or a group of employees may also indicate dissatisfaction. Again, it should be recognized that these changes may also be symptoms of other problems such as having faulty

materials or lack of proper instruction. However, by training supervisors to be alert to such symptoms and to investigate the possible causes, the likelihood of problems reaching serious proportions may be decreased.

Causes

Grievances, as expressed by the individual, often do not point to the heart of the problem. An employee may, for example, report that the physical conditions under which he works are unpleasant or unsafe. But a careful study of the situation by an impartial observer may reveal that the real reason for the complaint is that the employee does not like his supervisor because the supervisor is always "riding" him. In this instance the real grievance is over the nature of supervision and not the physical working conditions. Obviously to correct the physical environment would not resolve this employee's grievance. Each grievance, therefore, must be carefully studied and analyzed to insure that the expressed grievance represents the heart of the problem and not some side issue that the complainant may use for one reason or another.

An exploration of possible causes for a grievance requires a detailed study of all of the factors that may be influencing human attitudes. Some of the more important of these factors contributing to grievances that should be examined include management personnel, the union, and personal factors of the aggrieved employee.

Management's effect on grievances. Management's policies, as they exist or as employees perceive them, constitute an important factor in maintaining good labor relations. While policies should be reflected through action, it is often advisable for management to express its policies openly through the various media of communication that are available to it.

Management must also recognize that what may appear to it to be trivial and inconsequential may be important to employees. In one of the automobile assembly plants 32,000 workers walked out because the protective coverall furnished them at their request was referred to by the company as a "smock." An authoritative source commented: "I think this never would have happened if those garments weren't called 'smocks' at the start. The men feel they are being sissified. You might say this is the first semantical strike in the industry."[1]

Another source of grievances lies in supervisory practices. The supervisor's attitude and behavior toward individual workers and the

[1]Reprinted from the June 9, 1951 issue of *Business Week* by special permission. Copyrighted 1951 by McGraw-Hill Publishing Company, Inc.

union may provide a fertile source of grievances. The supervisor who plays favorites, fails to live up to promises, or is too demanding is likely to encounter many grievances from his workers. In addition to establishing good relationships with employees, it is the supervisor's responsibility to be familiar with the labor contract and company rules in order that he may protect the rights of the employees as well as those of the company.

Union-promoted grievances. The fact that the union can provide a voice for their grievances is a vital factor in motivating employees to join the union. Realizing that members expect action, union leaders sometimes are inclined to encourage the filing of grievances in order to demonstrate the advantages of union membership. Where the union has not established itself securely as the bargaining agent for its members, it may conduct a campaign to "swamp" the company with grievances. Through such a "war of nerves" it may hope to marshal the support of its members and thereby place itself in a more secure bargaining position. Where union leadership itself is insecure, it may use these tactics to direct the attention of the members away from its own shortcomings.

Personal factors. The personal factors influencing the aggrieved individual should also be studied. The mental and physical health that he enjoys is likely to influence his attitude toward his job and the company. The employee who enjoys good physical and mental health is more likely to overlook minor discrepancies, while the less healthy individual may consider them to be of major importance and demand that corrective action be taken. Similarly the employee who is beset with problems that are not directly related to his job, such as family difficulties, may find that complaining about his job helps to relieve tension that stems from these other sources.

Some employees are quite "vocal" and find fault with everything. They are sometimes referred to as "chronic grievers." One study of the personality characteristics of grievers and nongrievers revealed that the basic difference between the two groups was that grievers tended to be more "thin-skinned" and had their feelings hurt more easily. This finding suggests that some people may tolerate a certain condition without filing a grievance, whereas others will protest.[2] While one cannot hope to remake such individuals, an awareness of the fact that there is this basic personality difference between grievers and nongrievers may prove helpful in working with these individuals.

[2]Ross Stagner, *The Psychology of Industrial Conflict* (New York: John Wiley & Sons, Inc., 1956), pp. 394–395.

Preventing Grievances

Although there are always likely to be grievances wherever people are employed, competent managers make every effort to prevent situations that result in grievances. Wherever employee attitudes and feelings indicate that dissatisfactions may be developing, management should attempt to uncover the causes and take whatever corrective action that may be feasible. In some instances, the appropriate corrective action may involve changing work procedures or conditions. In other instances, the appropriate corrective action may involve some type of communication, either of an individual nature, such as an interview, or an announcement to a group of employees in which management states its position on the matters over which grievances may be developing. Grievance prevention, however, does not mean suppression of grievances. To suppress the expression of a grievance is only to intensify it. The establishment of a formal system for handling grievances and the effective direction of it can provide a fair basis for resolving grievances. As a result, harmonious relationships between employees and management may be developed and maintained.

FORMAL GRIEVANCE PROCEDURE

Every company, whether or not it is unionized, should have a formal procedure for the handling of grievances. In the unionized company the contract between the company and the union typically indicates the steps to be taken by employees, the union, and management in initiating grievances. In the nonunion company management should establish a formal grievance procedure that meets the following requirements:

No fear of reprisal.
Employees understand system.
A problem solving atmosphere prevails.
The employee should not be at any disadvantage in handling grievances because of lack of skill in presenting his case.[3]

Since formal grievance procedures usually are clearly defined where a union is represented, the following discussion will focus primarily on procedures for grievance handling under the typical labor-management contract. Many of these comments, however, will also apply to the nonunion company. The topics to be considered include:

1. Steps in the grievance procedure
2. Initiating employee grievances
3. Resolving grievances
4. Arbitration of grievances

[3]Robert E. Sibson, "Handling Grievances Where There Is No Union," *Personnel Journal*, Vol. 35 (June, 1956), pp. 56–58.

1 — Steps in the Grievance Procedure

The steps through which a grievance is processed are usually enumerated in the labor contract. The number of steps will depend largely upon the size of the company and the organization of the union. In the larger company a grievance may pass through three or four steps before being resolved, whereas in the smaller company it may go through only one or two steps. To facilitate the prompt and effective handling of grievances, it is important that the number of steps be kept at a minimum.

In Figure 17-1, the steps and participants in the typical grievance procedure are indicated. Variations of this pattern depend upon the extent to which business representatives and other paid representatives of the union are involved, the authority of the company's industrial relations department, and the structure of the industry and of the union covered by the contract.

Although grievances are usually presented by employees and/or the union steward, they may also be presented by union representatives at higher levels where a grievance involves several employees. While the general pattern for handling grievances is as shown in Figure 17-1, an examination of the grievance procedure as specified in a labor contract

Figure 17-1
Steps and Participants in Typical Grievance Procedure

Step	Representing the Employee or Union	Representing the Employer
First (presentation)	Employee and/or union steward	Employee's foreman
Second	Chief steward	General foreman or department head
Third	Grievance committee	Personnel director or director of industrial relations
Fourth	Grievance committee and/or international representative or business agent of the international union	Plant manager
Fifth	Arbitration	

Source: Selwyn H. Torff, *Collective Bargaining* (New York: McGraw-Hill Book Company, Inc., 1953), p. 292. Reproduced with permission.

will indicate the rigid standards as to time allotted at the different steps and the almost standard requirement for reducing complaints and replies to writing. The following paragraphs are taken from an actual contract.

ARTICLE XIV

GRIEVANCE AND ARBITRATION PROCEDURE

Section 1. GRIEVANCE PROCEDURE

In order to provide an orderly method for handling and disposing of disputes and grievances between the Union and the Plant Management, all such disputes and grievances shall be adjusted as follows:

A. Between the aggrieved employee and /or a local Union Representative on one hand and the Supervisor on the other. If no satisfactory settlement is reached between them within one (1) working day, the matter shall be reduced to writing, signed by the employee or a local Union Representative, and referred to;

B. the Shop Steward, with or without the aggrieved employee on the one hand and the General Foreman on the other. In small departments where no Shop Steward has been elected, the Chief Steward shall serve in the capacity of Shop Steward. If no satisfactory settlement is reached between them in two (2) working days, the written grievance shall be referred to;

C. the Union Shop Committee on the one hand and the Company's Plant Grievance Committee on the other. A Grievance Committee meeting will be held within three (3) working days of this presentation to the Company. The grievance will be answered in writing by the Company within three (3) working days of the date of the Grievance Committee meeting.

Any question of interpretation or application of this Agreement in which no aggrieved employee is involved, or which is of a general nature, may be raised initially by the Union at Step C of the grievance procedure.

Section 2.

In the event that no satisfactory agreement is reached in Step C of the grievance procedure as provided above, the Union shall request a meeting with a representative of the Division's Industrial Relations Department. A meeting will be held with the Union, including a representative of the International Union, at the plant as soon as mutually agreeable, but in no case beyond ten (10) working days. The Company will give an answer in writing within five (5) working days of such meeting.

Section 3. FAILURE TO APPEAL

Any grievance not appealed to Steps B or C within five (5) working days or to Section 2 within ten (10) working days of the Company's answer in the previous steps shall be considered as settled on the basis of such an answer and not subject to further appeal.

Section 4. ARBITRATION

Should the Union and the Company fail to settle any such dispute or grievance after completing the above procedure, the matter may be submitted to a Board of Arbitration within ten (10) working days of the Company's answer as outlined in Section 2 above. The party desiring arbitration shall give notice in writing to the other party, defining the question to be arbitrated and the nature of the remedy sought.

The Board of Arbitration shall consist of one (1) member selected by the Union and one (1) member selected by the Company and a third (3rd) impartial member selected under the Voluntary Labor Arbitration rules, then obtaining, of the American Arbitration Association or the Federal Mediation and Conciliation Service, who shall act as chairman. If the parties cannot agree on the arbitration services to be selected within ten (10) days after receipt of the written notice requesting arbitration, the party asking arbitration shall have the right to choose the service to be petitioned Each party shall bear the expense of its designated Board Member, and the fees, if any, of the third Board Member shall be born equally by both parties.

The matter shall be submitted to the Board of Arbitration with an opportunity for both parties to be fully heard on the issues involved. The decision shall be in writing and the decision of the majority of such members shall be final. It shall be complied with within five (5) working days after the decision is rendered.[4]

2 — Initiating Employee Grievances

Customarily a grievance is first presented to the employee's immediate supervisor, either by himself or by the steward in his work area. If good relationships exist between the supervisor and the employee, it is quite likely that the employee will express his grievance orally to his supervisor. In many instances the supervisor will be able to resolve the grievance at that time or shortly thereafter. If, however, the employee is not satisfied with the supervisor's decision, he may appeal to higher authority. This is done by reporting his grievance on a special form similar to that shown in Figure 17-2 on page 348. These forms are usually prepared in multiple copies for distribution to company and union personnel concerned.

The use of an official grievance form requires the employee to assemble the facts and, in effect, to substantiate the basis for his grievance. It thus tends to reduce the number of trivial complaints that are forwarded to higher echelons and minimizes the employee's opportunity for using this as a method for merely expressing his personal animosity for the supervisor.

Assistance from the union steward. In writing up his grievance, the employee usually obtains assistance from the steward who represents him.

[4]Agreement between Williamsport Plant Radio and Television Division of Sylvania Electric Products Inc. and International Association of Machinists, Lodge No. 140 A.F.L., October 7, 1955.

Figure 17-2

GRIEVANCE STATEMENT

EMPLOYEE: Roland Smith CLOCK NO: 65891 SHIFT: Swing

JOB CLASSIFICATION: Bench Machinist PLANT: 2 DEPT.: 616

DEPT. FOREMAN: R. M. Lancaster

STATEMENT OF GRIEVANCE: I received only a 7-cent wage increase on my eighth-month review. Everyone else in my department has received the top of the rate in the past. A man who hired in later than I did received the top of the rate. I am doing the same type, quality, and quantity of work as others in this classification who have received the top of the rate. When I hired in, the supervisor told me that I would receive the top of my rate on the eighth-month review. This was not the case. I feel that I have been discriminated against and should receive back pay to my eighth-month review for top rate of Bench Machinist.

EMPLOYEE: Roland Smith (Signature) DEPT. STEWARD: Oscar Black (Signature)

RECEIVED BY: R. M. Lancaster (Supervisor or Foreman) TIME: 9:30 a.m. DATE: 1-16--

Prepare in quadruplicate for distribution

1. Original and one copy (Labor Relations)
2. Department
3. Chief Steward

UNION FILE NO. _____

LABOR RELATIONS NO. 1-59-32

Because of his familiarity with the provisions of the union contract and his experience in evaluating and writing up grievances, the steward's services can be especially valuable to the employee. The steward may also be of considerable assistance to the employee when he first approaches the supervisor. By discussing the matter with the steward and obtaining his evaluation of it, the employee may have a better perspective of his problem. Management prefers that the employee contact his supervisor before approaching the steward, and union officers prefer the opposite. The choice that the employee makes will depend largely upon the nature of his relationships with the supervisor and with the steward.

The steward's value to management. Because he knows the employee and has had opportunities to observe him, the steward is in a position to determine whether the expressed grievance represents the employee's real problem. Although the supervisor may suspect that there is a discrepancy between the expressed grievance and the real grievance, the employee would probably be less likely to accept his evaluation. Where there is a good relationship between management and the union, the stewards can be especially helpful in searching out the real sources of difficulties, with the result that grievances which are filed are likely to come closer to representing the actual problems. A good steward can also assist the foreman by screening out chronic complainers or "grievers." It is to the union's interest to restrict the filing of grievances to those that are basically sound because this places the union in a stronger position to gain satisfactory consideration on those grievances that are of major importance.

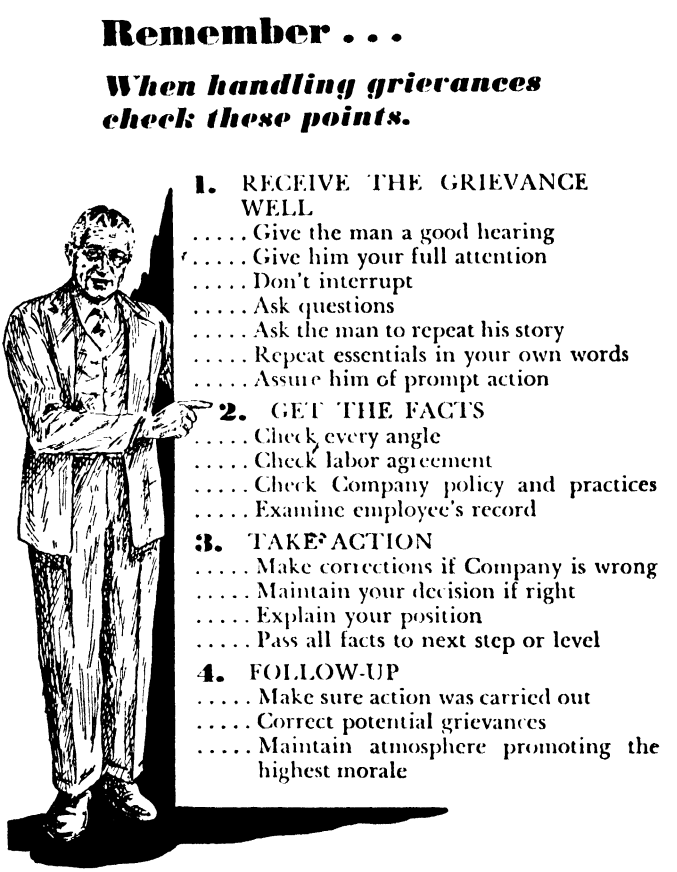
3 — Resolving Grievances

Management and union representatives who have any part in the handling of a grievance must always keep in mind that a grievance is a very important matter to the employee who is aggrieved. In the interests of good personnel management, therefore, every effort should be made to insure that each grievance receives the careful consideration that it deserves. The facts must be determined, and all of the related aspects must be examined in a thorough and systematic manner with a view to arriving at a fair and impartial settlement of the case.

The supervisor's role. Since the supervisor is the first representative of management to receive the grievance, it is important that he be trained to deal with the aggrieved employee in a manner that will facilitate the resolving of the problem. As shown in Figure 17-3 on page 350, this requires that he (1) receive the grievance well, (2) get the facts, (3) take action, and (4) follow up. Specific recommended actions under these four headings are indicated.

The supervisor's skill in discussing the grievance with the employee and the steward, and in taking prompt and appropriate action, can reduce the number of grievances that must be handled at higher levels (and which may ultimately reach the arbitration stage) and thus can contribute to a considerable savings in time, energy, and expense as well as restored goodwill. In 1957, 60 per cent of the grievances filed under the agreement between General Motors and the United Auto Workers were settled at this level. This figure indicates ability and willingness on the part of both

Figure 17-3
Handling Grievances



Source: *Handling Grievances* published by the Aluminum Company of America. Reproduced with permission.

management and union in this instance to resolve grievances as quickly as possible.

Necessity for mutual concessions. As representatives of management and the union sit down together in the attempt to settle a grievance, each side must maintain a flexible attitude and be prepared to discuss the matter in a give-and-take manner if their relationships are to be generally successful. A grievance should not be viewed as something to be won or lost. Neither side can expect to have all of the grievances decided in its favor.

When a grievance remains unresolved at the fourth step (see Figure 17-1), three alternative courses of action may appear. One of the

parties may back down from the position that it has been holding, thereby resolving the difference. Or if the contract provides for arbitration by outside parties as the final step, the grievance can be submitted to arbitration. If, however, the contract does not contain arbitration provisions and the deadlock cannot be broken, the aggrieved party will either have to drop the grievance or resort to a strike, slowdown, or lockout.

4 — Arbitration of Grievances

Arbitration is a procedure that provides for an employer and a labor union to submit an issue of disagreement to an impartial person or group for a solution. Most of the labor-management contracts have arbitration clauses that provide a terminal point for the handling of grievances. Such clauses typically specify what issues may be subjected to arbitration, the procedure to be followed, and how arbitrators are to be selected.

Functions of the arbitrator. The arbitrator[5] (or umpire, as he is sometimes called) may be one person or a tripartite board made up of representatives of management and labor plus an impartial chairman who is acceptable to both sides. The arbitrator is charged with the responsibility of arbitrating grievances that are submitted in a *submission agreement* or a stipulation to arbitrate. This document includes an agreement by the parties to arbitrate the dispute and a statement of the issue involved.

Under typical arbitration procedures the parties agree in advance to accept the decision of the arbitrator. His decision is ordinarily limited to grievances concerning disputes over the interpretation of the labor agreement. In fact, the labor contract usually states quite specifically that the arbitrator is not to handle those grievances that might involve a change in the agreement, and that the arbitrator shall have no power to add or subtract from or modify any of the terms of the agreement. Thus the arbitrator's function is to serve as an impartial judge and to render a just decision in the specific issue at stake. In some instances the arbitrator serves not for just one case but is hired for a specified period of time to represent both parties to a contract.

Precedent factors in arbitration. In carrying out his functions, the arbitrator does not have a system of laws that must be followed. He is hired for the express purpose of working out differences that have arisen between the parties to a labor contract. While there may be some legal implications in the matters that he is asked to consider, his primary func-

[5]Arbitrators are usually selected from lists of qualified persons who are connected with governmental agencies such as the Federal Mediation and Conciliation Service, state labor relations offices, or individuals who are members of the American Arbitration Association.

tion is to settle differences that have been stated in the submission agreement. With the increased use of arbitration as a method of settling grievances, there has developed a form of legal background and precedent.

Though they are not considered as binding precedents, in the sense that court decisions are, they are fast becoming a major body of practical labor law. For the parties to it, the award has the same binding and enforceable effect as a court decision; for other employees and unions, it is a valuable guide that shows what the problem was, what each side's contentions were, what the arbitrator decided, and why. The high caliber of the average individual selected as an arbitrator has added considerably to the practical value of labor awards.[6]

While the arbitration of past grievances does provide a background against which to view present cases, it is important to recognize that each situation is different and that comparisons between grievances are often difficult. Furthermore, the primary objective of arbitration is to help to generate good labor conditions. Therefore, the manner in which previous cases were handled or resolved should not restrict the arbitrator in the effective handling of his cases.

Carrying out the arbitrator's decision. The arbitrator's decision is known as the *award.* It must embrace everything required by, and cover every point included in, the submission agreement. Generally the arbitrator's award is enforced by the voluntary action of the parties concerned. It is, however, enforceable under common law and under state arbitration statutes. The award is binding only upon the parties to the arbitration agreement and the individuals they represent. Since arbitrators derive their powers from the contract by which the parties agree to arbitrate, it necessarily follows that they have no authority to make an award that affects the rights of anyone else.[7]

While only a very small fraction of the grievances that are filed reach the final stage, arbitration is nevertheless an important feature of the labor-management agreement. Arbitration procedures insure that the rights of employees and management alike will be protected. In providing for equal justice to both sides, it serves to strengthen the free enterprise system that demands the cooperation of both management and labor.

DISCIPLINARY ACTION

The discussion up to this point has focused on the grievance procedure, which is designed basically to protect the individual employee. As noted previously, management may also use the same procedure in cases where

[6] *Labor Course* (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1958), Paragraph 13, 173.

[7] *Op. cit., Paragraph* 13, 161.

it desires to take action against an employee or the union. In most instances, however, management resolves its grievances by taking disciplinary action against an employee.

Disciplinary action refers to the action taken by management to correct the attitudes and behavior of employees who have violated company rules or have acted contrary to established policy. Such action may range from admonishments or reprimands to discharge from the company, depending upon the severity of the infraction and the number of times it has been repeated. Disciplinary action should be contrasted with *discipline*, which in the broadest sense refers to the attitudes and behavior of employees toward company rules and policies. Where discipline is considered good, employees are more likely to abide by the spirit and the letter of the rules established as guides for their behavior. Conversely, where discipline is considered to be poor, employees are often found to violate the established rules. In the discussion that follows the topics to be considered are:

1. Underlying causes for behavior requiring disciplinary action
2. Requirements of effective disciplinary action
3. Employee discharges

1 — Underlying Causes for Behavior Requiring Disciplinary Action

The supervisor should approach a disciplinary situation with a humanistic as well as a legalistic attitude. The causes underlying the employee's misbehavior are as important as the act itself, and any attempt to prevent further recurrence will require an understanding of the basic causes of his behavior. While it is often difficult for the supervisor to maintain an objective attitude toward infractions of employees, if he can approach such problems with a problem-solving attitude, he is more likely to come up with a diagnosis that is nearer to the truth than if he used the approach of a trial lawyer. In attempting to uncover reasons for employee misbehavior, certain factors must be kept in mind.

Lack of knowledge and understanding. It is safe to assume that most people want to do the right thing. In many instances an employee violates a rule because he is unaware that there is a rule covering such conduct or he may not know how it applies to a particular situation. While these reasons may be used as excuses, it should be made clear to the employee that further violations will not be considered with the same leniency. The best approach to eliminating this type of problem is to insure that employees are given careful and thorough indoctrination in company rules and regulations.

Lack of ability or aptitude. Management must also make certain that the employee has the ability through training and/or experience and that he is physically and emotionally fitted to perform in accordance with the rules covering his job. During selection, placement, training, and the probationary period, the aptitudes of the employee should be carefully assessed. This is the best time to transfer the employee to another job or to discharge him.

Attitudes. The attitude of the employee toward the company, his supervisor and fellow workers, and the job itself may result in his breaking the rules. Unfortunately these attitudes are not always known before rules are broken and some damage is done. Where the supervisor knows his men and is able to communicate effectively with them, however, their attitudes will probably be known. Under such conditions it may even be expected that there will be fewer instances of employee behavior which require disciplinary action since the supervisor who knows his men well will probably have developed favorable attitudes in them.

Faulty rules and regulations. Rules and regulations should be established as the need for them arises, and their usefulness should be assessed periodically. Those rules that are violated most frequently should receive particular attention. The need for the rule may no longer exist or some alteration may need to be made that will facilitate abiding by the rules. While a rule is not made to be broken, it should be assessed in the light of the personnel policies of the company and the operational need for the rule. If the rule has little or no value in protecting employee morale, safety, company property, or similar matters, it should be revised or rescinded. Otherwise employees are likely to feel that management is overrestricting their behavior and may retaliate by thinking up ways to harass the supervisory personnel as illustrated in Figure 17-4. While the working conditions depicted in this cartoon are no longer typical of most factories, the principle illustrated is still applicable.

2 — Requirements of Effective Disciplinary Action

It is important to the welfare of the employees as well as to management that there be good discipline, providing, of course, that the rules and regulations are just and reasonable. Most of the rules are ordinarily of such a nature that they help to protect the safety and general welfare of the worker. Like civil laws, they are established to protect the group from the occasional misbehaviors of some of its members. Merely having the rules, however, is not sufficient. Unlike civil laws, ignorance can be an excuse

Figure 17-4



Source: *Out Our Way* cartoons by J. R. Williams. Reproduced with permission of NEA Service, Inc.

that the employee may use to vindicate his behavior. Therefore, rules must be explained to all personnel and enforced by management on an impartial basis if they are to yield the desired effects.

When disciplinary action is taken, it should be for the purpose of emphasizing to the employee the importance of abiding by the rules and regulations. It should be viewed as a corrective rather than a punitive action. In order to be effective, careful attention must be given to such matters as who is responsible for taking disciplinary action, insuring fair and impartial treatment, the importance of facts and evidence, and the possible reaction of the union.

Responsibility. It is the responsibility of the first line supervisor to enforce the rules of the company. In most instances this is achieved without resorting to any type of disciplinary action. Occasionally, however, it is necessary for the supervisor to use his disciplinary powers. For many violations he may have authority to punish the worker, but in the case of serious violations the punishment may be taken only after the case has been considered by higher authority and the personnel department. The person-

nel department ordinarily coordinates the disciplinary action taken by other departments. This is done in an effort to attain some degree of uniformity and to minimize possibilities of violating the law or the contract in taking disciplinary action. The personnel department may also provide the employee with counseling assistance and, in instances where there is an obvious conflict between the employee and the supervisor, it may consider transferring the employee to another department.

Insuring fair and impartial treatment. Definite policies and procedures for handling disciplinary matters are essential for insuring fair and impartial treatment of offenders. Each supervisor should be furnished with a written policy and a standardized procedure, including recommended penalities for specific infractions of the rules. The standardized procedure should serve primarily as a guide that can be used in determining what type of disciplinary action should be taken. The severity of the offense, the circumstances under which it occurred, and the number of prior offenses of the same or similar nature are among the factors to be considered. The employee's record and his service with the company should also be given some consideration. In any event, an employee should not be penalized for failure to observe rules or standards that are impossible to observe.

The system should provide the employee with the right of appeal and the review of the case by higher levels of management. In cases where discharge or suspension is indicated, it is customary for the personnel department or line executives to review them automatically. These provisions recognize the employees' rights to fair and impartial treatment, and at the same time help to encourage supervisors to maintain an objective attitude toward employee behavior. It is also important to insure that disciplinary action is consistent with the contract and that it will not provoke union retaliation or charges of unfair labor practices.

Importance of facts and evidence. Before any disciplinary action is taken, all pertinent information concerning the offense should be obtained. The supervisor should interview the employee with a view to obtaining his reasons for his behavior, his attitude, and any information that will enable the supervisor to understand the infraction. Even though the supervisor may be angry over what has happened, he should make every effort to approach the employee in an objective and understanding manner. Although disciplinary action may still be necessary, it is more likely to be accepted by the employee.

A record of offenses and disciplinary action taken is usually maintained in the employee's personnel file. This not only provides a complete

work history of each employee but also serves as a basis for determining disciplinary action and evaluating the company's disciplinary policies and procedures. It is often found advisable to record the fact that the employee was reprimanded by a written notice. A copy of the notice is given to the employee and a copy sent to the personnel department for inclusion in the employee's file. Warning notices are also included in the file, but they are usually removed after a six-month period.

Union reactions to discipline. The union is interested in the rules and regulations that form the basis for employee discipline because these matters concern the welfare of employees. If an employee is suspended or discharged for violating a regulation, the union is obliged to investigate and determine whether such action on the part of management was justified. The manner in which disciplinary cases are handled is usually an important factor in determining the attitude of union officers. Where objectivity and fairness prevail, the union is likely to be more reasonable in its reactions to disciplinary actions. Similarly, if the union is kept informed, there is less room for misunderstanding. It is usually helpful, therefore, to keep union representatives advised of infractions and any warnings that are issued to the employee.

In a recent review of arbitrator's awards made over a twenty-year period, a labor-law expert has evolved a list of seven rules that will "stick." These are listed and pictured in Figure 17-5 on page 358. Even without a contract, these rules are useful benchmarks in disciplining employees.

3 — Employee Discharges

Discharge is the most drastic administrative action that can be taken. It is used against an employee who has committed a serious offense or has a record of repeated violations of company rules. It is also used to remove workers who cannot be utilized effectively in any job because of incompetence or inability to perform adequately. It was once a popular approach to employee discipline, but in recent years the trend has been for companies to resort to discharge action less frequently because of restrictions imposed upon them by the unions and by law.

Authority for discharges. Traditionally the supervisor had the power to discharge an employee whom he felt should be disciplined or was not adequate for the job. This is no longer the accepted practice. While it is believed that the supervisor should have the authority to discharge or recommend that an employee be discharged from his department, he should not be in a position to remove him from the company. It is possible that the employee could be effectively utilized in another job and under a dif-

Figure 17-5



Source: An article by Paul A. King, "Tips to Successful Discipline," *Factory Management and Maintenance*, Vol. 116, No. 6 (June, 1958), p. 78. Reproduced with permission.

ferent supervisor. In many instances the basic reason for the discharge action is a conflict of personalities that can only be resolved by placing the employee in a different department. Similarly, an employee's ineptness for one type of work may not interfere with his performing satisfactorily at another job. Most companies provide for some type of review of recommended discharge cases to insure that fair and impartial consideration has been given to the case. The personnel department must also avert any discharge action that may lay the company open to union grievance or legal or contract violation.

Benefits of discharge action. In many instances it is not only beneficial to the company to have an incompetent person or an habitual offender off the premises but also the employee himself may be benefited in the long run. If it is likely that the employee will not be able to advance in the company because of his inability to adjust to the employment situation, it would be far better for him to have an opportunity to start out with a different company where his chances of succeeding are greater. Furthermore, when an employee's conduct has been of such a nature to warrant discharge, it is possible that this action will help him to realize his inadequacies and serve as a basis for improved attitudes and behavior.

Maintaining goodwill. In the interests of justice to the employee and in maintaining favorable relations with the union, discharge action should be taken only after a thorough review of all of the evidence and assurance that this action is justified beyond any reasonable doubt. If management has erred in some way, such as by failing to instruct the employee or by inadequate supervision, it is likely that such a discrepancy will be noted by the union. If the action is appealed through the grievance procedure and the case goes to arbitration, the arbitrator may reverse the company decision with loss of face for the supervisor and the company.

When it is determined that discharge is warranted, every effort should be made by line and staff personnel to maintain pleasant relationships with the employee who is about to be discharged. Where it can be done sincerely, he should be given as much help as possible in locating suitable employment. If the company employs counselors, they may be of further assistance at this time.

Unfair labor practice. Since management is responsible for the effective operation of the business, it should be able to hire, discipline, discharge, promote, transfer, and take similar personnel actions subject only to the restrictions provided in the union contract. On the other hand, the union should have the opportunity to appeal any decision of management that

it believes is discriminatory against the union or its members. The Labor-Management Relations (Taft-Hartley) Act — to be discussed in detail in Chapter 19 — specifically recognizes the rights of employees and unions in this regard and provides for the redress of any action taken by management that constitutes an unfair labor practice. Therefore, in the interest of avoiding such charges and in developing effective human relations, management should have definite policies concerning discharges. The following policies are suggested by one authority:

1. Have as few disciplinary rules as possible, for the sake of simplicity; make them well known to the employees; and enforce them uniformly and strictly.
2. Have a well-defined or clearly understood seniority or other system to follow in the event of seasonal layoffs and business slumps, and adhere strictly to the system.
3. In taking back employees following layoffs, follow seniority rules.
4. Give employees performing inefficient work sufficient and specific warning of their derelictions before invoking discharge.
5. Make absolutely certain that inefficient work, violation of rules, insubordination, and other offenses meriting discharge are actually the fault of the employee under suspicion.
6. Avoid giving favorable jobs and favorable treatment to nonunion employees over union employees, unless the employee's work actually deserves such treatment.
7. Do not discharge employees merely because they have incurred the displeasure of their union, unless it is for nonpayment of dues or initiation fees under a union shop contract.[8]

Fair employment practice. In recent years there has been an increasing effort on the part of government to protect the employment rights of individuals by preventing employers from hiring, firing, or discriminating in any way because of an individual's race, color, creed, or national origin. Several states and some of the cities have such fair employment practice legislation. Through a series of Executive Orders, there has been some control in the federal government. These orders provide that no contracts are to be signed in behalf of the United States Government unless it is specifically stated in the contract that the contractor will not discriminate against any applicant or employee for any of the reasons indicated. When an employer is charged with violating the fair employment practice agreement stated in the contract, a committee investigates the charge and takes action to eliminate the discrimination. Thus provision is made for further protection of the rights of employees to fair treatment by the employer.

[8] *Labor Course, op. cit.*, Paragraph 4304.

RESUME

Throughout this chapter the importance of having established policies and procedures that will protect the rights of both management and labor has been emphasized. While harmony as well as productive results can usually be achieved and maintained through management's attention to motivation, communication, morale, and employee adjustment, occasionally it is necessary to use other processes. The dissatisfactions of employees may be openly and honestly expressed through the established grievance machinery. In this way, employee attitudes that have not heretofore been recognized and satisfactorily handled may be reconsidered by representatives of labor and management who are not directly involved in the grievance. Similarly, management dissatisfactions with employee attitudes and behavior may be resolved through disciplinary action. The grievance and disciplinary procedures thus serve as safety valves and help to preserve the type of relationship between management and labor required for harmony and productivity. While the existence of a grievance procedure may be limited to companies having a union contract, it can prove to be valuable to companies without such a contract. It provides an equitable and fair basis for handling employee dissatisfactions. Disciplinary actions should likewise be administered through a carefully planned program. Planned programs such as these are usually recognized by employees as attempts on the part of the employer to be "fair and square" — qualities that employees look for in their job along with the financial rewards that will be considered in detail in the following part.

REVIEW AND DISCUSSION QUESTIONS

1. How is it possible for the supervisor to know that an employee is dissatisfied?
2. Why is it necessary to recognize that an expressed grievance may not indicate the real trouble?
3. Under what conditions might union leaders be likely to urge employees to file grievances?
4. Why are some employees more likely to file grievances than other employees?
5. What are the typical steps in the grievance procedure?
6. What part does the supervisor play in handling grievances? the steward?
7. What are the functions of the arbitrators?
8. Distinguish between "discipline" and "disciplinary action."
9. What are the underlying causes for behavior requiring disciplinary action?

10. What legal considerations are there in taking discharge action against employees?
11. What action should management take if it finds that an unusually large number of grievances are filed by employees in a particular department?
12. What is likely to happen to relationships between the employer and the employee in the nonunionized company that has no formal grievance procedure?
13. What are the implications and possible effects of an employee discussing a grievance with his steward before taking it up with his supervisor?
14. One of the laws for making plant rules stick (see Figure 17-5) is "Make the punishment uniform." To what extent can this be done? Does uniformity insure that disciplinary action will be fair? Discuss.
15. An employee of the Ajax Washing Machine Co. had a sick sister and father. Because of this, his job attendance was poor. In a six-month period, he was able to work only 60 days. The company decided to discharge him. Was it fair in its action? Is it likely that the union will contest this action? Discuss.

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PART FOUR

MANAGEMENT-LABOR RELATIONS

— 18 — Union Organization and Objectives

— 19 — Legal Aspects of Labor Relations

— 20 — Collective Bargaining

Chapter 18

Union Organization and Objectives

In a number of the preceding chapters it has been emphasized that the presence of a union can have an important bearing on the manner in which various functions within the personnel program are performed. Where a union exists, the type of program that a company develops may be contingent to a large extent upon its ability to gain the cooperation and acceptance of the union for the program. Personnel management, therefore, frequently must concern itself with the development of good relations with the union and its leaders, as well as with the employees individually.

Good union relations are dependent in a large part upon the degree of mutual understanding that can be developed between management and the union. It is important, therefore, that management have some degree of familiarity with objectives, policies, and organization of the union with which it must work, as well as with the personalities and the problems confronting the leaders in those unions.

This chapter will provide in the following topics some of the background information concerning unions and their leaders with which management should be familiar in order to achieve maximum union cooperation in the administration of its personnel program:

- The composition of organized labor
- Union organization and operation
- Union recognition and security
- Union-management cooperation

THE COMPOSITION OF ORGANIZED LABOR

Organized labor has grown during the life of this nation from a handful of workers to more than 18 million, which is over a quarter of the nation's workforce; and from a few weak and local organizations to a large

number of powerful organizations that are national or international in scope. The majority of these national union organizations, furthermore, are affiliated in the AFL-CIO federation, thus providing still further strength and unity for organized labor. This section will discuss the nature and the background of the following segments comprising organized labor:

1. American Federation of Labor
2. Congress of Industrial Organizations
3. Unaffiliated unions
4. Company unions

1 — American Federation of Labor

The American Federation of Labor (AFL) was formed in 1886 with the combining of the Federation of Organized Trades and Labor Unions and various other union groups. Samuel Gompers, the "father of the American labor movement," was elected as its first president. The organization grew slowly at first, reaching a membership of only 548,000 by 1900, but it rose rapidly to 1,676,000 members within the next four-year period. During its formative years, the Federation successfully weathered severe depressions, labor strikes, and employer opposition.

The American Federation of Labor, as the term "federation" implies, was organized as a loosely knit group of autonomous national unions, which constituted the real power of the organization. The national unions within the federation originally were composed mainly of skilled craft workers. Most of these unions, furthermore, remained opposed to the admission of industrial workers into the AFL ranks. This condition was due in some cases to leadership inertia, and in other cases to the fear of the craft groups that their status would be weakened by bringing in lesser skilled workers from the mass production industries. It was not until after some of the national unions within the Federation were expelled for their drive to recruit industrial workers and established the Congress of Industrial Organizations (CIO) that the AFL as a whole began to be more receptive to the admittance of industrial workers from the mass-production industries.

2 — Congress of Industrial Organizations

The CIO was started when John L. Lewis, president of the United Mine Workers, together with the presidents of seven other unions formed a Committee for Industrial Organization within the AFL structure. Other unions in the Federation interpreted this action as a threat to their welfare,

and in 1938 expelled the CIO group from the Federation. Shortly thereafter, the expelled unions together with other unions held a convention and formed the Congress of Industrial Organizations.

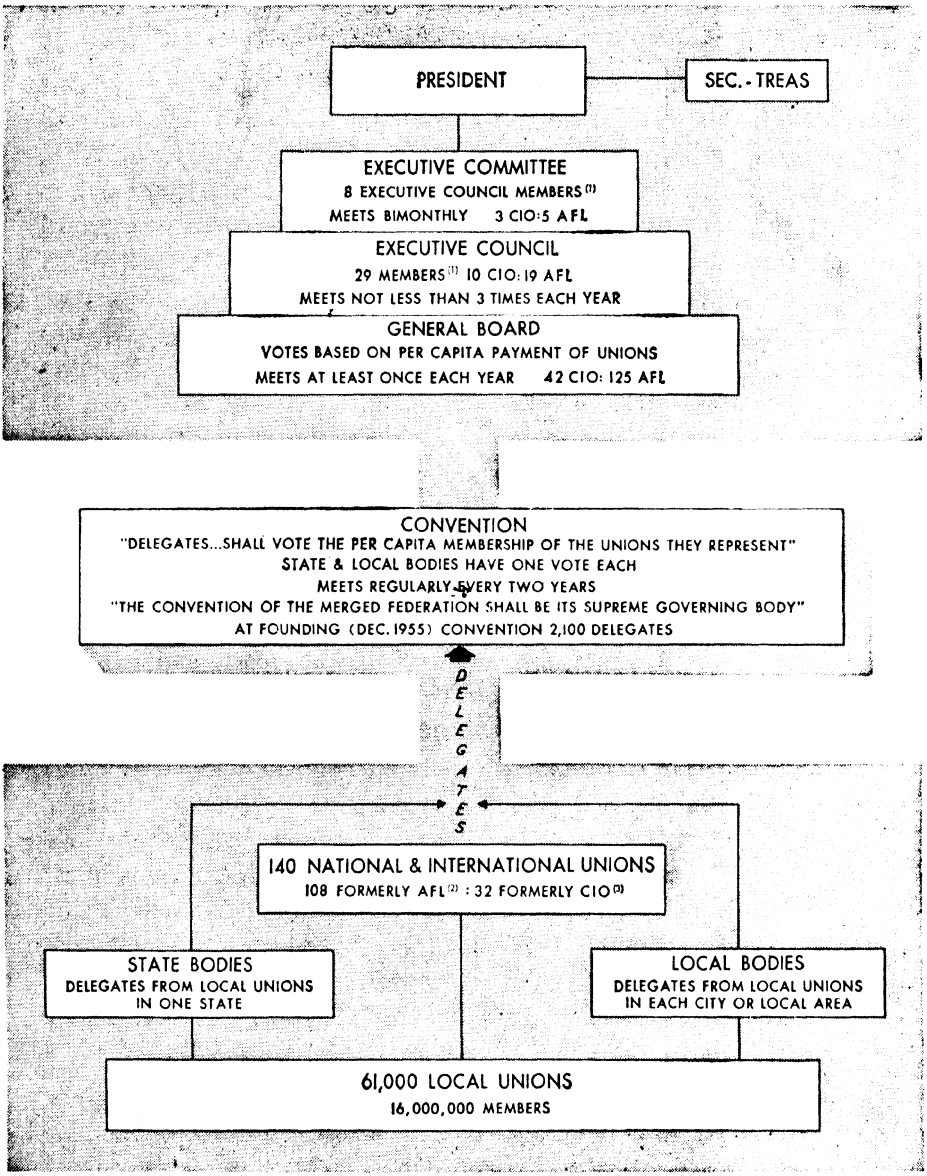
Once established, the CIO embarked upon a vigorous organizing drive, which was directed primarily toward industrial workers but also toward certain groups that had traditionally been represented by the AFL. Considerable attention was devoted to organizing new unions and to training personnel to handle the organizing drives and the educational and communication programs that were developed for the purpose of explaining the union's objectives and viewpoint to members, prospective members, and the general public. Research staffs were assembled to compile information to support the organizing and bargaining activities of the CIO. Many different types of training classes were established for the purpose of indoctrinating members in the benefits of unionism and for developing leaders to administer the union activities. Although organizing, training, communication, and research activities were performed also by the AFL unions, these activities generally had not been emphasized to the degree that they were by the CIO.

In soliciting members, the CIO made a particular effort to gain the support of minority groups by seeking to avoid racial and religious discrimination. The CIO also placed considerable emphasis upon direct political activity by unions from the local to the national level. This latter policy eventually led to the establishment of the Political Action Committee (PAC) in 1943. Although the Taft-Hartley Act of 1947 placed certain curbs upon direct public campaigning for political candidates as had been done through the PAC, the CIO and the AFL unions still participate in political affairs indirectly by giving their endorsement to candidates sympathetic to labor and by attempting to persuade their members to vote for such candidates. Today organized labor constitutes an important political force, and its endorsement tends to be sought by candidates of both major political parties.

Competition for members caused bitter jurisdictional clashes between the AFL and the CIO union groups in their subsequent drives to organize different companies and occupational areas. The two groups, however, were reunited in 1955 into a single AFL-CIO organization. A diagram showing the structure and composition of this new organization is contained in Figure 18-1 on page 370. In spite of the trend toward greater unity, however, rivalries between certain national unions and between individual labor leaders within this new labor body undoubtedly will continue to prevail for some time to come.

Figure 18-1

GOVERNMENT OF THE AFL-CIO



(1) INCLUDES PRESIDENT AND SECRETARY-TREASURER, BOTH FORMERLY AFL.
(2) DOES NOT INCLUDE SUBORDINATE AFFILIATES SUCH AS THE AIR LINE STEWARDS AND STEWARDESSES, AFFILIATED WITH THE AIR LINE PILOTS. THERE ARE 13 AFFILIATES, ALL ARE ASSOCIATED WITH FORMER AFL UNIONS.
(3) INCLUDES GOVERNMENT AND CIVIC WORKERS, AND LEATHER WORKERS, USUALLY LISTED AS ORGANIZING COMMITTEES.

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ROAD MAPS OF INDUSTRY
NO. 1055
MARCH 16, 1956

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3 — Unaffiliated Unions

Although the majority of the national labor unions belong to the AFL-CIO organization, a number of them, representing some 2.5 million members, still remain independent and unaffiliated. Among the more important of these unions are the United Mine Workers and the Railway Brotherhoods. There are also a number of unaffiliated unions that are strictly local in scope and not a part of any national organization. Some of these unaffiliated local unions have broken away from national unions because of an unwillingness to accept certain policies or rulings of the parent organizations. Others always have remained independent because of a desire to pursue their particular interests or because of a feeling that the benefits of a national affiliation would not be commensurate with the cost of contributing dues to the national organization.

4 — Company Unions

While the term "company union" sometimes has been used to refer to a union that is accused of being a company dominated union, a *company union* technically is a union whose membership is limited to the employees within a particular company. The domination of a union by a company, furthermore, is now illegal under existing federal labor law to be discussed in the next chapter. Because of this fact, company unions can be just as vigorous in the representation of their members' interests as other unions.

UNION ORGANIZATION AND OPERATION

A union, like a business enterprise, must have a good organization through which the activities of the various units and personnel that comprise it can be directed and coordinated effectively. Except for those unions that are local in scope, a union organization typically consists of a parent organization, known as the national or international union, and a group of affiliated local unions. These locals, which are the basic units within the national union, gain their principal source of strength by virtue of the united effort that they can exert through their national union. This section will cover the following topics relating to union organization and operations:

1. The national union
2. The local union
3. Local union officers
4. The appeal of the union to its members

1 — The National Union

The *national union* is the primary source of authority and control within the union organization. Its constitution provides the rules and conditions under which the local unions may be admitted and retain their membership in the national organization. While the degree of control that the parent organization maintains over its locals tends to vary with different national unions, most nationals prescribe some form of regulation governing the collection of dues and initiation fees, administration of union funds, and admission of members, and they may require standard provisions in the labor contracts negotiated with employers. In return for the controls that it may exercise over their local unions, the national organization provides them with various types of assistance. Such assistance may include financial aid during organizing drives and strike action, as well as technical assistance in handling problems relating to contract negotiation and administration.

Relations with the local union. In most national unions, those contract negotiations that are strictly local in scope are handled by the officers of the local union rather than by the national organization. If their help is needed in contract negotiations, however, officers of the national organization may lend prestige and technical assistance to a local union's bargaining efforts or assist the local in overcoming a bargaining deadlock or in settling a grievance issue. When contract bargaining encompasses employers whose operations extend beyond the control of a local union, representatives from the union's regional or national organization usually take over the negotiations.

Representatives from the national organizations sometimes can be of assistance to an employer by exercising a stabilizing influence over the local officers and by preventing them from taking some course of action that is either unwise or too drastic. Because of their greater experience and insight in the field of labor relations, these representatives often can detect weaknesses in a local union's position and thus help the local's leaders to avoid possible difficulties.

Relations between a local union and an employer, on the other hand, can be impaired by the national organization on occasion, such as when the national insists that the local take strike action to obtain the type of contract that conforms to a national pattern. Again, a local sometimes may be forced by the national to spearhead new demands or to establish precedents that can be used as a pattern in dealing with other employers. As a result, a local may be forced into a strike situation over issues that are

not particularly vital to its members and that may hurt both the employer and the local members.

Union publicity and education. One of the major functions of the national organization of a union is to prepare publicity and educational materials for release through public and union communication channels. These materials may include motion picture films, film strips, bulletin board materials, pamphlets, magazines, and newspapers. Over 800 newspapers and magazines are published by labor unions. *Steel Labor*, published by the United Steel Workers, has a circulation of over one million copies.

A number of unions have found it desirable to organize formal training programs to develop leaders. Since many union organizations now employ more personnel than a small company, the unions in this category must cope with a variety of complex problems of internal management and handle funds that may total many millions of dollars. These unions are thus big businesses that must be operated with the same degree of efficiency and according to the same principles of good leadership as required in a business enterprise.

The International Ladies' Garment Workers Union is one of the unions that has had a training program for leaders and potential leaders for a number of years. This program includes both classroom and field work in which participants gain experience in handling all types of union activities. By the time that they have completed the course, the participants have had both the theory and practice of how to hold union meetings, how to organize new locals, how to conduct strikes, how to handle grievances, how to influence public opinion favorably, and how to perform many of the other typical duties of a union officer.

2—The Local Union

The *local union* is the organizational unit that maintains direct contact with the employers and with its members, and in many respects it is "the union" as far as both groups are concerned. The type of relationship that exists between a local union and an employer is influenced to a large degree by the terms of the labor contract. The abilities and personalities of the representatives of both the union and management, who must negotiate and administer the contract, are also important factors in determining the nature of this relationship. Generally, when a contract is technically sound and both sides honestly try to cooperate in enforcing it, union-management relations can be carried on quite smoothly.

Union-management relations also can be influenced by the extent to which members concern themselves with union activities. Inertia and

disinterest on the part of the more capable members, unfortunately, can enable an active minority of the less capable members to assume control of the union and to run it as they see fit, often to the detriment of both the union organization and the employer. Sometimes the lack of participation in a union on the part of the more competent members is due to a fear that too much participation might jeopardize their status with their boss. An employer's open contempt for a union thus may cause many competent employees to avoid becoming very active in union affairs and force the leadership of the union to go by default to those who may find satisfaction in making trouble for an employer. Some authorities in the industrial relations field have advanced the argument that employers might well encourage their more capable employees to take an active role in their union in order that it will have more responsible and qualified union leadership. While good leaders may drive a hard bargain, they tend to be easier to work with in the long run because they know what gains can be realistically demanded from employers and they are less likely to waste time fighting over issues that the union cannot hope to win.

3—Local Union Officers

The authority and duties of the local union officers as well as the rules governing their election, removal, and remuneration, if any, are usually set forth in the local union's charter and bylaws in accordance with the national organization's constitution. In the smaller unions, these officers, including the president and others, may hold full-time jobs and perform their duties of office without pay. In the larger unions, the major officers usually are paid to devote their full time to union activities. The two officials with whom an employer has the most frequent and direct contact usually are the business agent and the union steward. The attitude and behavior of these two individuals can be an important factor in determining the degree of cooperation and harmony that can be achieved between the company and the union.

Business agent. The *business agent*, who is elected by the members of the local, is employed full time to administer the local union's business affairs. Quite often the business agent is a member who has worked his way up within the local organization and who has previously held other offices within it. A business agent may exercise a stronger influence within a local union than any of the other officers. In addition to seeing that employers abide by their labor contracts, the business agent usually exercises a key role in preparing for, and in conducting the negotiations for, the new contracts. In addition to these activities, he must be all things to all

persons within the union. He is expected to dispose satisfactorily of the members' grievances that cannot be settled by their stewards, or to help an employer correct members who are creating a disciplinary problem. The business agent also may be forced into the role of serving as a counselor in helping the members with their personal problems.

Another major job of the business agent is that of administering the local organization. This task may include maintaining headquarter facilities, supervising an administrative staff, collecting dues, and recruiting new members. The handling of internal and external publicity for the local, coordinating social activities, and arranging for business and committee meetings also generally fall upon the shoulders of the business agent.

Shop steward. The *shop steward*, who is technically a union representative rather than an officer and the union counterpart of the foreman in the company, represents the members in their relations with the foreman. The steward has the responsibility of seeing that the rights of the members he represents are protected and that the grievances of these members are processed properly. The general attitudes and actions of the steward can be an important factor in determining the degree of cooperation that will exist between the union and the company. Most labor contracts allow stewards time to handle union business at company expense.

The steward generally is elected by the members within the area that he represents. This area may be a certain unit within a plant, the entire plant of an employer, or the plants of several employers, depending upon the number of members working in these plants. When there are a number of stewards within a plant, a *chief steward* is usually designated to coordinate the activities of these stewards and to represent the union in its relations with management. In the largest plants, the stewards may report to division representatives who in turn report to a chief steward. The chief stewards and division representatives may devote full time to handling grievances and other items of union business. They may be paid either by the company, by the union, or jointly by both parties, depending upon the provisions of the contract.

In spite of the steward's key position, some unions have found it difficult to get capable members to accept the added responsibility and grief of this assignment. This condition, unfortunately, can work to the detriment of the company if the job goes by default to some less competent individual who may cause added trouble through his inability to handle union matters properly. For this reason, the company should attempt to cooperate with its stewards and to make the job a satisfying one that

capable employees may be willing to accept. The steward positions, furthermore, can provide an outlet through which employees may demonstrate their leadership abilities and gain personal recognition. These positions may also provide a means for detecting employees who may represent good supervisory or executive material.

Problems of the union officer. Some of the difficulties that employers experience with unions undoubtedly are due to their lack of understanding of the attitudes and problems of the leaders in these unions. Employers may, for example, fail to recognize the political nature of the union officer's position, which at times may force him to make demands that he knows are neither wise nor reasonable. The union officer, thus, may be forced to fight vigorously for the reinstatement of a member whom he may actually feel should be discharged because his failure to take such action might cost him the support of a certain faction in the union and perhaps even the loss of his job at the next election. In other instances, a union leader may be compelled to insist upon, or at least support, strike action over demands that he knows the company either cannot or will not grant.

At times, furthermore, the union officer may have to put on a good show during sessions with employers for the primary benefit of the union members. Table pounding, exaggerated claims, and an outward appearance of belligerency may characterize his behavior when meeting with employers in the presence of other union members. His private encounters with employers, on the other hand, may be carried out on an entirely friendly and reasonable basis. A union officer may feel quite cordial toward company executives and even associate with them socially. Usually, however, he finds it wiser to remain a safe social distance away from his management counterparts, lest his members accuse him of being too friendly with management and not representing their interests vigorously enough.

Aside from the politically insecure nature of the union officer's position, certain social and psychological factors can influence his relations with employers. Bitterness stemming from earlier unfair treatment as a worker by employers as well as the failure of many business executives to look upon him as a social or professional equal may cause a union officer to harbor resentment for employers. Forcing employers to give concessions and to accede to rather severe union demands may thus constitute for some leaders a way of "getting even" with employers as well as a means of strengthening their union positions. Such action can serve also to provide leaders with a sense of personal satisfaction and recognition that is so necessary in any line of endeavor.

4—The Appeal of the Union to Its Members

Undoubtedly employees join labor unions for many different reasons. These reasons, which tend to vary with the individual employee and with his employment situation, may not always be recognizable or explainable by the individual concerned. The desire to satisfy certain psychological, social, or economic needs, the influence of management practices, or the existence of contract provisions requiring compulsory membership constitute some of the reasons why employees join unions.

Psychological, social, and economic appeals. Union membership may enable a member to satisfy certain of his basic psychological needs. It may provide a means for releasing pent-up frustrations, for building self-confidence, or for putting dormant leadership capacities to work. Union membership also may provide employees with a new source of interests, an outlet for their idle time, and a means of satisfying their desires for status, recognition, and group associations. Through their union, employees often have an opportunity to become better acquainted and to fraternize with other persons who have similar desires, interests, problems, and gripes. Identification with the union can give an employee a feeling of security and importance because of the power that he can exert over his boss.

The economic advantages that a union usually offers its members are among the most important and usually the most widely recognized benefits of all. By bargaining collectively with an employer, employees have far greater strength than they would ever have as individuals. Such bargaining can involve nearly every aspect of employment except those which a company can successfully retain as its exclusive prerogatives. These prerogatives, however, have been constantly diminishing.

Influence of management practices. Although a company may not be able to provide for the satisfaction of all the personal needs of an employee that are satisfied through union membership, a personnel manager must be on the alert to insure that the company is not failing to do so wherever it is possible. If employees have the opportunity to gain satisfaction and recognition through their jobs and to receive adequate wages and the proper treatment of their grievances, they generally will be less likely to create difficulties for their employers through their unions. Too often the difficulties encountered with unions and their leaders merely reflect employee resentment which employers have permitted to build up within their organization through their failure to give proper attention to the individual and group needs and wants of their employees.

Although the presence of a union in a company does not necessarily indicate poor employee relations, relations that are or have been poor can contribute to union organizing efforts. Paternalistic and autocratic practices, unfair and arbitrary treatment of employees, poor communication, inadequate attention to wages and working conditions are among the factors that help to stimulate employee desires to organize a union and to be militant once they have organized.

Compulsory membership. Not all employees join unions voluntarily. Some become union members because they are forced by the union contract to join as a condition of permanent employment. Even if union membership is not compulsory, employees may feel that such membership is advisable in order that they will not be harrassed by union members. In some companies, union members have been known to subject a nonmember to derogatory remarks or even to sabotage his work or to injure him physically. While such treatment may make some individuals even more determined to stay out of a union, other employees may consider it preferable to either join the union or quit their jobs.

UNION RECOGNITION AND SECURITY

One of the primary objectives of every union is to achieve maximum recognition and security in its relations with employers. Such recognition and security are reflected in the amount of preference achieved by the union in placing and keeping its members in company jobs and in the amount of control that a union is able to exercise over conditions of employment. It is reflected also in the ability of the union to retain and control its members and to avoid being displaced from its bargaining position.

The degree of recognition and security that is achieved by a union through the collective bargaining process can be an important factor in determining the union's ability to bargain for still further concessions from an employer and to use pressures to enforce its demands when these bargaining efforts fail. Such recognition and security also affect a union's ability to withstand similar bargaining and economic pressures that may be exerted by an employer. Some of the principal forms of security that a union may achieve, together with some of the economic pressures that can be used by unions and employers, will be discussed in this section.

Forms of Union Security

The security that a union is able to enjoy may vary considerably in degree depending upon its ability to recruit and retain its membership.

Some of the forms of security that may be achieved are as follows:

a. Open shop
b. Bargaining for members only
c. Exclusive-bargaining shop
d. Preferential shop
e. Maintenance-of-membership shop
f. Union shop
g. Closed shop
h. Dues checkoff

(a) Open shop. When the employees of a company are able to join or to refrain from joining a union and to bargain directly with the employer, such a condition is known as an *open shop.* This situation has also been called the "American Plan" by some employer groups and many uncomplimentary things by unions. Several states have passed what are referred to as right-to-work laws by employers and "right-to-wreck" laws by organized labor. These laws forbid any employee from being forced to join a union in order to hold his job and thus make a form of open shop mandatory.

(b) Bargaining for members only. This type of shop involves only limited recognition for a union. It merely acknowledges the presence of a union — which may or may not exist under an open-shop arrangement — and its right to bargain for those employees who are members.

(c) Exclusive-bargaining shop. After the union is recognized as the bargaining agent for its members, the next higher degree of recognition is that of an exclusive bargaining agent for all employees, both members and nonmembers. Although this recognition does not force employees to join the union or force an employer to give union members any preferential treatment, it does require an employer to bargain exclusively with the union over conditions of employment.

(d) Preferential shop. The provision for a *preferential shop* in a union contract, depending upon its nature, gives preferences to union members in certain phases of their employment. Preferential treatment may apply to the hiring of new personnel, or to such other personnel actions as those involving transfers, promotions, or layoffs. A preferential shop, particularly if it applies to the hiring of new employees, can provide a high degree of security for the union. Preferential treatment for union members in the hiring of new employees, however, can be tantamount to a closed shop; and, therefore, this provision in a labor contract, like a provision for the closed shop, is illegal under the Taft-Hartley Act.

(e) Maintenance-of-membership shop. This provision in a labor contract, which originated as a compromise to the union shop, provides that employees who are union members after a given cutoff date must retain their membership in a union during the life of the contract or suffer the loss of their jobs. While the provision places no compulsion upon the employees to join the union, it does protect the union against having employees drop their membership while the contract is in effect.

(f) Union shop. When a contract provides for a *union shop*, all employees in the bargaining unit represented by the union must become members within a given period of time, which under the Taft-Hartley Act is at least thirty days after being hired. From the union standpoint, such a contract provision prevents employees from becoming what it calls "free riders" and thus capitalizing upon the gains which the union considers that it has achieved. A union shop also gives the union added strength with which to maintain control and discipline among its members.

Some employers feel they gain better cooperation from a union through a union-shop arrangement since it eliminates many difficulties that would otherwise exist if the union were forced to fight to protect its status or if there were discord between union and nonunion employees. Other employers, however, are vigorously opposed to the union shop on the grounds that no person should have to join a union against his will and that this type of shop tends to give the unions too much power. The drives that are currently underway in many states to gain either the passage or the repeal of the right-to-work laws indicate that the union shop will be a controversial issue for a long time to come.

(g) Closed shop. Under a *closed shop* provision, an employer can hire only union members who are in good standing. The closed shop, however, is no longer significant since it is banned under the Taft-Hartley Act.

(h) Dues checkoff. Most contracts that provide for either a union or a maintenance-of-membership shop also provide for a dues checkoff. Under this arrangement, the employer deducts the dues of each member who gives him written authorization to do so and forwards these dues in one check to the union treasurer. While a union under the Taft-Hartley Act cannot compel its members to pay their dues in this manner, most members do so when such an arrangement is available. The checkoff thus has a definite advantage to the union in greatly reducing the work of collecting dues individually from each member, as well as reducing dues delinquencies. It also aids the employer by eliminating the need to discharge an employee because he has failed to pay his dues.

Economic Pressures of Unions and Employers

The knowledge that the other can and may, if necessary, resort to the use of economic pressures provides one of the primary incentives for both employers and the unions to resolve their differences through peaceful and voluntary means. Economic pressures by the union may be exerted by striking against and/or picketing an employer, or by boycotting his products and encouraging others to do so. The mere threat to take such action often can also be quite effective. Employers, on the other hand, may shut down their operations and layoff their personnel under what is termed a lockout, or use the threat to do so as a means of exerting similar pressures against a union.

Strikes. A *strike* consists of an organized refusal of employees to perform their jobs. Although the strike is a traditional union weapon, it does not need to be instigated by a union. Any group of employees can take strike action. The success of a strike as an economic weapon depends upon the ability of the strikers to keep the struck employer from operating. If an employer is able to continue operations during the strike, its effectiveness as a bargaining weapon is greatly reduced. Usually the failure of a union to curb a major proportion of the operations within the struck plant amounts to a defeat for the union, but the strike may continue for a considerable period beyond this point because of the union's unwillingness to admit defeat.

Picketing. When a union strikes against an employer, it is almost a standard practice for the union to engage in *picketing* the employer by placing persons at the entrances to his premises to give notice of the dispute and to discourage others from entering or leaving the premises. Picketing thus normally is used to supplement strike action. Even when the strikers represent only a small proportion of the employees within a plant, they can often cause a shutdown of the entire plant by means of a picket line if a sufficient number of the plant's employees refuse to cross this line. The refusal of the employees of other companies to cross the picket line to make deliveries or to pick up goods for the struck employer or the refusal of regular customers — particularly members of other unions — to patronize the employer while the picket line is in effect, can hurt an employer severely.

Picketing carried on by nonemployees, known as *stranger-picketing*, is sometimes used by unions in an effort to gain recognition from an employer and to unionize his employees. Because peaceful picketing has traditionally been regarded as a form of free speech, the courts have

been reluctant to curb it even though, at times, it has been used unfairly. When it fails to stop a company's operations, the picket line can become more than a passive weapon. Employees who attempt to cross the line may be subjected to verbal insults and even physical violence. *Mass picketing*, in which large groups of pickets try to block the path of people attempting to enter a plant, is also sometimes used. The use of picket lines to exert physical pressure and promote violence, however, usually succeeds only in arousing unfavorable public opinion and in provoking court action against it.

Boycotting. Another economic weapon of unions is the boycott, which can have a decided effect upon an employer if conducted by a large enough segment of organized labor. A manufacturer of work clothes, for example, even though he is able to operate during a strike, might suffer a substantial loss of sales because of the refusal of union members throughout the nation to buy the garments that he manufactures. Most unions levy rather heavy fines against members if they are discovered patronizing an employer who is the subject of a union boycott.

The refusal of a union to allow its members to patronize a business enterprise where there is a labor dispute is a *primary boycott*. This type of boycott ordinarily is legal. A union may go a step farther, however, and boycott other employers with whom it does not have a labor dispute in an effort to force them not to patronize a second employer with whom the union does have a dispute. For example, a union might boycott and picket a store that is handling the products of a company with whom the union has a dispute. A boycott of this type, commonly called a *secondary boycott*, is illegal under the Taft-Hartley Act.

Lockouts. A *lockout* occurs when an employer halts his operations in an effort to exert pressure against some or all of his employees, or against a union in an attempt to force the employees to cease engaging in certain actions or to accept certain conditions demanded by the employer. It is the employer's counterpart to strike action. In recent years the lockout has perhaps been used most frequently by employers within an association to support the position of those members who have been struck by a union. In such instances, the lockout is invoked on the grounds that "a strike against one is a strike against all." Lockouts also may be used by employers to combat declines in production, sabotage of their property, or violence within their plant that may occur in connection with a labor dispute.

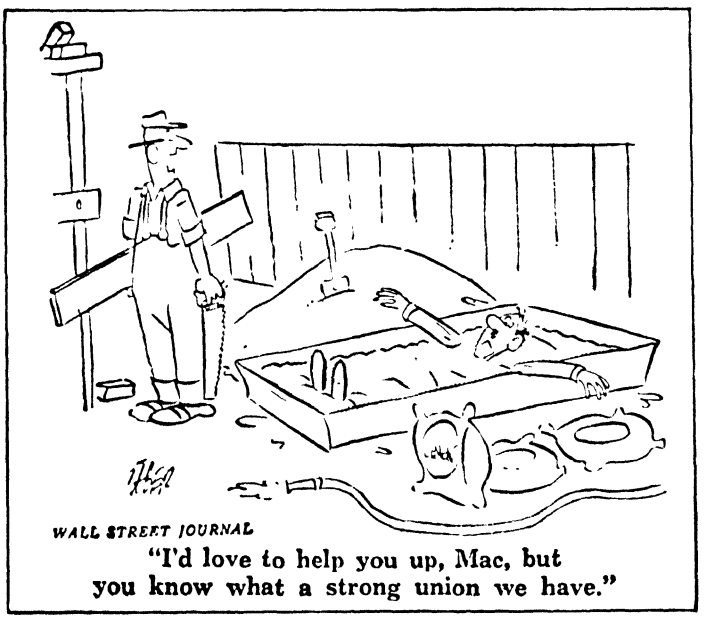
Unlike the strike action of the union, employers have tended to use the lockout more as a defensive than as an offensive weapon. While the threat of a lockout may be used to gain agreement from a union, employers

are reluctant to resort to a lockout because of their reluctance to lose revenue during the shutdown and because of their fear that such action might generate unfavorable public opinion and possible court action against them. The employer's counteraction to union economic pressures usually is limited to that of outlasting a strike, attempting to operate during a strike, or winning the individual loyalty of employees and getting them to repudiate the actions of their union leaders.

Threats to Union Security

The ability of a union to bargain effectively with an employer, to exert economic pressure, and to enforce its demands is dependent upon its ability to achieve strength and unity. Conflicting interests within a union's ranks can weaken its internal unity, which in turn affects its bargaining strength with employers. In order to maintain a united front in dealing with employers, a union often faces the task of formulating policies and objectives that are acceptable to all groups of its members. This can be one of the foremost challenges to the union officers' leadership abilities. In spite of a growing unity within the ranks of organized labor, rivalry between certain individual unions still exists, although probably not to the extent that is illustrated by the cartoon in Figure 18-2.

Figure 18-2



Source: Wall Street Journal, April 23, 1958. Reproduced with permission.

Some rivalry has stemmed from the competition between certain labor leaders to become the dominant figures within their organization and within the labor movement. In other cases, it has been due to the competition between unions over which one should organize and represent certain occupational groups. This has been true particularly where technological changes have caused the nature of the work performed by members of different unions to overlap. Union rivalry also has resulted from the drives of two or more unions to organize a particular industry or company, or a certain group of workers.

Disputes between two or more unions over which one should represent a given group of workers or which one should be permitted to have its members perform a certain type of work are called *jurisdictional disputes*. When disputes of this type cannot be resolved peacefully, they can hurt organized labor, the employers, their employees, and the public. An employer and his employees, under such circumstances, can become the innocent victims of a picket line established by unions to which few, if any, employees belong. The unions themselves also may suffer from a loss of public support and goodwill, since the public is rarely sympathetic toward such disputes.

Jurisdictional disputes, fortunately, have been decreasing in recent years. Since the passage of the Taft-Hartley Act, the National Labor Relations Board has been required to give priority to elections in those plants where a jurisdictional dispute is hurting an employer, his employees, or the interests of the public. The merger of AFL and CIO organizations has helped also to resolve peacefully many of the jurisdictional problems that formerly arose between unions within this group.

UNION-MANAGEMENT COOPERATION

Although a good personnel program, which minimizes grievances among employees and which generates their loyalty toward a company, can help greatly to promote cooperation between a company and its union, some conflict with a union is always a possibility. The personnel department, therefore, must make every effort in performing its various personnel functions and in its relations with the representatives of the union to reduce the opportunities for conflict and to attempt to develop as cooperative a relationship as possible with the union. This section will discuss some of the obstacles that may impede the development of cooperation between a company and the union, and the basis on which some of the obstacles may be surmounted.

Obstacles to Union-Management Cooperation

Lack of cooperation between a company and its union can stem from several different factors. Bitterness generated during a union drive to organize the employees of a company can have a definite effect on its subsequent relations with management, particularly if the union has had to overcome stiff opposition from the employer or other unions. False statements, name calling, or violence that may occur during such a period can seriously retard the development of a cooperative relationship for many years thereafter.

Personality clashes between union and management representatives, the refusal of employers to admit that their employees want a union, or attempts of employers to prevent a union from gaining a foothold in their plants likewise may generate a great deal of antagonism. Aggressive actions by the union against the employer can have similar results.

When employee enthusiasm for a union is weak, the union may attempt to strengthen its position by deliberately fomenting conflicts between the employees and the employer. The union may attempt to generate employee feelings of mistrust, insecurity, or resentment toward a company in order to justify a need for its services. This permits the union to assume the role of serving as the employees' principal protector against exploitation by the company. Companies, on the other hand, sometimes have used comparable tactics in attempting to discredit a union or to convince their employees that they are wasting money paying union dues for the same benefits which they would receive without the union. In general, therefore, the efforts of either side to gain the support and loyalty of individual employees by casting aspersions at the other can make mutual trust and goodwill, that is so essential for cooperation, more difficult to develop.

Developing Cooperation

In most cases, cooperation between a company and a union will be slow to develop, particularly if either or both parties are inexperienced in collective bargaining activities or have reason to fear, resent, or mistrust each other. Each party under such circumstances tends to be more concerned with protecting its own position and interests than in trying to work with the other. Gradually, as their fears and misgivings toward each other tend to subside, however, an atmosphere necessary for cooperation can begin to emerge. Even though the two parties may not have developed any great admiration for the other, they usually begin to recognize the benefits of working together. Once a company and its union start working

together, if only out of necessity, increased understanding and cooperation have a much better chance to develop.

Specific areas of cooperation between employers and unions are often outlined in the labor contract. Provisions for the payroll deduction of union dues are among those included in a contract. Union participation in determining time standards, in reducing waste, in promoting safety, or in handling various other operating problems also may be provided for in the contract. Unions, in addition, may assist employers in solving certain of their personnel problems. Fines and reprimands and other forms of disciplinary action by the union can do much to discourage "quickie strikes," substandard performance, or violations of company rules by its members. Petty and unwarranted grievances can be screened and resolved by union officers, leaving the grievance machinery clear to handle the more serious cases.

In the craft occupations, union controls over the training and performance standards at the apprentice, journeyman, and master levels can simplify the selection and training of employees in such occupations. Unions in these and other occupational areas also may provide an important source from which to recruit new employees. Perhaps the ultimate in union cooperation, however, has occurred in those instances in which a distressed company has been helped through a difficult period by means of loans, voluntary wage reductions, or the acceptance of deferred wage payments by the union.

Although the mutual benefits of cooperation are not always evident directly, there is little doubt that such benefits are reflected in greater productivity. Higher productivity, in turn, can lead to organizational growth and higher profits for the company and more jobs, better working conditions, higher earnings, and increased job security for the union members.

RÉSUMÉ

During the past two decades labor unions have grown very rapidly. Although this growth has been due in part to the existence of favorable labor legislation, it has also been due to the increased recognition on the part of employees that they can promote their personal interests more effectively by bargaining with their employers on a collective rather than on an individual basis. By organizing into a union, employees are not only able to exert the economic pressure that is necessary in order for them to gain improvement in their employment conditions, but they are also able to satisfy many of their basic social and psychological needs.

The ability of a union to serve the individual needs of its members and to gain better employment conditions from an employer is contingent upon its ability to develop a maximum degree of internal strength and security, and to be recognized fully by the employer. The achievement of this latter condition is contingent upon a union's success in recruiting and retaining the membership of a majority or, if possible, all of the employees within a company. The ultimate in union security and recognition is a union-shop arrangement in which all employees are required to maintain their membership in a union. This arrangement permits a union to exert greater pressure in its relations with employers because of its ability to discipline and control its membership.

The efforts of union leaders to achieve and maintain adequate security for themselves and their union can cause their relations with employers to become very aggressive. Similarly, the fear of an employer that the union is a threat to the profits and efficiency of his enterprise may encourage him to attempt to drive the union out. Since the right of employees to unionize has become fully accepted and legally protected within society and since a union can achieve improvements only if the employer is able to earn a profit, however, neither party stands to realize any real gain by attempting to fight or destroy the other. Instead, it is to the mutual advantage of both parties to make every effort to work together and to develop a mature bargaining relationship that reflects a spirit of mutual cooperation.

REVIEW AND DISCUSSION QUESTIONS

1. What conditions helped to give rise to the formation of the CIO?
2. Distinguish between the following types of unions:
   A. Craft unions
   B. Industrial unions
   C. Company unions
   D. Independent unions
3. What services may the national organizations render to their local unions?
4. What reasons might a local union have for wanting to remain independent?
5. What are some of the typical duties of a union business agent?
6. In what ways does the political nature of the union leader's job influence his relations with management?
7. What are some of the appeals that a union may have for its members?
8. What is meant by the term "union security"? List the various types of security that a union may gain with an employer.
9. What is the purpose of picketing and why have the courts been reluctant to curb its use?
10. Distinguish between a primary and a secondary boycott.

11. Why are employers generally reluctant to make use of the lockout and thus let the union take the initiative in closing down operations through strike action?
12. Would it help union-management relations to have the local officers appointed by the national organization? Would this change the political nature of a union leader's job?
13. Should union leaders avoid becoming very friendly with their management counterparts? Why?
14. Would an employer prefer to deal with the more competent and experienced leaders or with less competent and inexperienced ones?
15. Do you favor the ban upon union-shop agreements that have been passed in some states? Discuss.
16. It has been stated by some authorities that management usually gets the type of union leadership that it deserves. To what extent do you agree and or disagree with this statement?
17. When workers go out on strike, several months or even years may be required before the gains that they have achieved through strike action equal the wages lost during the strike. How do you account for their willingness to strike under such conditions?

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Chapter 19

Legal Aspects of Labor Relations

The growing influence that unions have upon company personnel programs was emphasized in the last chapter. This influence, to a considerable extent, has been due to legislation and court decisions that have given full recognition and protection to the rights of employees and their efforts to organize and bargain collectively with employers. This recognition and protection of union activities, in turn, has resulted in the development of a rather large and complicated body of law governing many company personnel policies and practices and relations with employees. Many of the personnel decisions made by management, therefore, must be based upon what is legally permissible as well as upon what may be considered to be most advisable in terms of sound personnel principles or the best interests of the company.

Since labor law has become such an important factor in the administration of personnel, those persons who are engaged in personnel work must have some working knowledge concerning it. This chapter, therefore, will discuss the nature and the background of the more important laws pertaining to a company's relations with union organizations and their members. This discussion will cover the following topics:

- Background of contemporary labor law
- National Labor Relations Act (Wagner Act)
- Labor Management Relations Act (Taft-Hartley Act)
- State labor legislation

BACKGROUND OF CONTEMPORARY LABOR LAW

The laws affecting the personnel program are the product of evolutionary development. Like other forms of jurisprudence, labor law is based upon both common and statutory law.

Common law is that body of law which has developed through custom and through the precedents of accumulative court decisions. *Statutory law*, on the other hand, is enacted by legislative bodies to clarify, change, or augment the common-law interpretations that have been rendered by the courts.

In the early days of the labor unions, court cases involving the activities of the unions were decided by the judiciary on the basis of the existing common law, which tended to favor employers rather than unions. In fact, as noted in Chapter 1, efforts of employees to form unions and to bargain collectively with employers were interpreted under common law as being criminal acts of conspiracy until the *Commonwealth* v. *Hunt* decision in 1842. This decision, along with the growth of union strength and the changes in public attitudes that began to take place about the same time, however, served to nullify the earlier common-law doctrine of conspiracy. As this trend continued, a body of statutory law that tended to give recognition to the efforts of unions to bargain collectively with employers began to accumulate.

It has been the federal government, for the most part, that has exercised the leadership in the field of labor legislation. State legislation, on the whole, has been subordinate and supplemental to that of the federal government. The authority of the federal government in union activities is derived primarily from its constitutional right to regulate interstate commerce. With the passage of time, the Supreme Court has interpreted this authority to cover a broader and broader area. Originally, federal authority was considered to apply only to companies directly engaged in interstate transportation, but gradually this authority was interpreted as extending to companies whose operations substantially affect interstate commerce.

Contemporary law governing union-management relations is the outgrowth of both earlier antitrust and labor legislation and the decisions of the judiciary concerning this legislation. Some of the more important legislative acts of the federal government that have provided a foundation for contemporary labor law, which will be presented in chronological order, are the following:

1. Sherman Antitrust Act of 1890
2. Clayton Act of 1914
3. Railway Labor Legislation
4. Federal Anti-Injunction Act of 1932
5. National Industrial Recovery Act of 1933

1 — Sherman Antitrust Act of 1890

It is rather ironical that one of the earliest statutes to affect the activities of the labor unions was aimed primarily at controlling business monopolies. This statute is the historic Sherman Antitrust Act of 1890. Although there has been considerable controversy as to whether or not Congress intended for this act to apply to the activities of labor unions, the Supreme Court ruled that labor organizations were subject to its provisions. This decision was rendered in the famous Danbury Hatters' Case arising out of a nation-wide union boycott of the hat company's products. The company was awarded triple damages and costs against the United Hatters' Union, amounting to $252,000, in compensation for the losses suffered by the company because of the boycott. As a result of this Supreme Court decision, the Sherman Antitrust Act served to curb drastically the bargaining power of labor unions by nullifying one of their most potent economic weapons, the boycott.

2 — Clayton Act of 1914

The disastrous impact of the Sherman Antitrust Act upon unions caused them to wage a vigorous campaign to be exempted from its provisions. As a result of their efforts, the unions were successful in having Sections 6 and 20 included in the Clayton Act of 1914. These sections of the Clayton Act exempted labor from antitrust prosecution. They also curbed the power of the federal courts to issue injunctions against unions and granted the right of a jury trial to persons who were charged with contempt of court for violating a court injunction.

The Clayton Act at first was hailed as an outstanding victory for organized labor. Later Supreme Court decisions, however, ruled that the Act did not give labor unions a blanket exemption from antitrust prosecution. The court ruled that certain activities of unions, such as the boycott, which were proved to be in restraint of trade were still subject to criminal prosecution or damage suits, or to court injunctions. It was not until the 1930's that legislation and court reversals of these earlier decisions provided organized labor with the protection that it had hoped to gain from the Clayton Act.

3 — Railway Labor Legislation

Some of the earliest labor legislation to be passed by Congress dealt with labor relations in the railroad industry. A considerable amount of legislation affecting this industry was passed, but several decades elapsed

before comparable labor legislation was passed for other industries. Some of the more important railway labor acts included the following:

a. Arbitration Act of 1888
b. Erdman Act of 1898
c. Railway Labor Act of 1926

(a) Arbitration Act of 1888. This law, which marked the beginning of federal labor legislation, provided that disputes in the railway and other transportation industries which involved a deadlock be resolved by submitting them to an appointed board for arbitration, provided that such action was agreeable to both parties. If voluntary arbitration was not mutually agreeable, the law gave the President the power to appoint a commission to investigate the dispute. Although the arbitration provisions of the law were never exercised, the Act was used to appoint a commission to investigate the Pullman Strike of 1894. The commission's report led to the replacement of the Arbitration Act with the Erdman Act of 1898.

(b) Erdman Act of 1898. The Erdman Act provided for a permanent mediation and conciliation commission to handle the voluntary arbitration of railroad labor disputes. The Act permitted court enforcement of the arbitration awards and provided for a cooling-off period in the event of a dispute. A pioneer provision forbidding the use of the *yellow-dog contract*, by which employees were required to agree not to join a labor union as a condition of employment, was incorporated also into the Act. This ban on yellow-dog contracts, however, was declared unconstitutional later by the Supreme Court. Although the Erdman Act, like most acts, did not accomplish all of its objectives, it did help to settle peacefully a number of labor disputes. Its provisions for conciliation and mediation and for a cooling-off period, and its ban on yellow-dog contracts are basic to contemporary labor law.

(c) Railway Labor Act of 1926. A number of laws dealing with railway labor problems were passed during the years following the Erdman Act. The knowledge and experience gained from their operation were finally consolidated in the Railway Act of 1926. This Act was the first extensive piece of labor legislation to provide for the protection of employee bargaining rights as well as for the peaceful settlement of their disputes. It included specific provisions guaranteeing railway employees the right to organize and to bargain collectively through their chosen representatives. Railroads were forbidden to dominate or to interfere with such union organizations or to require their employees to sign a yellow-dog contract. Later amendments to this 1926 Act have further strengthened

and clarified its provisions and provided criminal penalties for their violation.

The responsibility for mediating disputes and for protecting bargaining rights was placed in the hands of a Board of Mediation. In the 1934 amendment, however, the functions of the board were split. The protection of bargaining rights was assigned to a new National Mediation Board, and a National Railway Adjustment Board was created to handle grievance and labor disputes. For a number of years, the Railway Labor Act with its provisions for mediation and a cooling-off period was hailed as a model act for maintaining labor peace. The nation-wide railroad strike of 1946 as well as other smaller strikes, however, clearly revealed that the Act, like all labor legislation, was not a panacea for solving union-management difficulties.

4 — Federal Anti-Injunction Act of 1932 (Norris-LaGuardia Act)

Court injunctions obtained by employers during the early days of the labor movement placed a severe curb upon the ability of labor unions to make use of strikes and boycotts. The efforts of unions over several decades to have the use of the injunction curtailed finally became a reality with passage of the Norris-LaGuardia Act in 1932 and the upholding of this Act by the Supreme Court. The action of the court represented a reversal of earlier court decisions that had invalidated previous attempts of labor to ban the use of injunctions. Although the Norris-LaGuardia Act did not prohibit federal courts from issuing injunctions altogether, it established such rigid requirements governing their use that the injunction largely ceased to be a threat to the labor unions.

The Norris-LaGuardia Act also carried another provision long-wanted by the unions, which banned once and for all the yellow-dog contract. The upholding of this provision by the Supreme Court was also a reversal of its earlier decisions. In general, the Norris-LaGuardia Act represented the first of a series of sweeping legislative acts during the 1930's that were to improve drastically the status of the labor unions.

5 — The National Industrial Recovery Act (NIRA) of 1933

The NIRA was one of the first acts to be passed by the Roosevelt administration in 1933. This Act was an attempt by the federal government to promote economic recovery by permitting industries to establish regulatory codes governing their operations. Organized labor was given recognition in the famous Section 7(a) of the Act. This section endorsed the concept of collective bargaining and the right of employees to join organiza-

tions of their own choosing without employer interference, restraint, or coercion. The section further provided that no person could be required to join a company union or to refrain from joining any union as a condition of employment. The Act established a National Labor Board to help settle disputes, through mediation and voluntary arbitration, and to handle employee representation problems as well as violation cases under the Act. The activities of this board established many of the policies which were continued by the National Labor Relations Board that succeeded it.

THE NATIONAL LABOR RELATIONS ACT (WAGNER ACT)

The NLRA or Wagner Act was one of the most revolutionary and far-reaching pieces of legislation ever to be passed by the federal government. Its passage in 1935 was hailed by organized labor as the "Magna Carta" for labor unions. The Wagner Act replaced the labor provisions of the NIRA, which shortly before had been declared unconstitutional, but it went considerably beyond the NIRA both in terms of its coverage and its enforcement powers. This section will discuss the basic philosophy and provisions of the Wagner Act and the functions of the National Labor Relations Board in administering it.

Basic Philosophy of the Wagner Act

At the time that the Wagner Act was passed, the economic and numeric strength of organized labor was at a low ebb. Because the power of labor had been reduced by wide-spread unemployment and by the ability of employers to resist union organizing and bargaining efforts, the total union membership in this country was only slightly over 3 million. The primary aims of the Wagner Act, therefore, were to place the legal and moral support of the federal government behind the efforts of workers to organize and bargain collectively and to curtail some of the weapons of employers to resist such efforts. The rather one-sided nature of the Act thus reflected the sympathetic attitudes toward organized labor that the public had developed at this time.

The upholding of the Act in 1937 by the Supreme Court in the Jones and Laughlin Steel Company decision, and in several other related decisions of that year, constituted a blow for those employers who had counted upon the Act being declared unconstitutional. Employer difficulties in many cases were compounded by their refusal to accept the new position of organized labor and by the eagerness of unions to press for increased recognition and security. The prolabor leanings of the early National Labor Relations Board together with its zealous enforcement of the Act

compelled many employers to undergo a drastic readjustment of their attitudes and actions toward unions.

Provisions of the Wagner Act

The most important single feature of the Act was the guarantee that it gave to employees in exercising their collective bargaining rights. This guarantee, which was much like the one in the earlier NIRA, was described in Section 7 of the Act as follows:

> Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection . . . .

In order to make this guarantee more specific, Section 8 of the Act defined five employer activities that were considered to violate the above bargaining rights of employees, and which were defined specifically as unfair labor practices. These practices included the following:

(1) To interfere with, restrain, or coerce employees in the exercise of the rights guaranteed in Section 7.
(2) To dominate or interfere with the formation or administration of any labor organization, or contribute financial or other support to it.
(3) By discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization.
(4) To discharge or otherwise discriminate against an employee because he has filed charges or given testimony under this Act.
(5) To refuse to bargain collectively with the duly chosen representatives of his employees.

These unfair practices were concerned only with that phase of employee relations which related to their membership in a labor organization. The outlawing of such practices did not prevent employers from treating their employees unfairly, as far as conditions of employment were concerned, provided that such treatment did not relate to the union activities or membership of these employees.

The five unfair practices covered fairly well the measures that some employers had used previously to control or undermine unions, or to keep them out of their companies entirely. One of the Act's most drastic features was the curb that it placed upon an employer's freedom to voice any opinions or make statements that might influence employee membership in a union. Under the Act, employers also were no longer able to refuse to recognize the presence of a union within their organization or the demands of its representatives to negotiate a labor contract. About the

only previous weapon which remained for employers to use against unions was that of passive resistance to strike action or of engaging in a lockout. Even a lockout under certain conditions has been construed to be an unfair labor practice.

Functions of the National Labor Relations Board

One of the provisions in the Wagner Act provided for the establishment of the National Labor Relations Board (NLRB). The primary functions of this board, which have remained about the same under the Taft-Hartley Act, were concerned with the following:

a. Determination of bargaining units
b. Representation elections
c. Unfair labor practices

(a) Determination of bargaining units. The areas of a company that are included within a bargaining unit can be important to unions, employers, and certain occupational groups of employees. When more than one bargaining unit is established within a company, the employees in each unit may be represented by a different union. This permits certain groups of employees whose interests are not identical with those of the majority to have their own union. The existence of more than one bargaining unit, however, can compound the collective bargaining and other union relation problems of the employer, as well as reduce the strength of the union representing the majority. It may tend also to stimulate interunion rivalry within the company and to precipitate jurisdictional disputes.

The bargaining history of a company and the wishes of the majority of its employees tend to be the major factors that influence the board's determination of appropriate bargaining units. The Taft-Hartley Act, however, makes some exceptions to this general rule by providing that under certain conditions, separate bargaining units must be established for professional and craft workers. This provision is designed to help insure that the special problems and interests of these smaller groups will not be submerged in a larger industrial union.

(b) Representation elections. While an employer under most circumstances may voluntarily recognize a union after receiving satisfactory proof from the union that it represents a majority of the employees within a bargaining unit, it is usually advisable for the company to defer recognition until the union's representation has been determined by means of a formal NLRB election. A request for such an election generally can be initiated by either the employer or the union. If both the employer and the

union are in agreement as to the conditions under which the election is to be held, thus eliminating the necessity for formal pre-election hearings, the election is known as a *consent election.*

These and the other types of representation elections conducted by the NLRB are carefully supervised to insure that only eligible employees are permitted to vote and that the balloting is kept secret and honest. In the event that two rival unions are seeking representation and a majority of the employees do not express preference for either of them or for no union, a *runoff election* must be conducted in which employees vote for one of the two choices previously receiving the most votes.

Upon winning an election, a union is certified as the bargaining agent for a year. A new election cannot be held until after this period has elapsed. Normally, the NLRB will not hold a new election while the contract between the company and the existing union is in effect.

(c) Unfair labor practices. The correction of unfair labor practices by employers and by unions is a function that consumes a considerable proportion of the Board's time. Unfair labor practice violations are investigated by the Board only after specific written complaints have been filed with it. Figure 19-1 on page 399 shows a sample of an unfair labor practice charge made against an employer. The Board's first action upon receiving an unfair labor practice charge is to have a preliminary investigation conducted by the nearest regional office. If the investigation substantiates the charge, the regional director tries first to get the violating party to cease the unfair practice voluntarily.

If a voluntary settlement cannot be achieved, a formal complaint is filed against the violator and a public hearing is conducted by a trial examiner, at which time the facts and testimony pertinent to the case are considered. The record of the hearing and recommended order of the trial examiner, together with any statements of exception from the accused party, are forwarded to the Board for its decision. If the violating party refuses to comply with the subsequent orders issued by the Board, the case must be submitted to the United States Circuit Court of Appeals, which has the legal authority to order compliance with the Board's decision. Ultimately, a case can be carried through appeal channels to the Supreme Court for a final decision.

Appraisal of the Wagner Act

The Wagner Act succeeded in giving organized labor the strength and protection that it had lacked prior to the act's passage. Union membership

Figure 19-1
Unfair Labor Practice Charge Against an Employer

Form NLRB-501 (9-48)

Form approved Budget Bureau No. 64-R001 6.

UNITED STATES OF AMERICA
NATIONAL LABOR RELATIONS BOARD

CHARGE AGAINST EMPLOYER

Where a charge is filed by a labor organization, or an individual or group acting on its behalf, a complaint based upon such charge will not be issued unless the charging party and any national or international labor organization of which it is an affiliate or constituent unit have complied with section 9 (f), (g), and (h) of the National Labor Relations Act.

INSTRUCTIONS.—File an original and 4 copies of this charge with the NLRB regional director for the region in which the alleged unfair labor practice occurred or is occurring

DO NOT WRITE IN THIS SPACE

Case No. 99-CA-666

Date Filed December 11, 19--

Compliance Status Checked By: LP

1. EMPLOYER AGAINST WHOM CHARGE IS BROUGHT

NAME OF EMPLOYER: General Manufacturing Co.

NUMBER OF WORKERS EMPLOYED: 600

ADDRESS OF ESTABLISHMENT (Street and number, city, zone, and State): 4200 North Main, Sanger 18, Texas

TYPE OF ESTABLISHMENT (Factory, mine, wholesaler, etc.): Oil Tools and Equipment

Identify principal product or service

The above-named employer has engaged in and is engaging in unfair labor practices within the meaning of section 8 (a), subsections (1) and (3) & (5) (List subsections) of the National Labor Relations Act, and these unfair labor practices are unfair labor practices affecting commerce within the meaning of the act.

2. Basis of the Charge (Be specific as to facts, names, addresses, plants involved, dates, places, etc.)

On or about June 25, 19--, it, by its officers, agents, and employees, terminated the employment of J. R. Noble, machinist, because of his membership and activities in behalf of United Steelworkers of America, CIO, a labor organization, and at all times since such date it has refused and does now refuse to employ the above-named employee.

On or about August 16, 19--, and at all times since such date, it, by its officers, agents, and employees, refused to bargain collectively with the authorized representatives of United Steelworkers of America, CIO, chosen by a majority of its employees at its Sanger, Texas, plant to represent them for purposes of collective bargaining in respect to rates of pay, wages, hours of employment, and other conditions of employment.

By the acts set forth above and by other acts and conduct, it, by its officers, agents, and employees, interfered with, restrained, and coerced its employees in the exercise of the rights guaranteed in Section 7 of the Act.

3. Full Name of Party Filing Charge (if labor organization, give full name, including local name and number)

United Steelworkers of America, CIO

4. Address (Street and number, city, zone, and State): 1716 Irvine, Dallas, Texas — Telephone No.:

5. Full Name of National or International Labor Organization of Which It Is an Affiliate or Constituent Unit (To be filled in when charge is filed by a labor organization)

Same as above

6. Address of National or International, if any (Street and number, city, zone, and State): Pittsburgh, Pennsylvania — Telephone No.:

7. DECLARATION

I declare that I have read the above charge and that the statements therein are true to the best of my knowledge and belief.

By J. A. Kovac
(Signature of representative or person filing charge)

December 10, 19-- (Date)

International Representative (Title, if any)

WILLFULLY FALSE STATEMENTS ON THIS CHARGE CAN BE PUNISHED BY FINE AND IMPRISONMENT (U. S. CODE, TITLE 18, SECTION 80)

U. S. GOVERNMENT PRINTING OFFICE 16—67600-6

increased from about 3 million in 1933 to over 18 million within the next two decades.

The Wagner Act forced many employers to accept for the first time the principles of collective bargaining in the operation of their personnel programs. Unilateral and arbitrary decisions involving the welfare of their employees had to give way to those decisions that gave more consideration to individual and group reactions of employees. Although the Wagner Act was resented bitterly by many employers, some of them gradually were willing to admit that it had some beneficial effects. In fact, a great many employers today admit quite readily that they would not want to be forced to return to the type of labor relations that existed prior to the Act.

The Wagner Act succeeded in putting organized labor on at least an equal footing with management for collective bargaining purposes. Many unions were actually placed in a superior bargaining position because their activities were not restricted, whereas those of the employer were decidedly curbed. Unfortunately, this inequity made it possible for some of the more militant union leaders to subject employers to rather unfair treatment. As the strength of organized labor continued to develop, it became increasingly apparent that provisions were needed to curb unfair practices by certain unions. These provisions were incorporated in the Taft-Hartley Act over the strong opposition of organized labor.

LABOR MANAGEMENT RELATIONS ACT (TAFT-HARTLEY ACT)

After twelve years, the Wagner Act was amended in 1947 by the Labor Management Relations Act (LMRA), which is commonly referred to as the Taft-Hartley Act. This Act contained many provisions that had been demanded by employer groups. Organized labor has bitterly resented some of these provisions and has denounced the Act as being a "slave labor act" that employers could use to break the unions. Some of the main provisions of the Act and their effects upon union-management relations will be discussed in this section.

Main Provisions of the Taft-Hartley Act

The bargaining right guarantees for employees and the list of unfair labor practices by employers that were prohibited under the Wagner Act have been retained in the Taft-Hartley Act. The new Act, however, also defined certain unfair practices that the unions were forbidden to use in their relations with employers, and it established certain regulations governing the operation of unions that are described as follows:

Unfair labor practices by unions. The unfair practices on the part of unions included the following:

(1) Restraint or coercion of employees in the exercise of their Wagner Act rights

(2) Restraint or coercion of an employer in his selection of the parties to bargain in his behalf

(3) Persuasion of an employer to discriminate against any of his employees

(4) Refusal to bargain collectively with an employer

(5) Participation in secondary boycotts and jurisdictional disputes

(6) Attempting to force recognition from an employer when another union is already the certified representative

(7) Charging excessive initiation fees

(8) "Featherbedding" practices requiring the payment of wages for services not performed

Other union controls. The Taft-Hartley Act also imposed the following controls upon labor unions:

(1) The officer of each national union is required to file the so-called "anticommunist" affadivit with the Secretary of Labor along with other information pertaining to union organization and administration, and finances. Any union failing to comply with this regulation is to be deprived of the right to request the NLRB to hold elections or to handle unfair labor practice charges.

Organized labor has complained bitterly that this filing provision is discriminatory and insulting, particularly since similar requirements are not placed upon employers.

(2) The closed shop and preferential-hiring clauses for union members are outlawed. The union and maintenance-of-membership shops are permitted. The discharge of an employee arising from the loss of his union membership for any reason other than the failure to pay his dues, however, is forbidden.

(3) Payroll deductions, or checkoff, of union dues by the employer are forbidden unless written consent is first obtained annually from each employee concerned.

(4) Supervisor unions, although not outlawed, no longer must be recognized by employers, nor are they entitled to any legal protection from the NLRB.

(5) Welfare funds contributed to by employers are no longer permitted to be administered solely by a union, but must be jointly controlled by the two parties.

(6) An employer's right to sue a labor union for damages suffered through quickie strikes, slowdowns, jurisdictional walkouts, and certain other similar actions is made more clear and definite.

(7) Employers are permitted to hear grievances that are submitted directly to them by individual employees. Previously such grievances had to be submitted through the representative union, even those involving nonmembers.

National Labor Relations Board changes. The Taft-Hartley Act provided for several changes affecting the NLRB. Among the more important of these were the enlargement of the board from three to five members and the establishment of an Office of General Counsel. The purpose of the new office was to make the board function more as a court of law by separating its prosecuting and judicial functions. These changes coincided with the Act's requirement that the board observe the rules of evidence used by the federal courts.

The General Counsel has a number of important responsibilities. These include deciding which complaints to bring before the board, initiating court action against parties that fail to comply with NLRB rulings, handling union representation elections, and administering the activities of a large portion of the personnel employed by the Board.

Other Provisions of the Taft-Hartley Act

The Taft-Hartley Act expanded the conditions under which court injunctions might be issued in labor disputes. It increased, for example, the opportunities for the NLRB to obtain court injunctions against certain illegal strikes and other unfair labor practices by the unions. The Act also provided that the President of the United States, through the Attorney General, may seek an injunction against strikes or lockouts affecting the nation's health and welfare for a period of 80 days. At the end of the first 60 days, if the dispute has not been settled, the NLRB must take a secret vote among the employees involved in the dispute to determine if they are willing to accept the final offer of their employer. These injunction provisions within the Act represent the basis for the "slave labor" charges that unions have leveled against it.

Before either party can terminate or modify a union agreement, it is required to give the other party 60 days' notice. It must also offer to meet and confer with the other party concerning a new contract or the modifications of the old one. The party giving the notice must continue to honor the existing contract for a period of at least 60 days or until this contract expires, whichever occurs later. It must also notify the appropriate federal,

state, and territorial mediation agencies within 30 days of the first notice if agreement has not been reached by this time.

In addition to the foregoing provisions, the Taft-Hartley Act liberalized an employer's freedom to discuss unionism with his employees. Employers are permitted now to express their feelings about union organizing efforts, provided that they do not try to threaten, bribe, or coerce employees in their choice of union representatives. The United States Mediation and Conciliation Service has been removed from the Department of Labor and established as an independent agency. Advocates of this change felt that an independent status for the service would free it from any prolabor influences.

Appraisal of the Taft-Hartley Act

Although it brought about a number of needed corrections in the Wagner Act, the Taft-Hartley Act has proved to be one of the most controversial pieces of legislation ever enacted. It has created many new problems that will have to be adjusted through additional legislation.

Congressional investigations of the activities of some unions, on the other hand, have indicated that there is a need for certain provisions of the Act to be strengthened still further. Stronger provisions guaranteeing democratic elections within a union and the protection of union funds against misuse or embezzlement by dishonest officials represent legislation that undoubtedly will be enacted. In addition, controls against racketeering and other unlawful practices by unions or employers are likely to be contained in future labor legislation.

STATE LABOR LEGISLATION

In general, labor organizations have not been able to exert as much influence in the state legislatures as they have in Congress. During the earlier New Deal period, however, when prolabor sentiment throughout the country was at a peak, most states tended to pass certain forms of liberal labor legislation. A number of states followed the lead of Congress by passing their own "Little Wagner" acts.

The prolabor movements of the 1930's began to wane quicker at the state level than at the national level. By the end of the 1930's, the movement was reversed as several states enacted certain curbs on union activities. This reaction to labor unions spread among the various states until virtually all of them had passed some form of regulatory legislation covering union activities.

Forms of State Labor Legislation

State Labor legislation has concerned itself primarily with labor union practices, tactics, and bargaining demands. Some states have their own bans on the closed shop, and several states have passed right-to-work laws prohibiting union-shop agreements. Many states have restricted the unions' use of strikes, picketing, and secondary boycotts as well as their participation in jurisdictional disputes and political activity.

The attitude of state legislatures toward labor unions naturally has varied a great deal in different sections of the country. In heavily industrialized states such as New York and Michigan, union membership and political strength have been great enough to enable them to avoid restrictive legislation. In many of the southern and midwestern states where the influence of the agricultural and business interests overshadow that of the organized labor, a greater number of restrictions have been placed on union activities.

Relationship Between Federal and State Legislation

Federal labor laws in most cases take precedence over those of individual states. The Taft-Hartley Act, however, permits state governments to enact more stringent restrictions on union security than those which it contains. This exception has been partly overridden by Supreme Court rulings that state bans on the union shop do not apply to the railroads operating within the state. In various rulings involving other union activities, the Supreme Court has also had a tendency to invalidate state laws that were considered to violate the unions' right of free speech or other basic rights guaranteed by the federal constitution.

Organized labor's lack of success in some state legislatures has caused it to increase its political activity at this level. These efforts have been successful in gaining the repeal of the right-to-work laws and other restrictive labor legislation in several states. There is reason to believe that union political influence will continue to grow in many of the states where previously it has been very weak, providing unions with legislation that is more protective than restrictive in nature.

RÉSUMÉ

The labor law that has been discussed in this chapter represents an attempt on the part of society to equalize the bargaining power between management and the unions, and to establish certain basic rules governing their relations with each other. Although such laws place certain curbs

upon the freedom of action that can be exercised by either party, they serve to protect the interests of the public — as well as those of management, labor, and the individual employees — by helping to curb labor strife, unfair practices, and interruption in the production of goods and services needed by the public.

While labor laws at best are a poor substitute for union-management relations that are based upon voluntary cooperation, the laws do force the two parties to make an effort to bargain and to work together, thus helping to reduce the barriers to voluntary cooperation. In forcing both sides to bargain with each other, laws also help to eliminate the fears and apprehensions that each may have for the other and to demonstrate the mutual benefits to be gained from resolving differences by peaceful and intelligent means.

REVIEW AND DISCUSSION QUESTIONS

1. What effects did the Sherman Antitrust and Clayton Acts have upon the activities of labor unions?
2. Why was the railroad industry the first to be affected by labor legislation?
3. What were the principal provisions of the Norris-LaGuardia Act?
4. What unfair labor practices of employers were prohibited by the Wagner Act?
5. What are the principal functions of the National Labor Relations Board?
6. What union practices did the Taft-Hartley Act list as being unfair?
7. What is an unfair labor practice as far as the Taft-Hartley law is concerned?
8. Why do unions object to the anticommunist provisions contained in the Taft-Hartley Act?
9. What provisions in the Taft-Hartley Act have caused it to be labeled by organized labor as a "slave labor" act?
10. What are right-to-work laws? Why do they exist in some states but not in others?
11. How do you explain the fact that Congress did not provide a list of unfair practices in the Wagner Act for unions as well as employers?
12. In view of the rather extensive federal labor legislation that now exists, is there any justification for state labor legislation?
13. Why do labor unions remain so vigorously opposed to the Taft-Hartley Act in spite of the fact that they have continued to make gains under it? Discuss..
14. Why does labor legislation fail to provide the complete solution to labor relations problems?

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Chapter 20

Collective Bargaining

As labor legislation that provided protection for the unionizing and collective bargaining efforts of employees was passed, the bargaining position of employees began to change. Many employers who were forced by the Wagner Act to bargain collectively for the first time found themselves totally unprepared for this activity. Their lack of skill and knowledge in the techniques of collective bargaining and their lack of appreciation of its importance often proved to be quite costly for them. Frequently, their union opponents, because they had greater bargaining experience or had spent more time in preparing for negotiations, were able to gain substantial concessions from employers. In addition to suffering losses at the bargaining table, employers in many instances did not fare very well in the National Labor Relations Board and federal court cases arising from charges levied against them by the unions. As a result of these experiences, companies began to devote more attention to labor relations and to the laws affecting these relations; and most important, they began to devote more time to problems relating to the negotiation and administration of their labor contracts. This trend has continued until today the negotiation and administration of the union contract are considered by many companies to be among the most important personnel functions that they perform. Most companies, furthermore, now recognize this function as one that requires the continuous attention of labor relations specialists.

The topics to be discussed in connection with the negotiation and administration of a labor contract are the following:

- Preparation for collective bargaining
- The collective bargaining process
- The labor contract
- Collective bargaining trends

PREPARATION FOR COLLECTIVE BARGAINING

To be successful, collective bargaining efforts must be based upon careful preparation and planning. No matter how intelligent or skillful the negotiators on either side may be, they should carefully assemble the supporting data and plan the bargaining strategy to be used in presenting their bargaining case. As far as the company is concerned, much of the responsibility for gathering data, for determining bargaining objectives and strategies, and for anticipating those of the union rests with the personnel department.

The types of preparation and decisions that must be made prior to the start of the contract negotiations will be discussed in the following topics:

1. Nature of the bargaining preparation
2. Bargaining procedures and strategies
3. Composition of the bargaining committee
4. Prevention of deadlocks

1 — Nature of the Bargaining Preparation

The type and amount of preparation by the personnel department are contingent upon, among other things, the resources of the company and upon the number of employees who are covered by the negotiations. Ideally, preparation for the negotiation of a new contract should start immediately after the last contract has been signed. Not only does this practice permit the department to have more time in which to collect, organize, and assimilate the needed factual material, but it also permits the experiences of the previous negotiations to be reviewed while the details are still fresh in the negotiators' minds. Weaknesses in the company position that were revealed during these negotiations thus can be noted and possibly avoided in future negotiations.

Considerable information is always available within a company itself that can be utilized in the preparation of its bargaining case. Personnel department records of grievances, disciplinary action, transfers and promotions, layoffs, overtime, individual performance, and wage payments can prove to be extremely valuable to the company in formulating and supporting its bargaining position. Such information may help to reveal and to justify its need for either preserving or changing existing contract provisions in the new contract. The supervisors and executives who must live with and administer the contract can be a very important source of ideas and suggestions for improvements that are needed in the new one.

Their direct contacts with union members and representatives provide them with a firsthand knowledge of many of the complaints that the union negotiators are likely to raise and the changes in the contract that these negotiators may demand.

Conditions outside of a company also may have an important effect upon collective bargaining demands. The personnel department, therefore, should be certain that statistical data concerning such factors as general economic conditions, cost of living trends, profit outlook for business, community wage patterns, fringe benefit plans of other firms, and any other subjects that the union might introduce during the bargaining sessions are compiled in advance of negotiations. Any legislation that might have an effect upon the negotiations or upon the provisions that are negotiated into the contract should also be studied. It generally is advisable for a company to gain as much information as possible concerning contracts that the union may have negotiated with other employers and the strategy and tactics that it may have used during these negotiations. Such information may provide clues as to what demands and actions may be expected from the union.

It is generally good bargaining strategy for the company to hold its statistical data in reserve for introduction at the most opportune time. If the data are to be utilized in this manner, however, they must be well organized, classified, and indexed so that any specific facts that are needed can be located immediately. Most important of all, any data that may be used should be carefully checked to insure their validity. Not only might it prove to be embarrassing to company negotiators to have the union prove that their information is incorrect, but it might also be extremely detrimental to the company's bargaining position for this to happen.

Since statistical information by itself can be rather meaningless and unconvincing, it should be presented in the most effective form possible. Pie charts, bar graphs, and other pictorial representations of the data, therefore, may prove to be quite useful to negotiators in their attempt to justify the company's bargaining position. Furthermore, these visual aids tend to make statistical data more meaningful to the employees and to the public should it be distributed to them in an effort to gain their support.

2 — Bargaining Procedures and Strategies

One of the final steps in preparing for contract negotiations is that of determining the course of action to be taken by the company and the proposals and possible counterproposals that are to be submitted to the union. The wording of these proposals should be prepared carefully and

studied in advance for the possible effects they may have upon the bargaining negotiations and upon future company operations.

The union's proposals should also be anticipated as closely as possible on the basis of its announced bargaining objectives, its contracts with other companies, and its unsatisfied demands from the previous contract negotiations. The company should attempt at this point to determine just what the union really wants and will strike to obtain, and what it would like to obtain provided it need not sacrifice too much in return. Whether its reactions to specific union demands are to take the form of an agreement, a qualified agreement, a counterproposal, or a rejection, the company stands a better chance of being successful if its bargaining strategy and course of action have been thoroughly planned.

Certain elements are usually common to the bargaining strategies of both the company and the union. Generally, the initial demands of both sides are much greater than they actually hope to obtain in order that some proposals can be used for trading purposes. Similarly, both parties usually attempt to avoid as long as possible making their maximum concessions so that they will be in a position to make some concessions in breaking a bargaining deadlock that may occur ultimately.

Bridgehead demands are often a part of the strategy used by unions in attempting to extend collective bargaining to some new area or to establish a new principle in union-management relations. Initial union demands for pensions, welfare benefits, or guaranteed employment represent typical bridgehead demands, which although very modest at first tend to open the door for the expansion of these demands in succeeding contracts.

Propaganda techniques can be a most important part of bargaining strategy. Every known technique has been used at one time or another by unions and employers to give their positions a favorable slant. The use of exaggerated claims, half-truths, faulty generalizations, and unpopular labels, the quoting of statements out of their original context, and the convenient misuse of statistics are some of the devices used in an attempt to influence the opposing side as well as employees and the general public.

3 — Composition of the Bargaining Committee

Membership on the company bargaining committee is usually determined on the basis of the individuals' positions in the organization and their experience and personal qualifications. The personnel manager or industrial relations director generally occupies an important, if not key, position on the bargaining committee. Other members of his staff and

selected line officials usually constitute the remainder of the committee. In smaller firms, and in some larger firms for that matter, the president, general manager, or other major executives may participate in the contract negotiations.

The committee chairman typically handles most of the actual negotiations with his colleagues providing him with assistance as needed. During the bargaining sessions, furthermore, it is important that the chairman maintain control over his fellow members in order that the company's position may be consistent and united.

The union committee usually consists of the business agent, the union officers, and sometimes the shop steward. In some cases representatives from the national organization also may handle or participate in the contract negotiations.

The knowledge and skill required for effective collective bargaining have led many companies to place this function in the hands of professional negotiators. The use of such negotiators can have definite merit, particularly for small firms, since these individuals devote their full time to union relations and thus often have broader skills and experience than a company's own personnel. Persons with such professional backgrounds are less likely to be influenced by their emotions or to be outmaneuvered by the union. Professional negotiators also are usually better posted on labor conditions and know approximately the minimum point at which they can achieve a settlement with the union. When utilizing professional assistance, of course, employers should thoroughly investigate the reputation of the consulting firm or individuals that are to be selected in order to insure that they are thoroughly competent.

Many companies do their negotiating through *bargaining associations.* These associations may exist solely for collective bargaining purposes, or they may also handle other trade services and functions. They may represent various employers in a particular geographic area or industry, or they may represent employers having contracts with a particular union. Bargaining associations offer the advantage of having union negotiations performed by labor specialists and of providing assistance in the administration of the contract. Furthermore, these associations enable employers to present a united front against economic pressures exerted by the union. In maintaining this united front, the associations often adhere to the principle that "a strike against one is a strike against all," and thus cease their operations, that is, conduct a lockout, whenever the union strikes against an association member in an effort to force a contract settlement with that member.

4 — Prevention of Deadlocks

The speed and success with which final agreement can be achieved are in a large part determined by the ability of both parties to avoid a deadlock in the negotiations. Many factors, however, can cause deadlocks to occur. The most common of these factors is the unwillingness of either or both parties to make the concessions that are required in order for an agreement to be reached. A lack of understanding or poor bargaining strategy on the part of either or both sides also may produce a breakdown that neither one wants. The issuing of threats or ultimatums from which a retreat cannot be made without losing face or the making of statements that cause the other side to lose face or which unnecessarily provoke their anger are among the causes for such breakdowns. If each side shows consideration for the position and feelings of the other, however, and attempts to keep the discussion going and to avoid unnecessary road blocks, a breakdown in negotiations may be prevented. Every effort should be made to prevent a breakdown since negotiations are much more difficult to resume and cooperation is harder to achieve once a breakdown has occurred, particularly if it causes a work stoppage. When a work stoppage occurs, a settlement often cannot be reached until the economic pressures resulting from it force one or both parties to assume a more conciliatory position.

THE COLLECTIVE BARGAINING PROCESS

The *collective bargaining process* is the process by which representatives of the union and the company attempt to reach an agreement covering the conditions of employment that are to prevail during the life of the contract. In reaching such an agreement, each side attempts through the use of arguments, persuasions, and threats, and by outtalking and outmaneuvering the opposing side, to gain maximum concessions from it while giving up a minimum of concessions in return. Behind the ability of each party to achieve its objectives peacefully through negotiation is its capacity to back up its bargaining demands, if necessary, by means of economic and other forms of pressure mentioned in Chapter 18. The extent of the concessions that each side normally will make toward reaching an agreement thus is contingent upon its estimate of the other side's readiness to engage in a strike or lockout, and upon its appraisal of the cost of enduring such action as compared with the cost of making the concession necessary to prevent it.

Since strikes and lockouts are costly to both sides, it is to their mutual interest to reach an agreement peacefully — or at least not to abandon the

attempts to reach such an agreement until all possible efforts have been exhausted. While the collective bargaining process that is followed in attempting to achieve an agreement does not necessarily adhere to any fixed pattern, the following represent some of the phases that may be covered by it:

1. Opening the negotiations
2. Analysis of proposals
3. Resolving the proposals
4. Overcoming bargaining deadlocks
5. Reporting the negotiations

1 — Opening the negotiations

The initial meeting of the bargaining negotiators can have an important influence upon the general climate that is to prevail during the entire negotiations. Particular effort, therefore, should be made to get the meeting off to a good start. A cordial attitude on the part of each bargaining team and perhaps the injection of a little humor can contribute much to a relaxation of tensions and help the negotiations to begin smoothly.

The first meeting is devoted usually to establishing the bargaining authority possessed by the representatives of each side, and the rules and procedures to be used during the ensuing negotiations. Unless the parties have already submitted their proposals, these are normally exchanged at the first meeting. Each side may be asked to read and clarify certain of its proposals, and then the session may be recessed so that each side can study and consider the proposals it has received.

2 — Analysis of Proposals

Contract negotiations can embody many of the characteristics of a poker game in which each side attempts to estimate accurately its opponent's position without revealing its own. Rarely do the initial proposals of either side represent what it really wants or expects to obtain. These initial proposals, for purposes of classification, might be divided into the following categories:

(1) Those proposals that each party feels it must obtain, even at the cost of a strike or lockout. A company suffering from loss of efficiency, for example, might propose that a section of the existing contract requiring the employment of certain standby personnel be eliminated from the next union contract, and it might be willing to endure a union strike in order to gain the union's acceptance of this proposal.

(2) Those proposals that each party would like to achieve, but for which it is not willing to make any substantial sacrifices or concessions. Thus, a company might propose that certain changes be made in the contract seniority provisions but drop this proposal if it had to endure a strike in order to achieve the proposal.

(3) Dummy or tactical proposals that are submitted primarily for trading purposes or for drawing the opposition off balance. A union, for example, might propose the establishment of a retirement plan that it did not hope to obtain in order to have something to concede to the company negotiators in return perhaps for a much-wanted wage increase.

In analyzing each union proposal, therefore, a company must determine the possible effects that the proposal may have upon its operations and upon its personnel program, and also the relative importance that the union attaches to the proposal and the concessions or sacrifices that it may be willing to make in order to have the proposal accepted.

3 — Resolving the Proposals

All proposals submitted by each side, regardless of how unimportant they may be, must eventually be disposed of, if a contract is to be consummated. These proposals may be withdrawn, or they may be accepted by the other side in its entirety or in some compromise form. There is no standard procedure for taking up the various proposals submitted by the two sides. Sometimes the proposals are discussed in order of their appearance in the contract. Often, however, the sequence in which the proposals are to be discussed may in itself be a subject for collective bargaining, since this sequence can have an important effect upon each party's bargaining strategy. If the discussion of the more important proposals can be deferred until the last, the party submitting these proposals may be able to use them as leverage in gaining concessions on some of the earlier and lesser important ones. As far as the union is concerned, it is usually easier to rally the support of its members for a strike over major issues than over minor ones. The union, therefore, may seek to place certain major issues near the end of the bargaining agenda.

Since the willingness of each party to agree to certain proposals is often contingent upon the settlement that it can gain on other proposals, it is a common practice for the agreements on each proposal to be made first on a tentative basis. Final agreement thus is not reached until tentative agreements have been achieved on all proposals. This practice permits either party to withdraw its agreement to any proposal or proposals without committing a breach of good faith, should their opponents refuse to make

the concessions that are desired in bargaining on subsequent proposals. A company thus might tentatively agree to the union's proposal for a company-financed health insurance plan but withdraw its agreement when the union refused to reduce its demands for a wage increase. In bargaining for a contract, however, it is sometimes the practice for final agreement to be reached on each proposal before proceeding to the next one.

When a work stoppage does occur in connection with a negotiation deadlock, more often than not it is the result of union strike action. Although employers may threaten to use a lockout and may sometimes resort to its usage, they normally consider it to their advantage to keep their plant operating. Generally, lockouts are used only when necessary to cope with the harassing tactics of a union or to protect company property, or to support other members of an association who are being struck.

The ability of a union to threaten strike action can in itself constitute a strong weapon in avoiding or breaking a bargaining deadlock. Unions, therefore, usually seek strike authorization from their members to use as added bargaining pressure in hopes of gaining concessions that will keep the negotiations alive. In many instances, a strike vote by the members does not mean that they actually want or expect to go out on strike. Instead, such a vote usually amounts to a vote of confidence that is intended to strengthen the position of their leaders at the bargaining table.

In order to make effective use of their threat to strike, unions generally try to schedule negotiations so that if a deadlock does occur, it will be reached at a time when the company is most vulnerable to strike action. This is normally near the start of the busy season, during an upswing in a business cycle, or at any other time that would cause the greatest inconvenience to the company. Companies, on the other hand, try to schedule negotiations or stall them until such a time as they are best able to withstand a strike. Because it can have such an important effect upon the relative bargaining strength of the company and the union, the period at which the negotiations are to take place can be an important bargaining issue.

4 — Overcoming Bargaining Deadlocks

If a strike or lockout occurs, pressures soon begin to build up on both parties. The company is faced with a prospect of suffering the loss of profits, customers, and public goodwill, and possibly of being penalized through some form of government action. The union leaders must risk the possible loss of members, of being voted out of office, or of having the employees vote the union out of the company. Unions also may risk the

loss of public goodwill, of having legal action taken against them, or of having legislation passed to regulate their activities.

As the losses to each side increase, the participants usually become more anxious to achieve a settlement. The cost of making additional concessions to the other side, when compared against the losses that they are experiencing from the work stoppage, then tend to look less drastic and the benefits of resuming negotiations and reaching a settlement tend to look more attractive.

Use of conciliation and mediation. When the two parties are unable or unwilling to resume negotiations by themselves, an outside conciliator or a mediator can often help them to resume negotiations and to reach a settlement. The terms "conciliator" and "mediator" are often used interchangeably but the individuals who assume each of these roles perform slightly different functions. A *conciliator* is one who provides a catalytic service by keeping the negotiations moving and thus helps the two parties arrive at their own solution. He does not attempt to suggest possible solutions for them. The *mediator*, in contrast, exercises a more positive role in helping to resolve a deadlock by suggesting compromise solutions. In practice, however, conciliation and mediation often overlap. The conciliator may see fit to offer suggestions and thus perform the role of a mediator, or the mediator may attempt to let the two parties work out their own solutions and thus act merely as a conciliator.

Since both the union and management usually are feeling the pressures to achieve a settlement by the time he enters the picture, the conciliator (or the mediator) can help them to retreat from their deadlock position without appearing to lose face. Furthermore, the negotiating parties frequently will reveal to the conciliator a willingness to compromise at some point less than the one previously stated to the opposition. By acting as an intermediary between the two parties, the conciliator can often detect and interpret the willingness of each to give ground and can thus gradually draw them closer together until an agreement point is reached.

Arbitration. In *arbitration*, both sides agree to place the dispute in the hands of the third party and to abide by his decision. Arbitration, however, is not used so much to resolve bargaining deadlocks as it is to resolve grievances arising from the administration of the contract. This latter use of arbitration was discussed earlier in Chapter 17. The reason why arbitration is not used very often to settle bargaining deadlocks is that either or both parties are usually reluctant to place their fate in the hands of a third party. In most instances, they would rather make con-

cessions voluntarily, even if under the threat of economic pressure, than be forced to accept whatever decision the arbitrator might see fit to render.

Government intervention. In certain situations deadlocks may be resolved directly or indirectly as the result of government intervention, particularly if there is a work stoppage that is a threat to the national security or to the public welfare. Government intervention in such instances may include plant seizures or the threat of seizure, the issuance of injunctions, or the cancellation of government contracts. The threat of punitive legislation or the public condemnation of either or both sides also can tend to have a persuasive effect in achieving a settlement.

Fact-finding boards may be appointed by federal, state, or local governments to investigate a bargaining deadlock. Although these boards do not have power to force the parties to reach a settlement, they do provide additional information that can be used in fixing responsibility for the deadlock. The influence of this information upon public opinion can place one or both parties under considerable pressure to reach an agreement.

5 — Reporting the Negotiations

It is often difficult for a company to determine how much information concerning the progress of the negotiations it should communicate to its employees and to the public. At times, there may be an advantage in not publicizing the status of the negotiations in order that the negotiators may concentrate on reaching an agreement rather than upon making a favorable impression upon employees or the general public. It is rather difficult, however, to keep the bargaining proceedings confidential since there is often a temptation for one or both sides to deliberately let information leak out if they feel that it might be beneficial to their cause.

An employer should make certain that the union adheres to its agreement to keep the discussions private. If the union lets information leak out to its members, the company may discover that its employees know more about the status of negotiations than its supervisory and executive personnel. Conditions such as these are not uncommon and tend to weaken both the morale and status of such managerial personnel.

If the news of negotiations is freely disseminated, management must make sure that this information flows freely and accurately down to the lowest organizational levels. This precaution will help to insure that the employees receive both the company's as well as the union's version of the bargaining situation. It also will help to demonstrate to the employees that the company as well as the union is interested in their welfare.

THE LABOR CONTRACT

The translation of the labor agreement into written form normally represents the final phase of the collective bargaining process. The written contract permits both parties to study and to question the wording of the various sections of the contract and to reach a common understanding concerning their interpretation. It also provides a permanent record that can serve as a guide in administering those personnel functions covered by the contract. Each contract that is negotiated between a company and a union should represent certain improvements over the previous one. It is only through the experience gained from negotiating and enforcing several contracts that defects in a contract and problems relating to its enforcement can be kept to a minimum. Even then, problems relating to the interpretation and enforcement of the contract may arise.

Typical Articles

The labor contract or agreement, whichever term the parties choose to call it, is typically divided into a series of articles or sections. Most labor contracts average from 20 to 30 articles, depending upon how extensive and detailed the document is. Some of the principal subjects covered by these articles are the following:

a. General statement
b. Union security
c. Functions or rights of management
d. Grievance procedures
e. Seniority provisions
f. Wages
g. Fringe benefits
h. Miscellaneous provisions
i. Termination of agreement

(a) General statement. Most labor contracts include some general statement of the intent and spirit of the contract. It usually summarizes the general scope and purpose of the contract and reaffirms the desire of both parties to exercise good faith in observing its provisions. The following is a typical general statement covering the intent and purpose of a contract:

> The purpose of this agreement is to establish harmonious relations between the parties and to facilitate orderly adjustment of grievances, complaints, and disputes which may arise from time to time between the company and the union.

This agreement is entered into in consideration of the mutual performance thereof in good faith by the parties.[1]

(b) Union security. Contract articles involving union security typically cover such things as the type of recognition to be accorded to the union, dues checkoff provisions, the right of the union officials to enter or to have representatives within the plant, and similar subjects affecting union welfare. Articles covering the union's right to be consulted or to participate in management decisions involving such matters as the subcontracting of work, installing newer equipment, or changing plant locations may also be included to provide the union with additional security. In the articles covering union security, some statement may also be included covering the obligation of the union to exercise control over its members and to prevent unauthorized strikes by these members.

The following is an example of an article in a labor contract covering union security:

ARTICLE I

Union Recognition

1. The Company agrees to recognize the Union on behalf of and in conjunction with its Locals for those bargaining units of Company employees for which the Union or any of its Locals, through National Labor Relations Board certifications, is designated as the exclusive collective bargaining representative of employees within such units for the purpose of collective bargaining in respect to rates of pay, wages, hours of employment and other conditions of employment.[2]

(c) Functions or rights of management. While most unions are striving to extend their areas of participation in personnel decisions, companies generally are striving to protect their authority in these areas. Companies frequently seek to define their exclusive rights or prerogatives to take action without any consultation with the union. The right to hire, fire, and discipline employees, to install new equipment, to establish work standards, or to subcontract work are among those subjects typically covered by statements dealing with management prerogatives.

By defining these prerogatives in the contract, companies hope to prevent such prerogatives from being challenged or weakened through the

[1]Agreement between Caterpillar Tractor Co., Peoria, Illinois, and International Union United Automobile, Aircraft, and Agricultural Implement Workers of America, CIO and its Local Union 974, 1955.

[2]GE-IUE (CIO), National Agreement between General Electric Company and International Union of Electrical, Radio and Machine Workers-CIO and its Affiiliated GE-IUE (CIO) Locals, 1955–1960.

grievance procedures or through arbitration. Many companies, however, do not mention management prerogatives or rights in their contracts, possibly because they feel that this only invites union challenge of them. Actually, all personnel decisions can be considered as management prerogatives until the union is granted the right in the contract to participate in these decisions or to subject them to arbitration. The following is an example of a contract article covering the functions or prerogatives of management:

ARTICLE III — Function of Management

Subject to the provisions of this Agreement, the Corporation shall have the sole right to determine the types and amounts of products to be manufactured in the plant, the extent to which its plant shall be operated or shut down, and to introduce new or improved methods or machinery.

The Corporation has the right to revise standards of production, but grievances as to rates of pay or working conditions resulting from changes in standards of production shall be subject to the grievance and arbitration clauses of this Agreement.

It is understood and agreed that the Corporation shall have the right to employ qualified employees from other mills or units of the Corporation for temporary periods not to exceed six (6) months or any longer term mutually agreed upon.[3]

(d) Grievance procedures. Grievance handling is one of the most important areas covered by the labor contract as far as the union and individual employees are concerned. Usually, articles covering this subject are among those to be included early in the contract. The steps in the grievance procedure, the provisions for arbitration, and, in some instances, the subjects that can be handled as grievances are among those described in this area of the contract. An example of contract provisions covering grievances was included in Chapter 17.

(e) Seniority provisions. Seniority protection also is a very important part of the contract from the union's standpoint. Articles covering seniority usually define the method of accumulating seniority and its effect upon transfers, promotions, and layoffs. The consideration to be given to seniority in connection with the assignment of job duties, overtime, or the granting of other employment privileges may also be included as a part of this general subject. A portion of an article in a union contract that deals with company policy toward seniority is included below:

[3]Niagara Falls (New York Plant), Labor Agreement by and between District 50, Local No. 12970, United Mine Workers of America and Kimberly-Clark Corporation, Neenah, Wisconsin, June, 1955, to June 1956.

ARTICLE 4

Seniority

The following seniority policy shall prevail during the life of this contract:

Section 1. (A) In the reduction of the working force and reemploying, seniority shall govern, and the last employee laid off shall be the first rehired, providing the employee is qualified, and Management shall be the judge of the employee's qualifications. If the Management deems an individual not qualified, explanation will be made to the Union Committee, at the time of the layoff, with the understanding that the disqualification is subject to the regular grievance procedure.[4]

(f) Wages. The articles covering wages and hours usually specify the rates to be paid in the different job classifications as well as the policies governing the administration of the wage structure, the computation of wage payments, and method of making payments. Premium payments for overtime and holiday work also closely relate to this general area. This area of the contract may also include provisions relating to the administration of any work standards or incentive wage plans that may be used by the company.

(g) Fringe benefits. Provisions for paid holidays, vacations, sick leave, supplemental unemployment pay, and various employee services also are typically included in this section. Fringe benefit provisions in a contract tend to be rather lengthy, particularly when they provide for a description of the company's insurance or pension plans. For this reason, they may be included as a supplement to the main contract.

(h) Miscellaneous provisions. The miscellaneous articles can cover a variety of items such as safety, working conditions, union bulletin boards, military service, jury duty, leaves of absence, disciplinary procedures, and other subjects of a general nature.

(i) Termination of agreement. The final article of the contract normally defines the life of the contract and the procedures that must be followed in terminating or reopening it. The following is an example of such an article:

ARTICLE XIX

Duration

The Agreement shall remain in full force and effect until December 1, 1958, and shall be continued thereafter for successive one-year periods unless either

[4]Contract and Working Rules made by the Owens-Illinois Glass Company, Toledo, Ohio, and the Glass Bottle Blowers Association of the United States and Canada, affiliated with the American Federation of Labor, April 1, 1954.

party shall give notice by registered mail at least sixty (60) days before December 1, 1958, or any subsequent anniversary date, of its desire to terminate, modify or amend this Agreement, effective as of December 1, 1958, or the subsequent anniversary date. Such notice shall specify the changes desired.[5]

Contract Ratification

Many union constitutions require that all contracts must be approved by the international union or by the labor council that coordinates union activities within a particular area. The ratification of the contract by the general membership also is frequently required. If any of these groups are dissatisfied with the contract, they may send it back to the negotiating committee for revision, thus making a peaceful settlement extremely difficult to achieve. Company bylaws may require that the agreement be approved by the board of directors or even the stockholders before becoming final. In most cases, the ratification of the agreement by both sides does not present a particular problem since those persons having the power of ratification are reluctant to undercut or cause a loss of face for the members of their negotiating committees.

Contract Enforcement

A labor contract, if it is to serve any useful purpose, must be carefully observed and administered. In order for these requirements to be realized, however, the company and union representatives who administer the contract, as well as the union members affected by it, should be thoroughly familiar with its provisions. Unions, in general, do a fairly effective job of educating their representatives and members about the terms of the contract. Many unions conduct classes for stewards and other union representatives in order to familiarize them thoroughly with the provisions of the labor contract and to prepare them for enforcing it.

Companies also are tending to recognize the importance of this function and to give greater attention to informing their managers and employees about the contract. Communication and training efforts by the personnel department, in particular, have helped to put supervisors on at least an equal footing with the union representatives in their knowledge of the provisions of the contract. Supervisors who have had training in the interpretation and administration of the contract are less likely to have their decisions or actions, particularly those involving discipline, violate the contract and be reversed by higher management or by an outside

[5]Agreement between Williamsport Plant Radio and Television Division of Sylvania Electric Products, Inc., and International Association of Machinists, Lodge No. 140, A. F. of L., October 7, 1955.

arbitrator. A complete knowledge of the contract also gives them self-confidence, which is so essential to effective relations with the union representatives.

COLLECTIVE BARGAINING TRENDS

Changes in economic conditions and in technology as well as changes in the relative strengths of employers and unions can bring about certain changes in the bargaining relationships between the two. Changes in the nature and interpretation of labor legislation by the courts also can have a similar effect upon such relationships. Some of the more important of the collective bargaining trends that have developed in recent years are as follows:

1. Increased bargaining initiative by employers
2. Industry-wide bargaining
3. Pattern bargaining
4. Continuous gains by labor

1 — Increased Bargaining Initiative by Employers

The passage of the Wagner Act, which curbed many of the previous practices of employers, tended to place most of them on the defensive. Furthermore, the legal action that was invoked against many of them helped to make many employers more hesitant to act aggressively in their bargaining relations. Since the passage of the Taft-Hartley Act, however, there have been some instances in which employers have departed from their traditional defensive roles by assuming the initiative in bargaining with unions. Under such an approach, a company determines what it feels it can afford to give to the union in terms of current economic conditions and bargaining patterns. It then submits its offer to the union and, if possible, attempts to hold fast to this offer. Every effort is made to inform and sell the individual employees on the merits of the offer; and after a given deadline, the increases and other benefits are granted to all employees except those covered by the contract being negotiated. This procedure has the effect of placing the union under considerable pressure to accept what the company has offered to the other groups since the union's members may stand to lose what they otherwise could be receiving, once that the deadline has passed. If possible, the company refuses to make any increases that are subsequently granted to the union members retroactive to the date that the general increases were granted.

This new approach to collective bargaining obviously has not been very enthusiastically received by labor unions. They regard it as an attempt

to avoid collective bargaining and to return to the "take it or leave it" approach that many companies used before the passage of the Wagner Act. Any company attempting to use such an approach, therefore, must be certain that it can maintain its bargaining position even if it causes a strike, and that it can retain the individual loyalty of a major segment of its employees. Aside from the bargaining risks involved, this approach also could conceivably be ruled as an unfair labor practice by the National Labor Relations Board. In spite of these calculated risks, employers have in some instances been able, with considerable success, to assume the offensive in bargaining with unions.

2 — Industry-Wide Bargaining

Another collective bargaining trend has been one toward industry-wide bargaining, particularly in such major industries as coal and steel. Closely related to this type of bargaining has been that conducted on a regional or on an area basis through bargaining associations and trade associations. This latter type of bargaining has become quite common among smaller companies. Industry-wide and area-wide bargaining has helped to reduce the cost of conducting a series of individual negotiations and to standardize the labor costs of competing firms. On the negative side, however, it has had a tendency to develop monopolistic conditions that have made it easier for firms within a particular industry to pass the costs of keeping peace with their union on to the consuming public.

3 — Pattern Bargaining

Pattern bargaining is another trend which, though not always caused by industry-wide or area-wide bargaining, is somewhat related to it. Under *pattern bargaining*, the union attempts to use a favorable contract that it has negotiated with one firm or industry as a leverage for achieving similar gains in its negotiations with other companies. The union argument in bargaining with the latter companies is that they can grant certain concessions because their competitors have already done so. This argument is often rather difficult to counteract. The economic pressure upon the remaining companies being forced into the pattern can also be great because their competitors, who have already signed a contract, stand to gain business which the holdout companies would lose if they were subjected to a strike. In recent years, the contracts signed by the major producers in an industry have often set the pattern which other smaller firms in the industry have had to follow.

Pattern bargaining has been used very successfully, for example, by the unions negotiating with the major steel, automobile, and appliance companies. The strategy of these unions has been to concentrate their strength on one of the companies and, if necessary, strike against it in order to achieve their demands and then force a similar agreement with each of the remaining companies. Because of the strong economic competition among such companies as well as their fear of possible antitrust action, the companies have failed to develop a united stand and to exert their combined strength against their unions. As a result, the unions often have been able to use whipsaw tactics and to bring the companies to terms one at a time.

4 — Continuous Gains by Labor

There has been a definite trend for the collective bargaining to be extended to subjects formerly considered to be the exclusive prerogatives of management. In some instances, management prerogatives have been relinquished voluntarily; but in most instances, companies have been forced to do so as the result of successful bargaining by the unions or through legal compulsion. Pension, profit sharing, and stock ownership plans are some of the latest subjects over which unions have successfully forced employers to bargain.

Another significant collective bargaining trend has been the regularity with which most unions have been able to achieve additional gains for their members with each new contract. There have, of course, been situations when this has not been the case; but for the most part, union members have grown to expect their leaders to achieve such gains. This condition can and has created a very severe problem for the union leaders if and when companies are not able to provide the customary improvements. When such conditions are reached, the labor leaders are often confronted with a choice between calling a strike that they know is unwise or facing the prospect of being voted out of office for failing to be more aggressive and to drive a better bargain with the employer.

RÉSUMÉ

In companies where employees are unionized, the conditions relating to their employment are determined by the terms of the labor contract that is established through collective bargaining. This contract helps to determine the manner in which various functions of the personnel program are to be performed and the basis for establishing many of the policies and procedures within the program. The achievement of a sound personnel

program where it is affected by collective bargaining is dependent not only upon the ability of the company to recognize fully the type of program that it needs but also upon its ability to negotiate the type of labor contract that will permit such a program to exist. In order to negotiate a satisfactory contract, therefore, a company must devote adequate attention to the collective bargaining process. Such attention requires that it make thorough preparation for the bargaining sessions and that it have fully experienced and capable negotiators to represent it at the bargaining table. Collective bargaining thus is both an art and a science that can have an important bearing upon the effective management and performance of a company.

REVIEW AND DISCUSSION QUESTIONS

1. What factors have forced employers to devote more of their attention to collective bargaining?
2. What types of preparation should a company make prior to the actual negotiations? What purposes does it serve?
3. What are tactical proposals and when are they used?
4. Why is the sequence in which the proposals are discussed often quite important to both parties?
5. What are some of the ways in which bargaining deadlocks may be broken?
6. What is the difference between a conciliator, a mediator, and an arbitrator?
7. What are the functions rendered by a fact-finding board?
8. List some of the typical subjects covered by a labor contract.
9. What are management prerogatives and what may they include?
10. Why is it important for supervisors and executives to be thoroughly familiar with the provisions of their company's labor contract?
11. What is pattern bargaining and what is the strategy behind its use?
12. Should a company avoid keeping negotiations confidential on the grounds that its employees should know what is going on?
13. Should a labor contract attempt to cover every specific problem that might arise between the two parties or should it be broad and general in nature?
14. When negotiating a contract, why do the two parties not state their minimum point of settlement at the time negotiations are started?
15. Since the individual employees often suffer more from a strike than does an employer, how do you account for the fact that unions rather than employers usually initiate the work stoppages?

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PART FIVE

REMUNERATION AND SECURITY

— 21 — Wage and Salary Administration

— 22 — Job Evaluation

— 23 — Financial Incentives

— 24 — Employment Stabilization

— 25 — Retirement Provisions

— 26 — Benefits and Services

— 27 — Health and Safety

Chapter 21

Wage and Salary Administration

Earlier chapters have emphasized the importance of helping employees, through their work activities and relationships, to satisfy their basic needs and to achieve personal adjustment as a means of developing a high degree of efficiency and morale among them. The treatment of each employee as an individual and the effective motivation, supervision, and evaluation of his performance are very important factors that contribute to his willingness to render an effective contribution to the company and to continue his employment with it. The desire to earn money, however, is what causes most workers to spend a major portion of each week at their jobs rather than at some recreational activity. Wages are important to most employees even though at times these wages may appear to be less important to them than certain other aspects of their employment.

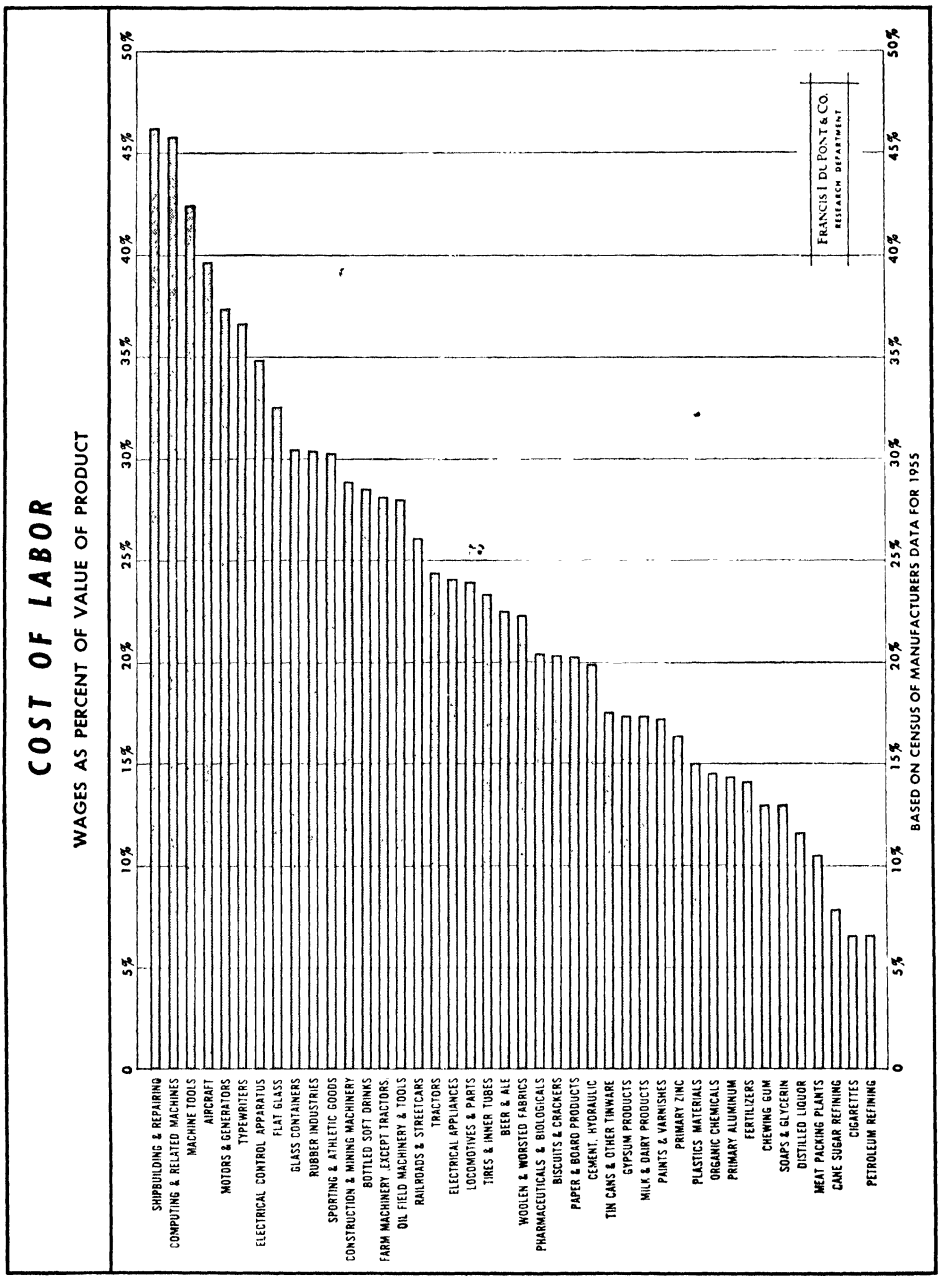
The determination of the wage rate and wage payments for each employee constitutes a very important personnel function, and it can be an important labor relations issue if these employees are unionized. The subject of wage and salary administration and the process by which wage payments can be related to the work contributions of each employee will be covered in this and the next two chapters. Among the topics relating to wage and salary administration to be discussed in this chapter are the following:

- Importance of wages
- Factors influencing wages
- Determining wage rates
- Computing wage payments
- Federal wage legislation

In order to simplify the discussion in this chapter, the term "wages" will be used to include salaries. According to popular usage of the two

Figure 21-1

Cost of Labor as a Per Cent of Value of Product



Source: *Graphic Presentation*, 1958 Edition, New York, Francis I. DuPont & Co., Chart 105. Reproduced with permission.

terms, however, *salary* normally refers to those payments that are computed on a weekly, monthly, or yearly basis for "white collar workers," whereas *wage* refers to those payments that are computed on an hourly or a daily basis. Traditionally, salaried employees also have enjoyed certain fringe benefits such as paid holidays, vacations, sick leave, and more stabilized employment, which have not been extended to wage earners. The significant increases in fringe benefits that organized labor has achieved for wage earners during recent years, however, have caused some of the distinctions between wages and salaries to be eliminated.

IMPORTANCE OF WAGES

Wages are important not only to the employees who receive them but also to the company, its stockholders, its customers, and to society in general. The interests that each of these groups has in a sound system of wage determination and administration will be discussed in this section.

Importance to Employees

Employees are concerned about wages for a variety of reasons. One of the foremost of these reasons is that an employee's wages have an important bearing on his standard of living. An employee's wages, for example, determine the comforts, services, and financial reserves that he can provide for his family. The wages that he earns also have an important influence upon his status in society because often such status is measured to a large extent by the material gains that he is able to achieve from his work rather than by his skill or reputation as a worker. Within the employee's company, wage payments similarly serve as a measure of his contributions and relative worth to the company in comparison with the other employees. For these reasons, both the amount that he earns in relation to other individuals and the absolute amount of his wages are important.

Importance to the Company

Wages are important to a company because they represent one of the basic costs of production. Figure 21-1 shows the relationship of the cost of labor to the total production costs within a selected number of industries. This relationship is significant to a company because it indicates the effect that wages have upon the cost of its products, the price it must charge for them, and its ability to compete favorably with other companies. Increased costs resulting from increases in wage rates that cannot be passed on to the customer in the form of higher prices without reducing sales volume, or

which cannot be offset through increased efficiency, must be absorbed out of profit margins. Wage increases that severely reduce or eliminate a company's profit margin place the future operation of the company in jeopardy. Under such conditions, the company's ability to attract capital from investors may be curbed or its owners may be forced to liquidate the enterprise and, in turn, the jobs that it provides.

Importance to Society

Wages are important from a social standpoint because of the varied effects which they have upon different individuals and groups within society. Higher wages, on the one hand, give the wage earners more purchasing power, which in turn helps to provide a higher level of business prosperity for the community and more revenues for schools, churches, and various social agencies. On the other hand, to the extent that wage increases produce higher prices, they tend to reduce the standard of living for those persons whose wages do not keep abreast of the rising prices. Furthermore, if price increases are necessitated by higher wages, this condition can lead to a reduction in the demand for the products or services produced by these employees, and in turn to a reduction or loss of their employment opportunities. In spite of this latter possibility, however, there appears to be a fairly close relationship between the prevailing wage levels that exist in different areas of the nation and the general level of social welfare that is enjoyed by the people living in these areas.

FACTORS INFLUENCING WAGES

Many different factors tend to exert an influence upon a company's wage administration program, and upon the amount of wages paid to each employee and the method by which these wages are calculated. Some of the more important factors include the following:

1. Company ability to pay
2. Supply and demand
3. Cost of living
4. Collective bargaining
5. Prevailing community wage rates
6. Relative worth of the job
7. Legislation

The nature of each of these factors and their interrelationships will be discussed in this section.

1 — Company Ability to Pay

A company's ability to pay either directly or indirectly helps to determine the wage rates that it pays to its employees. Ability to pay also is often used as a collective bargaining argument by the unions in attempting to show that company profits are more than adequate to support their wage demands. On the other hand, a company usually takes full advantage of a poor profit record in arguing against any wage increases or in asking for wage decreases. In recent years, however, companies have had to exercise care when claiming inability to pay as a reason for not granting an increase because according to a National Labor Relations Board ruling, a company must show the union sufficient financial records to substantiate such claims.

A company's ability to pay a particular wage is determined by its ability to increase either its production efficiency or its revenues. Efficiency can often be increased by eliminating waste, improving work methods, installing better equipment, and by various other techniques. Increases in the price charged to the customer, unfortunately, all too often constitute the method relied upon to gain more revenue. Sometimes, however, there are certain limits to the extent to which a company can increase its prices. When a company is unable to increase its prices or to achieve greater efficiency, its ability to pay higher wages may be limited to the amount that it is able and willing to sacrifice in the way of profits.

2 — Supply and Demand

The wage rates that a company must pay for certain jobs may be influenced by the supply of labor that is available to perform these jobs. When the relative supply of labor for certain jobs is scarce, companies may have to pay higher wage rates in order to recruit and retain qualified employees than would be the case if the supply were plentiful.

In certain types of jobs, the unions may attempt to control either the supply and demand situation or at least the effects of it. Where unions require new members to serve long apprenticeships or where they have membership quotas, such requirements can be used to restrict the supply of certain types of labor and thus help to maintain a higher wage and employment level for union members. Even when there is a surplus of labor, the union through its ability to exert economic pressure may be able to maintain high wage rates. Surpluses of labor, such as may develop during a recession period, nevertheless, can lessen a union's ability to maintain union wage scales and to prevent unemployed workers from accepting jobs at lower rates. Government regulations, however, can

prevent an oversupply of labor in certain industries from depressing the wage rates below an established minimum. Thus, although supply and demand have an important effect upon wage rates, many other factors can offset or nullify this effect.

3 — Cost of Living

If a company is to achieve a high level of efficiency and morale, it must pay wages that are high enough to enable its employees to enjoy an adequate standard of living. Otherwise, some employees may be forced to supplement their income by *moonlighting*, that is, by maintaining a second job, and as a result will have less energy for their regular jobs. Other employees may leave for better jobs, and those who are unable to find other employment may contribute as little as possible. Any of these alternatives can be detrimental to the welfare of a company.

Some firms give consideration to employee living costs by providing special family allowances. This may be true particularly of the starting wage for married applicants. Standard-of-living requirements also can be a factor for consideration in connection with the selection process. An applicant should not be hired for a job if its wage rate is insufficient to permit him to earn the income necessary to meet his financial commitments. If the nature of the job or the financial position of the company makes it undesirable for the wages for such jobs to be raised to a level that is adequate for supporting a family, then only single persons, retired persons, women seeking to supplement the family income, or other persons who do not have financial obligations should be hired for these jobs.

During inflationary periods, general wage increases must be provided periodically if the living standards of employees are to be preserved. In recent years, the unionized "blue-collar" workers have been the most successful in preserving or even improving their living standards during periods of inflation. Many union contracts now contain *escalator clauses* that provide automatic cost-of-living adjustments. Such adjustments are based upon changes in the Bureau of Labor Statistics' Consumer Price (cost-of-living) Index. The United Auto Workers' contract with General Motors, as an example, provides that G.M. employees receive a one cent per hour increase or decrease for every 0.5 point change in this index.

Wage rates that are tied to a cost-of-living index, however, can become quite unpopular with a union during a period of declining prices. For this reason many unions may attempt periodically to have the cost-of-living increases which they have received incorporated into the basic wage rate for each job. Other unions have considered it best not to seek an escalator

clause but to demand general wage raises sufficient to cover or exceed any increases in the cost of living. Increases of this type are not likely to be lost so readily should the cost of living decline.

Although cost-of-living adjustments may preserve the purchasing power of those who receive them, such adjustments can create further increases in living costs for the consumer unless they are paid out of company profits or supported by corresponding increases in efficiency. Although wage increases to match cost-of-living increases may provide unions with a strong argument to use in collective bargaining, the benefits would tend to be nullified if the incomes of all citizens were subject to cost-of-living adjustments because this situation would cause both prices and wages to continue in an upward spiral.

4 — Collective Bargaining

Chapter 20 revealed that when a company is unionized, wages, including fringe benefits, represent one of the most important conditions of employment that are subject to collective bargaining. In bargaining for wages, one of the objectives of most unions is to achieve wages that are equal to or better than those paid by other companies in the area or in the industry. The achievement of these objectives often involves the practice of establishing the best possible wage rate with certain pattern-setting companies and then using these rates as the bargaining leverage to get similar gains from other companies. The drive to obtain greater wage equality can serve as a basis for getting employees in the companies with substandard wages to unionize and force up their wage rates. Union efforts to organize the companies that pay low wage rates are often very much appreciated by companies that have been already unionized and who may have difficulty in competing with the nonunionized companies that pay the lower wage rates.

5 — Prevailing Community Wage Rates

In order for a company to recruit and retain good personnel, its wage rates must be comparable to those paid by other companies within the community for similar types of jobs. Furthermore, if it is covered by either the Davis-Bacon or Walsh-Healy Acts, a company is required by law to pay the prevailing community rates.

Community wage rates are influenced by all of the factors that have been discussed in this section so far. The ability of the companies to pay, the supply and the demand for labor, the cost of living, and the bargaining strength of organized labor within the community all have an effect upon the local wage rates. While it may not be possible to determine exactly

the extent to which the wage rates are influenced by each of these factors, it is possible to determine the average rates that are being paid for certain jobs by the companies within the community by means of a wage survey. Such a survey may be conducted by a company, by some government agency, or by a trade or employer association.

The wage survey may utilize either the questionnaire or the interview method of gathering data. One of the first decisions to be made is what firms are to be included in the survey. In order to be effective, the survey should include those companies that are in a similar type of business or that compete with each other in the recruitment of certain classes of employees. The companies covered by the survey must also be willing to cooperate in providing the desired wage information.

The principal item of information to be solicited through the wage survey is the basic rate that is paid for each of the various jobs. In most companies, however, employees receive additional indirect wages in the form of fringe benefits that are also a part of a company's labor costs. Normally the amount of fringe benefits that are paid to employees can be reduced to an hourly rate by dividing the total dollar value of the benefits received within a given period by the number of hours worked. The number of cents per hour that is received as fringe benefits can then be added to the basic hourly rate for each job in determining the total wages paid to the employees performing it. The minimum and maximum rates for each job, advancement opportunities, overtime rate provisions, shift differentials, and incentive premiums are some of the other items of wage information concerning each job that may be solicited in a wage survey.

6 — Relative Worth of the Job

From the standpoint of morale it is very important that the wages paid each employee be properly related to the demands of his job and to the wages paid to employees in other jobs. Consistency of wage rates within a company is particularly important, since the amount of wages that an employee receives in relationship to what others receive often can have greater significance to him than the actual amount of his wages. Internal inequities within a company wage-rate structure, furthermore, can be the source of more grievances than the fact that other companies may be paying higher wage rates for certain jobs. A company should, therefore, determine the relative importance of each job so that it may have an objective basis upon which to establish wage differentials between jobs of varying levels of importance. The various systems of job evaluation that are used in

measuring the relative worth of the jobs within a company and for establishing a wage and salary structure will be discussed in detail in the next chapter.

7 — Legislation

Since the 1930's, wage and salary administration, like the other areas of personnel management, has been the subject of many new laws enacted by the state and the federal governments. These laws have covered such subjects as minimum wage rates, overtime premiums, and methods of computing wage payments, as well as the time and method for disbursing wage payments. Other laws have pertained to the deductions that an employer either can or must withhold from an employee's pay check and to the various payroll records that he must keep. During World War II and the Korean War, laws were also passed that restricted the wage increases that could be granted to employees.

Interrelationship of Factors Influencing Wages

The factors that exert an influence upon wages are not always clearly distinguishable. In some instances, two or more factors may have a similar type of influence upon the wage rates for a particular job, while in other instances these factors may have an opposing influence upon each other. If, for example, a company does not have the ability to pay higher rates, the pressures for higher wages resulting from the supply and demand, cost of living, or collective bargaining situation may not have much effect upon its wage rates. On the other hand, collective bargaining pressures may prevent a reduction in wage rates in spite of a downturn in living costs, or a surplus of applicants looking for work. Bargaining pressures that force up the rates of certain jobs also can prevent a company from maintaining the proper rate differentials if it cannot afford to raise the rates for other jobs proportionately. These examples of the interaction of the various factors influencing wage rates serve to illustrate some of the complexities and interrelationship of the factors influencing wage determination.

DETERMINING WAGE RATES

Persons performing similar jobs may or may not be paid the same rate, depending upon a company's wage policies and the nature of its labor contract. In order to simplify the administration of a wage system, those jobs that involve about the same degree of difficulty and importance may be grouped together into *wage classes* and paid the same rate or rates. If

only one rate is established for all jobs within a wage class, the system is known as a *single rate system.*

In order to allow for differences in years of service or caliber of performance among employees whose jobs fall within the same wage class, some companies provide for a rate range that permits some variation. Such rate ranges permit a series of rates to be established at progressively higher intervals above the minimum rate up to the maximum rate established for the range. Each employee is then paid at the rate that corresponds to the appropriate step within the rate range established for jobs in his class.

Thus, the wage rate for a mechanic and for the other jobs that fall within the same wage class might range from $2.75 to $3 an hour. This range could permit the establishment of the following wage steps through which a mechanic might progress from the starting rate to the maximum rate for his job: $2.75–$2.80–$2.85 $2.90–$2.95–$3.00. The methods and procedures for developing wage classes and rate ranges will be discussed in greater detail in the next chapter.

Administering Rate Increases

Where rate ranges are established, increases from the beginning step up to the maximum step for the range may be made on the basis of merit or seniority, or upon a combination of these two factors. Although the practices of granting rate increases on the basis of merit offers employees a greater incentive to perform effectively, companies may actually tend to base such increases primarily upon seniority because of union pressure for such a policy or because seniority often is easier to measure than merit.

When an employee has progressed to the top of the rate range established for his job class, he normally is not granted any additional increases other than those granted across-the-board to all employees. Any other wage increases that the employee might receive, therefore, are contingent upon his gaining a promotion or having his existing job re-evaluated and upgraded into a higher wage class. Some companies, however, do provide for special rate increases for employees who have been at the top of their wage range for a number of years and who cannot qualify for a promotion.

Problems Related to Wage Rate Increases

Since World War II, there has been a trend for companies to grant across-the-board increases to employees in all wage classes to satisfy union bargaining demands, to cover increases in employee living costs, or to keep wage rates in line with those of other companies, or because of a

combination of these factors. Such increases have consisted of either a flat amount, that is, a certain number of cents an hour for all jobs, or a percentage increase based upon the existing wage rate for each job. Flat increases have tended to be the more common type and have resulted in the jobs in the lower wage classes receiving larger percentage increases than those in the higher wage classes. This latter factor, in turn, has helped to compress the traditional rate differentials between jobs in the higher and lower wage classes. As a result, the skilled wage earners do not enjoy the financial status with respect to unskilled wage earners that they once did. This trend, if it continues long enough, could have rather widespread effects upon the incentive for employees to train themselves for the more skilled jobs. For this reason, percentage increases in wage rates have certain advantages in that they permit proper wage differentials based upon the relative worth of the jobs within a company to be preserved.

In addition to the granting of flat increases, other practices can create inequities within a rate structure if they are not kept under control. The practice of hiring certain groups of employees who are in scarce supply at rates above the wage rate established for jobs of their class, or of raising the rates of certain groups of employees above the maximum limits established for their jobs, also can have a distorting effect upon the structure. The same conditions result when a union is able to force a company to give to its members raises that place the rates for their jobs out of line with those established by the rate structure.

If a company can afford to do so, it is better to raise the entire rate structure in order that the wage rates which it is forced to increase will remain in proper relationship to the rates for other jobs. Thus, for example, if hiring conditions force a company to increase the starting wage for accounting trainees, it should also grant proportionate increases to its senior accountants so that those in the latter group will continue to receive the proper wage differential for handling more important jobs. Similarly, if a company were to negotiate a 5 per cent increase with the union representing its production workers, the company should give the same increase to its office workers, supervisors, and other personnel who may not be organized in order that their wages will remain in line with those that are paid to the union members.

COMPUTING WAGE PAYMENTS

The determination of the proper wage rate at which each employee is to be paid for performing his job does not, by itself, insure that he will receive the correct amount of wages in his pay check. In addition, he must

receive proper credit for the amount of work performed at the rate established for his job. His wage payment, furthermore, must include the proper deductions for income taxes, social security, insurance, and other purposes. It is, therefore, just as important for a company to have a system for computing wage payments for each employee correctly as it is for determining his proper wage rate.

Determining Employee Earnings

In calculating wage payments, the amount of money paid to an employee may be calculated either upon the basis of the amount of time worked or the number of units of work completed at the established rate. For the majority of workers in this country, wage payments are computed on the basis of some unit of time, such as hours or days. Under this system, which is usually termed *day work*, an employee is expected to meet certain minimum performance standards if he is to continue to receive the wage rate that has been established for his job. In order to provide employees with a greater financial incentive to increase their output, an hourly rate is sometimes converted into a piece rate that permits these employees to be paid according to the number of units that they produce under a system of *piece work*. Piece rates are determined by dividing the hourly wage rate by the standard number of units that an employee is expected to produce in an hour. This number represents the amount that an employee working at a normal pace should produce as computed on the basis of objective time and motion studies. There are many other incentive systems in addition to the piece-work system that may be used in place of or in connection with day work to reward employees for the extra work that they produce. Some of these will be discussed in Chapter 23.

Advantages and disadvantages of day work. Day work is the system most commonly used in industry because it is easy to understand and administer, and it enables both management and employees to compute wage payments readily. Precise time standards and records of individual output, although they can serve useful supervisory control purposes, are not essential for computing payments under this system. Day work, furthermore, often is the only system that is practical to use where employees are learning a new job, where it is not practical to develop accurate time standards, or where there are fluctuations in the rate of output that are beyond the employees' power to control. It also is generally the more desirable system to use where emphasis must be placed upon the quality as well as the quantity of production. Day work tends to be preferred by most labor unions and is the only system under which some will

agree to work. This attitude reflects the *equality-of-the-worker theory* held by many unions to the effect that employees performing similar work exert equal effort and, therefore, should be entitled to the same wage rate.

The principal weakness of day work is that the wages an employee receives are not related directly to his work contribution during a particular pay period. An employee's wage payment may be just as large if he produces 90 units, for example, as it would be if he produced 100 units during the same period. The stimulation of performance by management beyond the minimum requirements, therefore, must be achieved through the use of forms of motivation other than those of a financial nature. The unit labor costs of production also are more difficult to predict under day wage rates since the number of units that employees produce during an hour can vary while the hourly rate for production remains the same. This condition tends to make the unit labor costs fluctuate with the rate of output.

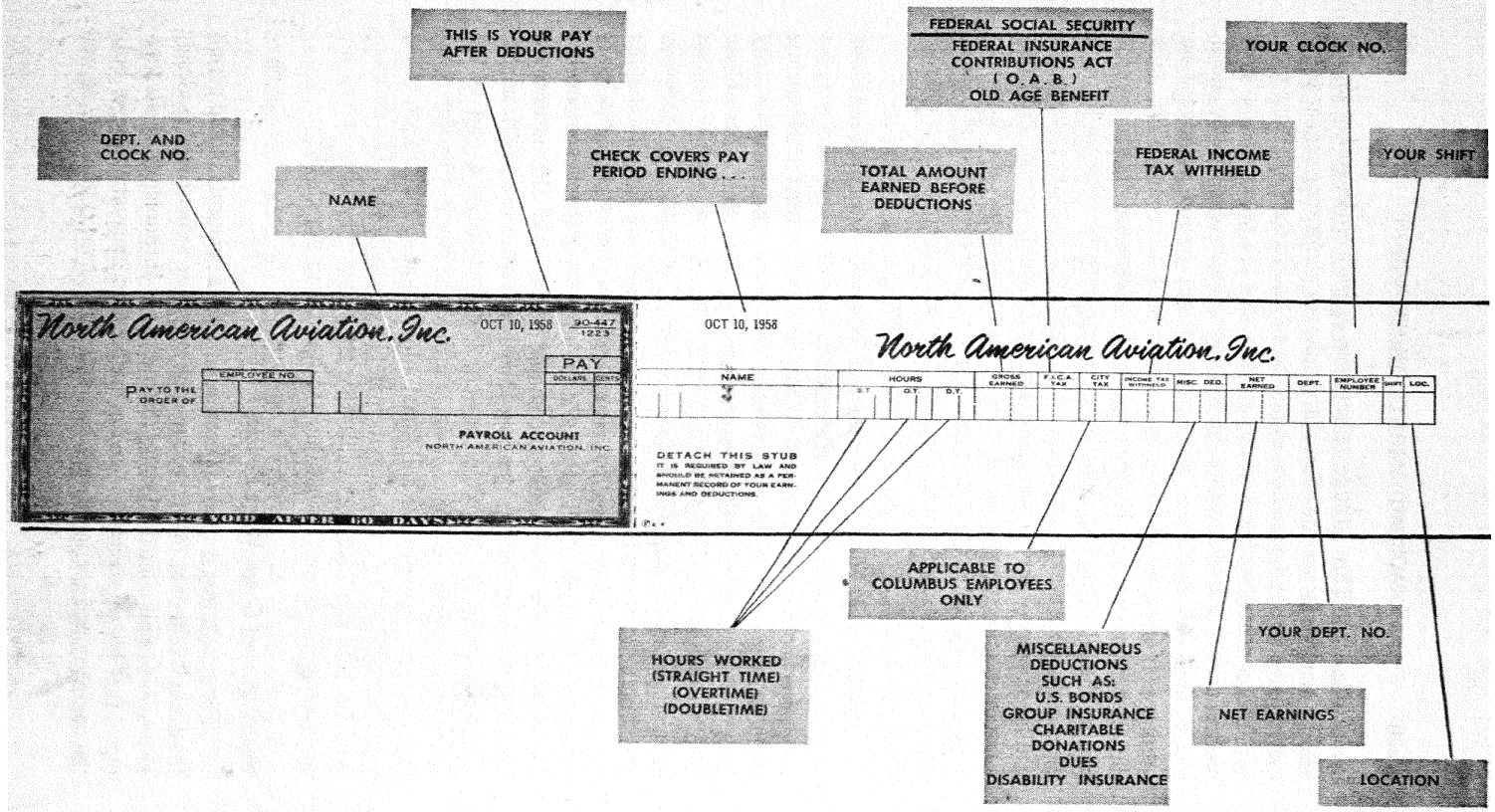
Handling wage payment deductions. Normally several deductions must be withheld from the wages that the employees have earned during the pay period in order to comply with existing legal and contract requirements. Deductions may be made, for example, for income tax, social security taxes, insurance premiums, union dues, savings plans, and other obligations that employees may have acquired. Besides creating additional calculations and records for the company to keep, these deductions can constitute an additional source of complaints concerning the amount of the pay check. In order to avoid such complaints, employees should be made thoroughly familiar with the types and the amounts of the deductions that are withheld from their checks and should be provided with an itemized record of the exact amount that is withheld from each check. Normally, companies cover the subject of pay-check deductions as a part of the orientation program. Some companies such as the North American Aviation Company may provide additional information on the subject, of the type illustrated by Figure 21-2, in their employee handbooks. This information can help employees to realize that the wages they have earned are considerably in excess of what they receive in their pay checks.

Contribution of Sound Wage Policies

The system that is used for determining wage payments should permit the amount of money that is paid to each employee to be related as closely as possible to his contributions to the company. It should insure, furthermore, that his wages are fair and equitable from the standpoint of both the company and the individual, and that they serve to stimulate as well

Figure 21-2

Method of Explaining Pay-Check Deductions to Employees



Source: North American Aviation, Inc. Reproduced with permission.

as to reward superior performance and permit the company to receive proper value from the money it expends for wages. If these objectives are to be realized, a company must develop and maintain well-defined policies and procedures to govern the administration of its wage program. Such policies can thus help to insure consistency in the actions and decisions concerning the wage rates and the computation of wage payments to employees.

Wage policies may be either broad in scope, covering the program as a whole, or they may relate to some specific phase of wage administration such as the determination of rate increases or the computation of hours of work. To facilitate the understanding and interpretation of these policies, statements concerning them are frequently recorded in employee handbooks, organization manuals, and other documents. The following statement contained in a handbook prepared by the Union Oil Company of California is typical of the general policy statements on the subject.[1]

COMPENSATION FOR SERVICES

It is the policy of the Company to compensate all employees on a fair and equitable basis for the work which they perform. To this end, job descriptions are made and jobs are classified according to duties and responsibilities as a basis for determining wage and salary differentials. These differentials and the prevailing rates of pay for similar services in the areas in which the Company operates are taken into consideration in establishing wages and salaries.

While such statements are of necessity rather broad in nature, they do serve to put a company on record as being sincerely interested in having each employee receive the wages to which he is entitled. When augumented with more specific policies and by proper procedures and controls that translate these general policies into action, the wage payment system can be an important personnel tool in promoting employee efficiency and morale.

FEDERAL WAGE LEGISLATION

Legislation, it has been noted, often can have an important effect upon a company's wage rates and upon its system for computing wage payments. The three principal federal laws affecting wages, in order of their importance, are the Fair Labor Standards Act, the Walsh-Healy Act, and the Davis-Bacon Act. These laws were enacted during the 1930's to prevent the payment of abnormally low wage rates and to encourage the spreading of work among a greater number of workers. The latter objective was

[1]Union Oil Company of California, *Working Together: A Handbook for Employees*, p. 9.

accomplished by forcing companies to pay a premium rate for overtime work — that is, for all hours worked in excess of a prescribed number. This federal wage legislation with certain amendments has continued to exert an important influence upon wage policies and practices.

Fair Labor Standards Act

The Fair Labor Standards Act (FLSA), which is known more popularly as the Wage and Hour Act, was passed in 1938 and substantially amended in 1949 and 1956. It is by far the most important federal wage law in terms of the number of employees and employers affected by it. The Act covers those employees who are engaged in the production of goods for interstate and foreign commerce, including those whose work is closely related to or directly essential to such production. In general, the courts have given a rather broad interpretation regarding what business activities constitute interstate commerce and the types of businesses and jobs covered by the Act. For this reason, unless a company has definite assurance that all or part of its employees are exempt from the Act or specifically excluded by one of its provisions, it should observe the minimum requirements of the Act.

Some of the major classes of exemptions that are specifically listed in the Act are the following:

(1) Executives, administrators, and professional men
(2) Employees of businesses engaged strictly in intrastate activity including local, retail, and service establishments
(3) Employees in the fishing, agriculture, and transportation industries, or working for small newspapers and taxicab companies.
(4) Outside salesmen, messengers, apprentices, learners, and handicapped workers
(5) Employees in most seasonal industries for periods up to fourteen weeks and in companies that have approved guaranteed wage plans

These exemptions, however, do not include all that are possible under the Act, nor do they necessarily apply to all conditions. The basic provisions of the Act and the interpretations of the Wage and Hour Administrator and the courts concerning such exemptions should be consulted in order to determine its exact coverage. The labor reference services published by the Commercial Clearing House, Prentice-Hall, Inc., and the Bureau of National Affairs, Inc., also are very useful sources for such information.

Provisions of the Act. The FLSA deals with minimum wage rates, overtime payment provisions, and child labor restrictions.

(1) WAGES. The minimum wage prescribed by the law has been raised several times from its original figure of 25 cents per hour to the present rate of $1 per hour. This minimum rate applies to the actual earning rate received before any overtime premiums have been added, but it may include the reasonable cost of any facilities that are furnished, such as lodging.

(2) HOURS. Overtime rates at one and a half times the base rate must be paid for all hours worked in excess of forty during a given week. The basic wage rate from which the overtime rate is computed must include any incentive payments or bonuses that are received during the period. For example, if a person who is employed at a rate of $1 an hour works a total of 45 hours and receives a bonus of $45, he is actually working at the rate of $2 an hour. The time and a half that he receives for overtime is based upon the hourly rate of $2. His earnings for the week, which include 40 hours of regular time and 5 hours of overtime rate, would be computed on the basis of the new $2 rate (which includes the bonus) as follows:

$$40 \times \$2 + (5 \times \$2 \times 1\tfrac{1}{2}) = \$80 + \$15 = \$95$$

If the bonuses are paid on a monthly or quarterly basis, all overtime payments during the period must be recalculated to include this additional incentive. If employees are given time off in return for overtime work, it must be granted at one and a half times the number of hours that were worked as overtime.

The fact that an employee is paid on a piece-rate basis does not exempt his employer from paying a premium for overtime work. The rate that is used in computing overtime payments is determined by dividing the employee's earnings from piece work by the total number of hours of work required to earn this amount. Thus, if he produced 1,000 units of work at 10 cents per unit during a 50-hour period, he would in effect be receiving an hourly earning rate of $2.

$$\frac{1{,}000 \text{ units} \times 10¢}{50 \text{ hours}} = \$2 \text{ per hour}$$

Since the 10 hours in excess of a 40-hour week constitute overtime, his total wages for the week would be computed as follows:

$$40 \times \$2 + (10 \times \$2 \times 1\tfrac{1}{2}) = \$80 + \$30 = \$110$$

In this example, the overtime provisions of the FLSA thus would require the employee to be paid $110 for the week instead of the $100 that he would otherwise have received at the regular piece rate.

(3) DETERMINING NUMBER OF HOURS WORKED. Under the FLSA, employee wage payments must include credit for the proper amount of the working time. This time may include periods when the employee is not engaged in actual production activities such as when he is waiting for repairs, for work to arrive, or for loading and unloading operations to be accomplished. Employees must also be paid for the time consumed by rest periods, trips to the washroom, required travel during the work day, short meal periods, fire drills, compulsory physical examinations, or for medical treatment of job injuries. In counting the number of hours worked by an employee, an employer also must not overlook the fact that employees must be paid for any courses or training that they are required to take outside of the normal working hours in order to hold their jobs or to achieve advancement.

Working time, however, does not necessarily include the time spent on the company premises before and after the established starting and quitting times for a regular work day. Employers normally are not required by law to pay employees for time consumed by such activities as changing clothes, washing up, or walking between the working area and the plant entrance. The right to exclude these activities from wage payments calculations was established by Congress through the Portal-to-Portal Act of 1947. This Act was passed to relieve employers of back wage claims of sizable proportions filed by employees and by unions as a result of the Supreme Court ruling in the now famous Mt. Clemens Pottery Case.[2] The Act provides that the time for which employees must be paid is determined by the established work period rather than by when they enter and leave the company premises. The principal exception to this provision is in such industries as mining and lumbering where portal-to-portal pay has become the established practice or in those companies where it is authorized in the union contract. In spite of the Portal-to-Portal Act, employers must be careful that their employees do not remain in the plant for more than a "reasonable period" after the scheduled quitting time without punching "out" on their time cards in order not to be held liable for paying wages for this extra time.

(4) CHILD LABOR PROVISIONS. The FLSA forbids the employment of minors between sixteen and eighteen years of age in hazardous occupations such as mining, logging, woodworking, meat packing, and certain types of manufacturing. Minors under sixteen cannot be employed on any work destined for interstate commerce except when employed by a parent or guardian in nonhazardous occupations. Those minors who are over

[2] *Anderson* v. *Mt. Clemens Pottery Co.*, 6 WH Cases 83 — U. S. Sup. Ct.

fourteen years of age, however, can work in nonhazardous occupations under temporary permits issued through the Department of Labor.

Enforcement of the Act. The administration and enforcement of the FLSA is assigned to the Wage and Hour Division of the Department of Labor, which maintains regional and branch offices located throughout the nation for this purpose. The work of this division, which is headed by the Wage and Hour Administrator, includes the auditing of employer payroll records, investigation of complaints, supervision of back wage payments to employees, issuance of injunctions against continuing violators, and the initiation of back-wage claim suits and criminal proceedings against employers when such action is warranted.

The possible penalties for violating the FLSA are more severe than those provided in the other federal wage laws. Conviction for willful violation of the Act can result in a fine up to $10,000 and/or up to six months imprisonment for a second conviction. Violators also can be subject to suits either by the Wage and Hour Administrator or by the employee directly for the recovery of the unpaid wages. Customers as well as manufacturers are affected by the FLSA since it is illegal for the former to buy goods that are produced in violation of the provisions of the Act.

Because it is relatively easy for employers to make errors in crediting their employees with the proper amount of working time or in using the proper rate for computing overtime, the FLSA is subject to a number of unintentional violations, many of which may go undetected. If and when such violations are discovered, however, the back-wage claims that an employer may be required to pay could prove to be disastrous for him. For this reason, employers should consult with the Wage and Hour Administrator or seek legal counsel concerning any questions that they may have relating to the interpretation of the Act.

Walsh-Healy Act

The Walsh-Healy Act, which is officially called the Public Contracts Act, was passed in 1936 to prevent so-called "sweatshop goods" from being sold to the government. It covers workers employed on government contract work for supplies, equipment, and materials in excess of $10,000. Employees of the contractor, however, who are not directly engaged in government contract work or who are engaged entirely in producing commercial orders are exempted from the Act. This exemption includes such employees as those engaged in maintenance, clerical, administrative, plant protection, and similar types of work.

Minimum wage and overtime provisions. The Walsh-Healy Act requires contractors to pay those employees who are covered by the Act minimum wages that are equal to at least the prevailing wage rates established by the Secretary of Labor. It also requires these contractors to pay overtime at one and a half times the regular rate for all work performed in excess of 8 hours in one day or 40 hours in one week, depending upon whichever provides the worker with the larger premium. For example, if an employee worked 4 days of 12 hours each during a given week, he would be entitled under the Walsh-Healy Act to receive 4 hours of overtime on each of the 4 days or a total of 16 hours for the week. This amount of overtime is twice the 8 hours of overtime that he would be eligible to receive under the 40-hour week provisions of the FLSA.

If the same employee were employed at the rate of $2 per hour, his wages for the week would be computed as follows:

$$(32 \times \$2) + (16 \times \$2 \times 1\tfrac{1}{2}) = \$64 + \$48 = \$112$$

In computing overtime payments under the Walsh-Healy Act, as under the FLSA, the wage rate that is used must include any bonuses or incentive payments that may be a part of the employee's total earnings. The Act, like the FLSA, also exempts certain industries and certain types of jobs from its overtime provisions.

Other provisions. In addition to its wage and overtime regulations, the Walsh-Healy Act contains restrictions regarding the use of child and convict labor. The Act also requires that the companies it covers maintain sanitary and nonhazardous working conditions, keep certain payroll records on those employees covered by the Act, and preserve these records for a period of four years. Contractors who violate the Act can have their contracts canceled and can be held liable for the payment of certain damages to the government, as well as back-wage claims to employees.

Davis-Bacon Act

The Davis-Bacon Act, which is also referred to as the Prevailing Wage Law, was passed in 1931 and is the oldest of the three federal wage laws. The dividing line between it and the Walsh-Healy Act is often very fine. The Davis-Bacon Act provides that the minimum wage rates paid to persons employed on federal public works projects of more than $2,000 must be at least equal to the prevailing rates being paid for similar jobs within the area as determined by the Secretary of Labor. These public works projects include subcontracts and work involving alterations and repairs, as well as work on new construction. Penalties for violating the

Act permit the government to cancel its contract, to sue for any damages suffered, and to deduct from the final settlement any back wages due employees. Companies violating the Act are placed on a blacklist and are not permitted to have any government contracts for a period of three years.

The Act does not contain overtime provisions since work on federal projects at the time of its passage was restricted by earlier laws to an 8-hour day, except during a national emergency. In 1940, the 8-hour day limitation was suspended and all hours worked in excess of this amount were required to be paid at one and a half times the regular rate.

General Considerations Concerning Wage and Hour Laws

An employer may be subject to more than one of the federal wage laws at the same time. The minimum wage rate of $1 per hour required under the FLSA, for example, may not necessarily meet the prevailing wage-rate provisions of the Walsh-Healy Act or the Davis-Bacon Act. Employers, therefore, must make certain that they are complying with the provisions of the act or acts that apply to each particular phase of their business operations.

When companies are unionized, the wage rates required by their labor contracts often exceed by a considerable amount the rates prescribed by law. Union contracts may require the payment of double time for work performed on Sundays or holidays and an added differential for night-shift work or for hazardous work, and the payment of wages for the time consumed in cleaning up or in commuting to and from a job location, or other payments that are not required by law.

In view of the past trends toward more government regulation in the area of personnel management, there is the likelihood that these regulations affecting wage administration will continue to grow. One of the objectives of organized labor has been to persuade Congress to extend provisions of the FLSA to those groups of employees who are still uncovered. By broadening the Act's coverage to include employees in retailing and service jobs and in those jobs that relate only indirectly to interstate commerce, an estimated additional 10 million persons can be brought under its jurisdiction. Another goal of organized labor is for higher minimum wage rates and overtime payments based upon a shorter work week. Undoubtedly, progress toward these goals will continue to be realized as further technological advancements permit increased worker productivity to be attained. Although collective bargaining will continue to set the pace for improvements in wages and hours realized by workers,

legislation, together with the factor of economic competition, will prevent the nonunionized producers from falling too far behind the lead of the unionized employers.

RÉSUMÉ

Since wages have an important effect upon the living standards and status of employees and upon the production costs of the employer, it is essential that they be determined correctly. This goal is more likely to be realized, however, if a company has a formal wage administration program for determining wage rates and payments. Such a program can help to insure that proper recognition be given to the relative demands of the various jobs in determining the wage rates to be paid to employees for performing them. It can also help to insure that such external factors as the prevailing community rates and union bargaining pressures, which can affect the wage rates for some or all of the jobs within the company, are given due consideration but that these factors are not permitted to create undue inequities within the rate structure if this can possibly be avoided. If the program of wage administration is effective, there also will be a greater likelihood that each employee will be credited correctly for the work he has performed and that any contract and legal provisions relating to the computation of wage payments and to the maintenance of payroll records are observed. Perhaps most important, however, is the fact that the devotion to this phase of the personnel program is tangible proof of the company's desire to be fair with its employees, which can be an important factor in stimulating efficiency and morale among them.

REVIEW AND DISCUSSION QUESTIONS

1. In what respects are wages important to employees?
2. What are some of the factors that may exert an influence upon a company's wage rates?
3. In what ways may the cost of living be a factor in determining wage rates?
4. What types of information must be solicited from other companies during a wage survey besides the base rate that they are paying certain jobs? Why?
5. What relationship, if any, is there between hourly wage rates and piece rates?
6. What is the purpose for establishing wage classes? rate ranges?

7. What is the difference in the effect upon a company's rate structure that a percentage wage increase will have in comparison to a flat increase?
8. What are the advantages and disadvantages of day work?
9. When, and by what means, should the system used in determining wage payments and deductions be explained to employees?
10. What are the principal differences between the Walsh-Healy Act and the Fair Labor Standards Act?
11. To what extent can a company increase its wage rates without achieving corresponding increases in worker productivity?
12. Some people have criticized the child labor provisions of the FLSA on the grounds that it actually hurts rather than helps the nation's youth by denying them opportunities for employment. Do you feel that this charge is justified?
13. One of the criticisms of granting wage increases on a percentage basis is that the lowest paid employees who are having the most trouble making ends meet get the least while the "big boys" get the largest share. Do you agree or disagree with this charge?
14. Ralph Garber is employed on a job which pays $2.50 per hour. His time card for one particular week is as follows:

Monday	12 hours
Tuesday	10 hours
Wednesday	8 hours
Thursday	10 hours
Friday	8 hours
Saturday	4 hours

Under which of the wage and hour laws would he receive the largest wage payment? How much larger would this amount be?

15. Charles Bond was employed as an arc welder at the rate of $3 per hour. He also was paid an incentive production bonus based upon his weekly output. During the first week of August, he worked a total of 50 hours and received a bonus of $30. The company computed his wages for the week, before deductions, to be $195. Bond complained that according to the provisions of the FLSA which covered his work, the computations were incorrect. Is Bond's charge valid? If so, how much more should he receive?
16. Clyde Burt was employed on a piece work at the rate of 20¢ per unit. During one week, he produced 900 units in a 45-hour period. How much should his wages for this week be before taxes, under the provisions of the FLSA?

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Chapter 22

Job Evaluation

Objective data concerning the relative worth of each job within a company are essential for the establishment of a sound wage rate structure and for the preservation of this structure against those external influences that might tend to undermine it and to destroy the proper rate differentials between the various classes of jobs. Such objective data normally are acquired through the process of job evaluation, which will be discussed in the following topics:

- The job evaluation program
- Job evaluation systems
- The wage structure

THE JOB EVALUATION PROGRAM

While most companies attempt to establish some correlation between the performance requirements of each job and its wage rate, all too often these rates are influenced unduly by the opinions of certain supervisors or managers, or by the ability of certain employees or their union to secure more money for a particular job or group of jobs. Employees also tend to formulate their own opinions, which may or may not be accurate, regarding the relative worth of their jobs. If these opinions do not coincide with those of management, employees are likely to conclude that they are not being properly paid and thus are being treated unfairly.

Contributions to a Formal Program

A formal job evaluation program can provide a company with a more systematic procedure for determining the relative worth of each job within

the company based upon the objective data that have been compiled in the job descriptions and specifications. While job evaluation may not be completely scientific or objective in nature because it involves an element of human judgment, it does enable such judgments to be based as far as possible upon factual data. These data usually are superior to mere opinion as a basis for determining the relative worth of each job. Job evaluation, if conducted properly, can represent a definite improvement over an armchair approach based upon subjective and incomplete information.

Although job evaluation is used primarily in connection with wage and salary administration, it may contribute to the personnel program in other ways. It can, for example, help to increase employee understanding of company remuneration policies and practices and to improve their confidence in management's willingness to provide them with fair treatment, and thus contribute to the improvement of their morale. Even though some grievances may arise in connection with the administration of the system, it should, in the long run, reduce the number of grievances pertaining to remuneration.

Job evaluation also can contribute to the development of a better knowledge of the organizational level and the relationship of the various jobs within the structure, as well as the lines of authority and promotion for the personnel within these jobs. This contribution, in turn, can facilitate the handling of employee training, promotions, transfers, and other personnel functions. In the process of analyzing and evaluating jobs, furthermore, the existence of safety hazards or the faulty organization of job duties may be brought to light and corrected to the benefit of both the company and employees.

Responsibility for Job Evaluation

The primary responsibility for administering a job evaluation program normally is vested in the personnel department. In a large company, job evaluation, as well as job analysis and classification, may be supervised by a wage and salary division of this department. While the members of this division would handle most of the details connected with job evaluation, including the clerical, statistical, and analytical work, the actual rating and classification of the jobs frequently would be performed by a job evaluation committee.

A job evaluation committee is composed normally of representatives from the personnel and other departments. The use of a committee offers the advantage of permitting the job ratings to be determined on the basis

of pooled rather than individual judgment. The inclusion on the committee of personnel from different departments enables those individuals who are personally familiar with many of the jobs and who have a direct interest in the classifications, to participate in the program. Department supervisors and executives, furthermore, are less likely to exaggerate the importance of the jobs in their departments when they must deal with a committee composed of their colleagues from a number of other departments.

Because job evaluation is highly specialized and technical in nature, many companies have found it desirable to utilize the assistance of consultants. This practice has definite merit, particularly for small firms that may not have any personnel with previous job evaluation experience. Personnel consultants with the proper qualifications often can help to get a program off to a good start, to prevent harmful mistakes from being made, and to lend prestige to the program. Even though consultants are used to develop a job evaluation program, it is desirable that company personnel eventually assume the major responsibility for maintaining the program. If consultants are utilized, it is perhaps preferable for a company to have them train personnel within the organization who can continue the program once it has been installed.

One of the most important requirements for a successful program is management's willingness to resolve all problems and controversies related to job evaluation in a fair and equitable manner. The personnel from each level within the organization must, through effective communication, be made to feel that the company is sincere in its endeavor to provide them with the wages they are entitled to receive. It is only when the employees and their union are convinced that the system provides for their best interests that full cooperation for the program can be achieved. The preparation and the maintenance of accurate job descriptions from which the evaluations may be made also are essential for the success of a job evaluation program.

JOB EVALUATION SYSTEMS

The relative worth of the various jobs within a company may be evaluated formally by comparing them one against another or by comparing them against a model or scale that has been constructed for this purpose. Each of these two methods of comparison may be conducted on either a nonquantitative basis, in which the jobs are evaluated as a whole, or on a quantitative basis, in which they are evaluated one factor at a time. These variations provide a total of four different systems that can be used

in evaluating jobs. These systems, which are classified in Figure 22-1, include the job ranking, job classification, point, and factor comparison systems.

Figure 22-1

Comparison of Job Evaluation Systems

Basis for Comparison	Scope of Comparison	
	Job as a Whole (Nonquantitative)	Job Parts or Factors (Quantitative)
Job vs. Job	(1) Job Ranking System	(4) Factor Comparison System
Job vs. Scale	(2) Job Classification System	(3) Point System

The four systems of job evaluation differ considerably in terms of their popular usage. In one study of 322 organizations, the relative popularity of the four plans was found to be as follows:[1]

Type of Plan	Number of Organizations
Ranking	3
Classification or Grade	55
Point	123
Factor Comparison	75
Combination Plans	66
Total	322

1 — Job Ranking System

The simplest system of job evaluation is the *job ranking system* or order-of-merit system, which provides an array of jobs based upon their relative order of importance within an organization. One technique that is used in ranking jobs involves the typing of the specifications for each job on a separate card and the arranging of the cards according to the relative importance of the jobs that they represent.

The basic weakness of the job ranking system is that it does not provide a very refined measure of each job's worth. Since the comparisons must be made on the basis of the jobs as a whole, it is quite easy for one or more of the factors of a job to bias the ranking that the evaluator gives to

[1]E. Lanham, *Job Evaluation* (New York: McGraw-Hill Book Company, Inc., 1955), p. 47.

the job as a whole. Another weakness of the system is that the rankings merely indicate a job's relative importance, but not the difference in importance between it and the other jobs.

2 — Job Classification System

The *job classification or grade system* is a little more refined than the ranking system in that it permits the jobs to be grouped into a series of predetermined classes or grades. The descriptions for each of the job classes constitute the scale against which the specifications of the various jobs are compared. The number of job classes that are established within a particular classification system can vary from three or four to more than a dozen, depending upon company policy and the number and types of jobs to be classified. In developing job classes, it is generally necessary to provide separate groups of classes for office, factory, sales, and supervisory jobs. The following classes, for example, might be established for jobs in the clerical, and in the shop and service groups respectively.

CLERICAL EMPLOYEES

CLASS

C-1 Routine clerical work such as typing; simple repetitive calculations; work under close supervision following definite rules.

C-2 Secretarial and advanced clerical work in which substantial judgment, discretion, and initiative are involved.

C-3 Supervision of three or more persons doing C-1 or C-2 work; substantial knowledge of some specialized field such as accounting; complicated calculations.

SHOP AND SERVICE EMPLOYEES

S-1 Repetitive work under immediate supervision and involving no unusual hazard or extra effort; requires no previous training.
EXAMPLE: Watchman; Janitor.

S-2 Repetitive work under general supervision; repetitive work under immediate supervision, but involving unusual hazard or extra physical or mental application; no special training before employment, and very short training on the job.
EXAMPLE: Guard; Routine inspection or assembly; Box maker.

S-3 Semiskilled work requiring exercise of judgment by employee in making decisions; specialized training or experience in operating tools required.
EXAMPLE: Difficult assembly and inspection; Rough carpentry; Operation of machine tools to moderate tolerances.

S-4 Skilled work involving broad knowledge of a recognized trade; read and interpret difficult blueprints; responsibility for materials and equip-

ment; set up and operation of a variety of machine tools to close tolerances.

EXAMPLE: Machinist; Plumber; Carpenter; Steamfitter; Electrician; Supervision of S-2 or S-3 work.

S-5 Supervision of S-3 or S-4 work; precision work; highest degree of skill and experience; requires knowledge of two or more skilled trades.

EXAMPLE: Tool and die maker; Instrument maker; Pattern maker; Lens grinder.[2]

A majority of the jobs that are evaluated under the classification system will fall clearly into one of the established classes. Some jobs, however, may involve requirements that tend to cause them to overlap between two job classes with the result that these jobs cannot be classified with complete accuracy in either class. This limitation, along with the fact that the system does not provide a very refined evaluation, probably explains why it is not used more extensively. In situations where the time and the expense of a more elaborate system are not warranted, however, the job classification system can serve a useful purpose.

3 — Point System

The *point system*, which is the most common system of job evaluation, requires the existence of a point manual with a scale against which the specifications and the job are compared, factor by factor, in determining their point values. These values provide the basis for determining the relative worth of each job and for grouping it into the appropriate wage class.

Nature of the point manual. A variety of point manuals have been developed by different companies, trade associations, and consulting firms. Those prepared by the National Metal Trades, the National Electrical Manufacturers, and the National Office Management Associations are among the ones most widely utilized. Companies desiring to use one of these manuals in its original form or in some modified form must be careful to insure that it is suited to their particular jobs and conditions of operation. For this reason, many firms that have the facilities to do so may find it preferable to construct their own manuals to fit their particular needs rather than to arrange to use one that has already been developed. If an original manual is utilized, certain basic steps are normally followed in developing and installing it. These steps may include:

(1) Studying the jobs to be evaluated and determining the factors or characteristics to be used in measuring job worth.

[2]Robert D. Gray, *Classification of Jobs in Small Companies*, Bulletin No. 5, Industrial Relations Section (Pasadena: California Institute of Technology, 1944), p. 21.

(2) Determining the degrees or levels needed to measure the presence of each factor in each of the various jobs.
(3) Preparing the descriptions for each factor and for each degree that the manual establishes within these factors.
(4) Assigning weight to the factors and the degrees of these factors in proportion to their relative importance within the particular firm.[3]

Construction of a point manual. The job factors and subfactors in a point manual should include those that are contained within the jobs to be evaluated by it. Any factors that are not present in at least some of the jobs to be evaluated or that exist to the same degree in all of the jobs should not be included because such factors will have no bearing in measuring the relative importance of these jobs. The job factors of skill, effort, responsibility, and work conditions, along with their various subfactors that are illustrated in Figure 22-2, are evaluated by one particular point manual.[4]

Each of the factors listed in Figure 22-2 on page 462 has been divided into five degrees. The number of degrees, however, can be more or less than this number. The exact number is influenced by the relative weight assigned to the factor as a whole and by the ease with which the individual degrees can be defined or distinguished. A factor such as experience (line 2, in Figure 22-2), which is assigned a proportionately large number of points and that may vary considerably for different jobs, could well be divided into as many as eight degrees. On the other hand, a factor such as working conditions (line 10, Figure 22-2) might be divided into only three degrees if it were assigned a relatively small number of the total points or if it existed to approximately the same degree for all jobs.

After the job factors that are to be covered by the point manual have been divided into degrees, each of these degrees as well as the factors as a whole must be defined. The definitions should be concise and yet distinguish the factors and each of their degrees. Figure 22-3 on page 463 represents a portion of a point manual used by the Allis-Chalmers Manufacturing Company that contains the descriptions for each of the degrees for the factors of experience and of initiative and ingenuity. These degree descriptions enable those persons conducting an evaluation to determine the degree that the factors exist in each job being evaluated.

The final step in developing a point manual is one of determining the number of points to be assigned to each factor and to each degree

[3]John A. Patton and C. L. Littlefield, *Job Evaluation* (Rev. ed.; Homewood, Ill.: Richard D. Irwin, Inc., 1957), p. 116.

[4]Figure 22-2 is taken from the point manual developed by the National Metal Trades Association and reproduced with their permission. The figure represents the table for assigning the point values for the various job factors covered by the manual and the degrees into which these factors have been divided.

Figure 22-2

Point Values for Job Factors

Factors	1st Degree	2nd Degree	3rd Degree	4th Degree	5th Degree
SKILL					
1. Job Knowledge	14	28	42	56	70
2. Experience	22	44	66	88	110
3. Initiative and Ingenuity	14	28	42	56	70
EFFORT					
4. Physical Demand	10	20	30	40	50
5. Mental or Visual Demand	5	10	15	20	25
RESPONSIBILITY					
6. Equipment or Process	5	10	15	20	25
7. Material or Product	5	10	15	20	25
8. Safety of Others	5	10	15	20	25
9. Work of Others	5	10	15	20	25
JOB CONDITIONS					
10. Working Conditions	10	20	30	40	50
11. Hazards	5	10	15	20	25

Source: National Metal Trades Association

within these factors. The maximum number of points assigned to each factor is based upon the proportion of the total point value which that factor should receive. Although 500 points quite often constitute the maximum point value for a manual, there is nothing to prevent the figure from being 400, 800, or 1,000 points.

The system for distributing the point values among the degrees of a factor varies among different manuals. Some manuals increase the point values for each degree of a factor on an arithmetic basis — that is, by a constant amount, such as 5 or 14 points. This is the system of progression that is used in Figure 22-2. Other manuals increase the value of each degree by a constant percentage, or by a geometric rate of progression, such as 2, 4, 8, 16, 32. Regardless of the system used, however, the distribution of point values must be accomplished on a systematic basis in accordance with sound statistical considerations, preferably by job evaluation specialists.

Conducting the job evaluations. Once a company has developed a suitable point manual, the final step is that of evaluating each job through the use of the manual. This consists of comparing the job specifications,

Figure 22-3

Sample Manual Descriptions for Job Factors and for Their Degrees

---

EXPERIENCE

This factor measures the length of time, *with the specified job knowledge,* that is required to obtain and develop the skills necessary to effectively perform the work. Where previous experience is required, time spent in related work or lesser classifications, either within the Company or other organizations, will be considered as contributing to the total experience required to effectively perform the work. Consideration must be given to continuous progress by the average individual, allowing sufficient practice time to encounter and satisfactorily resolve representative deviation in the work assignments that could normally be expected.

FIRST DEGREE:
Up to and including three months.

SECOND DEGREE:
Over three months up to one year.

THIRD DEGREE:
Over one year up to three years.

FOURTH DEGREE:
Over three years up to five years.

FIFTH DEGREE:
Over five years.

INITIATIVE AND INGENUITY

This factor measures the complexity of job duties in terms of the amount of initiative and ingenuity required for successful job performance. Consider the variation and involvement of the methods, procedures and practices; the degree of independent action and original thought required; the extent of supervision received; and the availability of standards, precedents, and shop practices.

FIRST DEGREE:
Instructions are received orally or written in nontechnical terms which can be understood and carried out with a minimum of initiative and judgment. Work is of such a nature that details left to the control of the employee are limited; operations are highly repetitive and minimum of responsibility for maintaining tolerances exists.

SECOND DEGREE:

Instructions may require explanation to the extent of using a single view or plan drawing. Procedures are normally detailed: the majority of work is similar in its over-all requirement; however, minor variations exist in completing individual details which requires the use of some judgment or initiative. Tolerances are easy to maintain, using scales, gauges, solid frame micrometers, templates, and related means of checking.

THIRD DEGREE:

Instructions may require explanation to the point of using multiple view or related part drawings. Work is of a varied nature within a well-defined field under standard practices and precedents. Operations can normally be accomplished by several methods or procedures requiring a selection to fit individual variations. Judgment or initiative are required within the limits of established standards. Tolerances are considered close and somewhat difficult to maintain.

FOURTH DEGREE:

Instructions available for job performance are few and of a general nature. Basic planning of successive steps together with consideration for related operations is necessary. Duties vary to the extent that assignments normally require drawing upon past parallel solutions for general guidance. Mental resourcefulness, initiative, and judgment are required to solve problems. Tolerances, sizes, clearances and balancing, testing, and related procedures are considered difficult to maintain.

FIFTH DEGREE:

Instructions, precedents, and standards for performance of the job are seldom available. Considerable planning and consideration of a variety of factors difficult to evaluate are necessary for successful completion of work. Duties involve the development of new procedures, processes, or methods with a minimum of technical guidance. Requires a high degree of imagination, ingenuity, and independent action.

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factor by factor, against the various factor degree descriptions contained in the manual. Each factor of the job being evaluated is then assigned the number of points that is appropriate on the basis of the degree descriptions contained in the manual. When the points for each factor (or subfactor) have been determined from the manual, the total point value for the job as a whole can be calculated. The relative worth of each job is then determined on the basis of its total point value. The point values for the job in turn can be converted into monetary wage rates by means of either a conversion table or a wage curve. In determining the wages to be paid for each job, the jobs may be grouped together into job classes at established point intervals and paid the wage rate or rate range that is established for

the class. Although it is not the most desirable practice, a separate wage rate may be established for each job that has a different point value.

Advantages and disadvantages of the point system. The point system has several advantages, which probably accounts for the fact that it is the one most commonly used in industry. Some of these advantages are as follows:

(1) The system is relatively easy to operate and to explain to employees.

(2) Since the jobs are evaluated on the basis of their parts or factors rather than as a whole, the judgments of the evaluators are likely to be more accurate.

(3) The point values that are assigned to the jobs make it relatively easy to group the jobs into classes and to assign monetary values to these jobs.

In spite of its advantages, however, the point system is subject to certain weaknesses:

(1) It is difficult to develop a point manual that will apply accurately to all jobs. No point table of factors and degrees can ever be universally satisfactory. Some jobs, for example, may contain some requirements that are much more important than the maximum point value which can be allocated to them by the manual. A few jobs may even contain requirements that are not covered by a manual, since it is difficult to construct one which will properly fit all possible situations. (The personality requirements of a receptionist, the poise and appearance of a model, or the sensory power of a food taster, for example, are examples of job factors that might not receive adequate point value because of the limits which the manual establishes for these factors.)

(2) Regardless of the method that is used to allocate points among the various job factors and their degrees, this allocation can never be accomplished with complete accuracy.

(3) There is also the danger that the numerical values provided in the manual and assigned ultimately to the jobs may cause the system to present an appearance of accuracy that is misleading.

4 — Factor Comparison System

The *factor comparison system*, like the point system, permits the job evaluation process to be accomplished on a factor by factor basis. It differs from the point system, however, in that comparisons are made

against the descriptions of the factors for a selected group of key jobs within the company, which serve as the job evaluation scale. Thus, instead of having a predetermined point scale to use from the start, the factor comparison scale must be developed in connection with the job evaluation process. The factors of skill, mental effort, physical effort, responsibility, and working conditions are the typical ones that are used to comprise the factor comparison scale. The specifications covering these factors for the jobs being evaluated are compared against the specifications covering similar factors for the key jobs constituting the scale. While the actual steps that are followed by companies using the factor comparison system may vary in certain respects, the following are fairly typical of those contained in such a system:

a. Select the key jobs
b. Determine the monetary value of the job factors of the key jobs
c. Rank the jobs on the basis of the monetary values for each factor
d. Develop the factor comparison scale for the key jobs
e. Evaluate non-key jobs against the factor comparison scale
f. Add non-key jobs to the scale as they are evaluated

(a) Select the key jobs. The first step in the evaluation process is one of selecting key jobs that are to form the factor comparison scales. Although it may be difficult to determine exactly which jobs are key jobs, the ones that are selected should represent jobs of varying levels of difficulty. Those selected also should have complete and accurate descriptions and specifications, and a wage rate that appears to be consistent both internally and externally and is not the subject of any grievance action. Usually fifteen to twenty key jobs are adequate for the purpose of developing a factor comparison scale.

(b) Determine the monetary value for the job factors of the key jobs. When the key jobs have been selected, the next step is to apportion the existing wage rate for each job among the five factors comprising these jobs. These wage rate apportionments usually are made by each member of the job evaluation committee on an independent basis, often several times at separated intervals. The apportionments of the members are then combined into a single apportionment. Figure 22-4 illustrates how the wage rates for six selected key jobs might be apportioned by a committee among the major factors that constitute these jobs (see the Rate column for each of the five factors).

(c) Rank the jobs on the basis of the monetary values for each factor. The third step is to rank the jobs on the basis of each of their factors,

Figure 22-4

Wage Rate Apportionment Table

Job	Present Rate	Skill		Mental Effort		Physical Effort		Responsibility		Working Conditions	
		Rate	Monetary Rank	Rate	Monetary Rank	Rate	Monetary Rank	Rate	Monetary Rank	Rate	Monetary Rank
Job C	1.93	.46	2	.54	1	.15	5	.50	1	.28	4
Job U	1.77	.30	4	.39	3	.45	1	.29	3	.34	2
Job N	1.63	.53	1	.47	2	.12	6	.42	2	.09	6
Job F	1.47	.40	3	.33	4	.28	3	.24	4	.22	5
Job G	1.28	.24	5	.15	5	.37	2	.20	5	.32	3
Job L	1.01	.20	6	.05	6	.23	4	.16	6	.37	1

Figure 22-5

Monetary Ranking and Job Ranking Comparison Table

Job	Skill		Mental Effort		Physical Effort		Responsibility		Working Conditions	
	J.R.	M.R.	J.R.	M.R.	J.R.	M.R.	J.R.	M.R.	J.R.	M.R.
Job C	2	2	1	1	5	5	1	1	4	4
Job U	4	4	3	3	1	1	3	3	2	2
Job N	1	1	2	2	6	6	2	2	6	6
Job F	*5	*3	*5	*4	3	3	*5	*4	5	5
Job G	*3	*5	*4	*5	2	2	*4	*5	3	3
Job I	6	6	6	6	4	4	6	6	1	1

*Indicates that the factor rankings determined on an independent basis do not agree with the monetary apportionment rankings.

according to the amount of the wage rate that has been apportioned to these factors. Thus, in Figure 22-4, the ranking of the six key jobs on the basis of their money values for each factor is shown in the monetary rank columns of this table.

As a check upon the accuracy with which the wage rate has been apportioned among its factors, the jobs may be ranked independently on the basis of each factor without regard to how the wage rate was apportioned among these factors. The job rankings, shown in the J.R. columns of Figure 22-5, are then compared against the monetary rankings, shown in the M.R. columns, which were determined in the wage rate apportionment table (Figure 22-4). It will be noted in Figure 22-5 that in the case of

Jobs *F* and *G* the monetary and job rankings for the factors of skill, mental effort, and responsibility (marked with asterisks) do not agree. If subsequent attempts to reconcile these differences by reranking the jobs on the basis of each factor or by the reapportionment of the wage rates among the factors are unsuccessful, the jobs should not be included in the factor comparison scale. For purposes of this discussion, however, let us assume that, as the result of subsequent rankings of the jobs, the rankings in the J.R. columns of Figure 22-5 are made identical with those in the M.R. columns, thus permitting Jobs *F* and *G* to be retained as key jobs in the scale.

(d) Develop the factor comparison scale for the key jobs. The next step in the factor comparison system is one of constructing a factor comparison scale and locating each key job on the scale on the basis of the monetary value assigned to each of its factors. The monetary value for each job factor is derived from the rate columns in Figure 22-4. The location of the key jobs on the factor comparison scale is indicated by Figure 22-6.

(e) Evaluate non-key jobs against the factor comparison scale. The location of the key jobs on the factor comparison scales and the specifications for these jobs provide the bench marks against which the other jobs are evaluated. As an example of how the evaluations are conducted, let us assume that a Job *Y* is compared against the key jobs on the factor comparison scale shown in Figure 22-6 and found to rank below Job *U* but above Job *G* in terms of skill. On the basis of this comparison, therefore, it might be placed on the skill scale at the 27-cent level. In comparing Job *Y* against the location of the key jobs on the basis of the remaining factors of the scale, let us assume that the following values were established for each factor: 35 cents for mental effort, 21 cents for physical effort, 22 cents for responsibility, and 31 cents for working conditions. By adding together the values for each of these factors comprising Job *Y*, the evaluated rate for the job as a whole would be $1.36. The evaluated rates for the remaining non-key jobs would be computed in the same manner by determining their factor values on the scale and then adding these values together.

(f) Add the non-key jobs to the scale as they are evaluated. As more jobs are incorporated into the factor comparison scale, they may be evaluated more easily and accurately. Furthermore, the original key jobs tend to lose their significance and their identity. Since the factor comparison system, like all of the other systems, is subject to human error, certain

Figure 22-6

Factor Comparison Scale

Money Rate	Skill	Mental Effort	Physical Effort	Responsibility	Working Conditions
55					
54		Job C			
53	Job N				
52					
51					
50				Job C	
49					
48					
47		Job N			
46	Job C				
45			Job U		
44					
43					
42				Job N	
41					
40	Job F				
39		Job U			
38					
37			Job G		Job L
36					
35		Job Y			
34					Job U
33		Job F			
32					Job G
31					Job Y
30	Job U				
29				Job U	
28			Job F		Job C
27	Job Y				
26					
25					
24	Job G			Job F	
23			Job L		
22				Job Y	Job F
21			Job Y		
20	Job L			Job G	
19					
18					
17					
16				Job L	
15		Job G	Job C		
14					
13					
12			Job N		
11					
10					
09					Job N
08					
07					
06					
05		Job L			
04					
03					
02					
01					

improvements in the original factor comparison scale are likely to be needed. As the job evaluation committee gains experience in the use of the system and makes these adjustments, the quality and accuracy of the scale should also tend to improve. Since the raters' evaluations may be influenced by the monetary wages that are being paid, some companies have substituted point values for the monetary values on the factor comparison scales. The same basic approach as that described in this section, however, is followed.

Advantages and disadvantages of the factor comparison system. The principal advantages of the system are:

(1) It can be tailored to fit the jobs within the particular company that uses it.

(2) It does not place a minimum or a maximum limit upon the amount of weight that can be assigned to a particular job factor as does the point method. Adequate allowances, therefore, can be given to a factor that exists to an exceptionally high degree within a particular job.

Its main disadvantages are:

(1) Any inaccuracies in the descriptions for the key jobs or the wage rates paid to them can impair the accuracy of the system.

(2) It is the most complicated of the four major systems of job evaluation and, therefore, more difficult to administer and to explain to the personnel within the organization.

THE WAGE STRUCTURE

Although the job evaluation process provides a means for determining the relative worth of the jobs within a company, it alone does not determine the wage rate that the jobs are to receive. These rates are determined by converting the evaluated worth of each job into its appropriate monetary value. In other words, the relative worth of each job in terms of its rank, class, point, or evaluated rate (depending upon which of the job evaluation systems is to be used) must be translated into an hourly, daily, weekly, or monthly wage rate. The wage rate that is established for a certain job, however, may represent a compromise between what the job is worth and the rate that the company, because of outside factors, is compelled to pay. Some of these factors that have an influence upon a company's wage rates, it will be recalled, are supply and demand, ability to pay, collective bargaining, legislation, and prevailing community rates.

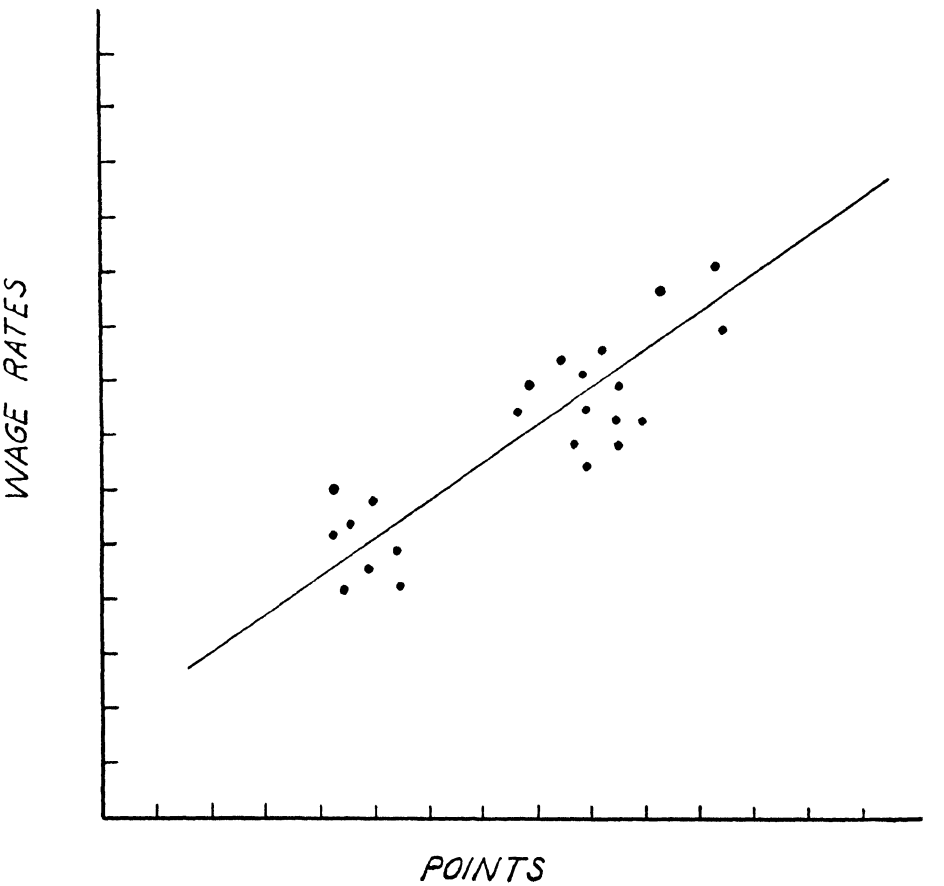
Job evaluations also can help to provide a basis for determining the limits to the rate increases that a company might agree to concede in the

bargaining process and what increases other jobs of approximately equal worth should be granted even though the rates for these jobs might not be determined on the basis of collective bargaining. This latter practice is perhaps best exemplified today in those companies that automatically give to their white-collar and other nonunion personnel any raises granted to the union personnel in order to preserve the proper internal differentials within their rate structure.

The Wage Curve

The relationship between the relative worth of a job and the rate it receives can be represented by means of a *wage curve* or conversion line. A wage curve is plotted on a graph similar to the one illustrated by Figure 22-7, in which the base or horizontal axis measures the relative worth of the different jobs in terms of point, class, or evaluated rate values,

Figure 22-7
Freehand Wage Curve



depending upon which job evaluation system is being used. The vertical axis of the graph, on the other hand, serves to indicate the wage rates for these jobs. A curve may be constructed graphically by preparing a scattergram consisting of a series of dots that represent the location of the jobs on the graph according to their relative worth and current wage rates. A freehand curve can then be drawn through the cluster of dots so as to leave approximately an equal number of dots above and below the curve as shown in Figure 22-7. Any point along the wage curve represents the relationship between the value of a job and its wage rate.

Wage curves can be constructed by either freehand or statistical methods. The curves that are developed by the freehand method are the simplest to construct, but they are not as exact as those developed by means of a statistical formula. A statistical curve can be constructed algebraically by means of the least squares method. This method makes use of the same job data as those that would be used in constructing a freehand curve.[5]

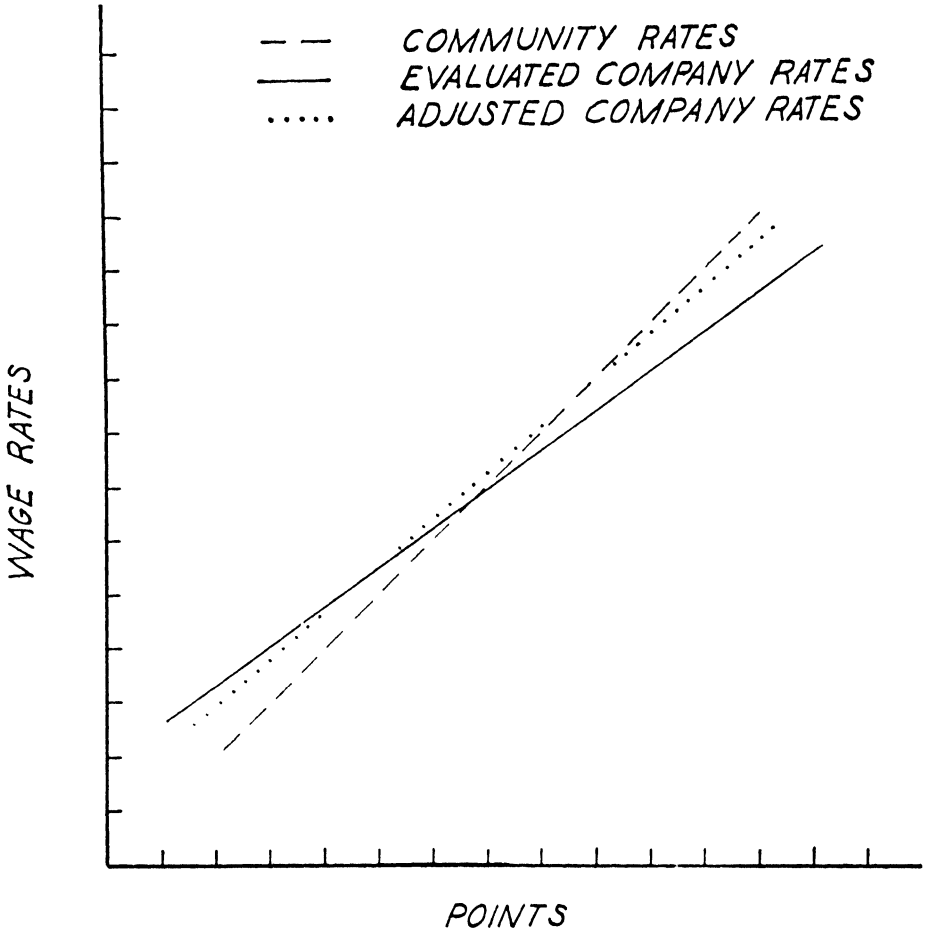
Wage curves also may be used to indicate the relationship between the relative worth of the jobs and the prevailing community rates, existing company rates, or proposed rates for these jobs. The initial wage curves normally are based upon the current wage rates in a company. A second curve based upon the prevailing community rates may also be constructed on the same graph. These two curves can then serve as a point of departure for constructing the wage curve that the company proposes to use, which may have a greater or lesser degree of slope than the former ones. Figure 22-8 illustrates the relationship of these curves. The rate differentials desired between jobs of varying difficulty, as well as collective bargaining agreements, wage legislation, and the other considerations mentioned in the last chapter can have an influence upon the location and slope of the wage curve ultimately adopted.

Developing Job Classes

Although separate rates may be established for each job to reflect even slight differences in value among the various jobs, from an administrative standpoint it is usually simpler and more desirable to group the jobs into wage classes and to pay all jobs within a particular class the same rate or rate range. When the job classification system of job evaluation is used, the jobs are grouped into classes as a part of the evaluation process. In the case of the point and factor comparisons systems, however, wage classes must be established at selected point or evaluated rate intervals. The graph

[5]A description of the least squares method may be obtained from any basic textbook on statistics.

Figure 22-8
Evaluated and Adjusted Company Rates and Community Rates

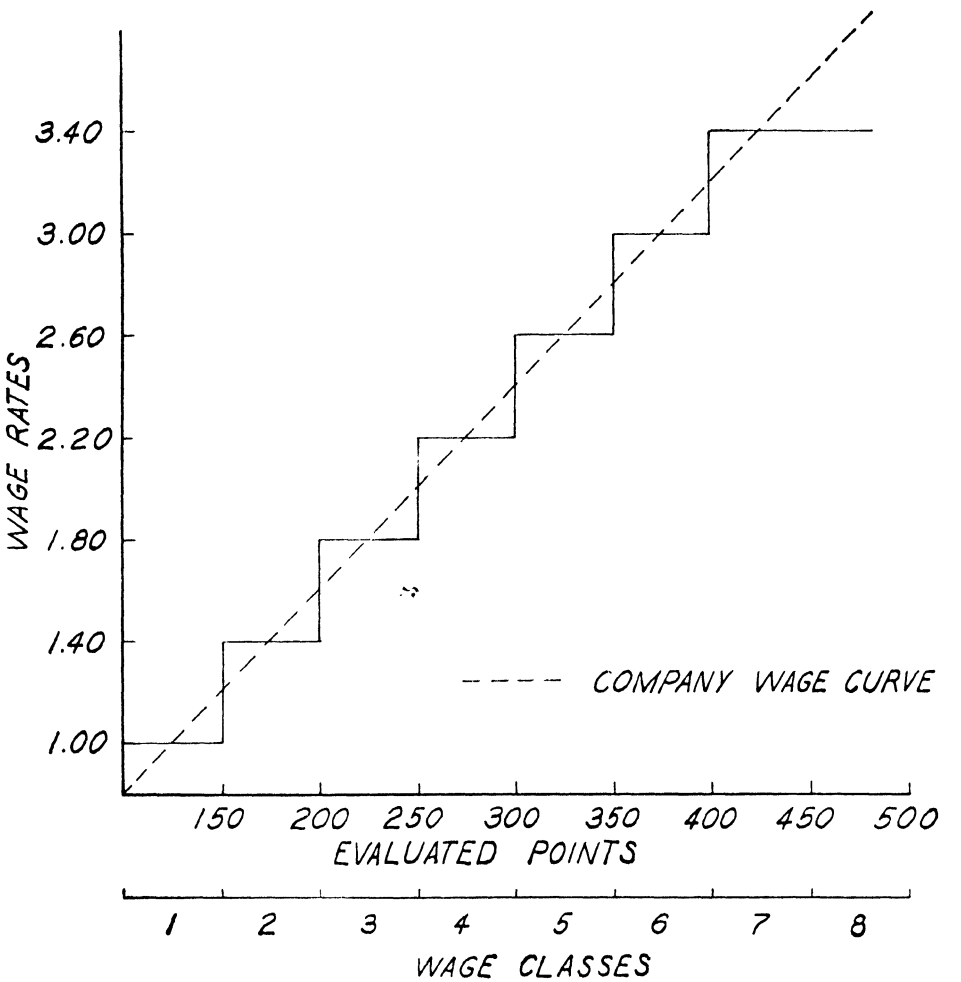


in Figure 22-9 on page 474 illustrates a series of job classes established at 50-point intervals. The rate for the jobs within each class is indicated on the vertical axis of the graph.

Although a graph provides a more vivid picture of a company wage structure, the relationship between the worth of individual jobs or job classes and the rates that are paid to these jobs or job classes also may be established by means of a conversion table. Figure 22-10 provides an example of a conversion table that can serve as the basis for classifying each job according to its evaluated point worth. Once the total value for a job has been calculated, the class into which the job should fall and the rate or rate range that it should be paid can be determined from the conversion table.

Figure 22-9

Single Rate Structure



There is no set number of wage classes into which a wage structure should be divided. Some companies may have as few as four or five classes, while other companies may have several times that number, depending upon the range of difficulty that exists among the jobs, the slope of the wage curve, and the wage and salary policies of these companies. In general, a larger number of classes is necessary if the slope of the wage curve is steeper or the range of difficulty among the jobs is greater.

Usually eight to twelve wage classes constitute a desirable number. If a greater number of classes are established, the structure can become more difficult to administer and the rate differentials between classes can become

Figure 22-10
Point Conversion Table

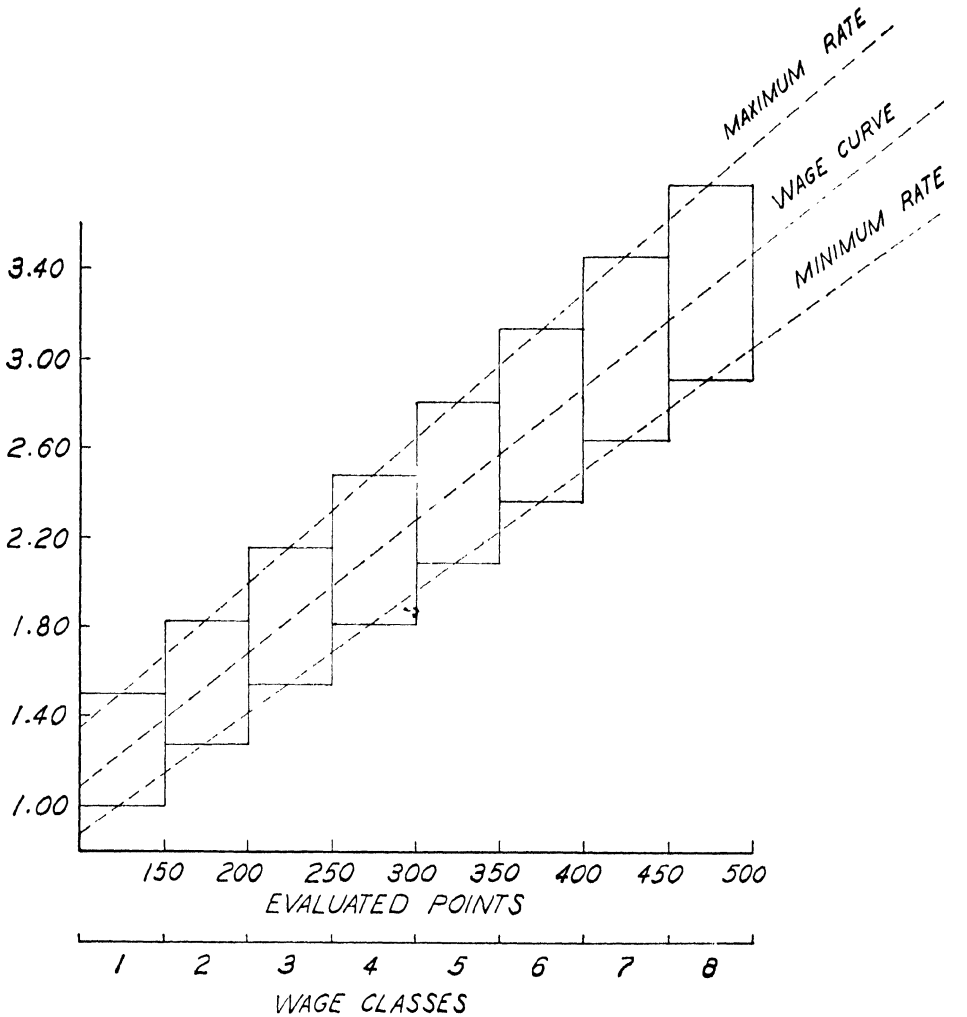
Wage Class	Point Range	Hourly Rate Range
1	101–150	$1.00–$1.50
2	151–200	1.30– 1.80
3	201–250	1.60– 2.10
4	251–300	1.90– 2.40
5	301–350	2.20– 2.70
6	351–400	2.50– 3.00
7	401–450	2.80– 3.30
8	451–500	3.10– 3.60

so narrow that when an employee is promoted to a higher class, he receives very little increase in pay. If too few job classes are established, on the other hand, the rate differentials between classes may become too great. When this latter condition exists, however, it can provide a strong incentive for those employees whose jobs fall near the upper limits of a wage class to build up the importance of their work so as to get their jobs placed within the next higher wage classification. Thus, if an employee's job was evaluated at 195 points and the next higher wage class started at 200 points, he would be an unusual individual if he did not try to figure out some way of gaining a higher classification for his job.

Developing Wage Ranges

Once a system of wage classes has been determined, the next step is that of establishing the wage rate or the wage range to be paid to the jobs within each class. Figure 22-9 illustrates a wage structure in which single rates have been established for each class and Figure 22-11 on page 476 a structure composed of a rate range for each class. The rate ranges may be the same for all wage classes, or they may be proportionately greater for each succeeding wage class such as is the case in Figure 22-11. Regardless of the type of range that is developed, it is divided generally into a number of steps that permit those employees who qualify to receive wage increases within their class on the basis of seniority or merit, or a combination of these two factors. Most salary structures also normally provide for a certain amount of overlapping of the ranges for adjoining wage classes. The reason for this overlap is to permit a person with considerable seniority to earn as much or more than a person in the next higher class with less seniority. The amount that each class range may overlap with the preceding one tends to vary with the extent of the wage ranges, the slope of the wage curve, and the company wage policies.

Figure 22-11
Wage Structure with Increasing Rate Ranges



Classifying the Jobs

The final step in the job process is that of determining the proper wage class into which each job should be placed on the basis of its evaluated worth. This job classification step may be accomplished by means of a conversion graph or a table of the types mentioned earlier. Job classification normally represents the phase of the evaluation in which complaints are most likely to be raised because it is at this stage that the job factors covered by the job specifications assume a monetary value. If an employee is dissatisfied with the wage classification rate that is established for his

job, he is likely to demand that the description for it be re-evaluated or even reanalyzed and rewritten so that the job will earn a higher wage rate. Pressure from employees for the reanalysis or the re-evaluation of their jobs is usually greatest when the jobs just miss being classified in a higher wage group.

It should be re-emphasized that job evaluation and job classification normally concern the job rather than the person performing the job. The fact that a particular employee is doing more than the minimum requirements that are specified in the description for his job, therefore, must be recognized through merit increases within the class range or through a promotion to a job in the next higher wage class. Otherwise, it would be necessary to reanalyze, redescribe, and re-evaluate a position each time that there was a change in the person performing it in order to allow for the quality of his performance. Furthermore, if the nature of a job changes with each new employee, certain functions that should be performed by these jobs might tend to be neglected. On the other hand, it must be recognized that to some extent the employee does influence the nature of his job. In view of this fact, some companies do attempt to evaluate both the job and the employee performing it and to establish the rate for the position on the basis of a combination of these two factors. Undoubtedly, progress in the field of job evaluation will result in the development of more effective systems for incorporating the effect that an employee has on the worth of his job.

Adjusting Wage Rates to the New Structure

When a new wage structure is developed, the rates that previously have been paid for some jobs may prove to be above or below the new wage rates. If the jobs have been paid less than the new minimum rate established for them, the situation can be corrected relatively easily by increasing their rates to the minimum level. In the case of those jobs that have been paid more than the new maximum rate established for the jobs in their particular class, the solution may not be so simple. If the rates for these jobs are reduced immediately to conform with the new rate structure, it is likely to have a very unfavorable effect upon the morale of the employees who receive the wage cuts. Furthermore, it can create a feeling of insecurity and a desire to resist the program on the part of other employees who may fear that they too may receive a wage cut as a result of the job evaluation program. Although some companies follow a policy of reducing as well as raising the rates previously paid to employees to make these rates conform to the new structure, the more common practice is to raise the rates of the underpaid jobs but not to reduce the rates of those employees who are

being overpaid on the basis of the new rate structure. New employees who are placed in those jobs that are being overpaid, however, are paid at the new evaluated rates.

Reclassification of Jobs

Since jobs are dynamic in nature, their classifications are always subject to change. Changes in the skill, effort, responsibility, or working conditions of a job resulting from organizational, technological, or other changes, are among the factors that can affect the job's nature, relative worth, and its wage class. Furthermore, as increased experience is acquired by those doing the job analysis, evaluation, and classification work, various errors in the initial classification of some jobs may become apparent. Certain jobs, therefore, are likely to be in the process of being reanalyzed and re-evaluated, either in response to employee grievances or in accordance with a scheduled review of all job classifications.

RESUME

The importance of a fair and equitable basis for determining wage rates cannot be overemphasized. To be fair and equitable, the job rates for each job should be consistent with both the relative demands and importance of these jobs and with the rates that other companies are paying for similar jobs. The systems and procedures for evaluating jobs and developing rate structures discussed in this chapter constitute the best means for determining wage rates. While none of these job evaluation systems can eliminate completely the existence of some wage inequities, they can permit these inequities to be detected and rectified more readily than would be the case in the absence of a formal evaluation system.

Besides helping to provide fair wage treatment, these systems, when explained properly to employees, can also help to convince them of this fact. Thus, employees are also to judge for themselves whether or not they are receiving a "fair shake" and are not forced to accept management's word on the subject. Although it usually is not feasible for smaller companies to attempt to develop a system of job evaluation as elaborate as the point or factor comparison systems, it is always possible for them to develop some formal and objective system for relating wage rates for each job to its demands. Such a system normally will pay for itself in terms of better employee morale and efficiency.

REVIEW AND DISCUSSION QUESTIONS

1. What are some of the reasons why it is desirable for a company to have a job evaluation program?
2. Which two systems of job evaluation are based upon the comparison of the jobs against scales? of jobs against other jobs?
3. What are the factors upon which jobs are evaluated under the factor comparison system?
4. What is the reason for establishing a wage rate or wage range for a particular class of jobs rather than for establishing a different rate or range for each individual job?
5. What advantages do wage rate ranges have over single wage rates?
6. What are the advantages and disadvantages of permitting the evaluation of a job to be influenced by the quality of performance of the person on the job?
7. What action may possibly be taken in the case of those jobs that are found to be either underpaid or overpaid with respect to a new rate structure developed through job evaluation?
8. What conditions may create a need for reanalyzing and re-evaluating the jobs within a company?
9. Why is it desirable for a company to have its own personnel eventually assume the responsibility for the job evaluation work even though consultants may be used to establish the program?
10. If the wage rates for all jobs within a company were subject to negotiation, would it be feasible to attempt to have a formal job evaluation program?
11. It is sometimes argued that a formal wage structure works to a company's disadvantage by limiting the amount of money that it can pay in order to prevent a good worker in a particular job from being hired by another company. Do you agree with this statement? Discuss.
12. Why would it not be much simpler for a company just to establish its wage rates on the basis of a community survey? Is a job rate that is equal to the prevailing community rate a fair rate?
13. Which is a more accurate determinant of a job's worth, the job evaluation process or the effect of supply and demand?
14. Since employees can differ considerably in terms of their job performance, would it not be more feasible to determine the wage rate for each employee on the basis of his relative worth? Comment upon the advantages or disadvantages of this system.

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Chapter 23

Financial Incentives

In the last two chapters it was noted that wages under the daywork system of wage payments are based largely upon the type of job that the employee performs and upon the number of hours that he devotes to his job rather than upon the actual amount of work performed. While the daywork system permits superior performance to be rewarded indirectly through merit increases within a wage range or through promotions to a higher wage class, such rewards, at best, provide only a minimum and periodic form of motivation. Furthermore, these rewards are available only if an employee's supervisor recognizes the superior performance and is willing and able in the light of company policies to grant raises or promotions in recognition of such performance. Incompetency, prejudice, or a feeling of insecurity or resentment on the part of a superior may mean that an efficient employee will not receive the recognition that he deserves.

In order to overcome these and other limitations of daywork, a number of incentive wage plans that attempt to relate the wages of employees more directly to their work contributions have been devised. These plans vary to a considerable degree in terms of the type and amount of incentive which they provide and in terms of the methods by which these incentives are computed. The plans range from those in which the incentive payments constitute only a small proportion of an individual's total income to those in which they constitute his entire income. Incentive payments, furthermore, may be based upon either individual or group effort, and they may cover work periods that vary anywhere from a day to a year or more. The payments may be held in trust for individuals and paid to them in the form of unemployment, separation, or retirement benefits; or they may be made in cash, trust fund shares, or company stock.

The discussion of financial incentives in this chapter will include the principal types of incentive systems according to the groups of personnel covered by the systems and according to the basis upon which the incentives are computed. The major topics will include:

- Financial incentives for production workers
- Financial incentives for salesmen
- Financial incentives for executives
- Financial participation plans for employees
- Basic considerations in the use of financial incentives

FINANCIAL INCENTIVES FOR PRODUCTION WORKERS

Financial incentives for production work, which are related directly to the amount that a worker produces and which are intended to stimulate increased output, are normally paid in the form of piece rates or bonuses. These direct incentives may be computed on either an individual or a group basis. This section will discuss the nature of the piece rate and bonus systems, and the basis for computing incentive payments under these systems.

Piecework Systems

Under the straight piecework system, wage payments are computed by multiplying the number of units produced by the piece rate for one unit, according to the following formula:

$$\begin{array}{ccccc} N & \times & U & = & W \\ \text{(Number of Units)} & \times & \text{(Unit Rate)} & = & \text{(Wages)} \end{array}$$

A piecework system provides employees with a maximum financial incentive since the amount of wages which they receive is directly proportionate to their output. The system can provide a strong work incentive, particularly for those persons who are highly motivated by money. Individual wage payments, furthermore, are simple to compute and permit a company to predict its labor costs with considerable accuracy since the costs are constant for each unit of output. Employees normally are not paid for being idle unless it is due to conditions beyond their control, in which case they are paid a "down time" allowance for the idle period equal to what their average piece-rate earnings would otherwise have been for the period. Such allowances generally are necessitated by such factors as delays in work flow, poor materials, inoperative equipment, and power failures.

In spite of its incentive value, piecework is not used nearly so much by industry as daywork is. One reason is that production standards can be

difficult to develop for many types of jobs. Furthermore, where only a relatively few workers are involved, the cost of establishing and maintaining accurate standards can exceed the possible benefits to be gained from the incentives. Piecework also may not be a satisfactory system to use when employees are learning the job or when high standards of quality must be maintained. Furthermore, piecework normally requires closer attention to quality control.

The deep-seated suspicion and resentment that some employees and labor organizations have had toward piecework is another factor that has perhaps retarded its usage. There is still an underlying fear on the part of some unions that management will use piecework to achieve a *speed up* (gaining more production from the workers for the same amount of money) or to destroy craft standards, or that the system will generate unnecessary rivalry among union members. Sometimes there is the fear that the opportunity for employees to achieve higher earnings may eventually cause some to "burn themselves out" on the job. Most of these objections, however, apply to those instances where the system has been used in an improper or unethical manner, or where the piece rates have been based upon faulty production standards. In other words, these objections concern the application of the system more than the principle of piecework itself. This conclusion is verified by the fact that piecework has had a history of success in the garment industry and certain other industries and companies where it has been used to the mutual benefit and satisfaction of management and the union.

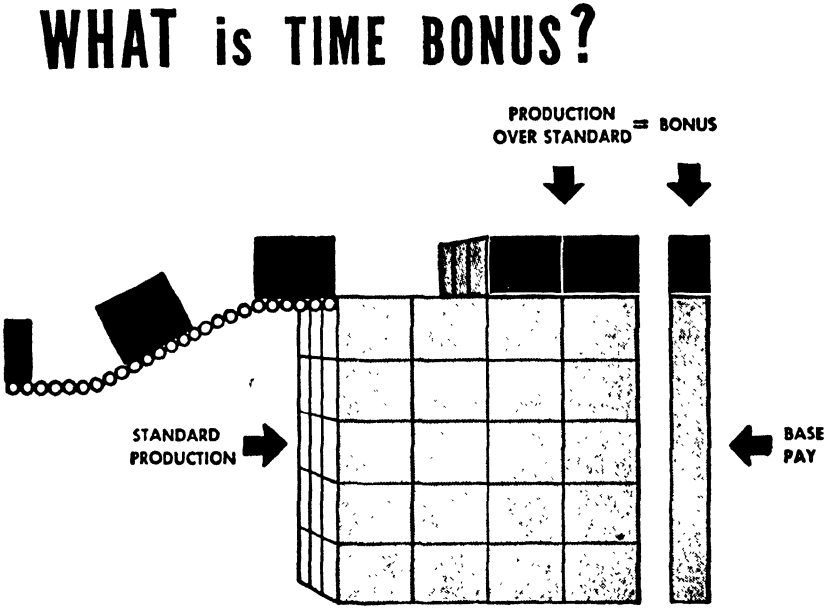
Production Bonus Systems

Bonus systems differ from straight piece-rate systems in that the incentive payments, as indicated by Figure 23-1 on page 484, are supplementary to the basic wage. Bonuses have the advantage of providing employees with incentive pay for exerting greater effort while, at the same time, permitting them to enjoy the security of their regular wages. One method for determining the amount of a bonus payment that should be paid to an employee is to base it upon the number of units produced, as in the case of piecework. Thus, an employee working for $2 an hour plus a bonus of 10 cents per unit would receive the following wages for producing 100 units during an 8-hour period.

(Hours × Time Rate)	+	(Number Units × Unit Rate)	=	Wages
(8 × $2)	+	(100 × 10¢)	=	$26

Bonuses also may be determined by the amount of time that an employee is able to save in completing a task as compared with the standard

Figure 23-1



Source: Reproduced with permission of the Procter & Gamble Company.

time established for it. A number of variations have been developed for this basic type of plan, which is commonly called the *standard hour plan.* As an example of how the plan operates, let us assume that one-half hour has been established as the standard time required to complete one unit of production and that an employee was able to complete 20 units during an 8-hour day. In this case, he accomplished the equivalent of 10 hours of work during an 8-hour period. His bonuses, therefore, would be computed on the basis of the 2 hours that he saved. As a variation of the standard hour plan, bonuses may be computed on the basis of some percentage of the regular hourly rate. The theory behind this variation is that the time which an employee saves is due in part to those persons who contribute indirectly to production.

A number of plans that have been labeled "engineered plans" have been developed on the principle of the standard hour plan for determining the incentive bonuses. The better-known plans, which bear the names of their originators, include the Emerson, Gantt, Halsey, Rowan, and Bedaux plans.[1]

Since productive ability is not the only requisite of a good employee, some wage incentive plans take into consideration other qualities. Some

[1]A description of these plans may be obtained from Charles W. Lytle, *Wage Incentive Methods,* or J. K. Louden, *Wages Incentives,* listed in the bibliography for this chapter.

of these plans, such as the *measured day plan*, provide employees with a bonus based upon their merit-rating scores. Under this plan, the bonus is based upon the amount that an employee's merit rating exceeds a specified per cent score. A person who receives a rating of 70 per cent or less, for example, might be paid the base rate, whereas an employee receiving a rating of 80 per cent would earn 10 per cent more than the base rate.

In general, the main weakness of bonuses that are based upon merit-rating scores is that they can place considerable pressure upon the individuals conducting the rating system, with the result that only secondary attention may be given to the use of such ratings to improve performance. Because of the complicated nature of the plan and the indirect relationship of its rewards to performance, it can be difficult to develop.

Group Incentive Plans

Piece rates and production bonuses may be based either upon group or individual performance. Group plans are the more desirable when the contributions of individual employees are either difficult to distinguish or when they are contingent upon group cooperation. If used under the proper conditions, group incentives can contribute to teamwork and to the maintenance of discipline within the group. When members of the group are on an individual incentive system, the speed of the group at times can be held back by members who may either lack the ability to increase their production or who may fear that higher production may invite rate cutting or layoffs.

Standards for Production Incentives

The success of an incentive system for production work is contingent upon the development of accurate work standards. These standards are essential not only as a basis for providing the proper degree of incentive for employees but also as a basis for obtaining their confidence in the incentive systems. If standards are set too "loose" (too low), the result may prove costly to management because employees are not required to put forth enough extra effort in earning their incentive payments. Loose standards, moreover, can prove difficult to tighten without creating a loss of employee morale and cooperation. Standards that are set too "tight" (too high), on the other hand, may limit the employees' opportunities to earn incentive wages to the extent that very little inducement is offered for them to work harder.

Use of the stop watch to compute time standards. Although time standards may be determined in several ways, one of the most common is to

develop them from actual time observations made with a stop watch. Recordings are made of the time required to perform each of the various activities or elements that comprise a complete work cycle for the task being performed. A number of work cycles are observed in order to determine the average time required to perform each of the elements within the cycle as well as the cycle as a whole. The average observed time for the work cycle then must be *leveled* to allow for the skill and effort being exerted by the worker. For example, if the person being timed were judged to be working faster and more efficiently than that required to maintain an average work pace, the observed time for completing a work cycle would be reduced by an appropriate amount of time. Conversely, if the person studied were judged to be working slower or less efficiently than he should be, observed time for completing a work cycle would be increased accordingly. The figure that is achieved after leveling the observed time for a work cycle thus represents the amount of time that would be required for an employee exerting average skill and effort to complete the cycle while working at a normal pace.

After the observed time has been leveled, further allowances must be made for work interruptions that can be expected to occur in connection with caring for personal needs, servicing equipment, or waiting for additional work to arrive. The time figure that is obtained after making these adjustments constitutes the standard time required to perform the task being observed. The fact that time standards must include these adjustments and allowances, which involve human judgment, sometimes tends to make them subject to employee suspicion. Lack of confidence in the ability of time-study men to judge correctly the adjustments needed and possible skepticisms toward management's willingness to be fair are some of the reasons why even accurate standards can be the source of many grievances and complaints. Actually, however, experienced time-study personnel are able to determine the amount of adjustment and allowance to be applied to the observed time with a high degree of accuracy. As a matter of fact, in some companies where wage incentive programs based upon time standards have become well established and have the confidence of employees, one of the greatest sources of complaints may come from those workers on straight daywork who want their jobs to be studied and included under the incentive program.

Computing the incentive wage rate. Although time standards establish the amount of time required to perform a given amount of work, they do not by themselves determine what the incentive rate should be. The incen-

tive rates must be based upon hourly wage rates that would otherwise be paid for the type of work being performed under the incentive system. If, for example, the standard time for producing one unit of work in a job paying $3 per hour were computed to be 10 minutes, the piece rate would be 50 cents per unit. This piece rate is computed as follows:

$$\frac{60 \text{ (Minutes Per Hour)}}{10 \text{ (Standard Time Per Unit)}} = 6 \text{ Units Per Hour}$$

$$\frac{\$3 \text{ (Hourly Rate)}}{6 \text{ (Units Per Hour)}} = 50¢ \text{ Per Unit}$$

Other systems for determining time standards. Several methods have been developed for calculating time standards that do not require the use of timed observations with a stop watch. One of these methods, which is called *work sampling*, involves the application of statistical sampling principles to work measurement. Sample observations of jobs being studied are taken at random intervals for the purpose of determining whether or not the individual is working and of estimating the percentage of time that he is busy during a work day. Work-sampling techniques also permit adjustments to be made for the skill and effort that the worker is observed to be exerting when each sample is taken.

Time standards may be developed from *standard element times* that have been computed for certain elements that are common to a number of different jobs. An element, for example, might consist of drilling a certain size hole, tightening a bolt, or setting up a production run. The standard time for a job is then computed by adding together the predetermined time standards for each of the various elements that are a part of it. One of the most refined systems involving the use of predetermined time standards is called *Methods Time Measurement* (MTM). In this system, which has been copyrighted by the MTM Association for Standards and Research, standard times have been established for such detailed job motions as reach, grasp, position, turn, and move. Proponents of MTM feel that its accuracy is comparable to that obtained with the use of a stop watch.

In spite of the techniques that have been developed for determining time standards without a stop watch, many industrial engineers still regard standards developed from actual timed observations to be the most accurate and, therefore, the most desirable method for establishing incentive wages. Nevertheless, those techniques that do not require the use of a stop watch have grown rapidly in popularity during recent years.

FINANCIAL INCENTIVES FOR SALESMEN

Financial incentives are utilized rather widely in sales work. One reason is that the enthusiasm and drive which must be exerted for most types of selling require that salesmen receive continuous motivation. This fact is particularly true in the case of outside salesmen who work somewhat independently of supervision and, as a result, must exercise a high degree of self-discipline. Such motivation in many instances can best be provided through the use of financial incentives. While the development of financial incentive plans for salesmen may be primarily the concern of the sales manager, the personnel department has a responsibility to provide technical assistance in this area and to insure that these incentive plans are consistent with the wage policies and practices of the company as a whole.

Types of Incentive Plans for Salesmen

Most company incentive plans for compensating salesmen are of the following types in order of their popularity:[2] (1) combination salary and incentive bonus, (2) commission plan without guarantee (straight commission plan), and (3) commission plan with a guaranteed drawing account.

Under the combination plan, salesmen are paid a fixed salary. In addition, they are paid a bonus that may be computed upon the basis of such factors as their sales volume, sales increases, or the number of new accounts secured during a particular period. A commission plan without a guarantee is based entirely upon the percentage of the sales that a salesman achieves and thus does not provide for a fixed income. When a commission plan is augmented with a drawing account, salesmen are advanced the difference between a certain guarantee and the amount that they actually earn in commissions during a particular period. This amount must be repaid out of subsequent commissions earned in excess of the guarantee.

Incentive compensation plans for salesmen, like those for production workers, often achieve certain objectives at the expense of others. The straight commission plan, for example, provides an incentive to exert maximum sales effort but it may cause a salesman to concentrate on those efforts that produce the largest commissions and to neglect other phases of his job such as servicing small accounts, building goodwill, and cultivating new customers. Commission plans may also cause a salesman's income to fluctuate rather widely because of economic or other factors affecting sales that are beyond his control. Commission plans with a guaranteed drawing account help to stabilize a salesman's income but when the ac-

[2]Harry R. Tosdal and Waller Carson, Jr., *Survey of Salesmen's Compensation* (New York: National Sales Executives, Inc., 1951).

count becomes too heavily overdrawn, he may become discouraged or quit in the face of a mounting deficit.

The combination salary and incentive bonus plan offers certain advantages of the straight salary and straight commission plans, since it represents an attempt to supply to some degree the needs of employees for both a stable income and a performance incentive.

Performance Standards in Sales Work

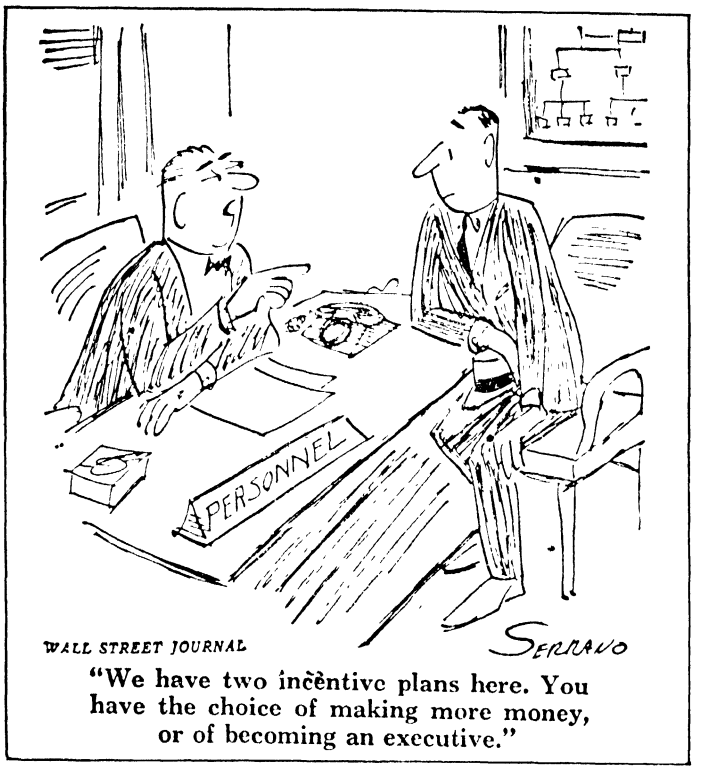
Accurate performance standards often are more difficult to develop for salesman than for production workers because the factors contributing to a salesman's performance can be rather intangible and beyond his power to control. Competition, fluctuations in business activity, and changes in customer buying habits can make an individual salesman look good or bad. Unlike the factors that create stoppages in production work, these sales influences are not always noticeable or measurable and, therefore, are difficult to provide for in establishing performance standards. Performance standards for salesmen must be developed in a large part from basic market research and economic analyses, which attempt to measure the potential business that is available for a salesman to obtain within his territory. Comparisons of the sales records of different individuals also can serve as a guide for estimating how much a salesman should produce. In certain instances, time study or work-sampling techniques can be used in observing salesmen to determine such information as the average travel time between stops and the average time that should be spent with each customer. This information can be helpful in establishing the number of contacts and sales orders that they should produce within a prescribed period of time.

Standards based upon percentage increases in sales over the previous year's record are common in selling, but these can prove to be highly arbitrary and, therefore, of questionable value. Although the practice of keeping salesmen under pressure to exceed previous records has been traditional within the selling field, this type of motivation is likely to have a diminishing effect. The standards that are developed for sales work, like those for production work, should be accurate, realistic, and developed from objective data if they are to be a basis for motivation.

FINANCIAL INCENTIVES FOR EXECUTIVES

Executive compensation plans, like those for salesmen, must generate enthusiasm among executives toward their company and their jobs and should provide them with adequate financial incentives to utilize fully their energies and abilities. The prestige and satisfaction of being an executive,

Figure 23-2



Source: *Wall Street Journal*, August 27, 1958. Reproduced with permission.

while important, do not constitute a substitute for money as implied by Figure 23-2. Executive compensation plans also should facilitate the recruitment of good executive talent and provide the inducements necessary to stimulate the continued development of this talent. Above all, these plans should encourage good executives to remain with the company by providing them with opportunities to build an estate and to enjoy income tax advantages that are somewhat comparable with those of owning a business.

These principal goals of executive compensation have led to the development of a multitude of plans involving different methods of relating compensation to the contributions of their executives and of rendering compensation payments to them. While executive compensation plans are normally established by top management, the personnel department may be called upon for assistance to gather information and to serve in an advisory capacity. The department may also administer certain aspects of a plan, particularly as a plan applies to executives at the lower levels within the organization.

Incentive compensation for executives is nearly always paid in addition to a regular base salary. In some companies, salaries of executives are determined through job evaluation but more often than not they are arrived at through individual bargaining. The incentive portion of an executive's salary is usually based to some degree upon company profits. It may, however, be based upon certain phases of his performance or solely upon top management's opinion of his worth. The incentive wages may be paid in the form of cash bonuses, although stock bonuses or special stock purchase opportunities as well as various types of deferred-payment plans tend to be the most common.

Basis for Determining Incentive Payments for Executives

The difficulty in gaining precise measurements of individual performance provides the greatest challenge in the development of a good executive incentive system. While sales, production, cost reduction, and budgetary achievements provide certain indications of an executive's performance, these and other accomplishments are often the result of teamwork or other factors beyond the control of one individual. Performance standards, thus, are generally more difficult to develop for executives than they are for operative personnel.

Since the ultimate purpose of executive incentives is to increase company profits, many systems provide that incentive payments be based upon profit records. The decision as to what share of the profits should be distributed among the executives, and what proportion of this share each should receive, must at best be decided somewhat subjectively. Each executive's share of the profits sometimes is distributed in proportion to his base salary on the theory that it should accurately reflect his worth to the company. In other cases, profit shares may be distributed on the basis of a rating of their performance. Regardless of the system used to determine incentive payments, the amounts paid to the top level executives may be regulated primarily by their personal modesty and by their concern for possible criticism from stockholders, the union, or the general public.

Methods of Payment in Executive Incentive Plans

If incentive payments are in the form of cash, they usually are made annually, although they may be distributed more frequently. Cash payments have the advantage of helping executives to satisfy their immediate financial needs, which are often at a peak during the early stages of their careers. As an executive progresses into the higher income tax brackets, however, a greater and greater portion of a cash payment tends to be

consumed by income taxes. For this reason, the tax-saving features that are possible under certain deferred-payment plans have contributed considerably to their growth in popularity. Deferred incentive payments also can provide a painless way for executives to accumulate retirement benefits because the funds come from extra money that is less likely to be missed. When deferred plans are used, however, precautions must be taken to insure that the incentive value of such plans is not lost by placing too much emphasis upon the retirement or tax-saving features of these plans.

A common type of deferred-payment plan is one in which the incentive payments may be made in the form of shares of stock rather than cash. Payments of this type not only permit a company to preserve its working capital but also can help to reduce executive turnover by providing them with the incentive of being part owner in the enterprise. With these same purposes in mind, some companies provide special benefits for their executives that are not available to other employees. These benefits may include life insurance, retirement annuities, club memberships, and special stock purchase plans.

Developing the Proper Executive Incentive Plan

Executive incentive plans encounter the same problems in individual needs and preferences as those used for the production and sales employees. Some executives prefer a plan that permits them to realize substantial tax savings or to accumulate a nest egg, while others may want added income for immediate use. If possible, executive incentive plans, therefore, should provide some degree of flexibility that permits differences in executive needs to be satisfied. Since executive salaries are vulnerable to criticism from stockholders, unions, legislators, and the general public, the plans must be carefully developed so that they do not appear to discriminate unduly in favor of the executive group. Ideally, the executive incentives should be only one part of a company-wide incentive program so as not to create resentment and poor morale among the personnel at lower levels within the organization.

FINANCIAL PARTICIPATION PLANS FOR EMPLOYEES

In recent years there has been a trend for companies to attempt to secure greater cooperation, efficiency, and loyalty from their personnel by providing them with an opportunity to participate in the distribution of company profits. Such participation has been accomplished indirectly through a stock ownership plan or directly through some form of profit-sharing plan. In the former case, the employees actually share in the owner-

ship of the company and benefit from any dividends earned from their stock holdings or from any increases that occur in the market value of these holdings.

Stock Ownership Plans

While the depression of the 1930's provided a severe setback for early employee stock ownership plans, the period following World War II brought about renewed interest in them and a substantial increase in their number. The current popularity of such plans is illustrated by the fact that American Telephone and Telegraph Company has more than 250,000 employee stockholders and General Electric, well over 100,000.[3] When General Motors initiated its stock purchase plan in October, 1955, over 86 per cent of its more than 100,000 eligible employees signed up to participate.[4]

Stock ownership plans in general consists of two types: those in which the employee purchases stock outright, and those in which he is given an option to buy a certain number of shares within a prescribed period and at a stated price.

Stock purchase plans. Although employees, like the general public, are always free to acquire any publicly held stocks through regular brokerage channels, they are normally granted certain concessions under employee stock ownership plans. These concessions typically include the opportunity to purchase stock at a reduced price, often 10 to 15 per cent below the market price. Minnesota Mining and Manufacturing Company, Eastern Airlines, and Dow Chemical Company are among some of the companies that offer their employees such a concession. Installment buying and payroll deduction provisions frequently are used by many companies to facilitate employee stock purchases. These plans, however, may also restrict the amount that an employee may buy to a percentage of his annual income, or to a flat amount. The plans may also require that stock be resold to the company whenever an employee decides to dispose of it. Companies also may protect their employees against sizable stock price declines by guaranteeing a certain repurchase price.

Some companies, such as Standard Oil of Indiana and the General Electric Company, give their employees company stock as a bonus for participating in a United States Defense Bond purchasing plan in order to encourage thrift and financial accumulations for retirement among these employees. Other companies pay incentive wages or profit shares to their employees in the form of company stock.

[3] *Management Review*, September, 1956, p. 747.
[4] *Management Review*, April, 1957, p. 51.

Stock option plans. A *stock option* is a right to purchase a specified amount of stock at a certain price within a stated period of time. The option price normally is less than the market price at the time that it is offered. The difference between the option price and the market price for the stock at any given time constitutes the value of the option. Although some company stock option plans permit all personnel to participate, most plans are aimed at executive groups. Persons in this group are more likely to have the income or the capital necessary to exercise an option and to benefit from any income tax advantages that the option may provide.

Instead of issuing stock options, some companies issue stock warrants. A *stock warrant*, like a stock option, authorizes the holder to purchase a certain amount of stock at a fixed price within a specified time, but it has the added advantage of being negotiable. The holder, therefore, does not have to buy any stock to profit from rises in its market value, since he can make a profit merely by selling the warrant. If they are sold, however, the warrants merely provide employees with additional income rather than with ownership in the company.

Advantages and disadvantages of stock ownership plans. Stock ownership plans are designed to make employees more interested in the success of the company and to make them more conscious of its problems and objectives as well as those of the private enterprise system in general. The plans also help to provide a new source of capital and to spread the ownership of the company among a greater number of persons. This factor has an advantage to the company from a political and public relations standpoint. During inflationary periods, investments in common stocks can also serve as a limited hedge for employees against inflation and partially offset any decline in the purchasing power of the equity that they may have in retirement funds or in savings accounts and insurance policies.

In a few companies, most of them in the fir plywood industry of the Pacific Northwest, all of the company stock is owned by the employees. These companies usually are run by managers who are hired by, and who are responsible to, the employee stockholders. Some operative help also may be hired by the stockholders. While the relationship of the employees, stockholders, and the managers with the workers that they employ and the unions representing these hired workers can generate some unique and complex personnel management problems, some of these companies have had a very good record of success. Such records, as might be assumed, have included a higher rate of productivity, more cost-consciousness, and lower turnover on the part of employees.[5]

[5] *Business Week*, April 9, 1955, p. 120.

Stock ownership plans, of course, do not provide the complete answer so far as the providing of incentives for employees is concerned. Lack of funds with which to purchase stock may restrict the holdings of many employees to a token amount. Moreover, it is doubtful whether a small amount of company stock can make employees feel any closer kinship to management. Many employees are not in a position to risk possible loss in their equity through declining stock prices. Neither are they in a position to have both their job and their savings invested with the same company. This practice violates the basic principle of diversification in investment. The limited understanding concerning corporation finances and stock market operations can create suspicion and discontent among employee stockholders during periods of declining stock prices. Memories of the 1929 crash, in which stock values tumbled, as well as the desire of some union leaders not to have the loyalty of union members diluted by their becoming shareholders in the company also constitute obstacles to company stock ownership plans.

Profit Sharing

Probably no phase of personnel management is the subject of more widespread interest and attention, and also confusion, than is profit sharing. Over 21,000 plans covering more than 2 million workers are now estimated to be in effect.

Production bonuses, thrift plans, and other supplements to the regular wage payments, which are not directly based upon earned profits, are sometimes erroneously referred to as profit-sharing plans. According to the Council of Profit Sharing Industries, however, *profit sharing* is clearly defined as:

> Any procedure under which an employer pays or makes available to all regular employees, in addition to good rates of regular pay, special current or deferred sums based upon the profits of the business.[6]

The payment of the funds that are distributed through a profit-sharing system may be deferred until retirement or some later period or distributed periodically as a cash bonus. The feature that distinguishes profit sharing from other incentive plans is the source of the funds and not the fact that they are supplementary to regular wages. Profit-sharing plans, as compared with certain other incentive systems, furthermore, normally cover all employees rather than a certain preferred group.

Purposes of profit-sharing plans. In comparison with production bonuses and piecework, profit sharing is designed to encourage employees

[6]Constitution and By-Laws of the Council of Profit Sharing Industries, 1957, Article 2, Section I.

to increase their earnings by contributing to the improvement of their company's profits. These employee contributions may include improving product quality, reducing operating costs, improving work methods, and building company goodwill, rather than just increasing their rate of production. Profit sharing helps to stimulate an employee to think and feel more like a partner in the business and thus to concern himself with the welfare of the organization as a whole. Its purpose, therefore, is to motivate the "whole man" rather than just specific aspects of his performance.

Some of the benefits that members of the Council of Profit Sharing Industries have experienced from profit sharing are as follows:

(1) Increased earnings to employees
(2) Increased earnings to stockholders
(3) Reduced selling price of products
(4) Labor turnover sharply reduced — and sometimes eliminated
(5) Strikes and work interruption greatly reduced or eliminated
(6) Substantial increase in production efficiency
(7) The reduction of absenteeism and lateness
(8) Decrease in grievances
(9) Better care of equipment — therefore lower maintenance costs
(10) Increased home ownership among married employees
(11) Reduction in reject and salvage material
(12) An increase in the number of employee suggestions and an improvement in their thoughtfulness and scope
(13) A waiting list of employment applicants — and applicants of a higher caliber[7]

Variations in profit-sharing plans. Profit-sharing plans differ as to the proportions of profits shared with each employee and as to the form of payment. The amount that is shared with employees may range from 5 to 50 per cent of the net profit. In general, however, most plans provide for the sharing of about 20 to 25 per cent of the net profit. As is the case of executive compensation plans, profit distributions may be carried out in a variety of ways. The distribution may be made equally to all employees, or it may be based upon their regular salary or upon some formula that takes into account either the factors of seniority or merit, or both factors. The payments may be in cash, may be made on a deferred basis, or may be made according to a system involving a combination of these two forms of payment.

[7] *1957 Profit Sharing Manual* (Chicago, Illinois: Council of Profit Sharing Industries), p. 23.

CASH-PAYMENT PLAN. Under this plan, payments are made at regular intervals. This practice offers the advantage of keeping employees more aware of the current earnings of the company and of their contributions to them. It also allows employees complete freedom of choice in disposing of their share of profit and permits them to have the opportunity to achieve an immediate improvement in their living standards.

DEFERRED-PAYMENT PLAN. The deferred type of plan provides for the employees' share of profits to be held in a trust fund for later distribution to them. The fund that is accumulated can be used to provide retirement, disability, or separation payments to employees or for loans to them in the event of an emergency. Profits distributed in this manner can provide the company with a more flexible method of accumulating a retirement fund, or it can supplement the benefits of a regular pension plan. Deferred profit-sharing plans, if they meet the requirements of the Bureau of Internal Revenue, can provide certain income tax advantages for the employees over the cash plans. Furthermore, when the trust funds are invested wisely in good corporate securities or in a mutual investment trust fund, the dividends and the appreciation in the market value of the investment may substantially increase each employee's share. In some instances, the earnings and appreciation gained from the profit shares placed in the investment fund have been known to exceed the company's profit contributions to the fund. A deferred type of profit sharing also has the added advantage of providing employees with an incentive to remain with the company.

COMBINATION PLAN. This plan provides certain benefits of both the cash and the deferred plans. A combination plan generally provides that from one third to one half of an employee's total share of the profits be given to him as a cash payment, while the remaining portion is retained in a trust fund. This plan has the advantage of providing an employee with some immediate recognition for his contributions while permitting him to build up savings that he probably would otherwise lack the self-discipline to acquire.

Requirements for a successful profit-sharing program. Most authorities in the field are fairly well agreed that in order to have a successful profit-sharing program, a company must first have a sound personnel program, good labor relations, and the trust and confidence of its employees. Profit sharing thus is a refinement of a good personnel program rather than a substitute for one. Moreover, it is the underlying philosophy of the management rather than the mechanics of the plan that often determines its success.

Some of the specific requisites of a good profit-sharing plan based upon the experience of many companies are listed as follows:

(1) There must be a compelling desire on the part of management to install the plan in order to enhance the team spirit of the organization. If there is a union, its cooperation is essential.

(2) The plan should be generous enough to forestall any feeling on the part of the employees that the lion's share of the results of extra effort will go to management and the stockholders.

(3) The employees must understand that there is no benevolence involved — that they are merely receiving their fair share of the profits they have helped create.

(4) The emphasis should be placed on partnership, not on the amount of money involved. If financial return is emphasized, it will be more difficult to retain the employees' loyalty and interest in loss years.

(5) The employees must be made to feel that it is their plan as well as management's and not something that is being done for them by management. The employees should be well represented on any committee set up to administer the plan.

(6) Profit sharing is inconsistent with arbitrary management — it functions best in companies operating under a democratic system. This does *not* mean that management relinquishes its right and, in fact, its obligation, to manage but rather that management functions by leadership instead of arbitrary command.

(7) Under no circumstances can profit sharing be used as an excuse for paying lower than prevailing wages.

(8) Whatever its technical details, the plan must be adapted to the particular situation, and should be simple enough so that all can readily understand it.

(9) The plan should be dynamic, both as to its technical details and as to its administration. Both management and employees — and in profit-sharing companies it is often difficult to find the demarcation line — should give constant thought to ways of improving it.

(10) Management should recognize the fact that profit sharing is no panacea. No policy or plan in the industrial relations field can succeed unless it is well adapted and unless it evidences the faith of management in the importance, dignity, and response of the human individual.[8]

Union reaction to profit sharing. Union attitude toward profit sharing is so variable as to prevent generalizations about it. Some union leaders look upon profit sharing as a company device designed to weaken union power, to divert the loyalty of the members from the union, and to avoid giving employees any outright wage increases. In general, however, unions are not opposed to profit sharing provided they are consulted concerning the plan and that any share of profit received by employees is in addition to a good basic wage.

[8]Sartall Prentice, Jr., "The Case for Profit Sharing," *Management Review.* (February, 1952), pp. 85–86.

Certain unions, such as the United Auto Workers Union, have even included profit sharing as one of their bargaining demands. Just how strongly some of these unions actually want profit sharing, if at all, is open to speculation. It is quite possible that the demands for a profit-sharing plan have been raised merely for bargaining purposes, to be traded for other concessions from the company. Typically unions have sought to gain more for their members regardless of a company's profit outlook. The question of whether the union demands for profit sharing represent a desire to develop a new approach to management-union relations or a device to gain more for their members, therefore, will require time in order to be answered.

BASIC CONSIDERATIONS IN THE USE OF FINANCIAL INCENTIVES

Regardless of whether an incentive plan involves piecework, production bonuses, profit sharing, or stock ownership, certain basic considerations should be recognized by the management attempting to use it. In particular, employees must have the willingness and the capacity to produce more efficiently if the financial incentives are to be effective. This condition can be realized only if adequate attention is given to the proper handling of all of the other functions that are performed within the personnel program. Financial incentives thus represent only one tool of personnel management and do not by themselves offer any panacea for eliminating personnel problems. In fact, if the personnel program as a whole is not satisfactory, financial incentives conceivably may create more problems than they solve. It should be recognized also that it is not so much the mechanical features by themselves that make a particular incentive plan work but the way in which these features fit the needs and conditions of a particular company.

Any incentive system must give recognition to the factors that influence a person's reaction to financial incentives. One of these factors is the need of employees to earn more money. The stronger the desire of employees for money, either for what it will buy or for the recognition that it provides, the more likely they will be motivated by a financial incentive system.

When a company establishes an incentive wage system, it must give more attention to operating efficiency and to the conditions affecting employee performance. In production work, this necessitates maintaining an effective system of production control as well as the proper tools, equipment, and materials that are necessary to insure a continuous flow of work. In sales work, it requires the proper layout of sales routes and

territories, the rapid processing of sales orders, and the maintenance of adequate inventories of goods that can be sold. If employees in either sales or production work are to support and be motivated by an incentive plan, therefore, they must not be deprived of the opportunity to earn maximum incentive payments because of the fault of management.

Incentive payments should not become either a guaranteed or an indistinguishable part of an employee's wages or they may cease to have much incentive value. The separate itemization of the incentive earnings on a pay check stub, or even the payment of this amount by separate check, can help to clearly identify the reward being paid for their extra effort. It is often true among wage earners that incentive pay will tend to be more directly associated with the effort required to achieve it if it is paid to employees soon after it is earned. Executives and other salaried personnel who are able to visualize the relationship between their earnings and their effort may receive their incentive payments on a less frequent basis.

The success of an incentive system also is contingent upon the manner in which it is introduced and the fact that employees as well as the management of a company have a desire for it. As Mr. James F. Lincoln of the Lincoln Electric Company has stated, "Incentives are adopted, not installed."[9] In order to want a system, however, personnel must first be informed about its details and about the benefits that it can provide for them. A good communication program and maximum employee participation in the system can help to generate enthusiasm for it.

RÉSUMÉ

Financial incentives provide one of the best forms of motivation because most personnel have both the need and the desire for more money. Their desire for money and for the things it will buy, however, represents only a part of their basic needs. Other needs must be satisfied through the recognition and satisfaction that is gained through the work and the interpersonal relationships connected with their jobs. Financial incentive systems, therefore, represent only one of the tools of personnel management. In order to be an effective tool, furthermore, a particular system must be tailored to fit the conditions under which it is to operate. The existence of accurate performance standards and efficient work methods

[9]James F. Lincoln, *Incentive Management* (Cleveland, Ohio: Lincoln Electric Company, 1956).

upon which incentive payments may be computed is also essential. When these and the other requirements of a good incentive system have been satisfied, however, higher employee earnings and morale and lower operating costs usually can be expected to result.

REVIEW AND DISCUSSION QUESTIONS

1. What are some of the advantages that financial incentives may provide for employees and for the company?
2. What are some of the fears that unions and individual employees may have toward piecework?
3. If the standard time for producing one unit of a product were determined to be 4 minutes, what would the piece rate per unit be if the established hourly rate for this particular type of work were $3 an hour?
4. In setting a time standard for a particular task, what are some of the adjustments that must be made in the time that the task is observed to require as the result of stop-watch readings?
5. What are the principal types of incentive compensation plans for salesmen and which one tends to be used most frequently?
6. In what ways do executive financial incentive systems differ from those for operative employees?
7. What are some of the common variations found among stock ownership plans and what are the reasons for these variations?
8. How do profit-sharing plans differ in nature from the more direct types of financial incentive plans such as piecework?
9. What is a deferred-payment profit-sharing plan and what advantages and disadvantages does it have in comparison with a cash-payment type of plan?
10. What are the requirements of a successful financial incentive system?
11. How many shares of stock do you feel would be required to make an employee feel that he actually had some ownership in the company where he worked? What factors other than the amount of stock owned might cause him to have such feelings?
12. Why is the attitude and philosophy of management so important to the success of a profit-sharing plan?
13. What are some of the factors in an employee's background that might affect his response to a financial incentive plan?
14. Executives in government sometimes complain that they are handicapped in their ability to increase efficiency because the government does not have an incentive wage system. To what extent do you feel that this complaint is justified? Discuss.

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Chapter 24

Employment Stabilization

The tendency of workers not only to spend their current earnings but also to obligate a portion of their future earnings through installment buying has made stable employment and income important for their economic well-being. Regularity and stability of income in fact can be just as important to a worker as the amount of income that he receives from his employment. The desire and the need of workers for stable employment and income, therefore, have resulted in more attention being given by industry and by the federal government to the development of programs to minimize temporary layoffs or at least to reduce loss of income during such layoffs. Furthermore, the force of public opinion, along with the political and economic pressures exerted by unions, has led to the initiation of unemployment benefits by such industries as automobile and steel and to the liberalization of unemployment compensation payments by the state governments. Many companies are now providing wage and employment stabilization programs for their workers that would not have been considered feasible only a decade or two ago.

The progress that has been achieved in stabilizing the income of workers and some of the specific contributions that have been made by industry and the government in this field will be discussed in the following sections of this chapter:

- Growth of economic security
- Employment stabilization programs
- Company experiences with employment stabilization
- Supplemental unemployment benefit plans
- Contributions of the federal government

GROWTH OF ECONOMIC SECURITY

Prior to the depression period of the 1930's, each individual was considered largely responsible for his own economic security. It, therefore, was up to each worker, as best he could, to accumulate financial reserves that would enable him to weather periods of unemployment. The average wage earner, however, was rarely able to accumulate sufficient reserves to take care of any prolonged period of unemployment. Those who failed to do so were forced to rely upon the assistance of friends and relatives, or of charitable agencies. Charitable assistance, at best, was inadequate as well as distasteful for those who were forced to rely upon it.

It was not until the depression of the 1930's with its mass unemployment that the public began to give serious recognition to the fact that existing methods of handling the burdens of unemployment were inadequate and that such methods tended to create undue burdens and suffering for the victims of unemployment. People began to look upon the effects of unemployment as something that should concern society as a whole and not just those individuals who were unfortunate enough to suffer a layoff. This change in the public's attitude caused the federal government to take a more active role in attempting to maintain a prosperous economy and to provide financial assistance for those who became unemployed. The government, through its fiscal policies and particularly through deficit spending during recessionary periods, for example, has attempted to minimize declines in business activity that inevitably lead to layoffs. Public works projects and government contracts have also been used to stimulate employment in economically depressed areas and in the nation as a whole.

The Social Security Act of 1935, with its unemployment insurance benefits, has perhaps had the greatest and most far-reaching effects in contributing to the economic welfare of the average wage earner. This Act transferred a part of the burden of unemployment from the individuals affected to the employers and to society as a whole. While efforts to stabilize employment on the part of many companies date back well before the 1930's, the passage of the Social Security Act, the changes in public attitude, and the growing pressure of the unions have caused industry as a whole to devote more attention to the development of employment stabilization programs. The development of such programs has also been due in many instances to the growing recognition of management that the programs contribute to the reduction of employee turnover and to the improvement of morale and efficiency within the organization. Employment stabilization, thus, is viewed by enlightened employers not as a welfare measure, but rather as a good business practice.

EMPLOYMENT STABILIZATION PROGRAMS

A company's ability to provide stabilized employment is dependent in a large part upon its success in avoiding declines in its level of business activity. Sound management policies, practices, and controls and aggressive sales promotion efforts can do much to make this condition possible. In spite of such management provisions, however, business activity in most companies is subject to a certain amount of seasonal and cyclical fluctuations. *Seasonal fluctuations* are those that occur during the year because of variations in the availability of supplies or raw materials, or in the demand for a company's products. Companies in highly seasonal industries, such as agriculture or recreation, have a difficult if not impossible task in stabilizing business activities and, in turn, their level of employment.

Cyclical fluctuations are caused by the upward and downward movements in business activity as a particular industry or the nation as a whole passes from one phase of the business cycle to another. Typically, these phases of a cycle are prosperity, recession, depression, and recovery. Cyclical fluctuations present a greater problem than do those of a seasonal nature because it is often impossible even for forecasters to predict how long a particular phase of a cycle will last or at what point an upward or downward trend in a cycle may be reversed. Furthermore, because of factors affecting it or the industry of which it is a part, business activity within a particular company may not be subject to the same cyclical influences as the nation's economy in general. Thus, some companies may be experiencing a recession while others are enjoying a period of prosperity.

Although individual companies can take some measures to minimize or to counteract certain effects of the business cycle, the problem of coping with adverse cyclical trends must be solved largely by the federal government. Employment stabilization programs in most companies, therefore, are concerned primarily with overcoming seasonal fluctuations in business activity and employment rather than those of a cyclical nature.

Approaches to Employment Stabilization

A company's success in stabilizing employment is contingent to considerable degree upon its ability to maintain a fairly level rate of production. Depending upon the nature of a company's product, its rate of production usually will vary somewhat in relationship to the rate of sales for its product. Any program attempting to stabilize employment, therefore, normally must give primary attention to developing a more con-

tinuous demand for its products through more effective sales promotion techniques.

Stabilizing sales. Seasonal fluctuations in the demand for a product normally are the result of established buying habits and living patterns that have been developed by the company's customers. These fluctuations have been handled in a number of different ways by various companies. Some of the methods used include the following:

1. Using sales promotion and educational campaigns to induce customers to buy during traditional off-season periods on a year-round basis. Promotional campaigns to sell furs and blankets in the summer or lawn mowers and air conditioners during the winter are examples of efforts of this type.
2. Providing added financial inducements to customers in the form of special discounts, more liberal credit terms, and similar concessions that encourage them to buy during periods when sales are normally slow.
3. Introducing new styles and models during the off-season periods can stimulate sales in these periods. The introduction of new car models in the fall is an example of this approach.
4. Developing new products that can be sold during the off-season periods can permit the dovetailing of production. The manufacture of sweaters to augment a line of bathing suits might provide an opportunity for such dovetailing to be achieved.

Many of the methods used to overcome seasonal sales fluctuations may also be applied to those of a cyclical nature. More vigorous promotional and sales effort, special credit inducements, and price concessions can often help a company to maintain its sales volume during a recessionary period. The development of new products and the creation of new markets that are not subject to the same cyclical fluctuations can also contribute to better sales stabilization. There has been a trend, for example, among some companies that formerly produced only industrial goods to add to their line of products consumer goods for which demand is more stable. The manufacture of a variety of rubber products from overshoes to cushions by the major rubber companies, which once devoted their efforts largely to the production of automobile tires, is a good example of successful efforts to achieve product diversification. The manufacture of bicycles by the American Machine & Foundry Company and of adhesive tapes for household use by the Minnesota Mining and Manufacturing Company are typical of the hundreds of other examples of company product diversification efforts.

Cyclical declines in sales sometimes may be reduced through more effective market research aimed at developing new users for company products, as well as by detecting changes in customer demand that the company might be able to satisfy. Improved economic forecasting and long-range sales planning can help a company to anticipate changes in business activity and to prepare itself to cope with them.

Production stabilization. Production can be stabilized also through the use of one or a combination of the following techniques:

1. Stock-piling raw materials that are available only on a seasonal basis. Perishable materials can often be preserved for later use through proper storage or partial processing.
2. Maintaining a fairly constant production rate by accumulating an inventory of finished goods during the slow season, and by drawing upon this inventory during the periods of peak demand. Such inventory accumulations, however, must be based upon accurate sales forecasting and planning so that they will be consumed during the busy season.
3. Subcontracting work during peak seasons and contracting for extra work during slow periods are other methods that may be used in maintaining a level rate of production.

Contribution of effective personnel management. Most companies usually can stabilize employment to a greater extent than their rate of production by observing certain basic personnel policies and practices. Such measures, which permit the company to avoid hiring or laying off personnel each time that there is a short-term increase or decrease in its production rate, include the following:

1. Insuring the communication of information between the personnel, production, and sales departments. While manpower requirements may be determined directly from production schedules, the personnel department should receive advance information pertaining to any anticipated sales fluctuations. Such information permits the department to make provisions for meeting any resulting changes in production rates that may affect the size of the required work force. The development of proper coordination between production, sales, and personnel departments can be facilitated not only by means of direct contacts between these departments but also through committee action involving representatives of these departments.

2. Providing centralized control by the personnel department over the assignment and movement of employees between departments. Centralized control over hirings, transfers, promotions, and discharges can help to prevent the hiring of too many persons or the laying off of personnel who might be utilized elsewhere within the organization.
3. Avoiding, if possible, union restrictions governing the assignment of personnel to different jobs and types of work. Unless management can have some flexibility in shifting employees among different jobs, it may have difficulty at times in keeping them employed continuously.
4. Training employees to have a greater variety of skills so that they can perform more than one type of job efficiently. In some cases, persons who are more versatile may be assigned to a utility squad and shifted about to those jobs where they are needed at a particular moment. An assignment to such a squad can be made attractive if it involves enough additional remuneration and prestige.
5. Using overtime to handle any extra work load, thus eliminating temporary needs for additional personnel. Conversely, spreading the work around by means of a shorter work week and scheduling vacations during slack periods can also lessen the need for layoffs. While the final decision for engaging in such practices rests with the department where the work is being performed, the personnel department can help to encourage these practices when they are in accordance with the best interests of the company.
6. In certain types of businesses where extra manpower is required for relatively short periods of time, hiring part-time employees to handle temporary increases in the work load, and thus eliminating the need for fluctuations in the size of the permanent work force. For certain types of work, companies that specialize in providing manpower services also may be called upon to provide temporary help to meet short-term needs. This practice has become quite common as a source for temporary office personnel.[1]

Role of the Personnel Department

While stabilized sales and production programs are not the responsibility of the personnel department, it has a vital interest in these programs

[1]For further information on this subject, see "Employment Stabilization," National Association of Manufacturers, 1948, 48 pp.

because of their effect upon the efficiency of the personnel program. The personnel department is also in an ideal position to exercise leadership over a program and to enlist the support of all levels of management.

In spite of a company's efforts to provide its personnel with continuous employment, business conditions at times may make a reduction in the size of its work force unavoidable. When such conditions occur, it is the responsibility of the personnel department to insure that layoffs are conducted in a fair and objective manner. The department should also try to provide whatever assistance it can for those individuals who are laid off and to minimize the effects that the layoffs may have upon the efficiency and morale of employees who are retained. This latter condition may be realized through effective communication that permits each employee to know his vulnerability to a layoff and through the proper handling of the layoff procedures.

Handling employee layoffs. Effective policies and procedures governing layoffs can do much to insure fair and equitable treatment for all employees and to minimize hardships for those persons who are affected directly. Although seniority is usually one of the primary factors considered in determining an employee's vulnerability to layoff, the quality of his past performance, the nature and importance of his job, and his position within the union may also be given consideration. Management, for example, may not want to lay off employees who are in key positions, who are extremely valuable to it, or in whom it has a large training investment, even though such individuals may be junior to some of those who are laid off. Unions, on the other hand, may want exceptions in the seniority principle made for those employees who are union officials in order that union leadership in the organization will not be jeopardized.

Importance of employee communication. The proper communication of news concerning layoffs is an important factor in preventing a loss of morale. Ill feelings on the part of those who are directly affected are more likely to be avoided if each one is notified of his layoff personally as soon as possible after the decision concerning it has been reached. Prompt and honest disclosure of layoff plans also helps to reduce rumors concerning them from spreading and also eliminates the possibility that an employee will receive the news of his own layoff second hand. The immediate release of this information to the newspapers may be very desirable so that rumors and incorrect statements on the subject, which might result in unfavorable public opinion toward the company, do not occur. It is important, however, that news concerning layoffs be timed properly with respect to news concerning other company developments. For example, news stories

concerning the payment of substantial stock dividends or management bonuses, or the acquisition of laborsaving equipment, that coincide with notices of impending layoffs, even though these events may have no actual relationship to the layoffs, may well produce an unfavorable reaction toward the company on the part of the public, the employees, and their union.

Layoff assistance. More and more companies recognize the need to provide every possible form of assistance to those employees who receive a layoff. Such assistance may involve the use of company contacts and influence in finding jobs in other companies. Some companies, such as those within the aircraft industry, have even encouraged visits to their premises by recruiters from other companies, to interview those persons being laid off. Accumulated vacation pay and allowances can also help to ease employee financial adjustments during any temporary layoff period. Supplemental unemployment benefit payments can render similar contributions.

COMPANY EXPERIENCES WITH EMPLOYMENT STABILIZATION

The proponents of employment stabilization point out that it is not new in principle since executives and many other groups of salaried employees traditionally have enjoyed year-round employment and income. The only thing that is new about current employment stabilization programs is that they attempt to extend the application of this principle to all groups of personnel. Such programs thus give recognition to the fact that workers as a whole are no better able to forego their incomes than are executives and, therefore, should enjoy some degree of wage stability.

Stabilization programs quite naturally have developed first in those companies where stabilized sales and production have been easiest to achieve, such as companies whose products can be warehoused easily because of their size, value, or standardized nature. Companies producing soap, shoes, and certain food products, for example, have had an easier task in stabilizing production than those manufacturing such items as steel, machinery, and automobiles. The irregular sale of these latter products and the prohibitive cost of carrying large inventories of them represent one of the principal reasons why stabilization programs have been slow to develop among companies manufacturing them.

Since employment stabilization is only a means to the objective of gaining continuous income, some programs provide for the payment of a minimum number of hours of wages each week even though these hours

are not worked. This practice is more correctly termed *wage stabilization* than employment stabilization. Wage stabilization under some plans permits employees to receive a weekly wage guarantee for periods up to a year. Such wages are paid from a stabilization fund that was accumulated during more prosperous periods. Company contributions to this fund may be on the basis of a fixed amount for each man-hour worked or on the basis of some more flexible system that is coordinated with a profit-sharing plan. In other cases, the fund is built from the wages accruing for time worked in excess of the normal work week. Where a company does not have a program for stabilizing wages, the objective of stabilizing income must then be accomplished solely by means of one of the employment stabilization techniques mentioned earlier in this chapter.

Two of the best-known wage stabilization efforts are those that have been made by the Procter & Gamble Company and the Nunn-Bush Shoe Company.

Procter & Gamble Plan

The stabilization program initiated in 1923 by the Procter & Gamble Company is one of the oldest of its kind. It is a plan that guarantees employment, rather than wages, for 48 weeks a year to hourly employees having over 2 years of service. This guarantee, however, is contingent upon an employee's willingness to change jobs or shifts if necessary.

The success of the plan has been due in no small measure to the company's ability to stabilize its sales and production programs. This stabilization has been accomplished by encouraging dealers and users of its products to buy them in smaller but more continuous amounts. As a result of its efforts, the company has gained a more efficient utilization of its plant capacity and has been able to reduce labor turnover to one tenth of the 1923 figure. Although the company has reserved the right to guarantee only 75 per cent of the established hours in a work week, it has had to exercise the option only once, in 1933.[2]

Nunn-Bush Plan

Another and equally well-known stabilization plan is the Nunn-Bush 52 Pay Check Plan, which was started in 1935. It provides a form of wage stabilization by distributing the employees' income among 52 pay checks. These checks are based upon an estimate of the employee's income for the year, which is adjusted upward or downward periodically in accordance with the company's earning record.

[2] "More Than a Quarter Century of Guaranteed Annual Employment," pamphlet by Procter & Gamble Company.

Participation in the plan is restricted to those who have sufficient seniority and job skill to be classed as "Group A" employees. These employees receive a share of the earnings, which consists of a certain per cent of the value added to the cost of the product. Each employee's share of this sum is determined by his base rate of pay. The Nunn-Bush Plan thus involves the incentive element of profit sharing as well as the element of wage stabilization. Other features of the plan provide for maximum employee participation and union cooperation in the determination of certain company policies and practices.[3]

The Procter & Gamble and the Nunn-Bush plans are typical of the plans that George A. Hormel and Company, the Eastman Kodak Company, and other companies have developed with various modifications for their employees. The success of these plans and the publicity that has resulted from them probably have been factors in generating union demands for wage stabilization in those industries that generally have provided irregular employment.

SUPPLEMENTAL UNEMPLOYMENT BENEFIT PLANS

For a number of years, many of the unions in those industries that traditionally have had seasonal fluctuations in employment have been campaigning for greater income stabilization for their members. A *guaranteed annual wage* or GAW is the term that these unions have applied to their objective for a system of regular wage payments that reduces loss of income during layoff periods. Although they have not yet been able to achieve a true guaranteed annual wage, some unions have obtained supplemental unemployment benefit (SUB) plans or supplemental unemployment payment (SUP) plans, as they are also called, for their members. The United Auto Workers and the United Steel Workers, representing several hundred thousand workers, were among the first unions to negotiate successfully and obtain provisions for such benefits in their labor contracts.

Supplemental Unemployment Benefit Plans in the Automobile Industry

The benefit plans that the United Auto Workers have achieved with the Ford, General Motors, and Chrysler companies are among those most widely publicized, partly because of the attention which traditionally has been associated with the labor contracts of the automobile companies and partly because these contracts often establish the precedent for those

[3]William E. McCauley, "The Nunn-Bush 52 Pay Check Plan," *Mill & Factory*, Vol. 54, No. 1 (January, 1954), pp. 110–114.

negotiated by other companies. The first labor contracts containing wage stabilization provisions were negotiated in 1955. The supplemental unemployment benefits that were initiated in these contracts were increased in the 1958 contracts. Under these latter contracts, employees who are laid off may receive weekly benefit payments equal to 65 per cent of their straight-time earnings after taxes, up to a maximum of $30 per week, for periods of up to 39 weeks. In those states that permit it, these SUB payments are in addition to the regular state unemployment compensation payments. Where state laws do not permit both types of payments to be received concurrently, the SUB and the state unemployment compensation are drawn on alternate weeks. Employees who are placed on a reduced work week may also collect some SUB payments even though they are not eligible for state benefits.

In addition to SUB payments in the automobile industry, workers who are covered by a UAW contract are eligible to receive separation payments after being laid off for more than a year. These payments may range from the equivalent of 40 hours of wages for workers with 2 years of service to the equivalent of 2,000 hours of wages for workers with 30 or more years of service.

The trust fund from which the SUB payments are made is derived from company contributions based upon the number of man hours of work performed. The company's obligation to pay supplemental unemployment benefits, therefore, is limited to the amount of money in the fund. This system of funding limits the total cost of the benefit program and prevents it from becoming a severe drain upon company operating capital during periods of business recession.

Problems Related to Supplemental Unemployment Benefit Plans

The SUB plans that have been developed thus far have demonstrated that a more stable income for factory workers is much more feasible than it was once considered to be. Consequently, it is quite possible that additional improvements for workers in the area of wage stabilization may be expected in the future. The added costs that are involved in supplemental unemployment benefits, furthermore, should be offset to some extent by the savings resulting from reduced turnover usually accompanying a more stable rate of employment. The reduction in personal financial problems for the worker and his family and the more stabilizing influence that the plans can have upon the general economy also should benefit society as a whole.

As in the case of other employee benefits, some of the cost of supplemental unemployment payments may have to be borne by the customers in

the price they pay for the goods. Unfortunately, many of these consumers who must help indirectly to support various SUB plans are unable to enjoy such benefits themselves. The answer to the problem of stabilized income, therefore, may be one of providing increased state unemployment compensation payments for all workers rather than the present SUB system that covers only the workers in a few industries.

If supplemental unemployment benefits payments continue to be expanded under future labor contracts until they approach the income received by employees for working, there is always the possibility that some workers may welcome temporary layoffs. As company benefit trust funds reach a certain size, there also may be less incentive for these companies to risk off-season production that might otherwise be performed in order to provide workers with stable employment. Rather than take a chance in building up large off-season inventories, some companies may consider it wiser to lay off their employees and let them draw supplemental benefits from the money that has been accumulating within the stabilization fund. The money to meet the weekly pay checks thus would deplete the stabilization fund rather than the current working capital of the company.

In most instances, the money that a company sets aside for a stabilization fund represents money that might otherwise be distributed to the employees in the form of higher wages. If given a choice, many employees undoubtedly would prefer to receive this amount as direct wages rather than to have it invested in a "rainy day fund." This fact is particularly true of certain groups of skilled and senior workers who are not vulnerable to a layoff and, therefore, are not particularly interested in a SUB plan. Workers in these groups often prefer that union efforts be directed toward achieving outright wage increases rather than toward developing more economic security. The task of reconciling the interests of these workers who have job security with the interests of those groups of workers who do not have it can provide a real challenge to the leadership of a union. This task may also tend to limit the extent to which some unions can push their wage stabilization drives.

CONTRIBUTIONS OF THE FEDERAL GOVERNMENT

As mentioned earlier, the federal government beginning in the 1930's has tended to exert a much greater influence over business activity, employment, and the national economy in general. Businessmen, labor leaders, and the general public look more and more to the federal government to provide whatever assistance may be necessary in order to reverse any

downward movements in business activity and thus prevent wide-scale financial losses and unemployment within the country.

Forms of Government Action

The government can influence business activity and employment in a number of ways. Its fiscal spending and taxation policies can be used to stimulate the general level of business activity. The government's regulatory powers over the nation's credit systems also permit it to increase or decrease the supply of funds for commercial and home construction, for installment buying, and for other uses that have an effect on business and employment conditions within the nation.

The responsibility of the federal government for maintaining a high level of employment was reaffirmed in the Employment Act of 1946. One of the purposes of this act was to provide Congress and the President with more current and accurate information concerning the nation's economy in order that the government might take any action necessary to prevent or counteract business recessions. Such information, it was hoped, would aid in the development of better federal economic policies and legislation and would promote greater cooperation between Congress and the President over such matters. Among other things, the Act created a Council of Economic Advisers for the President and a Joint Economic Committee in Congress. The Council of Economic Advisers now assist the President in preparing an annual Economic Report to Congress. The report is studied by the Joint Economic Committee in Congress and provides one of the sources of information that is utilized by Congress in drafting new legislation affecting business and employment conditions.

Unemployment Insurance

Even with the various efforts of the federal government to avoid it, some unemployment is inevitable, particularly in the seasonal industries. In order to help reduce the workers' loss of income through layoff, the Social Security Act provides for the payment of unemployment insurance benefits to eligible persons. Unemployment insurance actually is administered by each of the individual states in accordance with certain regulations established by the federal government. In most states employers with four or more nonexempt employees, and in some states those with only one such employee, are covered by state unemployment compensation laws. Farm labor, domestic help, and the employees of nonprofit organizations are among those groups who are exempt from the act in many states.

Source of funds. Unemployment insurance benefits are financed by means of a payroll tax collected from employers. In only two states, Alabama and New Jersey, are employees also required to contribute to the unemployment compensation fund. The federal government, as authorized by the Social Security Act, levies a tax of 3 per cent against the wages paid by the employer. However, 90 per cent of this amount, or 2.7 per cent, is refunded to the state if it has an acceptable unemployment insurance program. All states now have such programs. In most states the tax is levied against only the first $3,000 earned by a worker. Every state provides for the tax rate paid by an employer to be based upon a rating system that takes into account his layoff record.

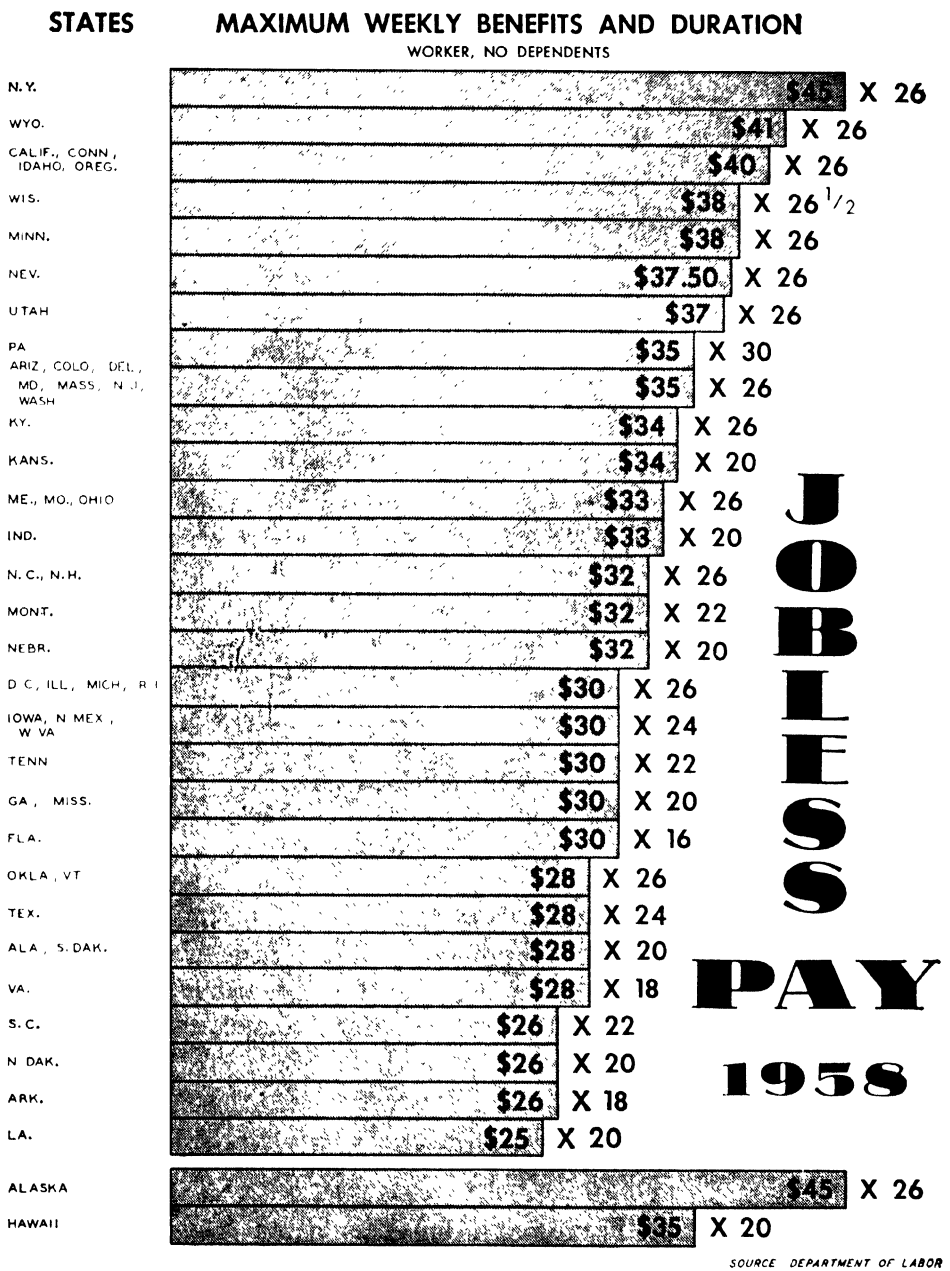
Benefit payments. The amount of the unemployment benefit payments and the eligibility requirements to receive them tend to vary with the unemployment compensation laws of the individual states. All states require that a minimum amount of wages be earned for a given period in order for an unemployed worker to qualify for benefit payments. Most states require a waiting period of one week. The size and the duration of the payments also vary with the local state regulations. Figure 24-1 indicates the maximum amount and duration period of the benefit payment in each state.[5]

In order to receive benefit payments, the recipient must register for work with his local state employment agency and be willing to accept suitable employment that might become available. Just what constitutes suitable employment is sometimes difficult to establish, but normally it is considered to be work in the person's usual occupation or other work for which he is reasonably fitted.

Most states make a concerted effort to prevent abuses from occurring in their programs. During periods of high unemployment, however, it is particularly difficult for the supervising agencies to investigate thoroughly all claims with the result that some claims may be made under false pretenses. In spite of certain abuses that will occur inevitably, the unemployment insurance provisions of the Social Security Act have done much to reduce the hardships suffered by individuals and to lessen the adverse effects of mass unemployment upon the nation and upon local communities.

[5]The primary purpose of Figure 24-1 is to show the range of benefits that exist among the various states. Since the data contained in this illustration are changing constantly, the reader should consult his state employment agency for current data concerning its unemployment compensation program.

Figure 24-1



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RÉSUMÉ

Within the past few decades we have witnessed a change in public attitude toward the methods by which the economic security of the individual citizen should be achieved. Although the responsibility for meeting the economic problems caused by unemployment and disability, which once rested with the individual employee, is tending to be assumed more and more by the employer and the government, there is some question as to how far it is possible or feasible for this trend to continue. In the final analysis, it is probably just as impractical to assume that the individual should be relieved completely from his responsibility of providing for his own security as it is to assume that he can bear this responsibility entirely by himself. If this responsibility were to be taken over by society, then the incentive to hold a job and to accumulate a financial reserve might be reduced too far. Undoubtedly there are certain limits to the extent that the more ambitious and financially prudent members of our society can be expected to bear the burden of those with the opposite tendencies. Similarly there is probably a limit to the degree to which the government can be expected to control economic conditions and to maintain perpetual prosperity.

The forces affecting the business cycle are too numerous and complex for any individual or group of individuals to diagnose. Some downward adjustments, at times, are necessary in order to reverse inflationary trends and to stimulate emphasis on greater efficiency and cost reduction. The ultimate solution to the problems of increased employment security, therefore, probably lies in joint effort by the government, the employer, the union, and the individual employee. None of these, however, can be expected to assume the entire responsibility for providing economic security nor should they be expected to be relieved completely of their share of the responsibility for making it possible.

REVIEW AND DISCUSSION QUESTIONS

1. What are some of the improvements that have been made during the past few decades in providing employees with a greater amount of economic security?
2. List some of the factors that have caused employers to take the initiative in providing their workers with greater economic security.
3. What is the difference between seasonal and cyclical influences upon business activity, and which is the more difficult for a company to overcome?

4. Discuss some of the methods that companies may use to overcome seasonal fluctuations in the sale of their products.
5. What are some of the actions that can be taken through the personnel program to bring about more stabilized employment?
6. What exceptions might a company want to make to a policy of laying off employees on the basis of seniority? What exceptions might the union desire to make to such a policy?
7. Distinguish between guaranteed wages, guaranteed employment, and supplemental unemployment benefits.
8. What are some of the results that may be expected to occur from the continued expansion of supplemental unemployment benefits?
9. What has the Social Security Act done to relieve the hardships of unemployment? What effect has it had upon local state efforts along these lines?
10. What are some of the ways in which the federal government may help to reduce some of the causes of unemployment?
11. Do you feel that employees, if given a choice, would agree to have a 5-cent per hour increase that would go into an employment stabilization fund rather than be paid to them in the form of higher take-home pay? Discuss.
12. As far as economic security is concerned, what should be the responsibility of the individual worker? the employer? the federal government? the union?
13. To what extent may employment stabilization plans pay for themselves?
14. The *X* Manufacturing Company, which has been losing business to its competitors for several years, decided that the purchase of new and more efficient equipment was essential to the company's survival. Through the grapevine, the union learned that the company was planning to buy this equipment and that it could be operated with 25 per cent fewer employees. The union threatened to call a strike if any of its members were displaced by the new equipment.
    A. Assuming that you were the personnel manager, outline the steps that you might take to prevent such action by the union.
    B. Do you feel that employees and the union should have been notified as soon as the plan to purchase the new equipment had been formulated?
15. If unions are able to negotiate successfully further increases in supplemental unemployment benefits for their members with each new contract, what effect, if any, may this have upon the installation of more laborsaving equipment by employers?
16. Some contractors, when they have not had projects on which to keep their crews employed, have been known to bid for jobs that might result in a loss of money for them in order to keep their work force intact. What may they hope to gain from this practice to offset these possible losses? Discuss.

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Chapter 25

Retirement Provisions

Employee retirement provisions constitute one of the most recent functions to be included in the personnel programs of many companies. The reason, in part at least, is that the traditional philosophy which has prevailed and still prevails to some extent within our society holds that the individual should accumulate some financial reserves to cover the loss of earnings resulting from retirement. Retirement provisions also have been slow to materialize because of the reluctance of many companies to bear the added costs of providing pensions, particularly since these costs constitute long-term obligations that future company revenues might be incapable of supporting. In the absence of formal retirement programs, financial hardships caused by retirement, like those caused by unemployment, have had to be borne to a large extent by the families of those affected or by welfare agencies.

The gradual changes in public attitude, the increased concern of the more enlightened companies for the welfare of their employees, and the growing demand of employees and their unions for greater economic security during and following the normal working life have done much in recent years to stimulate the installation of retirement programs. The responsibility for the development and administration of these programs is normally placed in the hands of the personnel department.

Financial assistance also is now provided to a major segment of our retired population by the federal government through the provisions of the Social Security Act. For some workers, these federal benefit payments may constitute the only income that they receive upon their retirement, whereas for others they may supplement the pensions provided by their former employers. Regardless of the source or amount of their income, most workers today can look forward to receiving at least some retire-

ment income to supplement any financial provisions that they have made for themselves.

The discussion in this chapter will cover the following topics relating to the personal adjustment and financial assistance provisions that are now available to many workers:

- Company retirement programs
- Pension plans
- The Social Security Act

COMPANY RETIREMENT PROGRAMS

A formal company retirement program can help to facilitate the adjustments by the company and by the individuals involved that may be necessitated by employee retirement. Furthermore, such a program can provide assurance that retirements are anticipated and planned well in advance of their occurrence so that these adjustment problems are minimized. By having a formal program for the various functions relating to retirement, there is a greater likelihood also that a pension plan will be financially sound from the standpoint of protecting both the retirement benefits of the employees and the financial solvency of the company. This section will deal with the following functions of the personnel department in handling the adjustment problems of employees through its formal retirement program:

1. Facilitating the adjustment of retiring employees
2. Organizational planning for retirements
3. Maintaining relations with retired employees
4. Determining the age of retirement

1 — Facilitating the Adjustment of Retiring Employees

If one were to accept the ideas presented in the various illustrations that often appear in company magazines or in the literature and advertisements of some life insurance companies, retired life is just one happy vacation that can be made possible through the receipt of a monthly pension check. While pictures of a gray-haired couple enjoying a sunset or beaming over a brood of grandchildren, or of a man relaxing in a hammock or on a river bank with his fishing pole may convey this impression, a retired life can be anything but a satisfying one for a great many oldsters. Retirement often introduces a period of lonesomeness and boredom that such persons would gladly relinquish for a return of the worries, the pressures, the companionships, and the "old grind" of their former jobs. Fishing, loafing, or

playing with grandchildren may occupy a retired person's time and interest up to a point, but these diversions often do not provide a substitute for the recognition, satisfactions, and companionships that were gained from his former job. New goals and sources of recognition and new social contacts, therefore, must be developed to replace those left behind. In order to make these social and psychological adjustments, many employees need the help and assistance that a company can provide effectively through a formal retirement program.

As one form of assistance, companies can encourage those employees nearing retirement to acquire new interests and activities to replace those provided through their jobs. Hobbies, supplemental jobs, business pursuits, and community services are a few examples of new interests that retiring personnel may be helped to acquire as a part of their adjustment process. Furthermore, activities taken up as hobbies or side lines often can serve to augment a person's income as well as to occupy his time after retirement. For those persons who have adequate retirement income, nonremunerative civic jobs permit them to render a definite service to the community as well as to gain an outlet for their abilities.

Since retirement for most workers involves a reduction in their income, some downward adjustment in their spending habits should begin in advance of their retirement. Financial debts should be cleared up as much as possible prior to retirement, and future financial obligations should be avoided. Assistance in financial planning and budgeting through meetings arranged by the personnel department can often help employees to avoid financial mistakes and the accompanying hardships. By providing this and other assistance, the personnel department can do much to aid those employees who are nearing retirement age to recognize and to avoid many of the adjustment problems that they might otherwise encounter.

The Esso Standard Oil Company is among those companies that make a concerted effort to assist employees in making the adjustment to a retired life. For a number of years, this company has been offering a series of discussion meetings covering various problems relating to retirement. Attendance has been on a voluntary basis and open to all persons nearing retirement age, regardless of their positions within the organization. Sessions similar to the one pictured in Figure 25-1 on page 524 attempt to acquaint participants with the typical problems and characteristics of old age and to encourage them to develop a healthy and realistic view toward it. Suggestions on how to minimize the physical and financial problems of retirement, how to remain active, and how to maintain social contacts are also covered. In the course of the sessions, employees not only have the

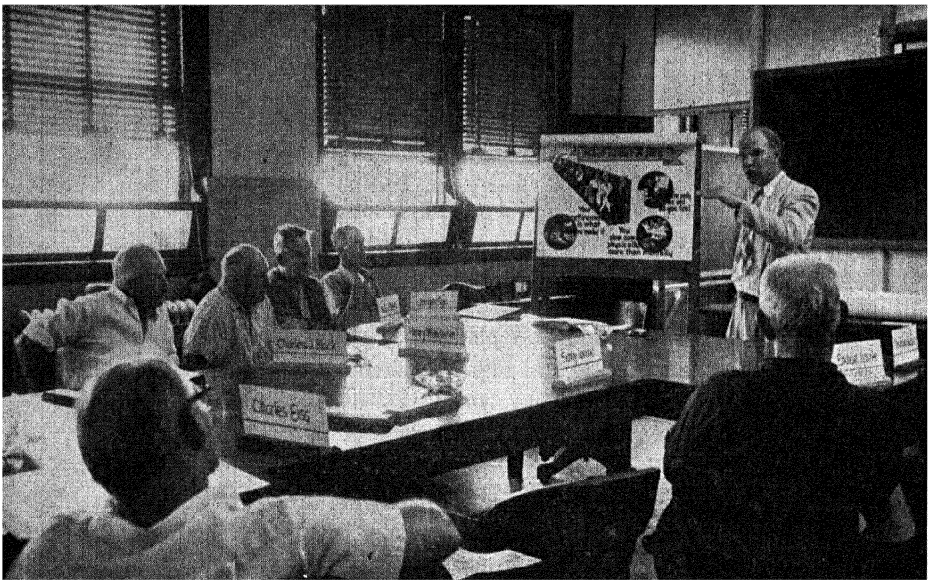


Figure 25-1
Company Doctor Conducts Discussion of Retirement

Reproduced with permission of Esso Standard Oil Company, New Jersey.

opportunity to share and receive ideas concerning retirement but also to lay the foundations for their own retirement plans. Other companies, such as Detroit Edison, have developed somewhat similar voluntary discussion meetings. In the latter company, these meetings cover such subjects as the problems of aging, psychology, mental ability, physical health, diet, finances, where to live, and use of leisure time.[1]

Some companies have even prepared attractive and useful booklets on retirement for distribution among their retiring employees. General Motors provides such employees with a booklet entitled, "My Time — Is My Time." This booklet provides the reader with many practical suggestions concerning retired life based upon the personal experience of its author, John Willard Reed.

2 — Organizational Planning for Retirements

The organizational adjustments that may be required because of retirements can usually be accomplished more easily and effectively if planned for well in advance. This planning should include provisions for the selection and training of replacements to fill the positions being vacated by retiring personnel as well as the other vacancies at succeeding lower levels that are created as a result of the promotional chain reaction. Plan-

[1]Irving Ladimer, "Preparation for Retirement: Boon or Boondoggle?" *Factory Management and Maintenance*, Vol. 3, No. 6 (June, 1953), pp. 88-91.

ning for retirements may also include provisions for transferring some of those employees nearing retirement age to less demanding jobs or for restructuring their jobs so that these individuals can continue to perform them.

The gradual reduction of an employee's duties and work load may not only facilitate his replacement but also help him to "ease into retirement" with a minimum of difficulty. There are several ways in which an employee's duties may be lightened and his active career with a company "phased out" gradually. One is to extend the length of his vacation period, and another is to reduce his work week during his last few years with the company. His job prior to retirement also may be modified or changed so as to be less demanding. If a replacement is being groomed for the job, that person may gradually assume more of the responsibilities connected with the job. A systematic plan for gradually reducing the work load of a retiring employee can help both the organization and the person involved to make the transition gradually.

3 — Maintaining Relations with Retired Employees

Most employees who have worked a number of years for a company tend to develop a definite feeling of attachment and loyalty toward the organization. Continued contacts that the company may maintain with them after their retirement can help both to provide some sense of security for these employees and to preserve the associations that they have developed during their careers. Such consideration for retired employees not only builds goodwill among those who are the recipients, but it also demonstrates to its workers and to the public that the company is "an organization with a heart."

In connection with their efforts to maintain closer contact with retired personnel, many companies keep the names of these persons on the mailing list for the company magazine, financial reports, and other literature, invite them to company social activities, and provide them with certain privileges and services that are furnished to active employees. Some companies use their retired employees in an advisory capacity or for temporary work assignments during periods of peak work loads or vacation periods. A number of companies also have lent their encouragement and assistance to the formation of a retired employees' club through which such employees can keep in touch with each other and gain mutual help and assistance. Other companies encourage their employees to return for visits and even sponsor special days in their honor.

4 — Determining the Age for Retirement

One of the weaknesses of many company retirement programs is the fact that policies governing retirement are not flexible enough to allow for individual differences that exist among employees. Differences in the mental and physical condition of individuals are likely to be even greater among older persons than among the younger ones. The policy of retirement at the age of 65 that prevails in many companies can work to the detriment of both the company and its employees. Some employees, as far as their worth to the company is concerned, contribute only to its problems while waiting for the retirement age of 65 to arrive, whereas others could benefit both themselves and the company by continuing to work beyond this age.

A uniform retirement age in most cases is not due so much to the failure of management to recognize differences in the mental and physical condition of employees as it is to a reluctance to face the problem of deciding when each individual should retire. With a uniform retirement age management does not have to face the unpleasant task of telling those who were once valuable that they can no longer meet the demands of their jobs. Furthermore, most employees do not like to admit that they are slipping or that they should be retired; and if informed of this fact through actions or words, the blow can be quite severe. In order to avoid the repercussions or unpleasantness of forcing employees to retire, it is often easier to establish a uniform retirement age. While this practice may force some capable persons to retire sooner than is desirable, some companies apparently feel that the practice is justified by virtue of the fact that any person whose performance is declining will at least be removed when he reaches 65.

In general, the subject of retirement age is one that should have more study by management. The development of better criteria for determining and measuring an individual's readiness for retirement, as well as a more realistic system for carrying out the plan, could perhaps reduce the tendency to base retirement solely upon age.

PENSION PLANS

Industrial pensions are not new. Some pension plans were in existence even before the beginning of the present century. By the 1920's quite a few companies, in the process of taking more interest in the welfare of their employees, began to install pension plans along with other types of benefits and services. For the most part, however, pension plans tended

to be restricted to the larger companies, and even then such plans often covered only the executive and white-collar groups.

The passage of the Social Security Act in 1935 did much to make workers more pension conscious. The meagerness of the social security benefits, together with continued rises in living costs, caused employees to look to their employers for additional retirement income beyond that received through social security. The development of private pension plans during the 1930's, however, was at a relatively slow pace. World War II stimulated the growth of private pensions. Some 4,208 new plans qualifying for the tax-exemption provisions of the Bureau of Internal Revenue were inaugurated between 1942 and 1944. This compared with only 843 new plans originated during the entire decade from 1930 to 1940.[2] During World War II pensions became one of several fringe benefits that were used to attract new employees, since the wage freezes enacted by the federal government prevented employers from granting increases in the basic wage rates. Furthermore, because of the cost-plus provision of most war contracts and the high tax on excess profits, pensions in many instances cost companies very little.

Prior to the 1948 NLRB decision in the Inland Steel case, employers were not forced to bargain with their unions on the subject of pensions.[3] Those managements that did not want to provide pensions were able to forestall union demands for them on the grounds that decisions involving pensions were an exclusive prerogative of management. The NLRB decision, which was later upheld by the Supreme Court, however, ruled that employers could not refuse to bargain over pensions, and thus cleared the way for union pension drives. Shortly thereafter a number of the major unions succeeded in negotiating pension benefits with some of the nation's largest companies, including those in the steel, automobile, and other manufacturing industries. The successes achieved by these unions helped to establish a precedent for other unions to demand similar benefits from their employers. This trend is still continuing and is forcing more and more employers, particularly the smaller ones, to provide pensions for their workers.

Problems Related to Pensions

Pension benefits create many problems that are not encountered in connection with other forms of remuneration, since these benefits represent a long-term obligation that cannot be estimated in advance with

[2]Carroll W. Boyce, *How to Plan Pensions* (New York: McGraw-Hill Book Company, 1950), p. 4.

[3]*Inland Steel Co.* v. *NLRB* 77, NLRB 1 (1948).

complete accuracy. The number of employees who will remain with the company until retirement age, the number of years that they can be expected to live following retirement, and the size of the benefits that they will receive, for example, are some of the factors which will influence the cost of the pension program. Even with the aid of actuarial tables to determine pension costs, other factors, such as turnover and inflation, that cannot be anticipated with complete accuracy also affect these costs. Furthermore, the money necessary to provide pensions must come from future earnings that are subject to many uncertainties. If a trust fund is to be established from which the pensions are to be paid, an additional problem of investing and protecting the fund is created.

In view of these and other problems connected with administering a pension program, it is not surprising that many companies, particularly those of moderate size and resources, have shown a reluctance to provide pensions. The problems, however, are not insurmountable. Consultants in the area of pension planning can be of considerable help to a company in overcoming the many technical problems as well as protecting a company against the pitfalls that might otherwise be encountered in developing a pension program.

Methods of Calculating Retirement Benefits

The size of the pension that a company desires to provide its employees and the factors upon which the benefits are to be based are important considerations in the development of a benefit formula. A company, for example, must decide to what extent, if any, the payments are to be affected by such factors as years of service, or amount of earnings attained by the employee, his retirement income requirements, or the amount of social security benefits that he may be entitled to receive. Also, a company must decide whether the size of the pension is to be a fixed amount or to be contingent upon the contributions that have been paid into the fund in his behalf. In general there are four basic types of plans that are used in computing retirement benefits. These include (a) the flat benefit, (b) the percentage of income, (c) the percentage of income times service, and (d) the money-purchase pension plans. Within each of these basic plans, there can be certain variations.

(a) Flat benefit plan. Under this plan each employee who retires receives a flat amount of perhaps $50, $75, or $100 a month regardless of his service or his earnings prior to retirement. Plans of this type tend to favor workers in the lower wage classes. Such plans may also discourage

the employment of older workers. The reason for this latter fact is that the company can gain a greater number of years of service from those selected at a young age before providing them with pension benefits. In other words, a company would gain only 15 years of service from a person hired at the age of 50 (assuming that the retirement age is 65), whereas it could gain 40 years of service from a person hired at the age of 25 in return for the same amount of pension. Some of the plans in this category as well as those calculated by other methods may be tied in with the workers' social security benefits. In such instances, the company may pay only the difference between the amount received from social security and the flat amount that is guaranteed by the company.

(b) Percentage of income. Pensions under this plan of computation are based upon a percentage of the employee's earnings during a specified period of time. The earnings figure used might be the average earnings rate, the highest earnings rate, or the earnings rate received by the employee at the time of his retirement, depending upon the details of the plan. While this is a more equitable plan for employees in the higher income groups, since pension benefits are proportionate to their earnings, the plan may still force a company to limit its selection of new employees to those in the younger age groups.

(c) Percentage of income times service. Benefits under this plan are based upon a percentage of an employee's monthly income multiplied by the number of years of service that he has completed. Thus, if a plan provided for a pension rate of 2 per cent, an employee with 30 years of service and monthly earnings of $500 would be eligible for benefit payments of $300 a month (30 $\times$ 2% $\times$ $500). Plans of this type have the advantage of rewarding both service and progress within the organization and permit a company to hire workers from the older age groups without experiencing higher pension costs.

(d) Money-purchase plan. Under this plan the employer contributes a certain percentage of an employee's earnings into a retirement fund. When the employee retires, retirement benefits are purchased with the contributions and interest that have accumulated in his behalf. The size of his pension after retirement, therefore, is contingent upon the amount of funds in his retirement account and what these funds will buy in terms of pension benefits.

One of the simplest methods of providing pension benefits under this plan is through the purchase of insurance annuities, which provide the employee with a uniform monthly benefit for the remainder of his life.

Arrangements can also be made with many mutual fund investment companies or with banks or trust companies to establish a pension trust fund from which the pension payments are disbursed to each employee on the basis of his share in the fund and his period of life expectancy.

Since the pension benefits under the money-purchase plan are determined by the amount of funds that have been accumulated for each employee, the company's financial obligations are flexible in nature.

Other Features of Pension Plans

Pension plans may provide for certain additional features besides those relating to pension benefits. Some plans, for example, permit employees after a certain period of time to acquire a *vested right* or equity in the retirement fund that the company has accumulated in his behalf. This vested right may enable an employee to receive his equity in a lump-sum payment should he leave the company before retirement. In other instances, the right may permit an employee who leaves the company to receive a pension at the established retirement age based upon the amount of entitlement that he has earned up to the time of his departure. Some plans also permit employees to take their pension rights with them if they change employers. In certain industrial centers, such as Toledo, Ohio, employers have developed a group pension plan to permit employees to retain their pension rights should they transfer between employers in the group. Pension plans that are administered jointly with a union also permit the members to retain the pension rights while changing employers. Other features contained in some pension plans provide for disability payments for workers who are unable to work because of injuries and for lump-sum or pension benefits to surviving widows or dependents.

Financing the Plan

The success of any pension system is contingent upon a sound financing system — sound in terms of providing and protecting the funds necessary to meet pension obligations, and sound in terms of the company's ability to support the costs. In addition, the system should meet all legal regulations pertaining to it and should provide maximum benefits and security for the employees as economically as possible.

Methods of financing. The two principal methods of financing a pension plan are the unfunded or pay-as-you-go method and the funded method. The pay-as-you-go method is not used nearly as extensively as the funded method. In a study of 239 pension plans conducted by the

Bankers Trust Company, the unfunded plans constituted only 3 per cent of the total number.[4]

PAY-AS-YOU-GO METHOD. The simplest and the most economical method of financing is the *unfunded* or *pay-as-you-go type of plan* in which the pension payments are made from current revenues. Since funds are not accumulated to meet the pension obligations, the money that might otherwise be set aside for this purpose is reinvested in the business. Normally a higher return can be realized from using this money within the business than could be achieved from its investment in a trust fund or from purchasing insurance annuities. For this reason, the pay-as-you-go plan is the least costly. Unfortunately, however, this system often does not provide adequate security for employees, since the pension benefits are contingent upon the company's ability to survive and prosper. Economic reverses could force a company to reduce or even to default on its pension payments in order to avoid bankruptcy. The liquidation or the sale of the business also could bring about the collapse of the plan in spite of the company's moral obligation to meet its pension commitments. The past history of many plans of this type, particularly during depression periods, has not been very good.

FUNDED METHODS OF FINANCING. Under the *funded systems of pension financing*, funds are accumulated to cover part or all of a company's pension obligations before they mature. Although these funds may not always prove sufficient to provide the entire amount of the payments called for by the company's benefit formula, they should permit the payment of a major portion of the benefits that have been obligated.

Source of funds. Pension funds may be derived from employee as well as employer contributions. The *noncontributory plan* in which funds are provided entirely by the employer, however, is the type preferred and most commonly negotiated by organized labor. Employer contributions to the pension fund may be determined by an established formula, or they may be contingent upon company profits as a part of a profit-sharing plan. In some labor contracts, such as those negotiated by the United Mine Workers, employer contributions to the welfare and pension fund come from production royalties.

Investment of the funds. It is important that pension funds be invested where they will receive adequate protection and yet earn a satisfactory return. The earnings derived from a trust fund can be used either to

[4]Bankers Trust Company, *A Study of Industrial Retirement Plans* (New York: Bankers Trust Company, 1956), p. 23.

increase the amount of money that is available for pension benefits, or to reduce the amount of money that the company must contribute to the fund, or both. During inflationary periods investment problems also include the preservation of the purchasing power as well as the actual amount of money in the funds. The loss in purchasing power of the pension benefits received by an employee can hurt him just as much as the loss of a comparable number of dollars from the fund. This fact sometimes is overlooked by employers through their failure to provide a hedge against inflation when setting money aside for retirement.

The funds that are established to meet employee pension obligations may be managed by the company itself, or by appointed trustees. In other instances, the funds may be used to purchase an insurance contract that will provide the retirement benefits. A plan involving a trust fund is known as a *trusteed plan*, whereas the plan involving an insurance contract is known as an *insured plan*.

TRUSTEED PLANS. The administration of a pension trust fund is delegated frequently to a bank or trust company that serves as the trustee. In other instances, the trust may be managed by a group of trustees appointed for this purpose.

Companies may make their contributions into the trust funds according to a number of systems. The estimated amount of money required to provide a pension for each employee, as determined from actuarial computations, may be contributed annually to the fund starting at the time that he becomes covered by the pension plan. If pension benefits are affected by length of service, additional contributions may be required when a new plan is adopted to meet the obligations for any service performed prior to the creation of the plan. In such cases the accrued liability covering employee service completed prior to the creation of the plan may be funded over a 10- or 20-year period or an even longer period of time, after which there is a full reserve fund available to cover pension obligations.

Under some funded plans, the funds necessary to provide the pension benefits for an employee are not established until the time of his retirement. One plan of this type developed by the Republic Steel Company provides that the amount of money necessary to provide employees' pensions be determined at the time of an employee's retirement and be paid into a pension fund in five equal annual installments. The Bethlehem Steel Company follows a similar plan except that the reserve is established in one lump payment on the date of each person's retirement.[5]

[5] "Pensions: What They Mean to Management," *Business Week* (May 13, 1950), pp. 71–78.

INSURED PLANS. The insurance policy that is purchased to support retirement benefits under an insured plan may provide coverage on either an individual or a group basis. Frequently these policies also may provide for death and disability benefits in addition to the pension benefits. The policy premiums are computed so as to cover the costs of the benefits and the administrative expenses as well as a margin of profit for the insurance company. An additional loading charge may be included in the premium to provide a minimum margin of safety for the insurer. Policy premiums, depending on the contract, may be paid on an annual basis or in a lump sum on the date that each employee retires.

COMPARISON OF INSURED AND TRUSTEED PLANS. Insured plans have the advantage of relieving the employer of the problems and the responsibilities of managing a pension fund as well as possible criticism concerning such management. If the insurance contract is with a company that is financially sound, the employees are afforded a maximum guarantee that they will receive pensions and, as a result, will tend to have more confidence in the company's pension guarantees.

The disadvantage of an insured plan as opposed to a trusteed plan is that the amount of the pension annuity is fixed and thus may tend to lose its purchasing power during periods of inflation. For example, an annuity contract for a $75-a-month pension might have been quite adequate for an employee in 1935, but this amount would have had considerably less purchasing power for the employee who received the annuity pension some 20 years later. Aside from failing to provide adequate protection against inflation, pension annuities often provide a smaller return on the money invested in them as compared with the money invested in many trust funds. For these reasons, there has been a considerable trend in recent years for companies and unions to turn to trusteed plans, and for more of the funds in these trusteed plans to be invested in high-grade common stocks as opposed to bonds.

In the study conducted by the Bankers Trust Company, 66 per cent of the plans were financed by means of a pension trust. This study also disclosed that a number of companies had changed to pension trust plans from one of the other methods of financing during the two-year period preceding the study, thus indicating, to a degree at least, the trend in this direction.[6] There has also been an increased tendency for pension funds to be invested in the mutual fund investment companies where there is an opportunity for a higher return on the fund as well as for the funds themselves to appreciate in value.

[6] *Ibid.*, p. 23.

In an effort to offset the inroads being made by the mutual funds, some life insurance companies are now seeking permission in several states to issue a *variable annuity* policy to provide retirement income. The retirement income that is provided from such a policy purchased for an employee is based upon the earnings derived from the investments in the portfolio that the premiums for his policy will purchase. Since these investments normally include a substantial proportion of common stocks, whose earnings and values tend to increase during an inflationary period, the employee's pension would also increase, thus providing him with a hedge against inflation. In a deflationary period, of course, the reverse would be true; living costs, as well as the size of the pension, would tend to decrease.

Some of the mutual funds, in turn, are now offering a *systematic withdrawal plan*. Under this plan an employee's monthly pension is based upon the size of the trust fund that has been invested with the mutual fund in his behalf, and is affected by any earnings and changes in value of this investment. This withdrawal plan contains several optional methods, under which the pension payments are computed and withdrawn from the trust fund on the basis of either an individual's life expectancy or his extended life expectancy. *Extended life expectancy* is the new life expectancy that an individual acquires with each additional year that he lives.

THE SOCIAL SECURITY ACT

While the number of persons covered by private pension plans has been growing rapidly, it is still not equal to the number who are dependent upon the social security program of the federal government for retirement payments. Furthermore, those persons who do receive private pensions usually receive them in addition to social security benefits. The discussion of retirement provisions and pension plans, therefore, would not be complete without a brief coverage of the Social Security Act.

The Social Security Act of 1935 represented a major step forward in the field of social welfare legislation. It created a permanent federal program for providing greater economic security for members of the lower income groups who tend to suffer the most when their income is lost due to the unemployment, disability, retirement, or death of the family breadwinner. One of the objectives of the Act has been to develop gradually a program, supported by tax contributions from covered employees and employers, that would reduce the number of persons depending upon relief assistance payments for their support. In addition to the major types of social insurance benefits, the Act provides for the various health and

welfare services depicted in Figure 25-2 on p. 536. The discussion in this section, however, will be limited to the old-age, survivors, and disability insurance provisions of the social security programs.[7]

Coverage of the Act

In order for a person to be subject to the provisions of the Social Security Act, he must be engaged in employment that is covered by it. Such coverage includes most forms of employment in private enterprise and most types of self-employment, including farming, in which a person's net earnings exceed $400 per year. In spite of several amendments that have extended the coverage of the Act, there are still some groups that are exempted from it. Some of these groups include the following:

(1) Farm laborers earning less than $150 from any one employer during a calendar year
(2) Domestic servants receiving less than $50 cash in a given calendar quarter
(3) Casual employment (i.e., seasonal, incidental, or irregular in nature) for which less than $50 cash is received in one quarter
(4) Family employment
(5) Ministers (unless he elects to be covered by filing a waiver)
(6) Students employed by school, college, or one of its organizations while attending the institution
(7) Newsboys and news vendors
(8) Railroad workers (covered by their own system)
(9) Student nurses and interns
(10) Employees of foreign governments
(11) Employees of nonprofit organizations (unless the employer and ⅔ of the employees request coverage)
(12) Civil Service employees of the U. S. Government
(13) Employees of state and local governments (unless a majority of the eligible employees vote for coverage)
(14) Employment outside of the United States, unless performed by a U. S. citizen for a U. S. citizen
(15) Self-employed doctors of medicine[8]

Contributions Under the Act

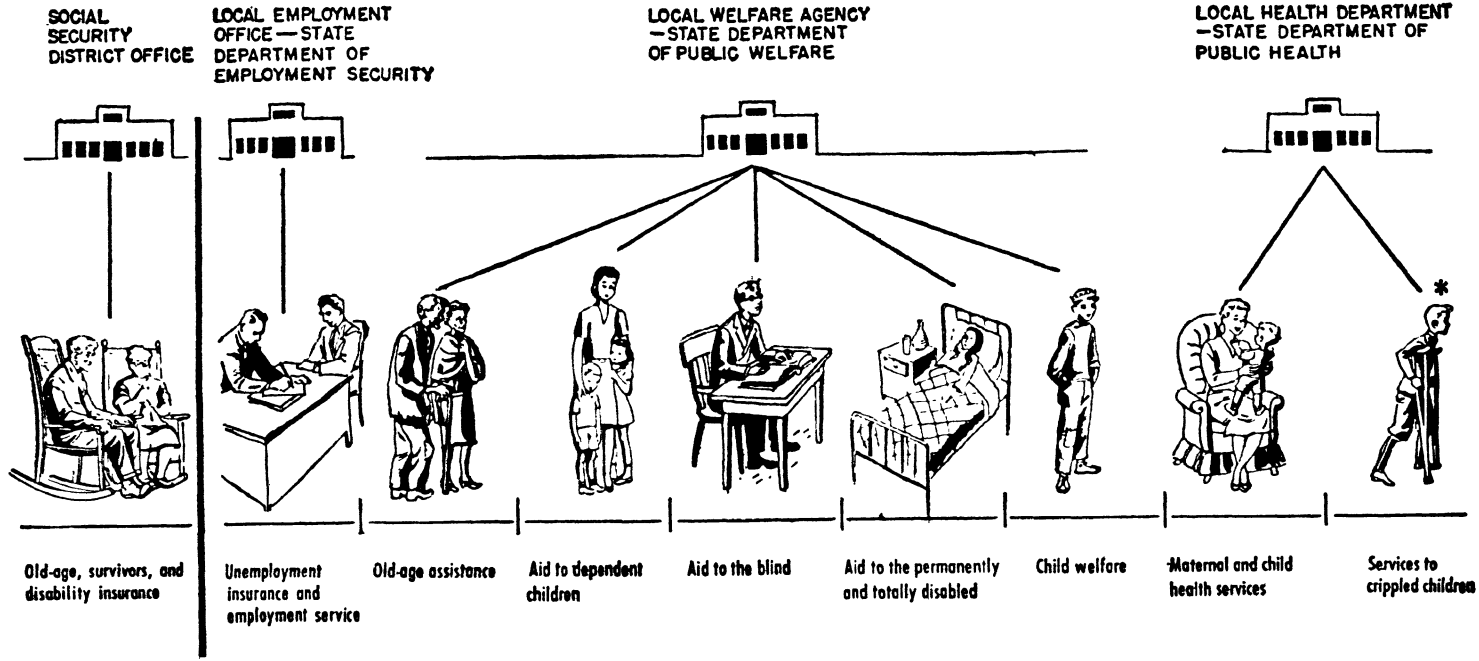
The old-age, survivors, and disability program of the Social Security Act is supported by a payroll tax levied against both the employer and the employee. It is paid only on the first $4,800 of remuneration that an employee receives in a calendar year. The employer is required to send in the

[7]Since the Social Security Act has been, and probably will continue to be, the subject of frequent amendments by Congress, students should refer to the current literature that may be obtained from their nearest Social Security office concerning the exact provisions of the Act.

[8]For a more detailed account of exempted groups see *Prentice-Hall Labor Course, 1958* (Englewood Cliffs, N. J.: Prentice-Hall, 1958), par. 10018-10023, or the 1959 *Prentice-Hall Tax Course*, par. 3803 and 3807.

Figure 25-2

Federal and Federal-State Programs Under the Social Security Act



*Some crippled children agencies are not in the State health departments

Source: Social Security Administration, "Social Security in the United States," 1957.

tax payments covering both his and the employee's shares. The employee's share is normally deducted from the wages he receives although an employer can pay both shares. The Social Security Act provides for future increases in the tax rate supporting the program. The tax rate for employees and for employers (3 per cent in 1960) is scheduled to be increased by installments to 4½ per cent by 1969.

The tax for self-employed persons (3¾ per cent in 1960) is scheduled to be increased to 6¾ per cent by 1969.

Retirement Benefits

In order to be eligible to receive retirement benefits, a person must be at least 65 years of age (women may receive reduced benefits starting at 62), retired, and fully insured. Whether or not an individual is fully insured is determined by the number of quarters in which he has received a prescribed amount of earnings. A calendar quarter is a three-month period beginning January 1, April 1, July 1, or October 1. For most kinds of employment, a person must earn at least $50 in wages in order to obtain a quarter of coverage. Those persons who are self-employed must earn at least $400 in a year, for which they receive four quarters of coverage. The exact number of quarters that a particular individual must obtain in order to be classed as fully insured depends upon his date of birth or, if he dies or becomes disabled before reaching retirement age, upon the date of his death or disability. In no case can an individual become fully insured with less than six quarters of coverage or in no case will he need more than 40 quarters, regardless of his date of birth.

In order to receive 12 monthly payments each year, an eligible person under the age of 72 cannot earn more than $1,200 in wages or self-employment. Income from investments is not considered to be earnings. The payment of one month's benefits is withheld for every $80 by which his earnings exceed $1,200. Under the 1958 amendment, however, a worker is entitled to receive a check for each month in which his earnings do not exceed $100, regardless of his total earnings for the year.

Since 1957, the social security program has also provided benefit payments to workers over 50 years of age who are too severely disabled to engage in gainful employment. These benefits, which include auxiliary benefits for dependents, are computed on the same basis as retirement benefits and are converted over to retirement benefits when the individual reaches the age of 65. In order to be eligible for disability benefits, an individual must have worked under social security for at least 5 out of the 10 years before becoming disabled. If he is under 50 years of age when he

becomes disabled, he may have his social security account frozen to protect his average earning rate up to that date. If he is otherwise eligible for disability benefits, he can start drawing them when he reaches the age of 50.

Since retirement benefits are computed on the basis of average earnings, a person's benefits are reduced by each quarter in which he does not work in covered employment. Thus, if an individual during a 20-year period (80 quarters), in which he is eligible to be covered, works in covered employment for only 40 quarters, his average earnings would still be computed on the basis of the 20-year period. Because of this fact, the amount of his actual earning rate would be diluted by about one half. Up to 5 years in which an individual has the least or no earnings, however, can be excluded from the average used in computing benefits. Only full calendar years can be dropped.

The Act also provides that any veteran who was on active duty between September, 1940, and January, 1957, for more than 90 days was covered during this time at an equivalent monthly wage rate of $160 a month. The same period of time, however, cannot also be credited toward any other federal service pension.

Retirement benefits under the Act consist of a primary insurance amount that an individual is entitled to receive in his own behalf and auxiliary benefits that are paid to his eligible dependents. The *primary insurance amount* is based upon the individual's average monthly earnings and can be determined from a prepared benefit table. The largest amount that a person at present can receive in his own behalf is about $123, and the smallest amount is $33.

The *auxiliary benefits*, which are paid to eligible dependents of a retired worker, are based upon his primary insurance amount. Those dependents for whom auxiliary benefits may be claimed include the following:

(1) Wife over 65 (or 62 at a reduced amount)
(2) Wife caring for an unmarried child who is under 18 years of age or disabled
(3) Unmarried child who is under 18 or disabled
(4) Parent who is dependent upon covered individual for more than 50 per cent of his support

The amount of benefits that an individual can draw for himself and his family is subject to a maximum limit equal to 80 per cent of his average monthly earnings, or $254, whichever is the lesser. In no instance, however, can the total family benefits be less than $53 a month.

Survivors Benefits

Survivors benefits represent a form of life insurance that is paid under certain conditions to the family of a deceased person who was covered by the Act. In many instances, the benefits that the survivors of a covered individual receive are far in excess of those that otherwise could be obtained for the same cost under a private insurance plan. Survivors of individuals who are currently insured as well as those who are fully insured at the time of death are eligible to receive certain benefits, provided the survivors meet other eligibility requirements. A *currently insured person* is one who has been covered during at least 6 of the 13 quarters prior to his death. In the case of a currently insured person, the benefits are paid only to a widow, or a dependent divorced wife with dependent children under 18 or disabled. The divorced wife's benefits stop when the last child reaches 18 unless the child is disabled. The widow is entitled to receive a monthly payment equal to 75 per cent of the primary insurance amount. If there is more than one surviving child who is under 18 or disabled, each one is paid an auxiliary benefit equal to 50 per cent of the deceased parent's primary insurance amount with an additional 25 per cent being divided equally among all of them. The monthly payment for a widow and two children of a deceased person with a primary amount of $80 would be computed as follows:

Widow	75% × $80	= $ 60
First Child	(50% × $80) + (12½% × $80)	= 50
Second Child	(50% × $80) + (12½% × $80)	= 50
Total Family Allowance		$160

Although the benefits for a widow of either a currently insured or a fully insured worker stop when the youngest child marries or reaches 18, except where a child is disabled, the widow of a fully insured person, if she meets certain conditions, can again start drawing benefits equal to 75 per cent of her husband's primary amount when she reaches the age of 62. If they meet prescribed conditions, the dependent parents of a child who was fully insured at the time of his death, likewise, may each be able to qualify for a monthly benefit equal to 75 per cent of the primary insurance amount earned by their deceased child.

In event of the death of either a currently or fully insured person, the widow, widower, or, if none, the person paying the funeral expenses, is entitled to receive a benefit equal to three times the primary insurance amount of the deceased. The amount, however, may not exceed $255, and must be applied for within two years after the death of the insured. [9]

[9]For further information on Social Security benefits, obtain a copy of "Your Social Security," *Social Security Administration* (OASI-35), January, 1958.

RÉSUMÉ

In recent years, company personnel programs have tended to give more recognition to the various needs that employees may have following their retirement. While most companies have tended to focus their attention on the financial needs of their retired employees, many are now beginning to give more attention to those needs of a physical, psychological, and social nature, and to assist retiring employees to cope with the adjustment problems concerning these needs. In spite of the trend for companies to expand the scope of their retirement programs, pensions will continue to remain by far the most important phase of the program.

The administration of pension plans involves many problems not encountered in connection with other functions of personnel management because the obligations created by pensions are both long term and somewhat indefinite in nature. As the size of the pensions and the life expectancy of those receiving them increase, the cost of a retirement program can place a severe drain upon the financial resources of a company and upon the amount of money that remains to support other functions of the personnel program. The retirement program, therefore, should render its proportionate contributions to the achievement of those objectives established for the personnel program as a whole. This criterion should be kept in mind when working out the technical details of a retirement program and when budgeting funds to support it; otherwise, these funds might be utilized to a better advantage in supporting other personnel functions.

Since the limited financial resources of most companies tend to restrict the pensions that they can afford to provide to an amount considerably less than the wages previously received by the retired employees, such pensions are rarely sufficient to satisfy entirely the financial needs of these individuals. The retirement payments that are provided by the Social Security Act, therefore, serve as an important supplement to private pensions and a vital source of income for those workers who do not receive any pension benefits from their former employers. Social security retirement benefits are not now nor will they ever, in all probability, be sufficient by themselves to provide an adequate standard of living for retired individuals. It is important, therefore, that employees accumulate some financial reserves of their own to take care of their retirement needs. Some of the ways in which a company can assist its employees with this problem will be covered by the discussion of financial services in the next chapter.

REVIEW AND DISCUSSION QUESTIONS

1. In what ways has the attitude of employers and the general public toward retirement changed during the past few decades?
2. What are some of the adjustment problems that employees are likely to encounter upon their retirement, and how can companies assist their personnel in overcoming these problems?
3. Why have many companies tended to avoid installing a pension plan until forced to do so because of union or competitive pressures?
4. To what factors do you attribute the rapid increase in the number of pension plans since 1940?
5. Which methods of computing pension payments that were mentioned in this chapter curb a company's willingness to hire older workers?
6. What is a funded type of pension plan and what advantages does it provide over the unfunded types?
7. What reasons might a company have for establishing a compulsory retirement age of 62, 65, or even 70?
8. Distinguish between a currently insured worker and a fully insured worker in terms of requirements for coverage and benefits received.
9. What provisions are made in the Social Security Act for a worker who becomes disabled at the age of 40?
10. If a currently insured worker, who had earned a primary insurance amount of $100, died leaving a widow and two small children, how much would his family be entitled to receive in monthly benefit payments?
11. Would there be many adjustment problems in connection with retirement if each person could continue to earn the same rate of pay?
12. If its coverage and benefits were increased sufficiently, do you feel that the Social Security Act might replace the need for private pension plans?
13. Would it not be simpler and more desirable for a company to pay directly to each employee the money that it contributes toward his pension and let him accumulate his own retirement fund?
14. Does the employer actually have any obligation to provide pensions for his employees? Discuss.
15. Do you feel that it is fair or unfair for benefit payments under the Social Security Act to be reduced for those persons whose earnings exceed $1,200 a given year? Discuss. How might a retired worker minimize the effects of this regulation while earning considerably in excess of the $1,200 limit?

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Chapter 26

Benefits and Services

The pay check is not the only remuneration that employees receive from the employer. Most employees also receive additional remuneration in the form of benefits and services. For the employee these benefits represent extra income, additional security, or more desirable working conditions for which no additional work is performed. Although no tangible return may be readily apparent to the employer, benefits and services are believed to satisfy employee needs and wants that are not met by wages. Before unions achieved their present status, those benefits and services provided to employees were extended to them largely as a result of management's desire to keep employees satisfied and to counteract the efforts of unions to organize their personnel. Management was typically paternalistic in its attitude toward such benefits.

In recent years, however, most employee benefits and services have been initiated as a result of collective bargaining. In those companies that have not been unionized, many benefits have been installed in order to meet the competition for desirable employees. Similarly, benefits have been used to keep existing employees satisfied in their jobs and to forestall any bargaining efforts of the unions. In order to provide those benefits that will be most satisfying, employers have usually offered opportunities for employees to enjoy maximum participation in the planning of the benefits program.

The employment stabilization and retirement programs discussed in the preceding chapters represent major types of benefits that employers provide, in some instances with the assistance of the state and federal governments. The health and safety programs to be considered in the following chapter may also be thought of as benefits. In this chapter the phases of the topic to be discussed include:

- Role of benefits and services in the personnel program
- Employee services
- General considerations in maintaining a successful benefits and services program

ROLE OF BENEFITS AND SERVICES IN THE PERSONNEL PROGRAM

Benefits and services that are provided by employers must be viewed as an important part of the personnel program. Since they represent a substantial labor cost, they are expected to contribute in some manner to the efficiency and morale of employees. In addition, the personnel department is responsible in most companies for providing advisory assistance on most phases of benefits and services and often has administrative control over some of them. In the discussion of its role in this aspect of the personnel program, attention will be given to the growth of benefits and services, cost of fringe benefits, and contributions to the personnel program.

Growth of Benefits and Services

Benefits and services have been growing in importance in the personnel program of most companies. In recent years new types of benefits have been inaugurated at considerable cost to employers and ultimately, in many instances, to the consumers. The additional cost of benefits and services — or *fringe benefits* as they are often called — can hardly be thought of as a fringe item. The term "fringe" goes back to the time when employee benefits represented only marginal addition to the wage bill. Since fringe benefits have grown to the point where they now constitute one fifth of the average payroll, as compared to an insignificant amount in the years prior to 1940, the causes for this unusual trend should be considered.

Influence of World War II. During World War II employee benefits became quite popular because they could be offered as an inducement to attract and retain competent employees. The ceiling imposed on wages by the federal government prevented the granting of wage increases that could be used to attract employees with the talents and skills needed to reach high levels of production. One way around this restriction was for a company to provide special inducements for workers by installing additional fringe benefits, which were merely a form of indirect wages. After World War II most companies were obliged to continue established pension and welfare programs, paid vacations, sick leaves, and similar benefits

that had been installed during the war because employees and unions were unwilling to give them up. The continued competition among companies for competent employees during this period was also an important factor in their retention.

Influence of union bargaining strategy. Following the lifting of the wage freeze after World War II, there was an initial period in which unions concentrated their efforts on obtaining wage increases for their members. When the cost of living began to level off about 1948, their arguments for increased wages were weakened considerably. Public opinion was not too favorable toward wage increases, but it did recognize the need for better standards of health and welfare for the workers. Thus fringe benefits became a more realistic bargaining issue. Interpretations by the National Labor Relations Board and of the Supreme Court to the effect that employers were obligated to bargain on fringe benefits represent another major factor that has stimulated the spread of such benefits.

Influence of economic prosperity. The growth of fringe benefits has occurred at a period in the economic history of our country when production was high as a result of the war and postwar need for the products of industry. These circumstances have likewise increased the profits of manufacturing. With prosperous conditions, management has been under greater obligation to make available to employees benefits and services that it would have considered "frills" in earlier times of economic recession or depression.

Costs of Fringe Benefits

According to one Chamber of Commerce study (1957) with 1,020 reporting companies, payments for fringe benefits averaged 21.8% of the payroll. The percentage shown after each one of the five categories of benefits listed below represents a breakdown of the 21.8%.

(1) Payments for time not worked, including paid vacations and bonuses in lieu of vacation, payments for holidays not worked, paid sick leave, and payments for State or National Guard duty, jury, witness and voting pay allowances, payments for time lost due to death in family or other personal reasons, etc. . . 6.9%

(2) Pension and other agreed-upon payments, including pension-plan premiums and payments not covered by insurance-type plan, life insurance premiums, death benefits, sickness, accident, and medical-care insurance premiums, hospitalization insurance, etc., separation or termination pay allowances, discounts on goods and services purchased from company by employees, free meals . . . tuition refunds, savings and stock purchase plans . . . 6.8%

(3) Legally required benefits, including old-age and survivors insurance, unemployment compensation, workmen's compensation, railroad retirement tax, railroad unemployment insurance, state sickness benefits insurance, etc. . . 3.9%

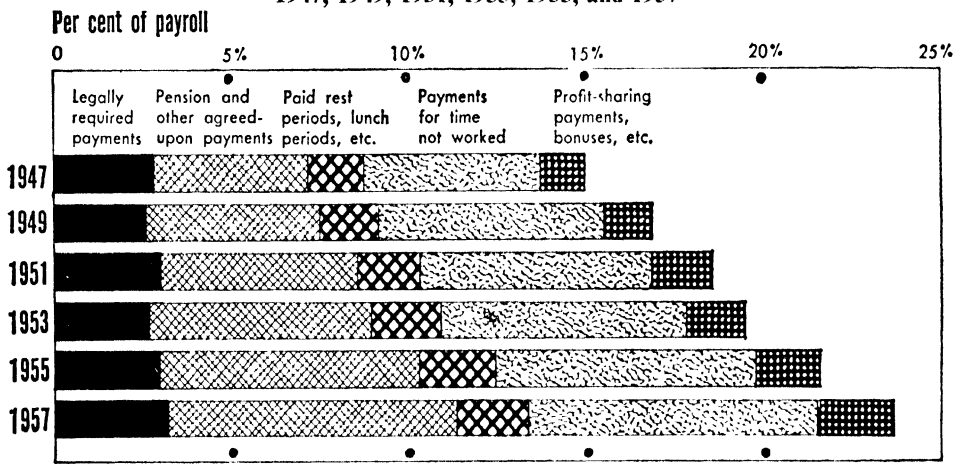
(4) Paid rest periods, lunch periods, wash-up time, travel time, clothes-change time, get-ready time, etc. . . 2.3%

(5) Profit-sharing payments, Christmas or other special bonuses, service awards, suggestion awards, etc., and special wage payments ordered by courts, payments to union stewards, etc. . . 1.9%[1]

The average cost of these benefits was $981 a year per employee in the companies reporting in this study, and $1,150 a year in 102 of the companies that have participated in similar studies over a period of several years.

A comparison of the 1957 figures with the findings from earlier studies conducted in 1947, 1949, 1951, 1953, and 1955 reveals some interesting changes as shown in Figure 26-1. The legally required payments remained relatively constant over the 11-year period. Pension and other agreed-upon payments; paid rest periods, lunch periods, etc.; and payments for time not worked increased steadily during this same period, largely as a result of union bargaining. Translated into dollar costs, fringe benefits per employee in these 102 companies cost, on the average, $420 in 1947, $526 in 1949, $682 in 1951, $786 in 1953, $945 in 1955, and $1,150 in 1957.[2] It is

Figure 26-1
Comparison of Fringe Payments for 102 Identical Companies — 1947, 1949, 1951, 1953, 1955, and 1957



Source: *Fringe Benefits*, 1957, page 30. Reproduced with permission of the Chamber of Commerce of the United States.

[1] *Fringe Benefits*, 1957. Washington, D. C.: Chamber of Commerce of the United States, 1958, p. 9.
[2] *Op. cit.*, pp. 28–29.

apparent from this study that fringe benefits have assumed an increasing importance in the remuneration of each employee.

Contributions to the Personnel Program

While the benefits that a company provides for its employees are expensive, it should not be assumed that they are frills or unnecessary supplements to wages. A properly administered program of employee benefits can contribute to the effectiveness of the total personnel program through the effect that it has on employee security, health, and morale.

Security. In a society where money is required for meeting the everyday needs of living as well as for the enjoyment of luxuries, the importance of having sufficient money becomes paramount. The concern of most employees for security in their employment and in the years following retirement is generally recognized by management, the unions, and society, and steps are being taken continually to provide as much security to employees as economic conditions permit. The unemployment and workmen's compensation programs and retirement plans are examples of benefits that contribute to employee security.

Health. Benefits and services can also contribute to the health of the employee and his family. Recreational facilities provided by the company may make a positive contribution to the physical and mental health of the employee who takes advantage of the opportunities. Medical services may likewise contribute to the employee's health through the educational, diagnostic, and preventative aspects of the program. Similarly, group medical and surgical insurance may provide the employee and his family with the type of protection that will encourage them to seek medical advice and attention that might otherwise be considered prohibitive if they were required to meet the costs of such services without the benefit of insurance. The financial services available to the employee, such as credit unions and various types of loans made by some employers, may well contribute to the employee's mental health by eliminating the worry and frustration that often comes from oppressing financial obligations.

Such benefits as vacations and sick leave with pay are rapidly being extended to include workers in most industries. If these benefits are used for the purpose intended, they should prove to be valuable contributions to employee health — both physical and mental. Rest periods, commonly referred to as "coffee breaks," have become the accepted practice in most companies, and employee rights in this matter are often jealously guarded. Such rest periods tend to reduce the accumulation of fatigue and probably help to increase efficiency in most cases. Problems, however, are en-

countered frequently in connection with rest periods. Employees often overstay their allotted time and need to be reminded of their responsibilities. Others find the mid-morning "break" a convenient time for breakfast with the result that they have very little energy until after the break period. In spite of such difficulties, these and similar benefits will probably continue as accepted features of the personnel program.

Morale. The attention that management gives to employee benefits can have a definite effect on employee morale. The fact that the company is interested in his welfare and manifests such interest through an effective program is a morale builder. As noted earlier, the satisfactions that an employee receives through his employment are usually communicated to others with whom he comes into contact on the job, at home, and in the community. If the benefits provided to employees are consistent with employee interests and desires and are not furnished in lieu of fair wages, employee satisfaction is likely to become common knowledge in the community, and, as a result, the position of the company in the community will be strengthened.

EMPLOYEE SERVICES

In addition to benefits such as unemployment compensation, pensions, and paid rest periods, employers usually provide services to their employees. These services, like any benefit, represent a cost to the employer and an economic gain to the employees, since they would normally spend part of their wages in payment of these services if obtained from sources outside of the company. Some of the types of services commonly provided that will be examined are:

1. Financial services
2. Insurance programs
3. Professional services
4. Recreational services
5. Other services

1 — Financial Services

Certain types of services made available by employers are concerned directly with the employee's personal finances. These services are designed to encourage thrift and to provide funds when needed at reasonable rates of interest. Although the nature of these services vary from one company to another, some types of programs are found to be generally available to employees.

Thrift plans. One common plan is to set up a system whereby the employee can purchase stock in the company through a regular payroll

deduction. This and profit-sharing plans were discussed in Chapter 23. Some companies encourage employee thrift by matching 1 to 1 or 2 to 1 the number of dollars deposited by the employee in a special fund. An almost universally available thrift plan is that sponsored by the United States Treasury Department. Most employers cooperate in this plan by providing for payroll deductions for the purchase of United States Savings Bonds.

Credit unions. Credit unions have been established in many companies to serve the financial needs of the employees. The credit union encourages thrift by offering interest or dividends on deposits (usually in the form of $5 shares) at a higher rate of interest than that paid by most commercial banks. It also serves as a lending institution from which the employee may borrow money at a rate of interest usually not exceeding 1 per cent a month on the unpaid balance of the loan. Many employers provide a payroll deduction service for the credit union. In addition, the company often provides office space and in some instances clerical services for its operation. This is usually the extent of company participation since the credit union is owned by its shareholders, who consist of the active and the retired employees of the company.

The operation of the credit union is regulated by federal and state governments and is subject to much the same type of inspection as that required of other banking institutions. The popularity of this type of service is indicated by the mushrooming of credit unions in the United States from 9,000 in 1947 to 18,433 in 1957. Membership increased from 3.3 million to over 10 million. Total assets at the end of 1957 were over $4 billion.[3]

Company financial assistance. While the credit unions are lending institutions and in most instances are able to help an employee who needs financial assistance, there are occasional instances in which companies assist employees by granting loans at a low rate of interest or interest free. Repayment is ordinarily made by regular payroll deduction. Unless some provision is made for lending money, either through a credit union or from funds set aside by the company for such purposes, there is always the danger that employees will borrow from each other or from loan sharks at high rates of interest. Financial assistance for those employees who wish to pursue an educational program at a nearby school or college or by correspondence is also provided by many companies. These companies may, however, require the employee to obtain approval to take the course,

[3] *Credit Union Yearbook* (Madison, Wisconsin: Credit Union National Association, 1958).

and that he successfully complete it in order to be eligible for reimbursement of costs of tuition, books, etc.

2 — Insurance Programs

One of the most popular services is the insurance program. Through a master or group policy that covers a large number of individuals, insurance can be obtained for less cost than if each individual were to purchase a separate policy. The savings that accrue to the insurance company in the form of lower selling costs and minimal bookkeeping expense are passed on to the employing company and /or the individual employee in the form of reduced premiums. The trend is now toward union-negotiated, company-financed plans. In many companies, however, employees still pay the cost or it is shared by the employees and the employer. The most common types of group insurance for employees provide death benefits (life insurance), accidental death and dismemberment benefits, and they cover various types of medical expenses.

Because of its low cost, most employees take advantage of group life insurance plans. In many instances, however, such insurance does not meet the total life insurance needs of the individual and must be supplemented with other policies purchased on an individual basis.

Most of the group policies provide for the type of expenses that an employee would incur as a result of sickness or accident not covered by workmen's compensation. These usually include hospital expenses, X-ray and similar services, as well as surgical costs and medical treatment. In most instances the employee's dependents are covered by the policy, and it also provides for benefits covering expenses incurred in connection with pregnancy and poliomyelitis. Medical insurance policies are written both by insurance companies and by associations such as the Blue Cross hospitalization plan and the Blue Shield medical and surgical plan.

3 — Professional Services

Many companies make the services of professional persons available to employees at no expense. The rationale for this practice is that since the company is already paying them to assist with problems of management, it is good business to make their services available to employees as their work loads permit. The services of employee counselors were described in Chapter 16 and those of medical personnel will be discussed in Chapter 27.

Those companies that have a legal department or hire lawyers on a retainer-fee basis may make some of their time available to employees who are in need of legal assistance. Such matters as drawing up a will, giving

advice on real-estate contracts and installment purchases, and assisting with different types of legal documents are within the scope of their services. Ordinarily the legal department does not become involved in employees' legal cases other than to assist the employee in locating a well-qualified lawyer. Service of this type encourages employees to handle legal problems promptly and thus avoid unnecessary disruptions in their personal lives. Through adequate solutions of such problems, the employee is likely to be more effective in his job.

With the increase in the scope and complexity of taxes at the local, state, and federal levels, it is as important for a company to have experts in taxation as in legal matters. The services of these experts are often made available, at least on a limited basis, to employees who need assistance in completing tax returns or who have problems in connection with the returns. Although it ordinarily is not feasible for a company to provide assistance comparable to that of a commercial tax service, it is usually possible to supply the various forms needed for tax returns and to answer routine questions that employees may have concerning tax matters.

4 — Recreational Services

The fact that many companies have a recreational program is some indication of the general desirability and need for it. The extent of the program, however, and the specific types of recreation should be determined largely by the expressed desires of the employees. Management should not plan an elaborate recreational program only to find that the recreational needs of employees are being met in other ways.

Once the employees have indicated their interests in specific types of recreation, management should provide encouragement and assistance in working out the details. Wherever possible management should, however, let employees assume most of the responsibility for planning the program through committees and other forms of employee representation. The more common recreational activities include athletics, social functions, lunch-hour activities, and clubs.

Athletic programs. Most companies offer some type of sports program in which personnel may participate on a voluntary basis. Bowling, handball, volleyball, golf, baseball, and tennis are quite common because a large number of employees may engage in these activities on an intramural basis. In addition to the intramural program, many companies have teams that represent them in athletic contests with other local companies and organizations. Employee participation in these contests has many desirable aspects. Management, however, should make every effort to insure that

an employee's worth to the company is not dependent upon his athletic prowess, a situation that is suggested in Figure 26-2.

Figure 26-2



"You're not being fired because of your work here . . . it's just that you haven't been holding up your end of the company bowling team!"

Source: *The Foreman's Letter*, January 27, 1958. Reproduced with permission of The National Foreman's Institute.

Social functions. While sports normally are provided only for employees, many social functions are for employees and their spouses or entire families. The company picnic is a typical institution among business firms that may be attended by personnel at all levels in the organization and their families. It provides an oppórtunity for everyone to get better acquainted on an informal basis and to enjoy participating in games and contests, which are usually organized for the different age groups. This participation can strengthen the relationships between executive, supervisory, and operative employees. It is not unusual, however, for a few employees to lose their inhibitions temporarily and to express their attitudes and feelings quite freely to superiors. If some of the management personnel are thin-skinned, it is likely that the picnic will be deleted from the social program. In fact, some companies now use the funds formerly spent on picnics to provide college scholarships for the children of employees or some social service.

Such social functions as dances and banquets are held periodically in many companies. Banquets are an especially effective media for recognizing the special accomplishments of employees. Some companies also sponsor "stag" functions that provide an evening of games for the men. Other events of a similar nature may be provided, depending upon the interests of the particular group of employees. The employees should have a major part in the planning of such events. The management-dominated social function is not likely to be as well received as one in which management and employees work together to plan an event that will have maximum appeal.

Lunch-hour recreation. The desirability of having a change of pace during the working day has been recognized by several companies that have provided a recreational program during the lunch hour. The Chrysler

Corporation and North American Aviation are among the companies that bring sports to areas where the men normally spend spare time at lunch.

Movies are also popular as a form of noontime recreation, especially if an auditorium is available. It should be recognized, however, that employees may prefer a shorter lunch period in order to leave earlier at the end of the work shift. It would probably be wise to determine the desires of employees prior to establishing an elaborate lunch-hour program.

Clubs. When several employees have common interests in a specialized activity or hobby, the organization of a club may help them to further their interests and at the same time identify themselves more closely with the company. Such interests as music, photography, chess, skeet-shooting, and fishing are often represented among the clubs that are found in industrial organizations. Here again interest should first be manifested by the employees before an elaborate program is set up.

5 — Other Services

In addition to those services that are classified as financial, professional, or recreational, other services have become popular with employees and serve to meet their needs. The services to be discussed in this section are merely typical of those provided and do not constitute an exhaustive list.

Purchasing assistance. Various methods may be used by the company to assist employees in purchasing merchandise more conveniently and at a savings. Some go so far as to have a fairly complete store where foods, drugs, household items, and clothing may be purchased by the employee and his family. This type of enterprise is known as the "company store" or commissary and in its present form represents a real service to the employee, especially in remote areas where the community or a substantial part of it is owned by the company. In the past the company store often meant continuous indebtedness and overcharging of employees; but legislation, union pressure, and enlightened management have for the most part eliminated the undesirable aspects. No longer may pay be in the form of *scrip* (a certificate having the value of money) that is redeemable only in the company store, nor may employees be coerced into shopping only at the company-owned store.

Where the company operations are located in the average city or town, there is seldom any need for a special store. Many companies, however, do sell their own products at a discount to the employees, and in some instances certain items of other manufacturers are procured for the employee at a discount if objections from local retailers are not too great.

Many company stores, as well as discount purchasing services, include employee representation in their operation in order that any fears about the company making a profit on its employees will be dispelled.

Housing. A variety of housing services are offered to employees. At one extreme is the company town that for the most part is owned by the company and from which the employees rent apartments or homes. In other company towns most of the homes are owned by employees. An example of the latter type is Midland, Michigan. The Dow Chemical and Dow Corning companies have literally built the town (population 24,000), but 86 per cent of the houses are owned by employees.[4]

Since most companies have offices and plants located in established cities and towns, the most common type of housing assistance offered is advisory in nature and is usually restricted to maintaining listings of available housing or establishing connections with local real-estate agents and brokers who can be of assistance to the new employee. Where plants are located in remote areas, however, the company must often construct housing for its employees. In some instances these homes have been sold to the employees. Some companies have established building and loan associations or have made other provisions for an employee to borrow money for housing at a low rate of interest. When housing is furnished or financial assistance is given, a more stable work force usually results.

Transportation. With an increasing number of employees owning automobiles and using them as a means of transportation to and from the job, many companies are finding one of their biggest problems is that of providing parking facilities for a large number of automobiles. This is especially true where the office or plant is located in an already congested area of a city. One way that his problem has been solved, at least partially, is by encouraging employees to form car pools and to share rides. This decreases the need for parking space, reduces transportation expense for the individuals concerned, and permits wives to have the car most of the time. Share-the-ride listings are usually provided on bulletin boards in order that employees can make their own arrangements. In some instances company buses are used to transport workers from one place to the job, although public transportation service is ordinarily used wherever it is available.

Food service. A variety of facilities may be furnished, including a cafeteria, restaurant, snack bar, and food and beverage vending machines. The types of facilities provided will depend largely upon the location of the

[4] *Time*, April 16, 1956, pp. 100–101.

Figure 26-3
Mother Mack's



Source: *Out Our Way* series by J. R. Williams Reproduced with the permission of the NEA Service.

plant or office in relation to commercial restaurants, the size of the work force, and similar factors. Food service that is provided by the company or caterers saves time and eliminates the need for the employee leaving the company premises. Furthermore, the environmental conditions under which employees eat are usually made quite pleasant as well as sanitary — a far cry from what was found in lunch rooms similar to the one shown in Figure 26-3, where workers at one time were forced to eat.

Although hot food served at the company is very popular with employees, there will probably always be those who because of economy or for other reasons prefer to carry their own lunches. These individuals, of course, should be encouraged to bring their lunches into the cafeteria or dining room and eat with those who purchase lunches. This is not only

desirable from a social standpoint, but it also reduces the sanitary problems that arise when food is spilled in the office or plant. An unwelcome cockroach has been the cause of many a near-riot among unsuspecting personnel, especially those of the fair sex.

Charitable donations. In an effort to keep collections and donations to various private and community welfare organizations within reasonable limits, some attempt is usually made to control solicitations among employees. Ordinarily the collection must be approved by the personnel services office and handled in accordance with specified procedures. Some companies have organized a "club" for the purpose of helping fellow employees in emergencies and aiding worthy charities. The employee's weekly pledge is deducted from his pay check the same as any other deduction and is put into a fund to take care of emergency cases among the employees and to make donations to outside welfare agencies. Such fund are usually administered by a committee composed of members representing the employees, management, and the unions. Under this type of package plan the employee is not continually asked for donations.

GENERAL CONSIDERATIONS

The fringe benefits and services provided by a company are not likely to be fully appreciated by the employees or to yield the maximum benefits to the employer unless considerable care has been given to the development of the program. Too frequently a fringe benefit or service is provided because "everyone else is doing it," because it is a whim of top management, or because of pressure from the union. The type of contribution that benefits and services will make to the personnel program will depend upon the extent to which attention is given to certain basic principles that will be discussed in this section. Requisites for a successful program of benefits and services, and problems created by them will be considered.

Requisites for a Successful Program of Benefits and Services

Like any other phase of personnel management, the types of benefits and services that are made available to the employees must be planned carefully. This requires that policies be established and used as guide lines in the management of the program. In addition to well-formulated policies, the success of the program will also depend upon the extent of employee support and participation and upon the control of its cost.

Establishment of policies. The policies of the program should relate to the personnel policy of the company. Although there are many different

types of benefits and services, each one should be studied in relation to the other personnel functions. If, for example, the main concern of management is the maintenance of a high level of employee morale, there may be better ways to achieve this than through the addition of another employee benefit or service. Morale surveys, such as those discussed in Chapter 15, may help to provide the answer. Such surveys may point out specific employee needs that are not being met by the company. These needs may or may not be in the nature of benefits and services. They may involve supervision, working arrangements or conditions, hours, or other aspects of the job. If, however, the employees express a desire for a particular type of service, such as the locating of vending machines near their work, this is a sound basis upon which to take action.

Employee support and participation. One of the prime requisites of a successful program of benefits and services is that it receives the support of employees. This can best be achieved by advising employees of management's willingness to be of assistance and by using established lines of communication to encourage employees to express their desires. Before introducing a benefit or a service the need for it should first be determined through some type of survey of the employees. If it appears that it is something which would benefit a large number of employees, then it would be safe to move ahead with the plan. Many companies establish committees composed of representatives of management and the employees that study needs and make recommendations concerning benefits and services which are desired. Employee representation on committees planning athletic contests and social functions usually contributes to their success.

Control of costs. One of the major problems confronting most companies is the increasing costs of providing fringe benefits and services. The success of the program will depend in part upon whether the company is benefiting from it in terms of increased efficiency, a more stable work force, and in other ways that reflect high employee morale. If the program as a whole is not producing these benefits and it merely represents a profitless expenditure for the company, it is questionable whether a company should continue to maintain an elaborate program.

Problems Created by Benefits and Services

Most of the comments of businessmen in the past have been to the effect that benefits and services contribute to higher morale among employees and, in turn, to improved performance. With increasing pressure on the part of unions for additional fringe benefits, however, some com-

panies have begun to question their value. It is also possible that employees may question the value of some of the benefits and services, and they may prefer to have higher wages instead. There are also other potential hazards in a program of benefits to which management must be alert.

New sources of grievances. As additional fringe benefits and services accrue to the employee as a result of bargaining, new potential problem areas are introduced. The cafeteria is a common target for complaints, some of which are probably justified. Health services are likewise criticized at times by employees who feel that they should receive better attention from the physicians and nurses. In fact, any of the benefits and services that are provided may become the subject of criticism and formal grievance action.

Union demands for additional benefits and services. What may be considered a luxury at one time may later be viewed as a necessity. This has been true particularly of many employee benefits and services. Not too long ago vacations with pay were limited almost exclusively to executives and white-collar personnel This is no longer the case. Similarly, employer contributions to welfare funds to provide financial security for injured and retired workers have become bargaining issues in recent years. Although it is difficult to predict what the future will hold as far as benefits and services are concerned, it may be assumed that employees, through their union representatives, will ask for more fringe benefits.

Neglect of other personnel functions. With increasing attention being given to fringe benefits and services by the unions, there is always the possibility that executives and personnel managers will focus their attention on these phases of the personnel program and neglect other phases of it that may be more important. Since union demands may not be made on the basis of careful study of the entire personnel program, management must maintain a balanced view toward all phases of the program. The demands being made by the union may not be realistic in terms of employee needs, and perhaps some action other than that requested should be taken. A continuous evaluation of the personnel program should reveal to management those areas where corrective action should be taken. Such information is essential for realistic personnel planning and for meeting the demands of labor intelligently. The company that is alert to the strengths and weaknesses of its personnel program through sound evaluation is in a good position to meet union demands with factual evidence. Because of the importance of this evaluative or audit process, it will be made the subject of a separate chapter (Chapter 28).

Paternalism. Management may tend to overplay what it is doing for the employees. Benefits and services that are interpreted by employees as constituting gifts from a beneficent employer are seldom received enthusiastically by these employees. Most employees feel that they have earned these benefits and services and that they are rightfully entitled to them, regardless of how the employer feels about the matter. This does not mean that employees do not appreciate benefits and services but rather that they prefer to feel that they have earned or are entitled to them. The employee today has gained the status and self-respect that he deserves. In this area, as well as in other phases of personnel management, it is important that the program be handled in such a way that employees may continue to enjoy this status and self-respect.

Under a standardized program of benefits and services, there is the implicit assumption that the needs of all employees are the same. Since individual needs are, for the most part, ignored and everyone is forced into the same pattern, there is a possibility that individual initiative may be destroyed where the employee feels that the benefit is not truly a benefit for him or where he does not recognize its value. The latter probably reflects the greater danger. If employees do not recognize the monetary value of a benefit or service, its motivating potential for management and its satisfying potential for the employee may be lost. It is important, therefore, that employees be informed of the benefits that they receive through their employment.

RÉSUMÉ

In recent years employees have learned to expect a variety of fringe benefits that are supplements to their regular wages. These benefits that now cost employers, and ultimately the consumers, billions of dollars a year represent a sizable portion of the wage costs in American industry. While benefits were originally initiated by management, they have more recently become bargaining demands of the unions. As a result, companies have often been forced to add benefits and services that may or may not yield an appreciable return to the company in terms of employee morale and efficiency.

Management should take positive steps to develop programs of fringe benefits, in cooperation with the unions, that will satisfy the needs of the majority of employees. Management should also attempt to hold the line against union demands for benefits that will not contribute to the company. Unless this is done, the benefit program will not achieve the desired objectives of improving the health, satisfaction, and security of employees and providing management with an efficient and stable work force.

REVIEW AND DISCUSSION QUESTIONS

1. List some of the fringe benefits.
2. What influences are responsible for the growth of fringe benefits in American business?
3. How may fringe benefits contribute to the personnel program?
4. What types of professional services are frequently provided for employees?
5. What factors should be considered in setting up a recreational program?
6. What are the requisites for a successful program of benefits?
7. What types of problems may be created by fringe benefits?
8. If the trend toward increased fringe benefits continues, what additional benefits do you believe are likely to be inaugurated? Why?
9. What is meant by paternalism? Is it good or bad for a company to be concerned about the welfare of its employees? Discuss.
10. Fringe benefits were found to cost over $1,150 a year per employee in 102 United States companies surveyed by the Chamber of Commerce. What would you think of a plan that called for removing all fringe benefits, except those required by law, and giving the employees this amount in cash as part of wages? Discuss the advantages and the disadvantages of such a plan.
11. Of the fringe benefits listed in the early part of this chapter which do you feel are of greatest value to employees? Which are of least value? Why?

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Chapter 27

Health and Safety*

The employer has a responsibility to the employee, to his family, and to society to provide a work environment that is reasonably free from conditions that would in any way have a detrimental effect upon the employee's physical well-being. While most managements are motivated to provide desirable work conditions by virtue of their sensitivity to human needs and rights, they also recognize that accidents and some illnesses represent avoidable and unnecessary costs of operation.

When an employee is absent from his job, a replacement must ordinarily be furnished and paid for performing the absentee's work. Since the employee is compensated, at least partially, for his enforced absence, this represents an additional cost. Accidents that occur on the job also involve medical and hospital costs as well as disability benefits that must be paid directly or in the form of insurance premiums. The employee who returns to his job after illness or injury is frequently not able to perform at top efficiency. Furthermore, he may have ill feelings toward the company because of its failure or presumed failure to provide working conditions that are healthful and safe.

Accidents and illnesses that are attributable to the worker's employment may also have pronounced effects on the goodwill that the company enjoys in the community or in the business world at large. Any occurrence which indicates that management may be neglecting its duty will affect the attitudes and the behavior of the people in the community, the customers and potential customers, as well as union representatives, government officials, and others who in one way or another have some influence on the success of the company.

*If it takes you one hour to read this chapter, during that time 2 persons will have been killed and 230 injured *at work* in the United States. (From *Accident Facts*, 1957 edition, p. 8.)

Thus there are many reasons why management should be motivated to create a working environment that will facilitate employee health and safety. The discussion of these topics will include:

- Environmental factors in health and safety
- Company health programs
- Company safety programs
- Workmen's compensation

ENVIRONMENTAL FACTORS IN HEALTH AND SAFETY

The importance of a psychologically and socially favorable environment on employee efficiency and morale was emphasized many times in earlier chapters. The physical environment in which the employee works is also important. Although the discussion that follows will focus primarily on employee health and safety, the effects of the physical environment on efficiency and morale will be noted. The environmental factors influencing health and safety include:

1. Lighting
2. Noise
3. Ventilation
4. Other factors

1 — Lighting

Lighting has probably received more attention than other aspects of the work environment. Management has long realized that the quality of illumination affects employee efficiency, health, and morale, as well as being an important factor in the cause and prevention of accidents. While lighting is primarily the concern of industrial engineers, the personnel manager should be aware of the requirements of good lighting and its effect on employees.

Requirements of good lighting. Distribution, intensity, and color are the three main characteristics of lighting that must be considered in planning for good illumination. The light should be evenly distributed throughout the area in which the employee is working, and the fixtures should be so arranged that there is no glare or shadows to irritate or confuse the worker. The intensity of light must be adequate for tasks that the worker is to perform. The stock room clerk, for example, will not need as much illumination as the man operating a lathe and measuring to close tolerances. Lighting standards that specify the light intensity recommended for different job conditions may be used as a guide to the amount of light needed.

A third characteristic of light that should be considered is its color. In general, daylight or light that approaches it in quality has been found to be most suitable.

Effects on health. Proper lighting is an important factor in maintaining employee health. If employees are required to work day after day under insufficient light or with glare or shadows present, these conditions will contribute to visual fatigue and eye strain that are frequently accompanied by headaches and nervousness. Although there is usually some decline in visual efficiency with age, inadequate lighting conditions may hasten the decline and affect the general physical and emotional health of the worker. An annual eye examination should also be given to all employees by the medical staff in order that any deficiencies in vision may be corrected.

Aid in accident prevention. Adequate lighting can make an effective contribution to safety. The office or plant that has good general lighting throughout is likely to have fewer accidents. Similarly, where there is an even distribution of light on hazardous equipment and where there is freedom from glare that might be temporarily blinding to the worker, the chances for accidents are reduced. Although good lighting does not remove the need for continued emphasis on accident prevention, it does contribute to a safe working environment.

Contribution to morale. The positive effect of proper lighting on the worker's health and safety in themselves are contributions to his morale. In addition, a well-lighted office or plant is cheerful and stimulating and helps to create a favorable attitude toward the job and the company. The fact that management pays attention to the physical environment may, in itself, result in more favorable employee attitudes toward the company.

The Hawthorne Studies revealed the importance of employee attitudes on production. It was found that after employees saw bulbs being changed in the lighting fixtures, production went up. What they did not know was that the bulbs were actually dimmer than those removed. On the basis of these and similar findings in a series of studies over many years, the importance of employee attitudes on production and efficiency was established experimentally.[1] As a result, not only has the work environment been viewed from the standpoint of the physical factors but also the psychological and social factors have received increasing attention. While the physical environment should not be inadequate, its importance lies not only in its effects on the worker's body but on his attitudes as well.

[1]F. J. Roethesbirger and W. J. Dickson, *Management and the Worker* (Cambridge, Mass.: Harvard University Press, 1939).

2 — Noise

Noise has been the subject of many experiments both in the psychological laboratory and in the work environment. Unfortunately, however, the findings have often been contradictory and inconclusive. This may result from the difficulty of controlling the important variables in such studies. Nevertheless, management should recognize that noise has important implications for the physical and emotional health of employees and precautionary steps should be taken to reduce noise and to protect the worker from it.

Effects on worker's general health. The visitor in the factory is often disturbed by the noise and immediately assumes that it is equally disturbing to the individuals who must work there day after day. Actually what he fails to realize is that the human organism becomes adapted to such constant stimulation. There is some evidence, however, that where noise is distracting but not intense enough to be harmful to the hearing mechanism, the worker is required to put forth extra effort to overcome the effects of the noise. If the worker is required to put forth more energy in order to accomplish the expected amount of work, he may become fatigued. The ultimate effects of this on his health will, of course, depend largely on his general state of health.

Noise deafness. While deafness from industrial noise has been occurring for many years, there has been an increased interest in this condition in recent years. Because of individual differences in susceptibility to hearing damage, it is difficult to establish precise safe limits of noise. Beginning at 90 decibels,[1] however, the possibility of permanent auditory damage exists in highly susceptible individuals from long exposure. At 120 decibels the probability of permanent damage to the hearing of all individuals from long exposure is very high. Explosive noise is more damaging than continuous noise, and noise including the higher frequencies is more damaging than noise that is mostly composed of low frequencies. A good rule of thumb is that all locations in which it is difficult for two persons to converse at close range should be studied with a sound level meter, ~~a device that~~ measures the intensity ~~of sound~~.[2]

When a company is confronted with the noise problem, action should be taken to measure the amount of noise by precision sound meters, to

[1] A decibel is one tenth of a bel, the unit of loudness.

[2] George E. Shambaugh, Jr., "Noise Deafness," *Factory Management and Maintenance*, Vol. 111, No. 12, December, 1953, pp. 118-120. There are six articles in this issue devoted to industrial noise.

reduce or eliminate the noise through various soundproofing devices, including ear defenders (plugs) for the workers, and to establish a hearing (audiometric) testing program. A hearing testing program should be established by the medical department to protect the worker's hearing mechanism. At the same time it provides a way of obtaining objective information on the condition of the employee's hearing at periodic stages since he was hired for use in the event of possible claim against the company. The number of claims filed for hearing loss of varying degrees has been increasing, and this may well constitute a serious economic problem for many companies in the future.

Effects on morale. People have different reactions to noise. Some find that any type of noise is distracting and disturbing to them, many are indifferent to it, while others find that noise even facilitates what they are doing. It appears that the individual's attitude toward the noise actually plays an important part in determining the effect that the noise will have on morale. Therefore, before spending large sums of money on soundproofing materials, it is usually desirable to obtain opinions from workers on what they would prefer in the way of soundproofing, ear defenders, or other devices that reduce the amount of noise. As in the case of lighting, employee attitudes cannot be ignored.

3 — Ventilation

In recent years there has been an increasing emphasis on the improvement of ventilation in office and factory buildings. The human organism is responsive to the climate, and the efficiency as well as the health and safety of the worker depend upon proper conditioning of the air.

Requirements of good ventilation. Good ventilation is primarily dependent upon the temperature, the humidity, and the circulation of air. The optimum temperature will depend primarily upon the nature of the work. Where there is considerable physical effort, the temperature may be lower than for sedentary work. Warm air that has a high degree of humidity feels warmer because the humidity interferes with the evaporation of perspiration from the body. Air-conditioning systems control both the temperature and the humidity and also circulate the air, thus providing a more comfortable and stimulating environment. In addition, smoke, fumes, dust, or other foreign matters that would be injurious or unpleasant to the worker should be filtered out or removed by special air-conditioning equipment.

Effects on health. While it is important that injurious substances be removed from the air, the discomforts frequently associated with so-called foul or bad air — drowsiness, headaches, sluggishness — are more likely to be caused by the condition of the air surrounding the body than by the air that is breathed. Air that has an unpleasant odor, however, may suggest to the worker that the ventilation is poor when actually it is reasonably effective.

Effects on accidents. The discomforts of extreme temperatures — hot or cold — have been shown to be related to a loss in efficiency and to an increase in the number of accidents. The probable explanation is that these discomforts are distracting and make it difficult for the worker to give close attention to his equipment. A change in attitude may also be a contributing factor. The worker who is hostile and disagreeable as a result of working in a hot, moist, and stagnant atmosphere is a possible candidate for an accident.

Effects on morale. Workers who are required to remain in an unpleasant environment that they feel could be improved are likely to become disagreeable and irritated with each other. They probably will also have the feeling that management does not care about their welfare. This may well occur in a company where the offices have been air conditioned but plant ventilation remains inadequate. While air conditioning is beneficial to all workers in terms of production and morale, it is probably more important from the standpoint of efficiency that those performing physical work have the benefits of cool, dry, moving air than those who are working at desks. Furthermore, to provide air conditioning for one group but not another is likely to connote to the unfortunate employees that they do not enjoy the same status.

4 — Other Factors

In addition to providing an environment in which there is effective lighting and ventilation and freedom from excessive noise, it is important that the work environment have an attractive physical appearance. The walls should be attractively painted, the windows should be clean, and the floors should be clean and free from grease or other substances that may cause an accident. Equipment, whether it be desks or machinery, should be in good repair and neatly arranged in such a manner as to provide an uncrowded and uncluttered appearance. Materials should be handled in conveyances that are safe and efficient, and waste should be removed promptly. Proper storage of materials and arrangement of tools at the work place, as well as proper work flow and scheduling, are also important.

Attention to these and other phases of the work environment are not only conducive to better safety but they also are likely to affect employee morale.

The personal needs of the employees should also receive special attention. Clean washrooms, adequately equipped and supplied, are essential. While showers are perhaps actually required for only certain types of jobs, they are usually welcomed by most employees. Attractively decorated and well-ventilated locker rooms that are carefully maintained, and clean, attractive eating facilities that are conducive to pleasant social relationships are also important to the morale of the employees. Although a safe and healthful physical environment is not an effective substitute for a pleasant social climate, it can make the job more attractive and may, in turn, have some influence on the social climate.

COMPANY HEALTH PROGRAMS

The nature of the health program and the types of services provided to employees vary according to the size, location, and special needs of the company. It is generally agreed, however, that the company health program should be primarily concerned with education, diagnosis, and prevention. The therapeutic aspects of medicine are generally thought of as being the responsibility of the private practitioner rather than the industrial physician, although there are exceptions to this policy. In company health programs, the functions performed by medical personnel usually include:

1. Recognizing and controlling health hazards
2. Providing medical advice and assistance
3. Training for health

1 — Recognizing and Controlling Health Hazards

One of the important ways in which the medical staff can contribute to good health and well-being among workers is by studying environmental conditions and individual health records and by making recommendations for improvements or corrections. The effects of poor lighting, inadequate ventilation, and other deficiencies often show up in their studies. Inspection of the plant by medical personnel also tends to stimulate interest in and compliance with health standards. In companies where employees work with chemicals, radioactive substances, and similar toxic materials, the medical staff can assist in determining the adequacy of protective devices and clothing. In fact, wherever the work environment is involved, the medical staff usually will have an important contribution to make. In the design of new buildings and in the modernization of old structures it is

especially important that the recommendations of the medical staff be considered along with those of the industrial engineer and other personnel with special interests and training.

2 — Providing Medical Advice and Assistance

The use of medical personnel in conducting physical examinations of job applicants was considered in Chapter 6. This, however, is not the extent of the advice and assistance that can be provided by the medical department. The personnel department will find that the medical staff can furnish valuable assistance with such problems as worker fatigue, absenteeism, emotional disorders, and other problems that confront them.

The type of facilities for medical treatment that are available will depend largely on the number of employees and the necessity for providing the services, as determined by the types of jobs and the location of the company. In some companies only limited facilities, such as those needed to handle first-aid cases, are available. In others a company hospital with complete medical and surgical facilities is available for the employees.

Since prevention is one of the primary aims of the industrial medical department, provisions should be made for conducting periodic examinations that are reasonably thorough and for advising the employee of those conditions that require attention. Many companies go a step further and offer assistance by referring the employee to the proper medical specialist and in some instances assuming the cost of the treatment. Where local medical facilities are inadequate to meet the needs of the existing population, some companies have found it necessary to expand their medical services in order to take care of dependents of employees who require assistance.

In recent years there has been increased interest in the health of executives and the establishment of executive health programs. These developments are the result of an awareness that executives are in a hazardous position from the standpoint of health and that the company's investment in high-level talent is dependent upon safeguarding the health of executives. While the life expectancy for the population as a whole has increased, many executives die prematurely. The period from 42 to 52 years is particularly hazardous, with chronic fatigue, heart trouble, alcoholism, and mental illness taking their biggest toll of key men in industry.[4]

Interest in executive health has also grown out of a realization that efficient management is more likely to come from healthy executives than from those who are handicapped by illnesses and conditions that affect

[4]Marilyn French, "Helping Executives Survive," *American Business*, June, 1954, pp. 24–26.

Figure 27-1



"Ulcers, nonsense! My motto is: Give 'em, don't get 'em!"

Source: *Dun's Review and Modern Industry*, March, 1957. Reproduced with permission.

their attitudes and relationships with others. The effect that the executive pictured in Figure 27-1 would have on others is readily apparent.

Although most of the executive health programs are found in large corporations, smaller companies are also finding such programs beneficial to both the executive and the company. The typical program provides for physical examinations, preventative and remedial treatment, counseling on health matters, and vacations. Many company physicians and others who have had a part in such programs are beginning to question whether these programs are adequate, in spite of the positive contributions that have been made to executive health. There is an increasing recognition,

> . . . that there is another factor which has both a direct and an indirect impact on the executive's mental and physical health. That factor is the presence or absence of sound management principles and practices in the executive's company. These elements of sound management are precisely the same ones that make the company's over-all operation efficient and profitable.[5]

An example of the administrative principles and practices that reduce "stress and strain" on executives is shown in Figure 27-2. The items that are "strain-reducing" for executives are also likely to have desirable effects on the mental health of personnel who are subordinate to the executives.

3 — Training for Health

One of the main objectives of company health programs is to educate personnel in the principles and practices of good physical and mental health. The success of the program is dependent upon stimulating interest among employees. This may be done through the use of posters, films, and

[5]Doris M. Thompson, *Company Health Programs for Executives*, Studies in Personnel Policy No. 147 (New York: National Industrial Conference Board, Inc., 1955).

Figure 27-2

Important Factors That Reduce Stress and Strain on Executives

Strain-Reducing Items	Number of Companies
Total companies	120
Company's organization structure is charted on paper; areas of responsibility and authority for all executives are clearly understood by everyone	92
Company has clear-cut statements of over-all policy reduced to writing for all to see and follow	83
Company uses regular channels of communication to keep employees informed about company and department problems, achievements, goals and plans	93
Company has an executive development program to train assistants and replacements for key personnel	83

From Doris M. Thompson, *Company Health Programs for Executives*, Studies in Personnel Policy No. 147 (New York: National Industrial Conference Board, Inc., 1955).

pamphlets that have been prepared by various health agencies and by private companies, as well as by talks and interviews with employees.

Supervisors should be given some indoctrination in the symptoms of various physical and emotional disorders and should be encouraged to refer employees to the medical department for assistance. The method by which referral is made and the approach of the medical personnel are especially important in obtaining employee cooperation. Many individuals are reluctant to recognize that anything may be wrong with them and as a result may not cooperate with the supervisor in obtaining medical care unless they are handled skillfully.

COMPANY SAFETY PROGRAMS

Considerable progress has been realized in making the job safer through the efforts of labor, management, government, the National Safety Council, the National Association of Manufacturers, casualty insurance companies, and other groups. In the DuPont Company, for example, the injury frequency rate has been cut more than 93 per cent — from 10.3 injuries per million man-hours worked in 1926 to 0.67 injuries per million man-hours worked in 1951. This sizable decrease in injuries was primarily the result of a continuing emphasis on an elimination of those causes that

are responsible for injuries. While other companies may not be able to cite such an outstanding record, the trend in industry is toward safer working conditions with the resultant savings in life, human misery, and employee morale, as well as the direct costs of accidents. Nevertheless, there is still room for considerable improvement. In 1956, for example, 14,300 deaths and 2 million injuries resulted from accidents that occurred at work. The cost of these accidents is estimated to be over $3.75 billion including invisible and indirect costs.[6] Through its safety program management may help to reduce the number and severity of accidents and thus contribute to the welfare of its employees.

The major functions of the safety program are:

1. Maintaining a safety education program
2. Eliminating hazards
3. Determining causes of accidents
4. Maintaining accident records

1 — Maintaining a Safety Education Program

The safety objectives of a company can best be realized by designating a qualified individual to be in charge of the program and by giving him the support needed to operate an effective program. It should be recognized, however, that others also have responsibilities for promoting safety. In addition to the safety director, the promotion of safety among employees is the responsibility of the supervisor. The personnel department and special committees also play an important part in the safety program

The safety director. The functions of the safety director in a large company usually demand that a full-time position be established, whereas in a smaller company these functions are often performed on a part-time basis by one of the staff members. Although the safety program is often monitored by the personnel department, in some companies the plant engineering department is responsible. The primary function to be performed by the safety director is to enlist the interest and cooperation of all personnel in making the safety program a success.

Since his job is primarily that of instructing and coordinating, the safety director should possess the characteristics of an effective teacher and salesman. In addition to organizing the regular educational programs that are devoted to safety, including posters and bulletin-board announcements, safety directors often plan special safety campaigns. Such campaigns typically emphasize competition among departments or plants of a

[6] *Accident Facts* (Chicago: National Safety Council, 1957), p. 24.

company with the department or plant having the best safety record receiving some type of award or trophy. In some companies cash bonuses are given to employees who have outstanding safety records. Contests have also been used to promote safety with some favorable results. Too often, however, employees forget about safety after the contest is over and the winner has been rewarded. Safety must be made an integral part of the job and built into the working attitudes and habits of employees.

Safety responsibilities of the supervisor. Safety experts continually emphasize that "accidents just don't happen — they are caused." In the office or plant the supervisor must assume the major share of the responsibility for accident prevention, since he is responsible not only for the behavior of employees but also for reporting any unsafe working conditions to higher authority for correction. Management should impress the supervisor with the need for safety and provide incentives for safety through a system of safety records.

Since most accidents are the result of the unsafe acts of employees, the supervisor should continually emphasize safety, beginning with the orientation of the new employee. He should not only talk safety but also in demonstrating the proper procedures he should show his belief in safety by wearing the proper protective clothing or devices and by using safe methods. Whenever accidents do occur, the supervisor should discuss the findings with his men in order that they may benefit from the investigation. Disciplining employees who take chances, engage in horseplay, or in any way violate the established safe work procedures is especially important in preventing accidents.

Role of the personnel department. The personnel department has a primary role in the safety program since the safety director is frequently a member of the personnel staff. The personnel director should not only select a well qualified person to fill the position but should also give him the support needed to make the program a success. Those responsible for selection and placement of employees can also contribute by making an effort to weed out those who are likely to have accidents, and by placing individuals where their aptitudes and abilities can be utilized effectively. Those responsible for training will also be able to contribute to safety through the employee orientation and supervisory training programs.

Safety committees. One of the more common approaches to enlisting the support of management personnel and employees, as well as that of the union, is through the establishment of committees in which these groups are represented. Membership of the committees is usually changed periodi-

cally in order that a large number of employees will have an opportunity to serve and through this participation may become ambassadors for safety. Several committees may be used to assist the safety director with the different phases of the program, such as inspection, accident investigation, publicity and education. In the interests of effective employee participation it is essential that employees have a clear understanding of their function on the committees. Merely having them "sit through" several meetings is not likely to engender much enthusiasm among the committee members or to produce the desired results.

2 — Eliminating Hazards

Those persons who are responsible for safety should be continually alert to the presence of hazardous conditions and should take positive steps to eliminate them promptly. They should always be alert to the possible need for protective devices such as machinery guards, special switches for operating equipment, and warning signals. They should also recognize the need for instructing employees in safety regulations. Employee handbooks, which are usually prepared by the personnel department, should contain the regulations that pertain to most jobs. In addition, the equipment or environmental conditions that present hazards should have safety instructions posted nearby.

Safety regulations and instructions are more likely to be followed if they are stated positively and some explanation or reason for the rule is given. The words "Keep Out" on an unlocked door are more likely to appeal to the employee's curiosity than to his sense of good discipline. A sign which reads "Danger — High Voltage" dispels the reader's curiosity and usually accomplishes the desired result. Similarly, positive instructions to use safety goggles and the reason for doing so have proved to be more effective. If a company hires individuals who are illiterate or who cannot read English, such signs will have very limited value unless they are well illustrated. The mere posting of such signs, moreover, should not relieve the supervisor from his function of instructing employees in safe practices and of following through with disciplinary action where it is warranted.

3 — Determining Causes of Accidents

Every accident, including those that are considered minor, should be investigated by the supervisor and a representative of the safety organization in the company. Through such an investigation the causative factors may be detected and necessary corrections made before the accident is repeated. Correction may require that materials be rearranged, that

safety guards or controls be installed, or more often that workers be given additional training in safety methods or that appropriate disciplinary action be taken. No employee should be permitted to "get away with something" where accidents are concerned. If the accident resulted from his taking chances or not following the prescribed procedure, the severity of his misdemeanor must be made clear to him if he is not already in the hospital. If he is missing a few fingers, it is probably safe to assume that he has been punished.

While anyone can be responsible for causing an accident, it does appear that some individuals have characteristics which increase the probability of their having accidents. These accident-prone individuals present a problem to management because they are responsible for a large portion of the accidents. Furthermore, their proneness toward accidents is not easily detected at the time of hiring with available selection procedures. Although some strides are being made in the direction of developing procedures for detecting accident proneness, additional research is needed in this area. At present the best approach is to investigate the personal work history of job applications thoroughly with special attention being given to accidents that the worker may have had. This is especially important in selecting personnel for hazardous jobs.

4 — Maintaining Accident Records

An important part of the safety program is the maintainence of accident records and the dissemination of pertinent information to all managerial and supervisory personnel. This practice has the advantage of advising those concerned with accident prevention of the facts of each case and provides suggestions that they can use in their own departments. A daily accident record maintained at the plant health service and posted to an employee's first-aid history record helps in spotting accident-prone workers and hazardous machines or jobs. In the Barber-Colman Company the use of records like those shown in Figure 27-3 on page 576 has been especially valuable in reducing accidents from 11.1 to 4.8 accidents per million man-hours in a 6-year period. When this figure is compared to a practically level accident frequency rate of 14.0 for the metal working machinery industry as a whole, this is an outstanding record. The director of safety and health of the company advises that "No system is better than the personal follow-up it triggers."[7]

[7]H. K. Hilton, "How Much Accidents Cost Us," *Factory Management and Maintenance*, Vol. 111, No. 8 (August, 1953), pp. 84–87.

Private organizations and government agencies concerned with safety have found that for comparative purposes standard methods of computing accident rates are desirable. Two formulas that are widely used by safety experts are:[8]

$$\textit{Accident frequency rate} = \frac{\text{Number of disabling work injuries x } 1{,}000{,}000}{\text{Man-hours worked}}$$

$$\textit{Accident severity rate} = \frac{\text{Number of days lost x } 1{,}000{,}000}{\text{Man-hours worked}}$$

Figure 27-3
Accident Records That Have Proved Helpful in Reducing Accidents

EMPLOYEE Jones, John J.
CLOCK No. 1615 DEPT. 101
FIRST AID HISTORY RECORD

DATE REPORTED	DATE INJURED OR ILL	NATURE OF INJURY OR ILLNESS AND TREATMENT
4/5/52	4/5	Laceration right index finger
4/20	4/19	F. B. left eye - imbedded chip - rust ring - sent Dr. Johnson
6/10	6/4	Claims injury on 6/4 - Pain and swelling left groin. Sent to Dr Smith for examination and diagnosis - left Inguinal hernia - To have surgical repair - Admitted city hospital 6/15 - Lost time 6/15 to 8/5/53

HISTORY CARDS—from which Barber-Colman accident-record system stems—are kept by nurse in Kardex file in first aid room. Every visit, except for personal illness, is recorded. The nurse "flags" repeat injuries at once to safety office.

DAILY ACCIDENT RECORD 4/5/52

NAME	CLOCK No.	DEPT.	TIME	NATURE AND HISTORY OF INJURY	DRS. CASE	LEFT PREMISES
Jones, J.	1615	101	7:10 7:25	Laceration - finger	No	No
Fisher, K.	626	133	7:14 7:10	Wood sliver - rt. index finger	No	No
Johnson, R	1810	115	7:30 7:20	Temp. 100.6 Sick - sore throat sent home	No	Yes
Dean, B.	816	128	8:10 8:00	Using air hose to clean chips F.B. rt. eye 6/4 immediate	Smith	10:30
Hill, O.	915	119	8:35 8:30	Laceration right ring finger	No	No
Ralston, F.	965	85	9:15 9:12	Redressing - Industrial	No	No

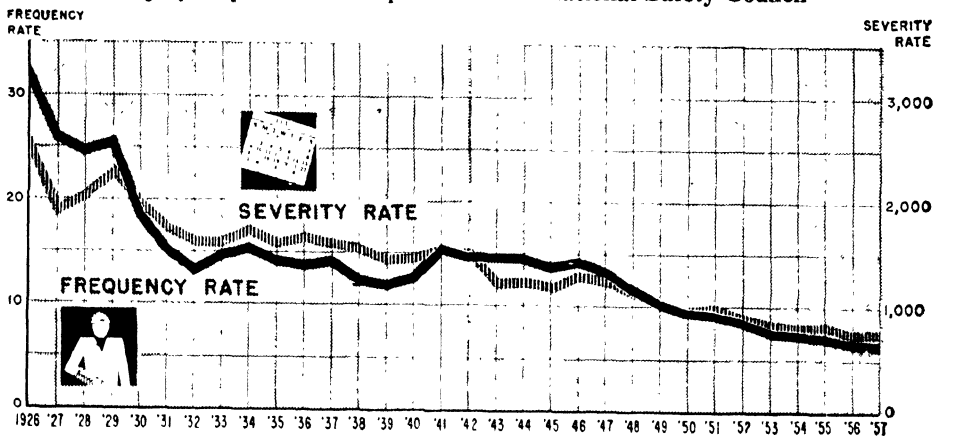
DAILY SUMMARY lists personal visits as well as all injuries noted on history cards. On the back is a "total this month" of injuries, dressings, eye injuries, personal visits. Because summary is daily, fast follow-up is possible.

Source: H. K. Hilton, "How Much Accidents Cost Us," *Factory Management and Maintenance*, Vol. III, No. 8 (August, 1953), pages 84–87. Reproduced with permission.

The National Safety Council compiles all types of data on industrial accidents that are of considerable value in comparing industries, pinpointing the sources of most accidents, and in showing trends. Figure 27-4 from one of their publications shows the injury experience of reporters to the National Safety Council from 1926 to 1957. There has been a general decline in the frequency and severity rates, with the exception of the war period, 1941–1944.

[8]The accident severity rate formula was changed effective January 1, 1955. Prior to this time the severity rate was based on the number of days lost through accidents per thousand man-hours worked. For instructions on charting severity rates under the old and new systems see *Accident Facts* (1955 edition; Chicago: National Safety Council, p. 37).

Figure 27-4
Injury Experience of Reporters to the National Safety Council



Source: *Accidents Facts*, 1958 Edition, page 28.

WORKMEN'S COMPENSATION

While the accident frequency and severity rates have steadily declined during the last quarter century, the individual worker who is unfortunate enough to incur an illness or be the victim of an industrial accident is not impressed by the statistics. His temporary or permanent loss of earning capacity, as well as the suffering and misery that usually accompany a serious illness or accident, is a stark reality to him. Should the worker stand this loss even if he was primarily responsible for causing the accident or for incurring the illness? Society has answered this question quite clearly.

Trends

The workmen's compensation laws that are now found in every state, the District of Columbia, and Puerto Rico, and the federal workmen's compensation represent a theory or approach to the employer's liability in industrial illnesses and accidents that is radically different from that which preceded it. It is now recognized that the employer and society must provide for the welfare of employees who become disabled as a result of an industrial accident or disease. This was not true of the provisions of earlier common law and employee liability laws.

Common law and industrial accidents. At the beginning of the Industrial Revolution the employee or "servant" had only one method for securing damages from the employer (master). This was by filing a civil suit in the courts. Under common law the master had certain specified obligations to the servant, such as providing a safe place to work and safe

equipment; but if he performed them as a "reasonable man", he would not be held liable. In addition, the employer had three common-law defenses that he could use: (1) doctrine of contributory negligence, (2) doctrine of assumption of risk; and (3) the fellow-servant rule. The *doctrine of contributory negligence* places considerable responsibility on the employee for his own safety. According to this doctrine, even though the employer had been guilty of negligence, he would not be liable if the injury of the employee was due wholly or in part to his own negligence. The *doctrine of the assumption of risk* states that when an employee accepts a job, he assumes the ordinary risks of the job. The *fellow-servant rule* likewise operated against the employee in that if the employee was injured as a result of the negligence of a fellow employee, the employer was not liable for his injury.[9]

Employer liability laws. Legislation that gave the working man a better position in the eyes of the law was gradually enacted. This took the form of employer's liability laws that were enacted by both the states and the federal government. Although these laws generally represented an improvement over common law, the employee still had to file suit in a court of law and to prove that the employer was negligent in his duty. This was often difficult to do and involved legal expense that was beyond the means of most employees. Furthermore, after paying legal fees, there was no assurance that the employee would win his case. If he should win his case, there was always the possibility that because of bankruptcy or other reasons the employee would not be compensated. These laws were also unsatisfactory from the employer's viewpoint since he was vulnerable to damage claims of a large proportion if the employee should win a suit.

Workmen's compensation laws. The first workmen's compensation law to be passed in the United States was in Maryland in 1902, but it was declared unconstitutional. The first laws to be held constitutional were passed in 1911 by four states — California, New Jersey, Washington, and Wisconsin. Since that time every state has adopted some type of workmen's compensation act. Federal employees and others not working within the states are covered by separate legislation. Both state and federal workmen's compensation legislation is based on the theory that the costs of industrial accidents should be considered as one of the costs of production and should ultimately be passed on to the consumer. The individual employee should not be required to stand the expense of his treatment or loss of income nor should he be required to resort to complicated, delaying,

[9]Prentice-Hall *Labor Course*, 1958 (Englewood Cliffs, N. J.: Prentice-Hall Inc., 1958), par. 9,023.

and expensive legal procedures. The provisions of the newer legislation thus represent a radical change in the philosophy of employer responsibilities toward the employee.

Provisions

Since each state has its own workmen's compensation laws, the provisions are not uniform. There are, however, many common provisions that should be noted along with some of the differences. For example, none of the compensation laws cover all types of employment. Agricultural and domestic workers are usually exempt. Employers hiring fewer than a specified number of employees are also exempt. South Carolina, for example, exempts employers who have fewer than 15 employees, but most of the states exempt employers who have 3, 4, or 5, or less employees. About half of the states have compulsory acts that require the employer to belong to the state plan, and in about half of the states the plan is elective. Where the employer elects not to join the compensation plan, he is prohibited from using the defenses provided by common law.[10]

Workmen's compensation laws typically provide that the injured employee will be paid a disability benefit that is usually based on a percentage of his wages. Each state also specifies the length of the period of payment and usually indicates a maximum amount that may be paid. The weekly payment in most states does not exceed $35. In addition to the disability benefits, provision is made for payment of medical and hospitalization expenses to some degree, and in all states death benefits are paid to survivors of the employee.

Financing Workmen's Compensation

The workmen's compensation benefits prescribed by law in the various states are financed almost entirely by the employers. A few states require the employees to make small contributions, but these funds meet only a small part of the expense involved in paying the benefits. While payment of the benefits is an operational expense for the company, the customer ultimately pays the cost of benefits. Since the company must be able to meet the prices of its competitors, however, it is encouraged to do everything possible to prevent accidents from occuring, thereby reducing the cost of operation.

Insurance plans. Two methods of providing for workmen's compensation risks are commonly used. One method is for the state to operate an insurance system that employers may join or in some states are required

[10]*Prentice-Hall Labor Course, op. cit.*

to join. Another method is for the states to permit employers to insure with private companies. In some states employers may be certified by the commission handling workmen's compensation to handle their own risks without any type of insurance.

Experience rating. Under most state and private insurance plans, the employer and the employee gain by maintaining good safety records. Employers are rated according to accident experience, and their casualty insurance costs are figured on this basis. The accident frequency rate and severity rate are used as the basis of such costs. Until an employer has had time to accumulate experience data and is given an "experience rating" (or "merit rating," as it is sometimes called),[11] the casualty premiums are based on the experience of the industry as a whole (*manual rating*) or on the basis of an examination of the safeguards used in the individual plant (*schedule rating*). Using the experience rating or merit rating for determining the insurance rate for an employer is the fairest method since it is based on actual experience in that particular company.

Under many compensation plans employees are encouraged to follow safe practices. In some states an employee's benefits under the law are reduced by a specified percentage if he is found to have willfully failed to use safety devices provided by the employer, willfully failed to obey safety rules, or if the injury resulted from intoxication of the employee. A method that provides the worker with reasonable compensation for injury but at the same time penalizes him for being willfully negligent in the observance of safety practices should help to promote safe practices. Since the employer also loses in the event of an accident, his continuing attention to fostering safety likewise pays dividends to him.

RÉSUMÉ

While the physical environment should receive the continuous attention of management, the importance of the "human factor" in the attainment of its objectives should also be recognized. Just as production is dependent upon the many individuals who comprise the organization, health and safety ultimately become the responsibility of each employee. It is essential, therefore, that employees be trained in desirable health and safety practices and that they be continually impressed with the importance of maintaining a vigilant attitude in these matters if progress is to be made.

The health and safety programs that have been described in this chapter are not necessarily representative of all companies. Many companies

[11]Not to be confused with employee performance rating or merit rating discussed in Chapter 11.

have merely scratched the surface in these areas, leaving considerable room for improvement, especially in the area of accident prevention. Those companies that have already achieved a high level of safety should be encouraged to do even better. While it is difficult to predict what new approaches will be available for reducing accidents, some of the personnel procedures such as testing and counseling probably will be explored further for the contributions that they may offer to the cause of industrial safety. Continued attention to methods for detecting those who are likely to have accidents should yield positive benefits to both employers and employees.

REVIEW AND DISCUSSION QUESTIONS

1. What are the direct costs of industrial accidents and illnesses? What are the indirect costs?
2. What are the requirements of good lighting?
3. What did the Hawthorne studies show about the influence of the work environment on employee attitudes and production?
4. What action should be taken by a company that is confronted with a high noise level within certain working areas?
5. What is the relationship between ventilation and accidents? between ventilation and morale?
6. What functions are usually performed by medically trained personnel in the company health program?
7. What safety functions are usually performed by the safety director? by the supervisor? by the personnel department?
8. Of what value are accident investigations and accident records and statistics?
9. How does the National Safety Council compute the accident frequency rate? the accident severity rate?
10. How are the costs of workmen's compensation financed?
11. Do you have any friends or acquaintances who seem to have more than "their share" of accidents? How do you account for this?
12. An employee working in an engine test unit at an Air Force maintenance depot complains to his supervisor that his hearing is "going bad." What should the supervisor do? What are some of the implications of this problem for management?
13. How far should a company go in providing medical care for its employees? What are some of the problems that may arise in connection with a company providing such care?

SUGGESTED READINGS

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PART SIX

RESEARCH AND OPPORTUNITIES

— 28 — Personnel Management Appraisal and Research

— 29 — Personnel Management as a Career

Chapter 28

Personnel Management Appraisal and Research

The various personnel functions designed to achieve the objectives of the personnel program have been examined in detail. It is not safe to assume, however, that the objectives established in a particular company are being met merely because certain functions have been established and various personnel operations are being performed. As business is conducted from day to day, the personnel program, like any other program, must be appraised to determine if the company is achieving the objectives that it has established.

Management should also recognize the need for acquiring information on improved personnel policies and procedures as found in other companies and as revealed by research in this field. Personnel management cannot stand still. It exists in a social setting that is dynamic rather than static, complex rather than simple. Through research in the many areas of personnel management, an understanding may be obtained that will enable companies to discover new solutions to problems of personnel management.

Each company should, therefore, take a look at what it has accomplished in an effort to determine how well it is performing its personnel functions. It is equally important that it make use of the findings from research. This chapter will be devoted to an examination of these two important phases of the personnel program:

- Appraisal of the personnel program
- Personnel research

APPRAISAL OF THE PERSONNEL PROGRAM

The value of each function in the personnel program and the manner in which it is being performed must be continually assessed. On the basis of what is learned through appraisal, adjustments may then be made that will result in an improved personnel program. In the discussion of the appraisal of personnel practices, the following topics will be included:

1. Contributions of periodic appraisal
2. Obtaining and analyzing information
3. Appraisal follow-up
4. One company's appraisal program

1 — Contributions of Periodic Appraisal

The appraisal of personnel functions should furnish information that provides a basis for comparing current operations against a standard developed for this purpose. Only by having periodical evaluations of personnel functions can management chart a course for the future of personnel relations within the company. Although the concern is with human activities, the appraisal of the functions is similar to a financial appraisal or audit. Both are designed to reflect the condition of the organization. The information that is obtained can be of considerable value to management in determining the effectiveness of its performance in the area of personnel relations. Through the collection and analysis of objective information by its own staff or by outside consultants, the personnel department can detect weaknesses in its program and correct them. Unless it has this type of information, the personnel department may assume that the personnel functions are meeting the established objectives without having any objective information to support such an assumption.

2 — Obtaining and Analyzing Information

Throughout this book the need for designing a personnel program and for providing the necessary functions that will meet the requirements of the particular company have been emphasized. The appraisal of the personnel program should likewise be tailored to the individual company. Certain types of information, however, are frequently used in conducting appraisals. Figure 28-1 shows the wealth of information available from company records and some suggested methods for analyzing the data.

While the uses of many of the records listed in Figure 28-1 for appraisal purposes have been mentioned in earlier chapters, consideration of the first two on the list — employee turnover and absenteeism — has

Figure 28-1

Using Company Records to Check Personnel Practices

RECORD	SOME METHODS OF ANALYSIS
Employee turnover record	Analyze record for causes of employee's termination of service. Correlate data with sources of applicants, tests used in selection and placement, sex of employees, length of service, departments, and occupations. Check to see if turnover should be reduced. Also ascertain methods for cutting turnover. Compare with other firms.
Absenteeism record	Check for possible causes of absenteeism. Correlate with age, occupation, and length of service of employees to see if any pattern is disclosed. Other items such as religion and community events may be also analyzed.
Accident frequency and severity	Compare departmental records for indications of problems in certain departments. See if time of day or length of day affects accident rates. Also compare with other firms Show savings in reduced number of accidents.
Scrap-loss record	Discover whether scrap loss is reduced by better training or different types of training Compare with past scrap records. See if use of tests in placement of employees reduces this figure. Compare records to see if employee-rating plans help reduce scrap costs.
Employee requests for transfers	Correlate with training received, sex, length of service, placement methods, type of work, and supervision received.
Grievance records	Analyze subject, handling, cause, costs, and employee characteristics to effect reduction in number of grievances. Show savings in time lost in handling grievances. Check frequency of grievances to locate trouble spots and to make necessary changes in company policies or union agreement.
Personnel inventories	Compare the number of employees required to handle certain functions with the number used for the same functions in other concerns. Check ages of personnel to see if young replacements are available for key jobs. See if employees are being trained for advancement. Also prepare for possible draft calls for employees.

Time standards and output records	Compare with other companies and with past records to judge effects of methods in improvements and training.
Job specifications.....	Compare minimum personnel specifications before and after job analysis to see if savings have been effected in hiring employees with lower personal and job-skill requirements. See if better placement and less training time are required since the system was installed.
Costs of recruitment of employees	Study sources from which employees were drawn and correlate with success on the job to see if some sources should be dropped or other sources added.
Test scores before and after training	Check to see if there is an improvement in employee's knowledge as a result of training. Correlate with success on the job in order to check validity of tests and value of training.
Personal employee records	Determine by sampling if records are up to date and if they are used in making transfers and promotions.
Costs of training methods	Compare unit costs with other firms and costs before and after changes. Balance costs against savings from increased output, lower overhead, reduced accidents and turnover, etc.
Employee use of services such as publications, cafeteria, recreation centers	Determine whether percentage of employees using services is increasing or decreasing. Decide whether the service should be continued or changed. Check possible interrelationships of grievances and services, output and services.
Arbitration awards.....	Classify the subject, contract clause, and employees involved to determine needed changes in personnel policies or practices.
Payroll data.....	Compare with other companies in the vicinity and in the industry to see if wages are in line. Check effects of wage incentives on output, quality, and inspection costs.
Health records.....	Analyze causes of illness to check defects in working conditions. Compare with general population and other firms. Compare with morale scales to see if health has affected morale or morale has injured health.
Suggestion records.....	Study to determine what percentage of employees are handing in suggestions, what type of suggestions. Check to see if more employees should participate. Estimate savings achieved.

Source: Thomas J. Luck, *Personnel Audit and Appraisal* (New York: McGraw-Hill Book Company, Inc., 1955), pp. 31-32. Reproduced with permission.

been deferred until this chapter. In addition, the use of the functional analysis check list as a method for obtaining information about the personnel program will be examined.

Employee turnover. Employee turnover refers to the influx and efflux of personnel within an organization. It is ordinarily expressed in terms of the turnover rate. The turnover rate for a department or a company can often be an important indicator of the efficiency with which the various personnel functions are performed by managerial and supervisory personnel as well as by the personnel department. The turnover rate may be computed on the basis of the number of accessions (persons hired), separations, or replacements (the lower of the accession and separation figures) occurring within the average work force during the month. The turnover rate may be refined by computing it on the basis of replacements less those separations that are unavoidable. Unavoidable separations include those caused by retirement, death, marriage, or similar reasons that are beyond company's control.

As an example of how monthly turnover rates may be computed, let us assume that a company with an average of 500 employees hired 10 new employees and separated 25 employees, 5 of which were unavoidable, during a given month. (The annual turnover rate can be computed by multiplying the monthly turnover rate by 12.) Its rate of turnover, based upon the four methods of calculation, would be as follows:

A = Accessions
S = Separations
US = Unavoidable separations
R = Replacements
N = Average number of employees
T = Turnover rate

Method 1 — *Based upon Accessions:*

$$\frac{A}{N} \times 100 = T$$

$$\frac{10}{500} \times 100 = 2\%$$

Method 2 — *Based upon Separations:*

$$\frac{S}{N} \times 100 = T$$

$$\frac{25}{500} \times 100 = 5\%$$

Method 3 — *Based upon Replacements:*

$$\frac{R}{N} \times 100 = T$$

$$\frac{10}{500} \times 100 = 2\%$$

Method 4 — *Based upon Replacements less Unavoidable Separations:*

$$\frac{R - US}{N} \times 100 = T$$

$$\frac{10 - 5}{500} \times 100 = 1\%$$

The turnover rate based upon replacements less the unavoidable separations (Method 4) is probably the most significant measure of a personnel program's effectiveness since it can serve to direct attention to that portion of employee turnover that can be reduced. It also represents that portion of turnover that management has the most opportunity to control through its personnel program by means of better selection, training, supervisory leadership, and other measures. The turnover rate is not the only factor to be evaluated, however. The quality of personnel who leave must also be considered, since turnover among competent and desirable employees is a serious matter as compared with turnover among incompetent and undesirable employees.

Turnover rates computed upon the basis of accessions and upon separations are significant in determining manpower needs because they reflect trends involving increases and decreases in the size of the work force that may have a bearing upon future hiring schedules. Since they cover the new employees being assimilated into the company, accession figures also help to reflect the decreases in efficiency that can be expected to occur during their orientation and training periods, and which must be considered in estimating manpower requirements.

Absenteeism. Like turnover, the extent to which employees are absent from their work is an indicator of the effectiveness of the personnel program of a company. A certain amount of absenteeism is due to unavoidable causes. There will always be some who must remain away from work because of illness, family problems, and for other legitimate reasons. Considerable evidence, however, indicates that there are many other absences which could be avoided. Between 400 to 500 million man-days are lost each year at an estimated cost of $4.2 billion. While time lost from strikes is usually emphasized, this amounts to only 30 million man-days annually.[1]

An intensive study made with a large public-utility company revealed that absence rates were closely associated with employee attitudes toward management, their immediate superior, and fellow workers. With white-collar workers in this company it was found that absenteeism was related to the following:

[1]Thomas J. Luck, *Personnel Audit and Appraisal* (New York: McGraw-Hill Book Company, Inc., 1955), p. 33.

Lack of freedom to talk job problems with supervisors
Lack of feeling of group solidarity
Dissatisfaction with chances for promotion
Dissatisfaction with pay
Lack of recognition for good work done
Dissatisfaction with middle management (the supervisor's boss)

Absenteeism among blue-collar workers followed a similar pattern.[2]

It would appear that one of the first things which management should do to reduce the absentee rate would be to study the nature and quality of supervision that employees receive. Many of the more desirable supervisory practices discussed in Chapter 13 should be considered. It is quite likely, however, that special attention will still have to be given to those individuals who have the highest absenteeism, and the cause determined in each individual case. The maintenance of absence records provides a sound basis for obtaining the facts needed for handling such individuals. The use of counseling methods, followed by disciplinary action wherever the employee persists in being absent without legitimate and verifiable reasons, is the best approach to individual problems. In many instances the individual cause is not determined and all employees who are absent are dealt with in the same manner. This, in turn, may result in a lowering of morale among those individuals who are unjustly accused.

Functional analysis check list. Several companies and agencies have developed check lists to be used in appraising their personnel programs. Although many of the personnel functions cannot be precisely measured, major phases of the operations should be evaluated by answering questions similar to the following:

(1) Have the objectives of the personnel program been carefully established and clearly stated?
(2) Are careful studies made of new personnel ideas and policies and reports made to top management to guide its decisions?
(3) Is the personnel department given the support needed from top management and supervisors?
(4) Has a complete study been made of the duties performed and the qualifications required on each job in the company?
(5) Is your testing program adequate?
(6) Is an adequate employee-rating plan provided?
(7) Does the employment procedure provide the company with an adequate labor supply?
(8) Do employee records provide other departments with all the information they need?
(9) Is adequate safety and medical care provided?

[2] "What Makes People Absent," *Modern Industry*, June 15, 1953, pp. 47-50.

(10) Are employees trained in the best ways of performing their jobs?
(11) Are special services provided for the employees where practical and where needed?
(12) Does the company have a human relations program?
(13) Does the personnel department review industry-wide and area wage and salary levels on a regular basis and then take corrective action?[3]

These questions can be used in almost any personnel situation to determine the effectiveness of the personnel operations.

3 — Appraisal Follow-Up

Mere accumulation of appraisal information is of little value. It is important that executives receive the reports of personnel appraisals and that they take appropriate action to correct deficiencies in the personnel program. Obviously drastic action should not be taken where the findings are inconclusive. On the other hand, undesirable trends that are revealed in a comparison of findings from different appraisals should not be dismissed without some consideration of their possible significance. Changes in policy and in operating procedure that may be indicated by appraisal findings are often resisted by subordinates. Nevertheless, if the personnel appraisal is to be of any value to the company, positive action must be taken by company executives to correct deficiencies as they are discovered from analysis of objective appraisal information.

4 — One Company's Appraisal Program

The type of appraisal that is conducted will depend largely upon the individual company — its organization, its primary objectives, its personnel policy, and the other aspects of a company that make it unique. While the program that will be described briefly in this section represents an excellent approach to the task of appraisal, it should be looked upon as a guide or an example rather than as a program which could be taken over and used in another company.

The Industrial Relations Department of the Crucible Steel Company of America maintains a continuous appraisal program that is conducted by members of its own staff. Its purpose is "(1) to see whether specific programs are hitting their targets, and (2) to give top management a continuous over-all view of results and trends."[4] The seven major sections of the Industrial Relations Department whose functions are evaluated include: administration, safety and suggestions, training and employment, public relations, company newspaper, labor relations, and salary administration.

[3]Luck, *op. cit.*, pp. 46–49.
[4]Seward H. French, Jr., "Measuring progress toward industrial relations objectives," *Personnel*, Vol. 30 (March, 1954), pp. 338–347.

Crucible's "Industrial Relations Index" includes almost every aspect of the department's activities. It is a 7-page report, prepared in such a way that comparison between different plants of the company is facilitated. Space is provided for inclusion of cumulative year-to-date averages as well as averages for the previous year, thus permitting comparisons to be made from one period to another as well as between the various plants for a particular month. The Index is distributed monthly to all company officers, department and section heads, plant managers and their assistants, and all supervisors in the industrial relations department of Crucible Steel.

French points out that by eliminating voluminous reports which busy executives have no time to read and by furnishing a simplified and graphic report, it is possible to stimulate and maintain top executive interest in the work of the industrial relations department. The possible uses of such data, as mentioned below, indicate their value.

> Only when industrial relations statistics are compared with each other, or perhaps with other figures such as production, do the significant contributions of the various personnel activities become apparent. Suppose, for instance, that supervisory hours spent in training remained at a high peak over a five-year period and that the number of grievances dropped significantly, while production increased during the same period. Comparing this with other periods, it might then be assumed that a positive relationship existed between these factors. Though it is true that the means for a scientific evaluation of that relationship do not exist at present, some reasonable assumptions can be made. It would appear reasonable to us, for example, that increased supervisory training would improve the relationship between management and worker, and would thus have a positive effect upon production. While we feel that we can tentatively draw these conclusions at the present time, more facts are obviously needed to back them.[5]

PERSONNEL RESEARCH

Although every company should have an appraisal system that will provide it with accurate and current information concerning the adequacy of its personnel program, it should also attempt to improve its program through the use of personnel research data. There is a wealth of information that can be used in planning and improving a personnel program. Through research findings, a business can benefit from the experiences that other companies have had in handling personnel matters just as it has probably done in technological matters. It may also benefit from the research of scholars in various subject-matter fields. In recent years an increased awareness that scientific methodology can be applied to human problems has stimulated research in all areas of social science. As a result,

[5]Seward H. French, Jr., *op. cit.*, p. 341.

many studies have been conducted and the results made available through books and scientific journals.

Social science research is being conducted at the various colleges and universities, and considerable information on human behavior is coming from governmental agencies as well as private institutions and from companies that employ psychologists, sociologists, and workers in related fields as members of their staffs. Along with the growth of personnel research, there has been a persistent interest on the part of management, the unions, and the employees themselves for dependable information that will make them better able to understand, predict, and control the behavior of others. Although researchers will probably never be able to provide solutions to all of the personnel problems of business and industry, the fact that more and more problems are being turned over to experts who use the scientific approach in the study of human problems is an encouraging development. The discussion of this subject will include:

1. Need for personnel research
2. Research methods
3. Research trends

1 — Need for Personnel Research

Understanding of human behavior has lagged considerably behind man's understanding of his physical environment. Probably there are two major reasons for this fact. One is that man is a complex organism whose behavior is usually much more difficult to analyze than the material or physical world. A second, and probably more important, reason is that all persons are inclined to feel that, as a result of their experiences, they have learned about human nature and that they understand its complexities as well as the next person. The same individuals, however, would probably be reluctant to admit that they possessed the same degree of understanding about the physical world.

While experiences that one has with people are undoubtedly quite valuable, they may not always be counted upon to improve ability to handle personnel problems effectively. Personnel research provides a way of taking an objective look at problems and of developing policies and procedures that are based on facts obtained through scientific study rather than on opinions that have arisen out of personal experiences, which are by nature quite limited. The need for personnel research will be further indicated in the discussion of the following topics:

a. Inadequacies of existing knowledge
b. Necessity for meeting changing conditions
c. Research as a stimulus to improvement

(a) Inadequacies of existing knowledge. Our existing knowledge and techniques of personnel management are often based on common sense or experiences that have been communicated to others on a formal or informal basis. The personnel manager may train his subordinates in the use of certain techniques that he has found useful and they, in turn, teach others these rule-of-thumb approaches. The honest personnel manager, however, must admit that he just does not have the answer to many of the problems that arise. Although he is required to cope with these problems and in many instances must take quick action, he often does so with a hopeful attitude that all will work out for the best. He does not enjoy the certainty that the laboratory scientist has in his work. He has many more variables to consider than the laboratory scientist, and he is not able to confine his subjects to the laboratory or a test tube but must deal with them in a social environment that usually defies rigid scientific controls. Furthermore, since he is a fellow human being, subject to the influence of the environment that he is attempting to control in some degree, he often finds it difficult to make wise use of the knowledge and skills that he possesses.

While the inadequacy of present knowledge and skills in personnel management and related areas concerned with human behavior is partially the result of these complexities, this is no excuse for relying solely on common sense and experience. The fact that we do not have all the answers to such questions as why men work, how can raters be trained to be more objective, or how can personality measurement be made more valid, should not deter us from attempting to work toward sound answers to these and similar questions. Fortunately, these questions become the stimulus for personnel research that in the future will provide partial answers at least. Only by keeping in touch with progress can the personnel worker hope to realize the specific ways in which the horizons of the unknown are being pushed back, and only by applying the scientific method to his own work can he hope to improve the effectiveness of personnel management.

(b) Necessity for meeting changing conditions. Although today's businessman is confronted with many problems that have been only partially solved through research, the admonition that "time marches on" must be heeded. As old problems are going unsolved or only partially solved, new problems are arising and must be tackled. In the next 25 years Kiplinger predicts, among other things, that:

White-collar workers will be far more numerous than blue-collar workers. Skilled craftsmen, maintenance men, and electronics experts will run the plants and factories. They will be educated to their jobs and not apprenticed to them.

Job opportunities will be plentiful for older workers, the need for women workers will intensify, and the pressure to produce more with fewer to do it will affect business planning.[6]

Any one of these changes will require an adjustment in personnel policy as well as in procedures. Although it is not likely that businessmen will give too much attention to the problems that may be predicted for the future, social scientists and others will probably continue to conduct research in areas which will provide business, industry, and government with information that will help, if it is used, to facilitate worker efficiency, adjustment, and satisfaction. Thus research findings will ultimately be available to the executive, the personnel manager, the supervisor, and others who are interested in human behavior. Unfortunately, however, there is often a considerable lag in the application of social research to personnel management problems. This has the effect of reducing the value of the experimental findings since the social setting at the time the research was conducted may be considerably different from that which exists at the time it is applied on a wide-scale basis.

(c) Research as a stimulus to improvement. The personnel manager can find himself so beset with the everyday problems of running his office that he fails to recognize that in all endeavors there is always room for improvement. Where management emphasizes the value of research, whether it be of the type that is concerned primarily with improvement of the product or of personnel relations, employees are usually instilled with the important attitude of keeping one eye on improved methods and procedures. Personnel managers should be encouraged to turn to the specialized areas of study for experimental information that they can use, and even to conduct studies of their own.

2 — Research Methods

Although probably only a few students will be interested in specializing in personnel research, all students should know where they can find reports of research. In addition, they should be able to read a report with understanding, to evaluate it critically, and to apply the information to the problems with which they are concerned. An understanding of the scientific method and the types of errors frequently made in conducting research

[6]"Look 25 Years Ahead — Meet Changes Coming," *Changing Times*, June, 1957, pp. 25-34.

may help to provide the basis for evaluating one's own research or the reported research of others.

The scientific method. While it is sometimes difficult to consider psychology and sociology as sciencies, it should be remembered that what makes a study scientific is not the subject matter but the manner in which one deals with it. A brief examination of the steps in the scientific method should reveal its applicability to the study of human behavior. These steps in conducting scientific research are as follows:

(1) Define and delimit the problem. Do not attempt to work on too large an area at one time.

(2) Find out through reference to books and journals what others have done on this and related problems.

(3) State your problem in the form of a hypothesis or assumption. For example, the hypothesis "workers who are supervised too closely produce less than those workers who receive more general supervision" or "older employees use more sick leave than younger employees" may be tested.

(4) Decide on such details as which workers will be used as subjects, how many subjects are needed, the statistical techniques to be used, etc.

(5) Collect the necessary data. This may involve administering questionnaires or tests, conducting interviews, studying available records (personnel, production, etc.).

(6) Interpret the data. At this point the hypothesis is either accepted or rejected.

(7) Cross-check or verify your findings, if possible, by using another method of gathering data or another group of subjects (if all available subjects were not used in the original study).

(8) Publish the findings and distribute. If the report is being prepared for top management, it should be reduced to the essentials and should include positive recommendations that management may either accept or reject on the basis of the findings plus other factors that must usually be considered.

The approach of the scientist is characterized by certain attitudes that affect the results of his efforts. In the first place, the scientist is interested in making systematic rather than aimless observations. He sets up hypotheses (questions) to be tested and he makes observations that will provide him with answers to these questions. His search for the answers is conducted on an impersonal basis. He does not try to prove that the ideas or opinions that he already holds represent facts. Since the observation of human behavior is subject to the pitfalls of bias and prejudice, he may find

it advisable to obtain the observations of many individuals rather than to rely merely on his own impressions. Finally, as a check on his objectivity, the scientist reports his experimental procedures and the results in such a manner that it is possible for other scientists to repeat the experiment for purposes of verification.

Errors in conducting research. Although most scientists or researchers are dedicated to following the principles and procedures of science, there is considerable opportunity for error. Those errors that occur most frequently and are most serious are failure to define and delimit the problem, making faulty generalizations, and failure to verify findings.

Unfortunately some experimenters attempt to obtain information without first clearly determining the nature of the problem they are attempting to solve. Obviously if one does not have a clear perception of what the problem is, it is doubtful that he will solve it no matter how much data are collected. In recent years scientists have emphasized the need for asking better questions, that is, asking questions in such a way that it is possible to obtain meaningful answers. This usually involves stating the problem in specific terms rather than in broad, general terms that are too inclusive.

Since a hypothesis should be stated in specific terms and the experimental design set up to evoke the answer to the problem or question, the findings should not be construed as having a wide applicability. For example, if the hypothesis "women employees in the *X* Company over 40 years of age have fewer accidents at work than do women employees under 40 years of age" is tested, certain restrictions must be observed in generalizing from the data. It would be improper, for example, to make any generalizations from the obtained data concerning male employees or accidents away from work. Also, since the study was made in the *X* Company, the findings apply only to that company and not to other companies that were not included in the study.

Finally, the need for verification of research findings should be reemphasized. This is the only way in which the researcher can determine the worth of his original findings. If the results from two studies do not agree, it would be a very questionable procedure to use the findings as a basis for any important personnel or administrative action until the cause for the difference was determined. Unfortunately, even among prominent experimenters, verification has often been a neglected phase of research.

The application of the scientific method and avoidance of these types of errors in studying the problems of personnel management will enable the personnel worker to contribute to the scientific development of the field.

All contributions, however small, are likely to be revealed in improved personnel policies and procedures.

3 — Research Trends

In recent years certain trends have been noted in research procedures. Present-day research is oriented toward the solving of problems that are viewed as being critical. In contrast to former methods in which an experimenter often worked on a problem alone because it had a special appeal to him, the trend today is in the direction of using teams to work on research problems. It is not uncommon for these individuals to represent several areas of study or disciplines. Hence the term "interdisciplinary research" is becoming more popular and will probably characterize a large part of the research of the future. This approach recognizes the contributions that specialists from engineering, economics, psychology, sociology, statistics, and other disciplines can make in the solution of a problem.

The findings from research studies are of little value unless they are used in improving personnel policies and the manner in which the various personnel functions are performed. Personnel workers must, therefore, keep themselves informed of the findings from the research conducted by others. In order for the personnel worker to keep abreast of the times, it is helpful to read professional publications. Some of these are:

Advanced Management
Business Week
Dun's Review and Modern Industry
Harvard Business Review
Industrial and Labor Relations Review
Journal of the American Society of Training Directors
Journal of Applied Psychology
Management Record
Management Review
Management Science
Monthly Labor Review
Nation's Business
Personnel
Personnel Administration
Personnel Journal
Personnel Psychology
Supervision
Supervisory Management

As one progresses in the field and his interests become more specific, it is usually helpful to subscribe to one or more of the journals that meet the particular needs of the individual. Needless to say, graduation from college does not mean the end of learning. Actually, commencement marks the beginning of a career that will require continuous study, if success is to be realized.

RÉSUMÉ

The need for appraising the work of the personnel department has been considered in this chapter along with the need for making use of available information obtained from research studies. While those who are engaged in the management of a particular function usually believe that they are doing the best they can "under the circumstances," they should try to recognize that improvements can always be made if facts rather than opinions are used in guiding their decisions.

Several sources of factual information with which to conduct an appraisal of the personnel program are available. The more progressive companies use such information not only to correct bad situations but also to plan for future operations. Thus an efficient and sound personnel program is made even better as a result of using appraisal techniques. These companies are also likely to be alert to the value to be derived from research findings, and they usually use them wherever they are applicable. While the term "research" is overpowering to some people, for the practical man it represents an effort to do things better. It represents also a problem-solving attitude. Personnel workers who adopt this attitude will probably be among those who are viewed by management and their colleagues as those who are "out in front" in the field.

REVIEW AND DISCUSSION QUESTIONS

1. What sources of information are available to the company to appraise its personnel program?
2. By what methods may the turnover rate be computed? Which method yields the most significant figure? Why?
3. What major factors that are controllable by management affect absenteeism?
4. Why is research so important in the field of personnel management? Why is research often more difficult to conduct in this field than in the basic sciences?
5. What attitudes are characteristic of the scientist?
6. What are the steps to be followed in the use of the scientific method?
7. How can the scientific method be applied to the study of human behavior?

8. What are typical errors in conducting research?
9. What are the contributions of psychology to the field of personnel management? of the federal government?
10. Of what value are professional publications to the personnel worker?
11. Members of the class who have been absent from class recently may be asked to justify their absences. If you were their teacher or the dean, would you excuse their absences? Give reasons for your decisions.
12. Should a company hire an outside consultant to conduct its personnel appraisal? Discuss.
13. Top management personnel sometimes fail to recognize the value of personnel research. What might you, as a personnel manager, do to change their attitudes on this subject?
14. What are some of the problems confronted by the personnel manager that lend themselves to study? State these problems in the form of hypotheses as explained on page 597. How would you test these hypotheses?

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Chapter 29

Personnel Management as a Career

Throughout this book an attempt has been made to clarify the responsibilities of departmental managers and supervisors and of the personnel staff in the effective performance of the personnel functions. It is hoped that interest in personnel work — in either a line or staff capacity — has been stimulated by the discussions of the many phases of personnel work. In this chapter the job requirements and opportunities, as well as the rewards and frustrations, of personnel work will be examined. Included in this chapter are the following major topics:

- Qualifications and preparation for a career in the personnel field
- Career opportunities in the personnel field
- The challenge of personnel management

QUALIFICATIONS AND PREPARATION FOR A CAREER IN THE PERSONNEL FIELD

In addition to understanding the occupational world, it is equally important that the student understand himself — his abilities and aptitudes, his interests, and his personality characteristics. His professors, faculty adviser, or a vocational counselor may be depended upon to be of assistance in furthering his knowledge of the field of personnel work and in helping him to understand himself better. Within the field of personnel there are many jobs requiring different skills and interests. Some general information will be of value to the student who is considering personnel management as a career. To be considered are:

1. Type of academic training
2. Personal qualifications needed
3. Experiences frequently emphasized by employers

1 — Academic Training

Figure 3-3 on page 46 shows the many functions that are performed in the personnel department. The skills needed for some of these functions may be acquired through high school or business school training. This is particularly true of clerical and stenographic tasks. Most of the jobs above this level, however, usually require that a person have training or experience in the specialized personnel areas. In recent years college training has been emphasized, although many companies still prefer work experience as a prerequisite to assignment to the personnel department.

College courses. As part of the professionalization of personnel work, specialized college courses in personnel management, supervision, labor relations, and other areas have been initiated. The contributions of such fields as psychology, sociology, law, statistics, economics, and industrial engineering cannot be overlooked. In fact, the personnel worker who has a broad point of view can usually work more effectively with a variety of backgrounds and interests that he finds among those with whom he comes into contact.

Extracurricular activities. Activities outside of the classroom and the library may provide valuable experiences for the student who is interested in personnel work. In fact, many recruiters are as interested in these activities of prospective applicants as they are in academic success. Positions of leadership in clubs, publication staffs, fraternities, and other organizations often provide the student with experiences that are comparable to those that he will find on the job. The student should not assume, however, that mere holding of such positions will convince the recruiter of his capabilities. The quality of his performance and the extent of his participation in these organizations are also important.

During summer vacations and in some instances during the academic year, students may find it helpful from an experience as well as a financial standpoint to obtain employment in some type of personnel job. When related to material presented in courses, these experiences provide a type of learning that is quite valuable. The student's participation in student organizations directly connected with his occupational interest, such as the Society for the Advancement of Management, is especially valuable. After graduation from college, participation in the local personnel association and similar professional organizations provides a means for exchanging ideas and for furthering the individual's progress as well as that of the profession.

2 — Personal Qualifications

The academic training that the prospective personnel worker acquires should provide him with the broad understandings and the special knowledge and skills needed for work in the field. His success, however, is dependent upon more than the training he has received and the knowledge and skills acquired. Occupational success from the standpoint of the company requires the effective use of his abilities in performing the duties of the particular job. Although the qualifications that one possesses for personnel work should be considered on an individual basis, some general comments about the intelligence, personality, and interests of prospective personnel workers may prove helpful.

Intelligence. Because of the complex nature of personnel work, the person who is going to do this work must have a relatively high degree of intelligence. A study based on a sample of some 90,000 men in the Army of the United States in World War II revealed that those who had prior occupational experience as personnel clerks as a group scored in the upper 10 per cent of the general population on the screening test administered to draftees.[1] While it is possible that some selection had taken place (that is, personnel managers selected "bright" employees for their department), most of the tasks performed by personnel workers demand this level of intelligence. Therefore, in order to compete successfully for jobs in the personnel field, it is necessary to approximate this level of intelligence.

Personality. Personality characteristics are not as easily assessed as intelligence. Although it is more difficult for the individual considering personnel work to obtain an accurate appraisal of his personality, it may be helpful for him to have some awareness of the types of demands that will be made upon him. One of the most important qualifications is that the personnel worker possess good mental health. Good mental health is characterized by feeling comfortable about oneself, feeling right about other people, and being able to meet the demands of life. Other requirements are: a sense of humor, ability to withstand frustrations, a flexible rather than a rigid approach to problems, ability to communicate with others, patience, and a high a degree of objectivity toward other individuals. A permissive and understanding attitude toward human behavior and the ability to listen effectively are especially desirable. Although the individual should have some feeling for others, "liking people" or a "do-good" attitude is hardly a sufficient basis for entering the personnel field.

[1]Naomi Stewart, "AGCT Scores of Army Personnel Grouped by Occupation." *Occupations* (1947), *26*, pp. 5–41.

Interests. A student may make the statement "I am interested in personnel work." This is known as an expressed interest. On the basis of experimental studies, expressed interests have been shown to be quite unstable. Interest that is manifested by participation in an activity by choice is a much better indicator of a person's interest than what he says about his interests. Thus the student who expresses an interest in personnel work should examine the degree of his participation — for example, the relative amount of time devoted to study in this area, the number of books and articles read, and the amount of time devoted to thinking about personnel matters. Even though he undoubtedly has not had many opportunities for participation in formal personnel experiences, an examination of his activities may provide clues to his real interests. The student may have "overglamorized" personnel work, or his expressed interests may represent those of his parents or some other person who may have convinced him that he was interested or should be interested in this type of work.

3 — Experiences Frequently Emphasized by Employers

Employers not only attempt to make an analysis of the individual's personal characteristics but also usually look for experiences in his background that may be related to success in the personnel field. While each employer has different opinions on what experiences are most desirable, many of them believe that experience as an operative employee or as a military leader often provides a good background for personnel work.

Experience as an operative employee. A college student may go directly into a personnel job after graduation, but this is not the usual situation. Personnel managers generally prefer to have individuals in their departments who have held an operative job of some type. This experience in an operative job or in some job closely associated with operative employees provides the individual with first-hand knowledge of the various phases of the business and gives him an opportunity to view the working relationships between employees and supervisors, supervisors and managers, and between the departments. Unless a person has had this experience, he is generally not equipped to work effectively with line personnel or to make intelligent decisions.

In a recent study conducted by the American Management Association, 450 personnel executives were asked to indicate where they worked before entering the personnel field. It was found that about 20 per cent of them entered the personnel field directly from school. A large number,

however, had advanced from factory or plant jobs up through foreman or supervisory positions and ultimately into personnel. A few came from office, finance, sales, and engineering positions. Many others came from areas outside of business.[2]

Since the group on which these findings are based may not be typical of all personnel executives and since they represent a different generation (the average age of the group was 42 years), one should not attach undue significance to these data in planning a career. It is interesting to note, however, that in the past there was no one path to executive personnel positions. What will be true in the future is difficult to determine. If one can overcome the temptation to go directly into personnel work and can obtain some experience as an operative employee and a line supervisor, his chances for progressing higher in the organization may be greater than they are for the individual who enters personnel work from the beginning and remains in that department.

Experience as a military leader. The individual who may not have had experience as an employee in business or industry but who has served in the armed forces in a position of leadership often interests the personnel manager. Through this type of experience the individual has probably learned much that would be helpful in understanding relationships between employees and supervisors. It is also possible that he has developed some human relations skills that will make him more effective as a personnel worker. The student who enters the armed forces while in college or upon graduation from college should consider the benefits to be derived from a period of duty and make every effort to utilize his abilities and aptitudes to the fullest extent possible. Many individuals who are now successful in the personnel field, as well as in other areas, received some of their training in this area in one of the defense services. They usually value this training quite highly.

CAREER OPPORTUNITIES IN THE PERSONNEL FIELD

In addition to understanding himself and knowing the personal qualifications usually desired by employers, the individual who aspires to be a personnel worker should learn more about the opportunities for employment in this field. It must be remembered, however, that the world of work is ever changing and that decisions should be made on the basis of recent information. A discussion of the following topics should serve,

[2]Edith Lynch, "The Personnel Man and His Job," *Personnel*, Vol. 32, No. 6 (May, 1956), pp. 487-497.

however, to stimulate the interested person to keep in touch with current sources of information about:

1. Types of personnel jobs
2. Salaries
3. Employment opportunities

1 — Types of Personnel Jobs

Throughout this book the various functions performed by the personnel department have been discussed in detail. Among those personnel jobs included or implied in the discussions of preceding chapters were the following:

Chapter 4	Job Analyst
Chapter 6	Employment Interviewer
Chapter 6	Employment Manager
Chapter 7	Research Psychologist
Chapter 7	Test Director
Chapter 8	Training Director
Chapter 14	Publications Editor
Chapter 15	Employee Opinion Analyst
Chapter 16	Employee Counselor
Chapter 20	Labor Relations Director
Chapter 21	Wage and Salary Administrator
Chapter 26	Employee Services Director
Chapter 26	Recreation Director
Chapter 27	Safety Director
Chapter 27	Medical Director
Chapter 28	Personnel Research Director

This listing of jobs includes those that are typically found in the larger companies. In the smaller companies there may be fewer personnel jobs with the result that a personnel staff worker is responsible for performing a wider variety of functions than if he were working for a larger company. There is also some relationship between the size of the company and the level at which a person without prior personnel experience is likely to find employment. Although there is no hard and fast rule, the job opportunities do vary with the size of the company and the organization of its personnel department.

The college graduate without full-time experience in personnel work who is employed by the small company or by a local branch of a larger company may find himself in the position of personnel manager charged

with responsibility for handling most of the personnel functions,except perhaps those concerned with labor relations. If the same individual were employed by a medium-size company, he would not start at the personnel-manager level but would probably be placed in charge of nontechnical training, employee benefits, or some other phase of the personnel program that is not dependent upon a broad background of experience. On the other hand, if he were to be hired by a large company employing thousands of persons, his initial assignment more likely would be that of a job analyst, employment interviewer, psychological test administrator, or personnel technician. The last title is frequently used to cover a wide variety of functions involving the collection, tabulation, and analysis of such data as test scores, exit interviews, and wages.

2 — Salaries

Because of the changing economic conditions, it is not possible to quote figures on salaries that will be valid for a very long period of time. Current figures that are available, however, may be of some interest. It should also be realized that the level of the job, the size of the company, the nature of the business or industry, and its location are all factors that determine salaries.

Salaries of college graduates. Beginning salaries for college graduates in professional personnel positions typically ranged from $3,000 to $4,500 a year in 1956. In the federal government, beginners with bachelor's degrees started at $3,670 a year and those with master's degrees at $4,525. Prospective personnel workers who hold clerical, production, or subprofessional positions generally earned lower salaries.[3]

Salaries of personnel managers. The annual survey of salaries and staffing ratios in personnel and industrial relations departments in 1,322 companies reveals some interesting facts. Some of the important findings in 1958 were:

(1) Salaries of personnel staff directors showed continued improvement in 1958. The range is from $4,000 to $60,000, with the average (mean) for men $11,821, and the median, $10,200. The average for women is $6,876 and the median, $6,600. In addition, 82 per cent receive supplements of various types averaging from 4 to 24 per cent of their base salaries.

(2) Salaries show wide variation from one industry group to another, with the highest averages in oil and transportation, and the lowest in the service industries and government.

[3]*Occupational Outlook Handbook*, U. S. Dept. of Labor, Bulletin No. 1215, 1957 edition, pp. 189-190.

(3) As has been noted in earlier studies, company size is by all odds the most important single factor affecting salaries. Companies with more employees pay larger salaries.
(4) This year's average staff personnel director is male, 43 years old, and has 12 years' professional experience with five years in his present job.[4]

3 — Employment Opportunities

Opportunities for employment and advancement concern all persons who are choosing their lifework. In this section the predicted outlook for personnel workers will be considered and the following employment opportunities will be examined: personnel work in government and education, opportunities for careers with labor unions, opportunities as a line manager or supervisor, and personnel jobs for women.

Outlook for personnel workers. The following predictions for personnel workers were reported in the *Occupational Outlook Handbook* (1957 edition) — a government publication widely used by vocational counselors and others who must have a sound basis for the information furnished to their clients:

Some opportunities to advance to personnel work will be available in the late 1950's for qualified young people willing to start in production, clerical, or subprofessional positions. However, new graduates seeking to enter professional personnel positions directly from college are expected to face keen competition in many parts of the country. A number of opportunities for immediate professional employment will be offered through in-service training programs for junior personnel workers conducted by large companies and federal government agencies. In general, employment prospects will be best for college graduates with specialized training in certain aspects of personnel work such as psychological testing, safety engineering, counseling, and industrial relations.

A gradual increase in the demand for personnel workers is expected over the long run. The anticipated expansion in the country's labor force will create a need for more personnel workers to carry on existing types of activities. In addition, a marked growth is expected in many aspects of personnel work. Increased recognition of the importance of the "human factor" in industry will bring about a demand for more executives trained in employee relations; wider use of psychological testing by employers will result in a need for additional staff; and growth of in-service training programs and their application to new problems will increase the size of training staffs. The demand for more labor relations experts is also expected to continue. Extension of employee services, growing emphasis on safety, development of pension and other benefit plans, and intensified research activities also point toward a future demand for more trained

[4]Dale Yoder and Roberta J. Nelson, "Industrial Relations Salaries and Staffing Ratios, 1958," *Personnel*, Vol. 35, No. 1, (July/August 1958), pp. 15–22. The annual survey of the University of Minnesota Industrial Relations Center provides a basis for analyzing trends in salaries and other information about personnel work. It may be found in the July/August issue of *Personnel* each year, which is published by the American Management Association.

personnel workers. Moreover, additional workers will be needed to replace those lost to the field through retirement or death and for other reasons.

Opportunities for women, who constitute approximately one fourth of all personnel workers, are expected to continue to expand. Prospects will remain best in organizations which have many women employees such as department stores, telephone companies, and government agencies. Although advancement opportunities will probably continue to be limited, a growing number of women are expected to attain top positions.[5]

This statement is only a prediction; however, since it comes from a very reliable source, it has considerable value in planning one's career. These predictions should be checked from time to time against current trends and revised estimates of the employment situation.

Personnel work in government and education. The student in business should consider employment opportunities in personnel work that exist outside industry. Most of the personnel functions described in this book are performed in governmental agencies and in educational institutions as well as in industry. In some instances, however, certain backgrounds are required. The individual who is interested in educational personnel work — counseling and guidance, testing, research — is usually expected to meet the requirements for teaching or to possess a special credential that is awarded upon completion of a specialized course of study in college. Likewise, those planning to enter the government service at the local, state, or federal levels may be required to have a degree in social science or other applicable areas. It is often possible, however, for the individual who has training and experience in personnel work in industry to qualify for these positions in government and education with a minimum of supplemental training and/or experience. Thus the person who prepares for a career in personnel work in business is at the same time usually preparing himself for the broader field of personnel management.

Opportunities for careers with labor unions. The rapid and tremendous growth of labor organizations has created a need for union leaders who have formal training. Specialists in various areas such as economics, law, journalism, engineering, and personnel are used on the staffs of unions at regional and national levels. Such functions as editing the union newspaper, personnel counseling, training of stewards, making time and motion studies, and conducting studies on wages and fringe benefits may appeal to the personnel-trained individual. Such jobs as educational director or research director in a union may be especially challenging to the person who has prepared himself in college and has had some experience with

[5]*Occupational Outlook Handbook, op. cit.*, pp. 189–190.

companies and thus is able to work more effectively as a result of his broad background.

Opportunities as a line manager or supervisor. While the personnel department is responsible for coordinating personnel functions within the company and for recruitment, selection, wage and salary administration, and other specialized functions, line personnel are constantly engaging in personnel activities. In fact, their ability to handle personnel, as well as equipment and materials, largely determines the success of the operations. The manager or supervisor is partially dependent, however, upon the cooperation of the personnel staff whose main function is to facilitate the accomplishment of line personnel functions and to coordinate the performance of personnel functions within the line departments.

The student who is interested in the daily face-to-face contacts with employees and finds the building of a working team a challenge should not overlook the possibilities of achieving his goals through a supervisory or managerial position. It will be recalled that the *Occupational Outlook Handbook* states that "increased recognition of the importance of the 'human factor' in industry will bring about a demand for more executives trained in employee relations." Certainly these demands will provide opportunities for the personnel-trained individual who is interested in managerial responsibilities.

Personnel jobs for women. According to the *Occupational Outlook Handbook*, women constitute about one fourth of all personnel workers. While only about 2 per cent of the top-level personnel positions in industry are held by women, it is not uncommon to find women serving as personnel directors of government agencies or retailing organizations. Many companies, because of the nature of their business, often prefer women in personnel positions. This is especially true where their employees are mostly women. In educational institutions, trained women experience no difficulty in obtaining employment as counselors, deans of women, placement officers, and similar personnel positions. With an increasing number of women entering the labor market each year, more women probably will be needed in personnel jobs, including those in the manufacturing industries.

THE CHALLENGE OF PERSONNEL MANAGEMENT

Personnel staff work appears on the surface to be quite glamorous. The physical appearance of the personnel office is usually pleasant and relaxing. Personnel workers frequently appear to have fun while chatting

with applicants and employees, and apparently they are seldom rushed like production workers who must meet a deadline. These are, perhaps, impressions that many individuals have of the personnel department. A more realistic picture, however, should be painted for the individual who is giving some thought to personnel work as a profession. By considering some of the frustrations and rewards, one may obtain a clearer picture of personnel work and recognize the challenge that lies in this type of work.

Frustrations of the Personnel Manager

At a personnel conference several hundred personnel executives were asked to complete a questionnaire covering many aspects of their careers including "gripes" about their work. At the top of the list were such complaints as "lack of management support" and "lack of cooperation of line personnel with the personnel department." Another important complaint was that "everyone from the janitor to the president of the company figures he is an expert in your field — but only you take the rap for composite bad guesses." Inability to measure results in concrete terms was another common source of frustration. Fear of getting fired because the personnel functions are usually the first to be curtailed in time of economic adversity, slow promotions, and low salaries in comparison to the heavy workload were other important sources of frustration reported.[7]

Rewards of the Personnel Manager

A reading of the reported gripes of the personnel executives who attended the AMA personnel conference might lead one to conclude that these individuals were ready to turn to any other type of work that might be available. It is interesting to note, however, that nine out of every ten respondents said that they intended to remain in the personnel field. One reason for this is perhaps that these individuals are reasonably successful in their work and feel that it is unwise to attempt to change. In most instances, however, this decision is probably a recognition of the satisfactions that arise out of the job.

If one were to talk with many individuals employed as personnel managers, he would undoubtedly find that the rewards and satisfactions of the job were many and that they varied with the individuals consulted. One of the major sources of satisfaction comes from playing an important part in helping employees realize their goals at the same time that the goals of management are being met. The skill needed (and luck sometimes) to facilitate the achievement of these goals cannot be underestimated. An-

[7]Edith Lynch, "The Personnel Man and His Job — an AMA Survey," *op. cit.*, pp. 448–491.

other major source of satisfaction lies in the stimulation that the work provides. Different problems are involved and different solutions are called for. As a result, personnel work is seldom dull or monotonous. The gratitude of an employee who was assisted in some way, the knowledge that an employee's performance and job satisfaction improved after a transfer to a more suitable job, the progress of individuals whose talents were recognized by the personnel staff are but a few of the typical situations that make personnel work rewarding.

The Challenge

A definite attempt has been made in this chapter to present the field of personnel management in business as accurately as possible. This type of work — like any other — has its rewards as well as its shortcomings. It should not be viewed through rose-colored glasses, nor should it be viewed with an undue pessimism. It is a type of work that presents a challenge to the individual. There is no better way to sum up what personnel work demands of an individual than to quote the opinions of Mr. Richard K. Burrell, of the Eastman Kodak Company:

> Essentially, personnel work is dealing with people rather than with machines, figures, facts, plans, or merchandise. Because it is dealing with people, many young men and women who have no definite preparation for a specific profession or occupation think it offers a 'push over' . . . .
>
> In no field are the disappointments and discouragements greater than in personnel work, where the unemployed, the unhappy, the 'weak sister' are given work, encouragement, advancement, new opportunities, and hope, by one who knows the inside facts from both the employer's and employee's point of view and realizes that others with less responsibilities, less talent, and less honest-to-goodness work are making more money and having more fun.
>
> Personnel work is interesting, but it is no cinch. It is no place for the faint-hearted, no place for anyone who is not thorough, careful, persistent, and confident; no place for the climber, the 'false front,' or the self-seeker. It is the ideal place for one who has courage, stamina, and the sincere will to be as helpful as possible to the company he works for and the people he works with.[8]

If you are interested in personnel work, you would do well to explore its career possibilities further. Perhaps you need to know more about yourself as well as the field of work. In such instances the assistance of a qualified vocational counselor is likely to prove helpful. Individuals in personnel jobs may also be consulted. The important thing is that your occupational choice be solidly grounded in reality.

[8] D. M. Smythe, *Careers in Personnel Work* (New York: E. P. Dutton & Co., Inc., 1946), p. 38.

RÉSUMÉ

Personnel work has been viewed from the standpoint of the personal qualifications needed for success in the field, and some of the opportunities that exist for interested persons have been presented. Personnel work is probably much like any other work as far as its desirable and undesirable qualities are concerned. It appeals to some individuals but not to others. The individual who feels that he has the required abilities and personality characteristics and whose interests appear to be grounded in reality rather than in wishful thinking should give careful consideration to a career in this field. He should realize, however, that the personnel department, like other staff departments, demands that its members be able to work effectively with line and staff departments as well as with top management. Thus, the personality requirements should be carefully examined.

The personnel worker who aspires to move toward the top of the department should recognize that success in staff personnel work requires that personnel managers be good leaders. They must not only be able to lead their own employees, but they must be able to train and inspire all managerial and supervisory personnel in the organization to become better managers of personnel. The future of the field of personnel management is dependent upon having more personnel workers who are willing to prepare to meet the challenge.

REVIEW AND DISCUSSION QUESTIONS

1. Why should the student take college courses that are outside the personnel area?
2. What opportunities may the student find in extracurricular activities that will help to prepare him for personnel work?
3. What personality characteristics should the personnel worker possess?
4. What is the relationship between expressed interests and real interests? What are the indicators of a person's real interest in personnel work?
5. Why is experience as an operative employee often valued by the employer?
6. What is the outlook for personnel work in the future?
7. What opportunities are available to the personnel worker other than in business and industry?
8. What are some of the frustrations of the personnel job? the rewards?
9. Throughout this chapter the need for self-insight or personal understanding was emphasized. How can the individual achieve a better understanding of his capabilities and his limitations? Is there any way in which some of his limitations may be minimized or overcome?
10. If you are interested in personnel work, consider these questions: What is there particularly about the work that appeals to me? What experiences could I have now that would be similar to those I would be likely to find on the job?

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APPENDIX

PERSONNEL MANAGEMENT CASES

— 1 — The Chief Operator

— 2 — The Artesian Oil Company

— 3 — The Annual Inventory

— 4 — The Boss's Friend

— 5 — Training off the Track

— 6 — The Ft. Davis Depot

— 7 — A Case of Homesickness

— 8 — Moonlighting

— 9 — Harry Helzer

— 10 — Electrols, Incorporated

— 11 — The Pajama Factory

— 12 — The Saline Chemical Corporation

— 13 — A Morale Survey

— 14 — Jumpy Jack

— 15 — The Sleepy Machine Operator

— 16 — The Private Investigators

— 17 — The Sleeping Ship Repairman

— 18 — Union Politics

— 19 — The Unsigned Contract

— 20 — The Mahan Supply Depot

— 21 — Corporate Santas

Case No. 1

THE CHIEF OPERATOR

One evening H. H. Holt, Traffic Manager of the Midwest Telephone Company, an independent nonunionized telephone company serving about 55 exchanges and 75,000 subscribers, received a call from R. C. Smith, local manager of the Ludlow exchange. Smith asked Holt to investigate some trouble involving the chief operator and cashier, Mrs. Mary Wright, and one of the younger operators, Sally Hanover. Smith reported that Mary had slapped Sally when Sally had teased her that day. Sally's parents had called Smith and demanded that Mary be discharged from her job immediately.

Ludlow, one of the medium-sized exchanges served by the company, had about 1,400 subscribers in the town and surrounding area. The Midwest Company had purchased the Ludlow exchange two years earlier from a smaller company, formerly owned by Smith. Smith was put in charge, but he had little authority or responsibility except to maintain good relations with subscribers. At that time Mary Wright had served as an operator for about 10 years. She was appointed chief operator and cashier; and she and her mother, whom she supported, moved to Ludlow to make their permanent home.

Mary had worked conscientiously at her new job and was always anxious to please. She met the public well but had some difficulty with the volume of reports because of her meager educational background. She had made a number of errors of no great consequence but always willingly corrected her mistakes when told about them. As cashier and chief operator, Mary was in charge of the operators and their work assignments (12 operators were employed, with four on duty at a time), collected money from bills, made all the reports to the home office in a small city about 65 miles away, made out work orders for installing and changing telephones, and was responsible for relieving the girls on the switchboard at their rest periods.

Smith, the local manager, was Mary's immediate superior; but she also received orders and instructions from the traffic manager, the plant supervisor, and the directory supervisor in the home office. These people usually communicated with her directly by telephone.

The next day, Holt drove to the Ludlow exchange to learn more of the incident. He knew that Sally, a girl of about 19, had a reputation for

teasing, but otherwise her work record had been good. As a means of determining the truth of Sally's story, Holt asked the operators on duty (the same girls as were on duty the previous day) if any of them had heard Mary slap Sally. After much questioning, one operator admitted that she had heard the slap.

Holt asked Mary why she had done it. Mary said she was sorry she had lost her temper. She had been busy with all her reports and duties; and when Sally persisted in teasing her, Mary said she just forgot herself and slapped her. She said again that she was sorry.

Holt thought over the incident while driving home and later that evening. The next morning he telephoned Mary and suggested that it would be best for her to resign. Mary followed his suggestion and quit. One of the other experienced operators took over the job as chief operator and cashier, and Sally Hanover continued as an operator.

Although the incident was apparently concluded, many of the people in Ludlow expressed disgust at the way the problem had been handled. Many of them thought that at least Sally should have "resigned" also; while others put the entire blame on Sally.

Questions

1. Did Holt handle the problem correctly? If you were Holt, how would you have handled the problem?
2. Do you think that the organizational structure could be improved? How? What effect would this be likely to have on communication?
3. Was there anything about the chief operator's job duties that might have caused Mary to be edgy?
4. What principles of personnel management were violated in this situation?

Case No. 2

THE ARTESIAN OIL COMPANY

For many years the Artesian Oil Company, located in the Southwest, had engaged in the production, refining, and distribution of petroleum products within a territory covering three states. Many of its oil producing and refining operations were located in semiarid regions that were well removed from any large city and which were not considered to be very desirable employment locations. Since some work experience in these operations was considered to be an essential part of the company's executive development program, college graduates who were selected for the program were required to spend a few years working and living at these

locations. This factor caused a rather high rate of turnover among executive trainees. Other aspects of employment, however, were considerably better than average.

The company had a very comprehensive but rigid wage-and-salary system based upon job evaluation. The beginning salary and the fringe benefits for college graduates entering the program were above those offered by most companies. In addition to the base rate, the salary included possible extra allowances to be granted on the basis of the applicant's age, experience, marital status, and type of degree. For those college graduates who demonstrated satisfactory ability, advancement during their first few years with the company came very rapidly.

Through its annual nation-wide college recruitment program, which it had initiated in 1938, the Artesian Oil Company had been able to select graduates who were considered to be outstanding. Because the company was one of the first to adopt such a recruitment program and had offered substantial employment inducements to those who were selected, it was able for several years to obtain the caliber of applicants that it wanted. Following World War II, however, other companies initiated similar college recruitment programs and offered employment inducements that compared favorably with those of the Artesian Company. As a result, the Artesian Company began to lose many of the outstanding graduates to other companies that offered special salary inducements or whose representatives arrived on campus first. In spite of this fact, the Artesian Company refused to lower its selection standards or to depart from its rather rigid policies covering starting salaries for college graduates. The company thus began to be faced with the problem of not being able to recruit a sufficient number of graduates of the caliber it wanted.

Since the company found its starting rates for graduates in line with those of other companies and also internally consistent with the other job classes in its rate structure, an increase in the starting rates did not seem feasible. While the company recognized that the prospect of being placed in one of its less desirable locations either as a trainee or ultimately as an executive was a factor that was contributing to its recruitment difficulties, the operations at these locations were vital to the company. Furthermore, work experience in the producing and refining operations at these locations was considered to be highly desirable, regardless of whether or not the trainees remained in the operating phase of the company. Those executives who were placed in this phase of the company, however, could anticipate spending a number of years at these less desirable locations.

Recognizing the growing recruitment and turnover difficulties that were confronting the company in its executive development program, the director of industrial relations asked his assistant to study the problem and to prepare a report recommending corrective action. This report was to be submitted to the executive committee for consideration at its next meeting. In studying the problem, the assistant recognized that it would be virtually impossible to gain an immediate increase in the starting salary for college graduates because this would create internal distortions within the company's wage-and-salary structure which, although highly formalized and rigid, was consistent from an internal standpoint. He also recognized that top management would be opposed to any appreciable lowering of its selection standards for executive trainees.

Questions

1. In view of the limitations that have been set forth, what recommendation would you make if you were the assistant industrial relations director?
2. If the company increased the starting salary for college recruits by 10 per cent, what difficulties might it encounter within its formal wage-and-salary structure?

Case No. 3

THE ANNUAL INVENTORY

The warehouse of a government agency that stocked several thousand different items had an annual problem of completing an inventory of the stock on hand. Regulations required that a physical count be made of each item because of the unusually high value of the goods. It was customary for the warehouse manager to obtain sufficient personnel on a loan basis from other departments in the agency for three or four days to complete the inventory. It was the practice of the lending departments to send personnel whose absence would least affect their respective operations. Therefore, the personnel who conducted the inventory were not of the highest caliber for the job, and the rate of errors was usually high.

As a result of an official visit of the chief inspector of the head office of the agency, permission was obtained to conduct the inventory on an overtime basis, thus eliminating any interference with the normal business operations. Because of the overtime wages, about three times as many employees as were actually required to complete the job made application for this special assignment. One year's experience of hiring on a first-come-first-hired basis proved unsatisfactory. The personnel manager decided

that only those who were particularly suited for this assignment should be selected and that this could be determined through the use of a test. He also believed that more time should be given to orienting and training the individuals who were selected.

An analysis of the inventory job revealed that the individuals performing this work should be proficient in performing simple arithmetic computations — addition, subtraction, multiplication — and in comparing stock item numbers on the inventory cards with the numbers on the bins and cartons. Two tests were constructed: one included 25 arithmetic problems of the type performed on the inventory job; and the other contained 100 problems with pairs of numbers and pairs of names to be matched. The matching problems were similar to those in standardized clerical aptitude tests. Each part of the test had a 6-minute time limit. Since the tests required only 40 minutes to administer (including directions) and about 50 persons could be tested at one time, it was considered an economical approach to the selection problem.

When the time for the next annual inventory arrived, an announcement was made about the availability of the inventory jobs and the fact that selection tests would be used. The usual number of individuals did not apply. Only about 100 — the number needed to do the job — made application. The tests were given, nevertheless, and everyone who applied was hired.

During the training session, the arithmetic test items were studied and practice on addition was required. The counting procedures to be followed, the method for recording numbers on the inventory cards, the safe use of ladders, and other related matters were also explained to the inventory crew.

At the close of the inventory, a spot check revealed that the percentage of errors was reduced considerably over previous years. A check of the number of items inventoried by each individual also revealed that those who scored in the upper 25 per cent on the clerical aptitude test accomplished significantly more work during the inventory than those scoring in the lower 25 per cent on the same test. It was decided that both tests were worth while and would be used again.

Questions

1. How do you account for the drop in the number of applicants the year the test was used for selecting inventory personnel?
2. Would practice on the arithmetic items be likely to improve the ability of the personnel in arithmetic? Why?

3. If practice had been given on the problems that involved the checking of pairs of names and numbers that were alike, would the personnel be expected to improve in this type of problem? Why?
4. Is the clerical aptitude test valid? Why?
5. Do both tests have face validity?

Case No. 4

THE BOSS'S FRIEND

This case involves the following individuals who held the positions indicated in a department of a government agency:

Mr. Starbuck.....Division Chief, who later became Department Chief
Mr. Sparks.....Who replaced Mr. Starbuck as Division Chief
Mr. Hanna.....Section Chief
Mr. Burns.....Branch Chief
Mr. Hughes.....Unit Chief
Mr. Ronson.....An employee, later Unit Chief

At one time when Mr. Hanna was away on temporary duty, his superior, Mr. Starbuck, hired Mr. Ronson and assigned him to the branch headed by Mr. Burns. Upon Hanna's return to the office a week later, Starbuck advised Hanna that he had done him a big favor by hiring such a capable man. He told Hanna that he and Ronson had been friends for many years and that there wasn't a better man for the job. Hanna checked Ronson's qualifications and was inclined to agree with Starbuck's action in hiring the man. Hanna was advised that Ronson was hired on a different job classification than the one to which he was assigned. Hanna failed to realize, however, that the wage scale for this job classification was about $350 a year more than that of Burns, the branch chief.

About one month after Ronson was hired, Hughes retired and Ronson was assigned to his job. He was given this assignment primarily because of the implied direction from Starbuck. Ronson's new job required having knowledge of the office procedures, tact in dealing with office personnel, plus some individual judgment in case of work stoppage in the shops. Hanna was aware that Ronson did not have sufficient training to assume full responsibility as a supervisor. Therefore, Hanna instructed Burns to work closely with Ronson and to advise Hanna of his progress and performance. Burns was also aware that Starbuck personally hired Ronson and was pulling the strings from behind the scenes.

Apparently Ronson took to his job satisfactorily and carried his share of the duties. He did complain to Hanna, however, that he was not allowed to make decisions but had to refer all decision-making to Burns. Hanna did not consider this situation unusual, considering that Ronson had been with them less than six weeks at this time.

About two weeks later, Starbuck was promoted to Department Chief, and Sparks from another department became division chief. Shortly after this transfer occurred, Hanna began hearing rumors that Ronson was incompetent, a loafer, and was annoying the women in the office. He considered these rumors as insignificant; but when they persisted, he decided to investigate. Hanna summoned Burns and Ronson to his office. He asked Burns for details and was informed by him that Ronson was not doing his job. Ronson admitted that perhaps there were certain procedures with which he was not thoroughly familiar, but he felt that with additional training he would be able to rectify the situation. Ronson also admitted that at times things in the office were slack, and that he sat around and talked with people. He promised that he would discontinue this practice. He was cautioned about annoying women in the office but to this reprimand he vehemently rebelled. He felt that this accusation was unjustified.

Hanna arranged for additional training, cautioned Ronson about loafing in the office, and reminded him of his responsibility as a supervisor. Furthermore, he put Ronson on a 60-day trial period and arranged for an evaluation of his progress to be made every week. For the first few weeks Hanna was advised of Ronson's progress and was informed that Ronson was improving. Hanna also talked with Ronson personally on several occasions and offered suggestions on ways and means for improving his performance.

Just before the 60-day trial period ended, Burns walked into Hanna's office and advised him that Ronson must go. He stated that Ronson was not the man for the job and never would be. Furthermore, no one in the office would work with Ronson, and the shop personnel felt the same way about him. Hanna listened to the report that Burns presented, interviewed witnesses, and verified these accusations. Hanna thereupon decided that regardless of what the "big boss" would say, Ronson would have to go. He advertised his job for replacement, and advised Ronson that he would have to accept a job under the classification for which he was hired or else leave the organization.

The very next day Hanna's new boss, Sparks, summoned Hanna to his office and wanted to know what he was doing. It soon became apparent to Hanna that Ronson had been to see his benefactor, and that the bene-

factor was putting pressure on Sparks. Sparks, Burns, and Hanna held a closed session for about two hours. They reviewed this particular problem, called in witnesses, and checked the weekly evaluation reports. The testimony presented during this closed session left some doubt as to the validity of some of the accusations against Ronson. Hanna readily concurred with Sparks' decision that Ronson be put back on the job and that he be very closely observed. Sparks advised that proof would have to be presented before he could do anything.

About a week later the personnel division started a survey and reclassification of the office jobs. One of the jobs surveyed was Ronson's. The results of the job classification survey disclosed that Ronson would take a cut in salary or else would have to accept employment on the job classification for which he was originally hired. Ronson agreed to accept a cut in salary if he would be left in the office. Immediately Hanna noticed a big change in attitude toward Ronson. All of the complaints and resentments disappeared. Ronson is still employed in the same job as unit chief and is respected for his ability.

Questions

1. Is it likely that Burns had anything to do with the rumors about Ronson? Why?
2. Who made the first mistake? What could have been done to avoid the problem?
3. Do you feel that the lines of authority shown at the beginning of this case were followed at all stages in the development and solution of the problem?
4. Did the personnel division discharge its responsibilities satisfactorily?

Case No. 5

TRAINING OFF THE TRACK

Mr. Chauncy Vanderhalt, Vice-President in charge of maintenance for the East-West Railroad System, was alarmed at the turnover rate among the men in the maintenance crews. He felt that the problem was primarilly the result of the type of supervision that they received from the 30 division foremen and assistant foremen. There had been indications that these individuals were quite rigid in their attitudes toward subordinates and often treated them as if they were stupid and incompetent. Vanderhalt felt that this was a problem for the personnel department.

During a conference with Vanderhalt, the personnel manager, Mr. Smiley, and the training director, Mr. Roberts, recommended that the best approach to the problem would be to conduct a human relations institute for these division foremen and their assistants. Plans were made for the institute to be conducted by five members of the faculty of a university that was centrally located in the system. The institute was scheduled for a two-week period in the following month.

On the eve of the day before instruction was to begin, the group of 30 participants assembled at one of the local hotels near the university for an informal get-together with the faculty. The high light of the evening was a kickoff dinner at which the vice-president in charge of maintenance and the university dean were the principal speakers.

The atmosphere was warm and cordial. A few of the members, however, relaxed too much and spent more time in getting acquainted with Jim Beam and John Barley Corn than they did with the faculty or their classmates. The vice-president noted this and asked Roberts, the training director, who was in charge of the institute, to come to his hotel room after the kickoff dinner. Vanderhalt was quite disturbed over what he had seen and put the training director on the spot by asking him if this type of program was really going to be of any value. He wanted to see results! After all, the expenses for each man were $450 for the course, exclusive of his salary for the two-week period.

While the course proceeded fairly well, it was apparent after a few days that some of the participants were not giving it their full attention and effort. It was the first occasion in a long time that many had been away from their families and the rigors of the job, and many were inclined to stay out late at night. As a result, some of the men were not well prepared on their human relations cases and did not contribute much to the discussion. Others were finding it difficult to stay awake during the lectures. Roberts, who was sitting through the course, remembered the words of the vice-president before he had departed and began to wonder if some incentive should be used. He believed that the men should be tested and graded on their work at the institute.

Roberts approached the faculty coordinator, Dr. Hammer, and made the proposal that tests be given to the men. Dr. Hammer agreed to discuss this matter with the faculty. The faculty, however, were quite firm in their belief that the men should not be tested and graded because they didn't have equal backgrounds for the course, because grading would tend to make them feel insecure, and because a course in human relations is difficult to evaluate. Roberts was not satisfied with their response, because

he felt that he would need tangible evidence to present to top management to show that the course was worthwhile. He argued with Dr. Hammer that there should be some type of test that could be used for the purpose. Dr. Hammer and the faculty, however, maintained their original position, and no type of formal evaluation was made during the institute.

When the institute was over and Roberts returned to his office, he was asked by Smiley to prepare a report to Vanderhalt on the effectiveness of the institute in achieving the human relations objectives for which the institute was conducted.

Questions

1. If you were Roberts, how would you evaluate the effectiveness of the course in your report to the vice-president?
2. Were the reasons given by the faculty for not evaluating the performance of the men justified? Why?
3. Should management expect immediate results from such an institute? Why?
4. Was improved human relations necessarily the answer to the high turnover rate? If the turnover rate among the maintenance crew personnel remained the same, should the institute be considered a failure? Why?
5. Would another type of course have been more suitable for the purpose?

Case No. 6

THE FT. DAVIS DEPOT

Ft. Davis Depot was established at a small town in Arizona near the close of World War II for the purpose of repairing and storing Army vehicles. It was manned primarily by civilian personnel with a small number of military personnel assigned to the depot for administrative and training purposes. During the first few years, the civilian complement totaled about 700 persons. During the Korean War the number grew rapidly to about 3,500, and then stabilized at about 2,500.

The depot was organized into three principal operating divisions — storage, repair, and stock control; and five smaller divisions — civilian personnel, depot facilities, inspection, transportation, and controller. Except for the civilian personnel division, a military officer was in charge of each of the divisions. Most of the administration, however, was handled by civilian division heads, since the military officers were rarely retained in any one assignment for longer than a two-year period.

As operations began to stabilize following the Korean Armistice, the depot received a series of written and oral communications from Washington recommending that steps be taken to provide an executive development program for both military and civilian personnel. The directives pertaining to executive development were very favorably received by a number of the civilian division heads, who were under pressure to improve management practices and operating efficiency within their divisions. Many of these executives, however, were of the opinion that further development was needed by their subordinates rather than by themselves. The commanding officer of the depot was of the opinion that all executives could profit from a development program.

Since no specific program or training methods had been recommended by the Washington headquarters, the training director arranged to start the development program by having a college in a neighboring town offer a course in management with college credit. The tuition and book costs were paid by the depot, and half of the instruction was offered on government time.

Although enrollment in the course was voluntary, definite pressure was exerted upon executives in the upper and middle levels of the organization. As a result, most of the executives in these groups enrolled in the course, many of them because they did not want to appear to be disinterested in self-improvement. A number of these reluctant enrollees, however, soon found more urgent tasks to occupy themselves during the hours that the classes were scheduled. As soon as sufficient time had passed to make their withdrawal politically safe, most of these individuals, who constituted about 20 out of the 72 enrolled, dropped out of the course completely. Of those who remained, about 30 tried to put forth the effort required to gain something from the course, while the remainder continued to attend class sporatically because they wanted to have the fact that they had taken the course in their personnel file.

Only 15 of those who enrolled in the course had had any previous college work, and only three possessed a college degree. The lack of a college background created a feeling of insecurity among many of the executives in attendance, particularly among those in the higher level positions. Their insecurity was further increased by the fact that some of their subordinates, who were also in the course, were able to earn better grades on the examinations. This factor contributed in part to the greater drop-out rate among executives from the higher levels.

At the conclusion of the first course, a second one was offered by the college. At this time, however, no pressure to enroll was exerted. The

opportunity to take the course was extended to executives in the lower levels in order to replace members in the original group who did not again enroll. Of the 50 executives who enrolled in this course, only 5 dropped out before completing it. The interest and performance displayed during the second course for the most part was improved considerably.

As the second course drew to a close, the training director submitted a request to the Depot Commander for funds and permission to offer a third course in the area of human relations. The depot had just changed commands, however, and the new commanding officer raised several questions about the requested course and about the depot's executive development program in general. He questioned, for example, why those participating in the program varied so much from one course to another, and why the same persons had not taken both courses. He also questioned why a master development program had not been organized and why other development opportunities besides college courses were not being stressed.

There was some doubt in the commander's mind as to whether the benefits derived from the courses were commensurate with the costs involved. He, therefore, requested his deputy commander to make a study of the depot's executive development efforts and recommend what future action the depot should take in providing such a program.

Questions

1. If you were conducting the evaluation, what future action would you recommend that the depot take with regard to executive development? Should the series of college courses be continued?
2. What are the main weaknesses in the executive development efforts of the depot? Do you feel that these efforts have been of any value thus far?
3. Do you feel that the course offerings were of the proper type? Do you feel that any value may have been derived from them?
4. Are there any factors that might tend to make an executive development program more difficult to operate in a government organization as compared with a private firm?

Case No. 7

A CASE OF HOMESICKNESS

The Franklin Electric Corporation, with headquarters in Chicago, manufactured and distributed electric motors throughout the United States and in many foreign countries. Early in February Mr. Timmons, the sales

manager for the Eastern Division of the Company, received an office visit from Mr. Harold Enoch, a sales supervisor in one of the northern districts of the division.

Enoch was 32 years old, married, and had two children of preschool age. He had served three years in the Navy during World War II and had attended a state college in California following his discharge. He graduated three years later with a degree in business administration and had immediately joined the Franklin Corporation as a sales trainee. His first six months were spent in the company's program in Chicago and his next six months in the field under the supervision of a senior salesman. After a year of training, Enoch was assigned a territory in Oakland, California, where he worked for two years and made an outstanding record. Because of his record and executive potential, the company transferred him to the home office in Chicago so that he might acquire additional experience in its sales promotion division. After 26 months in Chicago, Enoch was sent to its Eastern Division where he was made a sales supervisor of one of the districts. Enoch had been in this position for about 5 months at the time of his visit with Timmons.

It was obvious to Timmons as Enoch entered his office that the young supervisor was quite disturbed about something. Timmons invited him to unburden his troubles. Enoch quickly accepted the invitation by stating that he would like to be transferred back to California. If necessary, he was willing to accept a demotion to a salesman's job in order to make the move. Timmons was surprised by Enoch's request to leave and by his apparent willingness to sacrifice his career with the company in order to get back to California. Upon questioning Enoch as to his motives, he learned that Mrs. Enoch had been very unhappy over being forced to live so far from her parents and friends in California. Her parents had not helped the situation by continually complaining about the location of their son-in-law's assignment and the fact they could not see their daughter and grandchildren more often. The dreary winter weather, together with the frequent illness of her children, and the prodding of her parents contributed little to the wife's adjustment to the Northern environment.

In an effort to cheer his wife, Enoch sent her and the children home to California for a visit shortly after Christmas. When it was time for her to return, he received a letter stating that she couldn't face any more ice and snow and therefore was staying on with her parents. In discussing the problem further with Timmons, Enoch admitted that he too disliked the area and was homesick for California. At the moment, he felt his own and his family's happiness was paramount to his career with the company.

Timmons' first suggestion to Enoch was that he take some time off and visit his wife to see if he could persuade her to return and thus prevent the career sacrifice that would be involved for them both if he gave up his present job. Enoch stated that he had considered this possibility, but that he had given it up as being impractical.

Timmons admitted that he sympathized with Enoch's problem, but that there were no vacancies in the Western Division at the moment. He also reminded Enoch that the only way one could progress within the firm was to move where vacancies occurred and that failure to take advantage of the advancement opportunities provided by the company might possibly jeopardize his chance for further advancement.

Enoch replied that he liked the company and his work and that he realized some moving was necessary. He could not see, however, why employees from the East were transferred to the West Coast, while employees who had been raised on the West Coast were forced to move to the East Coast. Timmons replied that it was company policy to transfer employees to different sections of the country to provide them with training, to fill vacancies, to meet changing workload requirements, and to give everyone an opportunity to live in both the more desirable and less desirable districts of the company. He also added that it was company policy, in the interests of fairness and efficiency, to transfer, promote, and move employees about within the company on the basis of their qualifications and eligibility for job vacancies, and not on the basis of their home town locations. After considerable discussion, Timmons suggested that the matter be postponed for a few days in order to give each of them a chance to think more about it and to investigate possible alternatives that might be considered in arriving at a solution. Enoch agreed to this suggestion.

In giving thought to the problem, Timmons found himself in sympathy with the emotional problems being faced by Enoch. The fact remained, however, that Enoch was not in line for another move for at least a year. Even if a salesman's job were open on the West Coast, it would probably mean a loss of rank, pay, and future promotion opportunities for Enoch. On the other hand, Timmons felt rather certain that Enoch would quit the company if he were not transferred to a job closer to his home. If this occurred, the company would lose a very promising young executive and a training investment of approximately $6,000. Timmons, feeling that the problem was beyond his power to handle, decided to call the home office and seek advice and assistance from the sales manager.

Questions

1. If you were the sales manager, what advice would you give Timmons?
2. Should Timmons have referred the problem to the sales manager, or the personnel manager, or should he have attempted to solve it himself?
3. Is the company at fault in permitting the problem to develop this far?
4. If a salesman's job were open in California, would it be advisable to let Enoch have it by taking a demotion? What new problems might this action create?
5. Do you feel that this case points up a need for a change by the company in any phases of its personnel program?

Case No. 8

MOONLIGHTING

The Centerville plant was one of 18 plants operated by the Arnold Container Corporation in various locations throughout the United States. The plant, which was on a two-shift basis, produced cardboard boxes that were used in the packaging of flour, breakfast foods, and similar products. The work force at the Centerville plant, although larger during the summer months, stabilized at about 600 during the winter. Of this number, about 400 worked on the day shift and 200 on the night shift. Centerville was located in a region that was predominately agricultural, but it was rapidly acquiring new industry because of its desirable living conditions. Most of the Centerville population was employed locally.

The problem for discussion developed when Joe Sweeney, night foreman of the traffic and warehouse department, received instructions from the night superintendent to transfer two of his employees to the day shift to fill vacancies that had been created by turnover. Although Sweeney complained to the superintendent that he could not afford to lose two members of his crew, he was told to get along as best he could.

In attempting to select the two individuals for the transfer, Sweeney first asked for volunteers from his crew. Since only one member volunteered, a second member had to be drafted. Under the terms of the union contract, those persons with the least seniority were taken first whenever it was necessary to transfer personnel against their will. When the employee with the least seniority was notified that he would be transferred, he informed Sweeney that he would not accept the transfer because he operated a small business of his own during the day. Upon being informed that he

would have to accept it, he resigned. As the next two employees on the seniority list were requested to make this transfer, they, too, resigned; one because he had to work his farm, and the other because he attended college during the day. Although the fourth person contacted agreed to make the transfer, Joe Sweeney's crew was reduced by three persons in addition to those who were transferred. The three employees who quit were all considered to be very good workers who would be difficult to replace. Considerable training would be required in order for new employees to learn all of the procedural details concerning the operation of the department and the duties of their jobs.

The loss of the five employees resulted in a sharp decline in efficiency and in some costly delays in the processing and delivery of customer orders. Three new employees were hired for the night shift, and one of the employees transferred to the day shift had to be recalled to restore efficiency.

Questions

1. How might this problem have been avoided?
2. Do you feel that the basis used in selecting employees for transfer was fair?
3. What bearing does this case have upon employee selection? Wage administration?
4. Do you feel that employees should be permitted to engage in "moonlighting" — that is, hold two jobs?

Case No. 9

HARRY HELZER

Harry Helzer, a radio equipment repairman, was hired by the Acme Aircraft Radio Company on the basis of a brief interview in which he described his prior job experiences with another company. Since Acme was behind in its factory repair work and needed employees desperately, the usual procedures of checking with prior employers and administering tests were waived to get men on the job as quickly as possible.

Helzer was assigned to Pete Crawford, who had several vacancies in his assembly crew. Pete soon learned that Helzer required close supervision on jobs that were assigned to him and that he would often volunteer for tasks that were beyond his capabilities. He was, therefore, transferred to another crew handling less complicated types of repairs.

His new boss, John Lucas, found that Helzer did not work out in his crew as had been anticipated by the repair department manager. His

performance on assigned duties was not up to the standard, and he occasionally offended the women employees by using abusive and obscene language. When Lucas cautioned Helzer about his poor performance and his personal behavior, Helzer became insulting and stated that his work was better than that of anyone else in the section and that he should be given a promotion. Lucas, as a result of Helzer's attitude and behavior, gave him an official reprimand.

At Lucas's request, Helzer was transferred to another crew supervised by John Lentz. Lentz's crew was also engaged in radio repair work. Lentz soon observed that in his absence Helzer gave instructions and orders to fellow-employees. This resulted in improper information being passed out by one who did not have either the authority or the knowledge to do so properly. Helzer would give these orders in such a way as to lead the other employees into believing that he was authorized to do so. Orders and instructions by Lentz would be countermanded by Helzer in Lentz's absence, resulting in turmoil on the job.

Lentz, well-known for his patience and ability to get along well with his personnel, was forced to caution Helzer on several occasions about his actions. Each time Helzer became angry and abusive. Lentz pointed out that Helzer was capable of doing a satisfactory job, but his general performance made it necessary to make a comment on Helzer's personnel record card of his unsatisfactory job performance, together with the reasons for the comment.

Twice more in the next six months Helzer was transferred to new supervisors with his general over-all performance being the same as before. He would not cooperate with supervisors or fellow employees, and the continued use of objectionable language in the presence of women caused dissension on the job. At times, however, his cooperation, workmanship, and attitude toward his job were very good only to flare up again with the objectionable behavior. Talks with him by these new supervisors were to no avail, and he always considered himself better than he had shown himself to be. He also felt that the supervisor was forced to discipline him on orders from higher authority.

Helzer was again transferred, and again he was called to task for the use of objectionable language and for poor workmanship. During the following week he was a model employee.

Two weeks later, however, Helzer became engaged in a heated argument with a co-worker. When the argument was stopped by the supervisor, each party stated it was a misunderstanding and both participants were verbally warned that another such action would result in disciplinary

action. Three days later Helzer was involved in another argument, threatening bodily injury to a fellow employee. The argument was stopped by his supervisor. Helzer was then told that another letter or reprimand, coupled with a term of suspension, was being recommended to the management. When these facts were presented to him, he decided to submit his resignation, which was accepted.

Questions

1. What do you think was the cause of Helzer's behavior? Would the company be likely to change his behavior?
2. What errors did line management make in their relationships with this employee?
3. What was management's motive in transfering the employee?
4. How much tolerance should supervisors be expected to have?
5. How could the personnel department have avoided or alleviated this situation?

Case No. 10

ELECTROLS, INCORPORATED

Electrols, Incorporated was a large producer of electronics equipment for civilian and military use. The company employed approximately 15,000 personnel, including about 1,000 in its research and development division. Among the various jobs in this latter division was that of scientific assistant. This job involved performing mathematical and statistical work in connection with the various research projects being conducted by the senior scientists. Persons in this job were required to have considerable technical knowledge and imaginative ability, as well as a college degree in mathematics or statistics.

In relation to the other jobs within the company, the job of scientific assistant was considered to be properly classified from the standpoint of the salary. The rate for the job, as in the case of all other jobs within the company, was determined by a formal program of job evaluation and community wage survey. In spite of the fact that the rate for the job was considered to be properly determined, there was a shortage of qualified male applicants. Therefore, most of the positions within this job were staffed with women, and women in this field generally could not command salaries equal to those paid to men. The performance of these women in general was considered to be quite satisfactory. Unfortunately, however, there were virtually no advancement opportunities open to them because of the company's unwritten policy against promoting women to either

supervisory or higher technical jobs. As a result, most of the more capable women quit after working a couple of years with the company as their lack of advancement opportunities became more apparent. In addition, there was the usual turnover among women due to marriage and family obligations. Thus, although the research and development division was able to recruit competent women for the scientific assistant positions and other technical jobs, turnover among them was a serious problem.

Dr. Adolph Karl, who was in charge of the statistical section of the division, was keenly aware of the turnover problem among his women personnel and particularly worried about the possibility of losing Miss Olsen who was an outstanding statistician. Miss Olsen had a master's degree and was considered to be comparable in ability to any of the Ph.D.'s in her field. Although there appeared to be little danger of Miss Olsen's leaving the company to get married, she had received an attractive offer from a government agency to fill a senior statistician's position. Her departure would have represented a severe loss to the company.

The problem of how to retain Miss Olsen, as well as to staff the various scientific assistant positions, was clearly a problem that required some changes in promotion policies. Dr. Karl felt that if he fought hard enough with top management, he could possibly get a higher position classification and accompanying salary increase for Miss Olsen. He also recognized, however, that Miss Olsen's increase would have to be an exceptional case, since there was little possibility that top management would ever alter its policy toward the promotion of women. Even if he were able to gain a promotion for Miss Olsen, he realized that this would represent only a temporary solution, since she had both the capacity and ambition to advance much farther. He realized, also, that any change in the salary classification for the scientific assistant job would be impossible because of the firmly established wage-and-salary structure.

Being a man of high integrity, Dr. Karl felt that the company was not being honest with the women whom it hired as scientific assistants, or for other jobs for that matter, when it failed to inform them of the limited advancement opportunities available to them. He recognized, however, that such honesty would make the recruitment of qualified personnel even more difficult.

In considering the possible solution to the problem of recruiting and retaining employees in this job, Dr. Karl recognized that none of the immediate alternatives was very satisfactory. If he hired male employees, at the rate established for the job he would have to hire those with lower

ability or qualifications, and thus more work would be upon the senior scientists who were in short supply. On the other hand, the turnover among women within the department had reached the point where it tended to handicap efficiency severely. The only real solution to his problem appeared to be of a long-term nature in which more salary and recognition could be given to the staff jobs and the discrimination against women could be eliminated. The question, however, was how to convince top management of the need for such a change in policy.

Questions

1. What implications does this case have from the standpoint of:
   A. Business ethics?
   B. Employee communications?
   C. Personnel policies?
2. How would you recommend that Dr. Karl attempt to deal with the immediate problem? With the long-run aspects of the problem?
3. Is it possible to overcome well entrenched policies and traditions within a company? How?

Case No. 11

THE PAJAMA FACTORY*

Some years ago an experiment was conducted at the Harwood Manufacturing Company. The plant had about 500 women and 100 men engaged in manufacturing pajamas. The average age of the employees was 23 years, and the average education was 8 years of grammar school. Most of the employees were from the rural, mountainous areas surrounding the town, and had no prior industrial experience. Because of its policies, the company had enjoyed good labor relations since the day that it commenced operations.

The experiment was designed to determine why employees often resist changes that are made in various aspects of their jobs. Management had determined that it was necessary to change work methods in order to reduce production costs and used this opportunity to study employee resistance to change.

One group of employees — the control group — went through the usual factory routine when their jobs were changed. The production department modified the job, and a new piece rate was set. A group meeting was then held in which the control group was told that the change was

*Adapted from an experiment by L. Coch and J. R. P. French, Jr., "Overcoming Resistance to Change," *Human Relations*, Vol. 1 (1948) pp. 512–532.

necessary because of competitive conditions, and that a new piece rate had been set. The new piece rate was thoroughly explained by the time study man, and questions were answered.

The experimental group was handled quite differently. In a group meeting that was held with all the employees to be affected by the change, the need for the change was presented as dramatically as possible by showing two identical garments produced in the factory; one was produced in 1946 and had sold for twice as much as the other one produced in 1947. The group was asked to identify the cheaper one and could not do it. The demonstration effectively showed the need for cost reduction. A general agreement was reached that a savings could be effected by removing the "frills" and "fancy" work from the garment without affecting the folders' opportunity to achieve a high efficiency rating. Management then presented a plan to set the new job and piece rate, as follows:

1. Make a check study of the job as it was being done.
2. Eliminate all unnecessary work.
3. Train several operators in the correct methods.
4. Set the piece rate by time studies on these specially trained operators.
5. Explain the new job and rate to all the operators.
6. Train all operators in the new method so they can reach a high rate of production within a short time.

The group approved this plan and chose the operators to be specially trained. A submeeting with the chosen operators was held immediately following the meeting with the entire group. They displayed a cooperative and interested attitude and immediately presented many good suggestions. This attitude carried over into the working out of the details of the new job. When the new job and piece rates were set, the "special" operators referred to "our job," "our rate," etc. The "special" operators served to train the other operators on the new job.

The results for the two groups that worked under the same supervisor were quite different. The control group improved little beyond their earlier performance. Resistance developed almost immediately after the change occurred. Marked expressions of aggression against management occurred, such as conflict with the methods engineer, expression of hostility against the supervisor, deliberate restriction of production, and lack of cooperation with the supervisor. There were 17 per cent "quits" in the first forty days. The experimental group, on the other hand, showed an unusually good relearning curve. At the end of 14 days, their group averaged 61 units per hour. During the 14 days, the attitude was cooperative and permissive.

They worked well with the methods engineer, the training staff, and the supervisor. There were no "quits" in this group in the first 40 days.

Questions

1. What effect did employee participation in determining work methods have on their job performance?
2. Why did the employees in the control group act differently than those in the experimental group toward their superiors?
3. Is it good business practice to have employee participation in work methods and other matters related to the job? Why?
4. Have you ever observed resistance to change in yourself? What were the conditions that brought about the resistance?
5. What attitude should the supervisor have toward employees who are resisting change? What can he do to help reduce the resistance?

Case No. 12

THE SALINE CHEMICAL CORPORATION

The Saline Chemical Corporation, with headquarters in the Midwest, was engaged primarily in the production and nationwide distribution of chemical products for the industrial and retail markets. The company, like many others in its field, experienced very rapid growth both in its sales volume (number of products produced) and the size of its work force, in the decade following World War II. At the time that the problem for discussion arose, the company employed about 30,000 persons, including those in its subsidiaries.

In the process of its expansion, the company was continually on the lookout for opportunities to purchase mineral properties for future sources of raw materials as well as smaller companies that might enable it to diversify its line of products, to gain new channels of distribution, or to acquire nationally known brand names under which it could market certain of its existing products. Because of the rapid technological advances within the industry and the rapid expansion that had occurred within its work force, the company required a relatively large number of college trained personnel for both line and staff positions at the executive level. Although it had had difficulty during the postwar period in recruiting adequate personnel of the caliber desired, the company had been able to develop a technical staff composed of personnel who were extremely valuable to it.

One of the members of its financial research staff was J. Clayton Hall, who was about 38 years of age and an honor graduate with an M.B.A.

degree from an Eastern university. He had acquired some ten years of experience with the company and was responsible for the analysis of financial data and the compiling of reports for top management that were used by them in making company investment decisions. His work was extremely important because it provided the basis for decisions involving the investment of millions of dollars. Hall was regarded by his superiors as an extremely hardworking and conscientious individual who was outstanding in his type of work. His salary had been advanced rapidly and was above that being paid by other companies for similar types of work. His opportunities for advancement to positions of greater income and responsibility, although contingent upon additional years of service, were definitely assured.

In spite of his successful record and his value to the company, Hall did not feel that he enjoyed prestige within the company that was commensurate with either his ability or with that accorded to persons in supervisory positions, who were much less competent and less valuable to the company. His contacts with certain of his college classmates who had risen to managerial positions of major importance caused him to be extremely sensitive of the fact he did not have authority over anyone. Hall's failure to gain supervisory responsibility was due partly to the fact that he was more valuable to the company in the type of position in which he had been working, and partly due to the fact that he was totally lacking in human relations skills. Most company personnel who had any contact with him considered him to be an overbearing and extremely obnoxious individual.

Although Hall did not "rub" people the wrong way intentionally, he usually was so engrossed with the technical aspects of his work that he just didn't have time to give much consideration to the feelings of others. Although he had been reminded of his personality deficiencies during many previous performance rating interviews with superiors, he had never been able to improve these defects to any noticeable extent. Because of his outstanding performance in his technical field, however, Hall's personality deficiencies had not impeded his progress. Furthermore, the fact that he had relatively few contacts with other people caused his unsatisfactory qualities to be overlooked.

After brooding for some time over his lack of positional status, Hall approached the head of his department with the demand that he be given a position involving supervisory responsibility or he was going to quit. His superiors were quite aware of the fact that he had received several recent offers from other companies and that he was therefore in a position to enforce his demands. While the company did not regard any of its personnel as being indispensable, it recognized that even if it could employ another

person with Hall's abilities, several years of experience would be required before the replacement could equal Hall's present contributions.

The possibility of giving Hall a position with a more prestige-lending title was considered but ruled out, because it conflicted with rather rigid company policies and traditions, which caused executive titles to be reserved almost entirely for those positions of a managerial nature. The few senior staff positions that did carry executive rank and status were staffed by those persons who had at least 20 to 25 years of company service. Although Hall undoubtedly would eventually be able to achieve one of these senior positions that carried the prestige he craved, this prospect was at least 10 years away. The only alternatives in dealing with Hall's demands, therefore, appeared to be those of either disregarding his personality and giving him some supervisory responsibilities in which he could enjoy the title and prestige of a line executive position, or of attempting to get him to change his mind by pointing out his value to the company, the importance of his job, and the opportunities for status that would ultimately be available to him. There were strong indications, however, that Hall would not be satisfied with anything less than a supervisory position and that he would resign if he did not get it.

Questions

1. What are some of the possible underlying reasons for Hall's demands?
2. What action should his department head take?
3. Why is it that jobs involving authority over people traditionally carry more prestige and salary than technical jobs which may require more education but no authority over people?
4. Does this problem concerning Hall indicate a need for any changes in the company's personnel policies? Discuss.

Case No. 13

A MORALE SURVEY

The management of a Midwestern cannery employing 1,500 individuals engaged in preparing and canning baby foods for national marketing was concerned about the morale of its employees. There had been many indications in the past year that morale was lower than it had been in many years, in spite of steady employment and good wages. Management decided that it was time to make use of modern methods by which employee morale could be surveyed and hired a consultant to plan and conduct the survey.

For about two weeks, the consultant and the assistant personnel manager of the company met with representatives of management, the employees, and the union and discussed the objectives of the proposed survey, including the methods to be used in obtaining and in reporting the information to management and the employees. A definite date was set for conducting the survey, and all employees were given the details concerning the purposes of the survey and how it would be conducted.

On the day scheduled for the survey, employees were assembled in groups of 200 in the company auditorium. After a brief orientation by the assistant personnel manager, the consultant took over the meeting and administered the questionnaire. The questionnaire, prepared by a national firm and known to be among the best, contained about 100 items that the employees answered by checking "agree," "disagree," or "undecided" on separate answer sheets. Provision was also made for employees to write comments on the back of the answer sheet concerning any areas of their jobs that were particularly favorable or unfavorable. The only identification that employees entered on the questionnaire was their crew number.

After all employees had participated, the personnel department, with the aid of the consultant, tabulated and summarized the results. Reports, broken down by each major department in the plant and by crews, were prepared for submission to the department heads concerned and the plant manager. These reports included several scores, based on a standardized scoring system, that covered many areas under management's control. These scores represented the employees' attitudes concerning job demands, working conditions, communication, etc. for the crews and departments compared with other groups in the plant. The answers that employees had written to open-ended questions were studied and summarized to facilitate their use by those concerned.

The following is an extract from the company report that was sent to the manager of the Preparation Department. It concerns a crew of thirty female workers (Crew X-31) engaged in preparing meats and vegetables for canning. The crew is under the general supervision of the general foreman, who in turn has three foreladies who are responsible to him. Employees are paid on the basis of straight time, plus incentive bonuses.

EXTRACT OF REPORT

The statistical analysis of the morale questionnaires for this crew reveals that opinions toward the company as a whole, top management, and other areas measured are quite favorable. Employee opinions toward the following areas, however, are quite unfavorable:

Friendliness and cooperation of employees
Supervisor and employee interpersonal relations
Technical competence of supervision.

The comments that employees wrote on their answer sheets concerning the three areas viewed unfavorable were summarized as follows:

FRIENDLINESS AND COOPERATION OF FELLOW EMPLOYEES. There are apparently "Queen bees," i.e. older female employees who adopt a bossy and domineering manner regarding those with less seniority. These employees boss others around.

A common complaint among the employees is that the service boys cheat, and that some employees are given better grade ingredients to process.

Those ordinarily engaged in the preparation of vegetables resent being transferred, when necessary, to the preparation of chicken on the basis that they cannot make a sufficient bonus. They suspect favoritism at such times.

SUPERVISOR AND EMPLOYEE INTERPERSONAL RELATIONS. The General Foreman many times by-passes the foreladies in contacts with employees.

There are frequent changes in work that come up without warning or explanation, allowing only time to give orders to change what is being done, and to transfer employees over to other types of work where perhaps less bonus is to be made. The forelady, therefore, becomes more often than not the harbinger of bad news rather than the motivator.

Scheduling of rest periods is a problem.

TECHNICAL COMPETENCE OF SUPERVISION. Although there is possibly enough equipment available for the women to do their jobs, equipment does not seem to be in the right place at the right time. Food carts are one of the main shortages, and any change in work amplifies this.

Employees do their job the same way day after day, but the inspector can change his mind in interpreting procedure. He then writes a note about the employee, giving name and badge number to the plant superintendent. The employee sometimes gets a written reprimand and this causes friction. The employees feel that it should be brought to the employee's attention in some other way. There have been times when the employees tried to retaliate by damaging company property.

Questions

1. If you were the manager of the Preparation Department, what immediate action would you take on the basis of this report? What long range action would you take?
2. Are there any areas that seem to call for action being taken by other departments in the company?
3. Should the information contained in this report be released to other departments in the company?
4. Would the department manager be justified in recommending the replacement of the general foreman or the foreladies of Crew X-31 on the basis of the findings from this survey? Why?
5. Was this survey necessary? Couldn't management obtain the same type of information by just keeping its eyes and ears open? Discuss.

Case No. 14

JUMPY JACK

Jack Rhoads had been employed by the Consolidated Telephone Company for 16 years. He was 38 years of age, married, and had two children of whom he was very fond — a girl, 7, and a boy, 5. Jack was usually rather quiet, minded his own business, and was well liked by his fellow employees. His health and attendance had always been good. During his period of employment, Jack had progressed through various job classifications and had acquired a lot of experience and knowledge about telephone installation work. He was a good worker, a competent craftsman, and several of his supervisors had received favorable comments from customers regarding Jack's neat work, courtesy, and cheerful assistance with their telephone problems.

For the past five years, Jack had been working as a PBX Installer and was assigned to an installation crew consisting of 7 PBX installers and 3 Station Installers, who worked under the supervision of an Installation Foreman. For about two years, the foreman in charge of Jack's crew had been Sam Huse. Sam was a very capable and businesslike man who demanded and received high quality work from his crew, but he gave a strong impression of being cold in his dealings with them. He was completely impartial and honest in all of his relations, and his men liked him in spite of the high standards that he required them to maintain.

During a routine rotation of foremen, Huse was transferred to another branch and was replaced by Carl Robinson. Robinson was equally as experienced as Huse and, according to the "grapevine," was well liked by men who had worked for him. On the morning that Robinson took over the crew, Robinson and Huse sat down together to discuss the jobs on which the crew was working. When they were finished, the following conversation took place:

Huse: "Well, Carl, I guess that's about it. I think you'll like this district. There's always plenty to do and all the men are good workers. You don't have to worry about any of them not producing."

Robinson: "That's sure good to know."

Huse: "That Jack Rhoads, though . . . . I can't quite figure out what's got into him lately. About the last six months he's been acting like a bear. He's grouchy all the time, and he gripes about everything. Occasionally he gets real belligerent. He's even got the rest of the crew down on him now. They call him 'Jumpy Jack' behind his back. He used to be a real quiet. cheerful sort of fellow. Oh well, he still does a first class job. He'll probably

get over whatever is biting him. You had better keep an eye on him, though."

Robinson: "Do you have any idea what the trouble might be?"

Huse: "No. He gripes about so many things it's hard to tell. Probably something personal . . . and I never get involved in things like that. Got enough headaches on the job without going into the employee's personal affairs. Well, I'd better get over to my new crew. I'll see you later."

During the next six weeks, Robinson's observations confirmed what Huse had told him about Jack Rhoads. He tried several times, without success, to get Jack to talk — to draw him out. One afternoon Robinson was at his desk in the storeroom when Jack stormed in to pick up some material that he needed for his next installation job. He slammed some boxes around, kicked an empty carton aside, and burst out with:

"This job is getting worse every day! Damn it all, somebody ought to straighten out those guys who make the assignments of lines. They're getting things fouled up more all the time. Seems like every assignment has something wrong with it. I could have had my last job finished before noon, except I had to spend a lot of unnecessary time calling in and getting their mess straightened out. It sure gripes me the way those guys goof things up!"

Robinson: "Yes, Jack, something like that can irritate you all right. It's a big help, though, that you've worked as a line assigner and know how to go about correcting such mistakes better than some of the men."

Rhoads: "Yeah, that does help, I guess, and I've got a couple of ideas that might help more. Oh well, it's not my funeral . . . . (Bitterly) Guess I'll get on over to the next job and see how much they've fouled that one up." (Starts out . . . hesitates . . . comes back to Robinson's desk.) "Sorry I blew my top, Carl. It's just that I get so darned griped. No reason to snort at you, though."

Robinson: "That's okay, Jack. Everybody's got to let off steam once in a while. Sit down for a minute and have a smoke. Your next job will wait for you that long."

Rhoads: "Seems like I'm always blowing up lately . . . guess the rest of the fellows feel I've been pretty ornery and unbearable most of the time . . . but I just can't seem to help it."

Robinson: "Something bothering you?"

Rhoads: "Oh, it's nothing you could help me with I'm afraid. But thanks for the offer." . . . . (Hesitantly) "I really get low sometimes. Everything seems to bother me and I snap at people without really meaning it."

Robinson: (Nods in agreement — says nothing.)

Rhoads: "I get to thinking and worrying about Joe — that's my little boy. Sure wish that I could find some doctor who could figure out what to do to make him well. Poor little guy; just hasn't been doing very well at all."

Robinson: "I'm certainly sorry to hear that your boy has been sick. What's been the trouble?"

Rhoads: "That's just it, the doctors don't seem to be sure. Or at least they haven't been able to do much about it. They tell us it's an anemic condition, and they've tried all sorts of pills and shots and medicine — everything — and nothing seems to help very much. It's hard on my wife, too . . . taking care of him and worrying about him and having to take care of Nancy — that's our 7-year-old. She's a wonderful little girl but quite a handful . . . ." (Jack goes on to describe the financial burden of his son's illness).

Robinson: "I see."

Rhoads: "Joe's such a swell little guy it just makes me sick to see him so pale and thin and tired all of the time He has seemed just a little better the last couple of days, though. Maybe this new medicine is going to do the trick. But we've been through this before. First he seems to be responding to some new treatment, then it seems to stop helping him. It's so darned discouraging."

Robinson: "I can understand how you feel."

Rhoads: "Well, I didn't mean to pop off to you about my troubles. I usually keep them to myself. Guess I kind of got carried away today . . . but you know, it's a relief to get it off my chest. I guess Joe will get along O.K. Somehow I feel like this new medicine is going to do it."

Robinson: "I certainly hope that it does. You've had your share of trouble."

Rhoads: "Me too. Well, thanks a lot. I'd better be getting after that order before the customer starts complaining." . . . . (Goes out, then in a moment pokes his head back in the door) "Say, Carl, about those line assigners . . . I guess things aren't as bad as I said. It's easy to make a mistake on an assignment once in a while . . . and there have only been a couple of bad ones."

Robinson: "That's okay, Jack. Keep up the good work!"

Questions

1. Rhoads' behavior in front of the foreman (slamming boxes, kicking cartons, griping, etc.) might be construed by some supervisors as a sign of disrespect. Do you consider his behavior disrespectful? Why?
2. Huse believed that the foreman should not get involved in the personal affairs of employees. Do you believe that Robinson got involved in Jack's personal affairs?
3. What was the probable cause of Jack's unpleasant behavior? What effect did "talking it out" have on him?
4. What type of counseling approach did Robinson use? Should he have offered suggestions to Rhoads on what to do for the boy? Why?
5. Do you feel that the relationship between the employee and the foreman has been improved as a result of the foreman's action? Why?

Case No. 15

THE SLEEPY MACHINE OPERATOR*

For over 19 years Harry T., a machine operator in a glass container manufacturing plant, had a perfect record. Not once had he been reprimanded or disciplined for any violation of company rules. His first slip-up occurred early in February, 1958, when he lay down to nap during the 10-minute break and didn't hear the starting whistle.

When the foreman caught Harry asleep after he should have been at work, management had to decide what to do about it. The personnel manager thought that in view of Harry's good previous record, he would order the lightest punishment ever given in the plant for that offense — a five-day layoff.

But the union wasn't impressed with the company's "leniency." "Do you call that a light punishment?" asked the business agent. "Five days off without pay is a big slice out of a man's income. In any other shop that kind of penalty would go only after a second or third offense."

The dispute was not settled in grievance procedure and eventually went to an arbitrator under the rules of the American Arbitration Association.

Question

If you were the arbitrator, how would you rule in this case?

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Case No. 16

THE PRIVATE INVESTIGATORS*

After the theft of a few hundred pounds of copper tubing from a factory stockroom one weekend, management put a staff of investigators on the job. They arranged interviews on company time with all employees who might be presumed to have information shedding light on the subject. The investigators had no authority to discipline anyone. All they could do was gather the facts and report to management.

Although none of the men questioned was accused of the crime, one employee demanded that a union representative be present during the interview. When this request was rejected, a grievance was filed to determine whether the contract, which provided for union representation in discussing grievances, applied to an interview by criminal investigators as well.

"Of course it applies," argued the union business agent. "The investigators' report might lead to action that would affect a man's job. Besides, we don't like the way some of these investigators have been carrying on."

The company answered: "The grievance procedure provides for union participation. If anyone is hurt by the investigation, that will be the time to complain and no one will bar the union. The investigators have the right to work in private. There is nothing in the contract to prevent it, and no one is deprived of his rights by this procedure."

Eventually, the case went to arbitration under the rules of the American Arbitration Association.

Question

If you were the arbitrator, how would you rule in this case?

Case No. 17

THE SLEEPING SHIP REPAIRMAN

The Jones Dry Dock Company was organized in 1938. After World War II, the company's operations were greatly reduced to the point that the firm employed only about 425 personnel, 325 of whom were engaged in actual construction and repair work. The shipyard group included

*American Arbitration Association Case No. L-15638-43. Reproduced with permission of the American Arbitration Association.

workers with a variety of skills, who were represented by six different unions. The largest number of employees was represented by the National Ship Yard Workers Union, Local 314, which had a record of being rather militant and obstreperous.

One morning the company safety engineer discovered a member of the Ship Yard Workers Union sleeping in a storage compartment of one of the ships that was undergoing repair. He immediately reported the incident to the yard superintendent who, in turn, sent one of his foremen to investigate. Upon receiving confirmation of the incident and the name of the employee, the superintendent called the industrial relations director and told him to discharge the man in question. The industrial relations director attempted to delay immediate action by suggesting that all facts pertaining to the incident and the man's work record first be discussed with the union before carrying out the discharge. This suggestion served only to further arouse the superintendent, who bluntly reiterated that he wanted the man discharged immediately. The industrial relations director, not wanting to create an issue with the yard superintendent, complied with the latter's request.

Early the next day, the business agent of the Ship Yard Worker's Local arrived in the industrial relations office and demanded that the employee be reinstated. Although the business agent did not question the company's right to discharge a worker, he contended that it did not have a right to do so until the worker had been given a fair hearing. The industrial relations director agreed that a discharged worker was entitled to a hearing but only as the result of an appeal through the normal grievance channels. He also stated that if the discharge was reversed as a result of the hearing or subsequent arbitration, the company would reinstate the employee with full back pay. The argument continued between the two with the business agent contending that his member was innocent until proven guilty at a fair hearing. The industrial relations director remained adamant in his insistence upon the company's right to discharge an employee for cause at any time.

After much futile discussion, the business agent informed the industrial relations director that he was pulling his members off of the job until the employee was reinstated. After the strike had lasted for three days, the company top management decided that the issue was not worth the losses being incurred. The discharged worker was reinstated, and the union members returned to work. A few days later a hearing was held with the union, at which time all of the evidence pertaining to the incident and the employee's past work record were presented. The evidence against the

employee adequately substantiated the action that the company had taken previously. The employee was again discharged, this time without any union objections.

The labor contract existing between the company and the union did not contain any specific provisions covering discharge procedures. The closest section pertaining to the case was the one covering management rights. The following clause is from that section:

> It shall be the exclusive prerogative of management to hire, promote, assign to shifts, maintain discipline and efficiency, and discharge and discipline all employees for a justifiable cause.

Questions

1. How do you account for the position taken by the union?
2. Do you feel that the union's position was in any way justified?
3. What problems of line-and-staff relation are evidenced by the case?
4. How might this whole incident have been avoided?
5. Should specific clauses describing disciplinary procedures have been included in the contract?

Case No. 18

UNION POLITICS

Local 56 of the International Mechanics Union had a union shop agreement with all automobile dealers and repair shops in Edmons, California, covering their shop personnel. The employers, who were represented by the Edmons Employers Association, usually followed the bargaining pattern established by employers in the San Francisco Bay Region some 50 miles away.

Mike Sheen, the local's business agent, had always maintained good relations with the employers' association and with most employers individually. Union members appeared to be fairly satisfied with Sheen's administration, except for a faction led by Jim Conn, the local's secretary-treasurer.

Union-management relations progressed smoothly until one year when a strike was called by the San Francisco mechanics' local, which was supported in turn by other bay area locals. Since there was no Bay Area contract to follow when the Edmons contract expired, Sheen agreed to the Edmons Employers Association's suggestion that the union continue to operate under the old contract pending a settlement in the Bay Area. The Edmons Employers Association agreed to settle on the same terms and to

make the settlement retroactive to the expiration date of the old contract. Eventually, the Bay Area unions won their strike, and Local 56 was given the same benefits.

At a conference of California labor leaders held shortly thereafter, Sheen was unmercifully chastized by his Bay Area colleagues for being a "free rider" and not having his union join their strike. About this same time Conn, the secretary-treasurer of Local 56 and his group began to accuse Sheen of maintaining a "sweetheart relationship" with the local employers. As a result of these criticisms, Sheen decided that he had better assume a tougher role at the next contract bargaining session. Consequently, when the contract expired the next year he succeeded in having a "no contract, no work resolution" passed by the members at a union meeting. This did not placate the opposition led by Conn, who was able to muster sufficient votes to have Sheen removed from office when the latter's term expired.

Sheen returned to work in a garage and Conn, who became the new business agent, took over the negotiation of the new contract. Two weeks later the contract expired and the union in order to back up its "no contract, no work resolution" was forced to go out on strike. Negotiations remained deadlocked because of the employer association's demand for a three-year contract instead of the previous one-year contract and their refusal to make a final settlement until the Bay Area pattern again had been established. After being out of work for three weeks, membership pressure forced Jim Conn to call off the strike. The final outcome was a two-year contract that was not quite as good as the one negotiated by the Bay Area unions. Conn, of course, attempted to blame the union's defeat on his predecessor. Sheen, on the other hand, publicly accused Conn, the new business agent, of bungling the negotiations. The two factions supporting each of these individuals, meanwhile, began rallying their forces for the next union election.

Questions

1. What effects do you feel the coming battle will have upon union-management relations?
2. What might Sheen have done to have prevented his defeat?
3. Do you think the previous "follow-the-leader" practices of the union and the association was in the best interests of each of the two parties?

Case No. 19

THE UNSIGNED CONTRACT

Independent Brands, Inc. and the Valley Wholesalers enjoyed the major share of the wholesale grocery business in a Midwestern city of about 150,000. Both organizations had been unionized by the International Truckers Union for a number of years, during which time they had enjoyed good labor relations. In the fall of 1956, however, the Valley Wholesalers became the object of a vigorous organized drive by a rival national union. In its drive for members, the rival union promised the Valley Wholesalers' employees that it would obtain substantial improvements in wages and working conditions for them. This promise forced the Trucker's Union to counteract with equally generous guarantees.

In a subsequent NLRB election, the incumbent Trucker's Union won by a narrow margin. It immediately found itself hard pressed, however, to make good on its election promises. The refusal of the Valley Wholesalers to comply with a sufficient number of the union's demands placed its union leaders in a position of being forced to call a strike. Representatives from the International Union intervened at this point, and in their meetings with the employer were able eventually to work out a compromise agreement that granted substantial gains to the local union. In return for granting further concessions, however, the Valley Wholesalers succeeded in getting the local and international representatives to agree informally not to settle for anything less than they had just gained in the union's forthcoming negotiations with Independent Brands, Inc.

In later negotiations with Independent Brands, Inc., however, the business agent of the local Trucker's Union was maneuvered into accepting an agreement that provided fewer concessions than it had obtained from Valley Wholesalers. This agreement was ratified by the union members. In the meantime news of the settlement reached the headquarters of the International Union, which ordered the business agent not to sign the final contract because of the union's informal commitment with the Valley Wholesalers. The local business agent had little choice but to comply with its demands.

Unable to obtain a signature on final contracts, Independent Brands, Inc. filed an unfair practice charge against the union under the provisions of the Taft-Hartley Act. The company's stand was that the agreement reached prior to the signing of the final draft of the contract actually constituted a legal contract. The company further charged that the failure of the union to sign the formal contract constituted a refusal to bargain col-

lectively. The union continued to maintain its position until the day of the NLRB hearing. The business agent was then given permission by the international union to sign the contract whereupon the company's charges were dropped.

Questions

1. Do you feel that the union was guilty of an unfair labor practice?
2. Why would the union delay so long before giving in?
3. What union politics, if any, might be involved in this case?
4. Do you feel that the national union was justified in intervening in this dispute?

Case No. 20

THE MAHAN SUPPLY DEPOT

The Mahan Naval Supply Depot, one of the largest of its kind on the Pacific Coast, provided a principal source of logistic support for the Pacific Fleet. It was staffed largely with civilian personnel, who for purposes of remuneration were classified into two groups — graded and ungraded. The graded groups, which included the executive personnel, held general service (GS) ratings and were paid an annual salary on the basis of a schedule established by Congress. The ungraded group was comprised of the blue-collar workers, including foremen, who were paid on an hourly basis and held wage board (WB) ratings.

The wage rates for the ungraded personnel were adjusted periodically on the basis of a community wage survey and, therefore, were kept in line with the prevailing rates being paid by industry for similar types of work. The salaries of the graded employees, however, were adjusted only through Congressional action and, as a result, pay increases for executive personnel lagged considerably behind those for the blue-collar workers. This fact created inequities within the depot wage structure, with the result that executives sometimes found themselves earning less remuneration than certain of the blue-collar workers, foremen, and skilled workers in their departments. This was particularly true where the ungraded groups were able to accumulate overtime.

While the inequities in this depot's wage-and-salary structure produced a certain amount of resentment on the part of most of the executives, Mr. Lyles, an assistant superintendent of the Transportation Division, with a civil service rating of GS 12, was particularly bitter about the situation. His bitterness undoubtedly had been generated to some extent by the

fact that a brother-in-law, a foreman with a WB 14 rating in another division of the depot, had been earning more money during the past 18 months than he (Lyles) had earned.

Lyles' bitterness began to be manifested in his relations with his foremen with the result that he tended to reprimand them and call attention to their mistakes whenever the opportunity to do so presented itself. One day Lyles received a request from one of his foremen, Tom Ellis, that a meritorious raise be granted to one of the division's lead men, Tony Rona. Rona's previous ratings and service in grade were such as to make him eligible for the raise. After delaying action on the request for a couple of weeks, Lyles returned the form on which he marked, "Disapproved." When Ellis approached Lyles for a reason, the latter stated that Rona had received an adequate increase of 5 cents an hour the previous month as a result of a wage survey. Lyles further pointed out that 5 cents an hour was more than he had received in more than two years. After protesting vigorously that the denial of the raise was both arbitrary and unfair, Ellis was ordered out of the office.

Several days later Ellis discussed the case with a representative of the Industrial Relations Department, who referred the case to the Industrial Relations Director. The director, after reviewing the problem with Ellis, agreed to "talk over" the matter with Lyles. In a subsequent conference with Lyles, however, the director failed to bring about any change in the latter's attitude. Lyles firmly maintained his position that although Tony Rona might satisfy the minimum requirements for a merit raise, he did not consider him to be sufficiently outstanding to warrant the increase. Lyles further reiterated that he felt the depot was getting much too liberal in the number of merit raises.

Questions

1. What are some of the implications of this case from the standpoint of wage and salary administration?
2. What action, if any, should the Industrial Relations Director take at this stage?
3. Have proper organizational principles been observed in the handling of this case? What line and staff relationships are involved in this case?
4. If Lyles refuses to change his stand, is there any action that the Industrial Relations Director can or should take against him?
5. What effects may Lyles' attitude have upon morale within his department?

Case No. 21

CORPORATE SANTAS*

Corporate Santas are scrimping a bit this year.

A number of companies are trimming Christmas bonuses and cutting down on expenses for office parties and gifts to business friends. Some cite the current business slowdown for their economizing; others contend that corporate benevolence in the past has produced more grief than goodwill, so they're forsaking it.

* * *

Some other companies are going ahead this year for the first time with elaborate holiday plans. Borden Co., for example, is throwing a big Christmas party at New York's Hotel Commodore for the 1,200 employees in its New York headquarters. Nestle Co., Inc. of White Plains, N. Y., will give bonuses this year to all salaried employees who do not normally receive such payments.

But more often than not, companies this year are going slow on celebrating, with an eye cocked on costs — and propriety, too.

"There's no change in our Christmas celebrating this year," says the personnel manager of a . . . California electronics firm — "no party, no bonus, and no gift." He tells a sad tale: "One of our drunken employees kicked a frozen turkey the company had given him clear across the street after a Christmas party five years ago. One of the bosses spotted him giving the bird the boot, and since then there's been no Christmas cheer."

Like many another company executive, this official testifies to a certain resignation over company procedures on the day before Christmas.

"We'll post notices that no drinking will be tolerated on the premises, and as soon as the liquor consumption gets out of hand around 1 or 2 p.m., we'll shut the plant down."

* * *

The vice-president of a New York cosmetics firm says he considers it a "terrible waste" to give factory employees Christmas bonuses. "I frankly think it's money thrown down the drain," he adds. "It doesn't enhance the company in the employee's eyes and the employee doesn't contribute anything to get it."

*Excerpts from an article that appeared in the December 17, 1957 issue of *The Wall Street Journal*, Pacific Coast Edition.

Another executive in a Philadelphia company recaps the denouement of one Christmas party at his firm. The chairman, high on spirits, got into a dice game with "the boys." Nobody knows precisely what happened then, but a gush of spray from a seltzer bottle suddenly enveloped the chairman, dampening not only him but the party as well. The firm now bans all parties.

Questions

1. Should executives fraternize with employees at all levels? What types of events are least likely to result in incidents that would be embarrassing to executives and employees?
2. What do you think of the statement made by the vice-president of the cosmetics firm that "Christmas bonuses to factory employees are a 'terrible waste'?"
3. Do you have any hunches as to why the employee kicked the turkey across the street? Did he have the right attitude toward the company? Should executives assume that most or all employees have the same attitude as the one who kicked the turkey?
4. One executive said that he would post "no drinking" notices and that he would shut down the plant as soon as the liquor consumption got out of hand. Is this the best way to control the holiday spirits problem? If you were the executive, how would you handle the problem?

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