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PERSONNEL ADMINISTRATION

ITS PRINCIPLES AND PRACTICE

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**PERSONNEL
ADMINISTRATION
ITS PRINCIPLES AND PRACTICE**

BY
ORDWAY TEAD
AND
HENRY C. METCALF, Ph. D.

THIRD EDITION
THOROUGHLY REVISED
FIFTEENTH IMPRESSION

McGRAW-HILL BOOK COMPANY, INC.
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Go

THE MEMORY OF

ROBERT GROSVENOR VALENTINE

A pioneer in personnel administration.

A devotee of science in the service of
democracy.

"We are staggered today by the great
new forces apparently adrift in the
world. These forces become manage-
able before the attack of the scientific
mind humanly purposed."

R. G. V.

PREFACE TO THE THIRD EDITION

This third edition has been prepared eleven years after the book was first written, and six years after the first revision was made. In the preface to the previous edition, we noted the fact that the wide acceptance of the idea of a personnel function as integral to management and the extensive developments in personnel procedure had in the main substantiated and corroborated our original statements of principles and practice.

The pioneering period is long since over. The case for personnel management is proved. The progress has been impressive. Now, as we finish this revised statement, the country has suffered from a prolonged period of depression. What the influences of the depression will be it is impossible wholly to foresee. But one conclusion is unmistakable. There is abroad in industry a disposition to take a more fundamental view, to be more completely critical and candid about the shortcomings of our economic system, than executives formerly were.

And we should render no real service were we, in here restating the issues in the personnel movement, not influenced by this widespread desire to look afresh at our industrial problems and to seek more fundamental measures for their correction. For this reason we have in the present edition placed added stress on certain unsolved problems and been content to shorten our discussion of established and accepted methods. Our aim has frankly been to try to keep a little ahead of the procession, to try to anticipate new difficulties and suggest new lines of thought and attack. Hence our continued emphasis on principles. The growing volume of specialized literature in books and articles which record practices, methods, devices, etc., is full of helpful details. Our Selected References point to some of the best and most accessible of these.

The need is for a different kind of formulation. And it is this more searching concern with people's motives, desires, and attitudes in relation to the broad economic setting of their industrial contacts and interests which seems to us of first importance. The real problem is: *Under what conditions of personal attitude and of economic and corporate organization are people likely to be disposed to work happily and to best advantage*

together in creating the goods that we all need? The rigors of our latest depression have impressed many, both in business and outside, that an adequate solution for this problem is not yet within our grasp. If this is true, there is all the more justification for centering attention on the aspects of personnel work which seem closest to the core of this problem.

Our own estimate is—and the present edition is written from this point of view—that the following matters require most urgent attention and constructive thinking. There is, first, the increasing importance attached to providing reasonable security of employment and livelihood for all. Second, there is wide interest in fostering better education and training in industry not merely for improved workmanship but for encouraging the development of all-round and more effective personalities. Third, there is wider and wider acknowledgment that the principle of the representation of the different interests involved in deliberations on policy should be applied in industrial and corporate government. Fourth, more and more people are willing to admit that the support of the rank and file in helping to realize the objectives of a corporation can be expected only when those objectives are broad, sound, and inclusive enough to make it likely that the workers will feel safe and benefited by espousing them. Finally, if industry wants genuine cooperation from all members of a working group, it has now become plain that a price must be paid—the price of admitting them as more nearly equal partners in the conduct of the enterprise. How that fact of partnership shall be given concrete expression is one of the most provocative issues of our generation.

Our aim, in short, is to see the personnel movement for what it really is—a constructive, dynamic, clarifying influence in helping to forward the inevitable urge to make our economic system more truly and completely the servant of all the people, ministering both directly and indirectly to “the good life” of every citizen.

NOTE: In many cases the Selected References at the end of each chapter do not repeat items already cited in the footnotes within that chapter. This is done deliberately to save space and eliminate unnecessary duplication. The references selected are largely books as experience has shown that sources in periodicals and journals are little used because of their inaccessibility.

NEW YORK CITY,
January, 1933.

THE AUTHORS.

PREFACE TO THE FIRST EDITION

The purpose of this book is to set forth the principles and the best prevailing practice in the field of the administration of human relations in industry. It is addressed to employers, personnel executives, and employment managers, and to students of personnel administration whether they are in schools of business administration or already in industry in some executive capacity. We hope that it will have value, also, for all—managers, workers, consumers—who are interested in advancing right human relations in industry, and in securing a productivity which is due to willing human cooperation, interest, and creative power.

The field of administrative activity covered by the book includes all those efforts usually included in personnel management; employment, health and safety, training, personnel research, service features, and joint relations. We seek, also, to show the relation of the personnel problems of each corporation to those of its industry as a whole, by considering in conclusion the activities of employers' associations and the dealings which they may have with organizations of workers on a district or national scale.

We may be questioned for our temerity in affirming "principles" and "standard practice" thus early in the development of a relatively new field of specialized effort. These principles grow out of modern knowledge of human nature and its constituent elements—not out of transient industrial conditions. Administrators are dealing with human beings—personalities whose inherent tendencies and impulses, whose characteristic reactions, whose hopes and aspirations are being revealed by the study of human behavior. Determination as to how industrial procedure may be best adapted to this human nature, which is the animating power of industry, is therefore conditioned primarily by our knowledge of that nature, and a knowledge of the critical points of its suppression, conflict, and maladjustment in industry.

On the whole, it is also true that the principles underlying successful practice in the administration of personnel activities apply independently of the larger economic issues which, how-

ever, cannot be wholly excluded from a study of this kind. Under any or all systems of industrial ownership, the problem of human relationship and adjustment between managers and managed and among workers remains, and it remains as substantially the same problem. The great majority of problems—selection, advancement, job analysis, pay adjustments—grow necessarily out of a machine era with its subdivision of labor and its separation of executive from manual worker. For this reason we are hopeful that our principles, if valid, are valid for different industries, different localities, even different industrial systems, and for other than industrial organizations.

We have been at pains to use as illustrations procedures which have proved successful in one or more plants in recent years; but we are under no illusion that practices useful in one situation are necessarily useful in another. The reader should constantly bear in mind, for example, that methods which apply in a large plant are not necessarily the best in a small plant; that city factory conditions are different from country factory conditions; that the situation where unskilled, foreign-born workers predominate is in certain respects unlike that where native-born workers are in the majority. Each organization's problems must be analyzed separately, and conclusions must be reached on the basis of sound thinking about principles and critical study of all suggested methods.

There are no panaceas or cure-alls in this field. The size of this book and the variety of the topics treated will give evidence of this convincingly, if any proof is needed. There is a bewildering variety of methods, practices, and activities which must all be simultaneously carried forward if personnel administration is to be effective. This does not mean, however, that they should all be *started* at once. They should be developed as the need for them is felt and as they justify their existence. "Prove all things and hold fast to that which is good."

There has been in some organizations an unfortunate tendency to overdevelop some one activity which was of special interest to some executive; but the time is past when hobbies or pet ideas should be allowed to develop at the expense of a rounded human-relations policy. The surest index of a personnel executive's grasp of his problem is his ability to keep a sane proportion in the unfolding of his different administrative tasks.

For all these reasons our discussion of successful practices has taken the form of illustrations of our conclusions rather than of numerous examples which might be uncritically copied. This book is aimed to be a helpful manual; but we cannot repeat too emphatically that every individual application of a principle has to be made in its own way in the light of the local circumstances. Hence, we urge that the book be read quite as much to absorb a certain helpful point of view toward human relations as to discover specific next steps.

To the extent that the reader grasps and applies the liberal, scientific, and human points of view which animate this volume, he will find that more ways and means will suggest themselves for use under his own conditions than we could enumerate in a much larger volume. "Tell a man how to do a thing, and he will not know how to do it," said a very wise educator; "show him how by doing it before his eyes, and he still will not know how to do it. The only way for him really to learn is by doing it himself."

Five years from now a more scientifically accurate and informing text undoubtedly could be written on this subject than is now possible. Presumably, more standards of procedure will have become clear; but the need for a volume to state the problem, define its limits, and suggest the current developments, is immediately urgent. Already, more firms see the need for specialized executive direction in personnel work than can find executives competent to assume it. Our volume is therefore offered at this time with a full consciousness of its limitations, but with the hope that it may help to establish the executive direction of human relations on a professional plane where a high ethical obligation of service shall be the controlling motive, and humanly scientific standards become the criterion of wise practice.

Since a selection of the topics to be treated was necessary in any case, we have chosen those which seemed to us vital, and have brought them into an arrangement and grouping which have a certain logic from the administrator's point of view; although we recognize that any functional grouping is arbitrary at best.

Needless to say, in a volume of this character the element of originality cannot be great; and we have tried to acknowledge throughout the text the sources of specific suggestions. But inevitably, since our indebtedness extends in many directions, all personal acknowledgments have not been made, and we can

best express our very real gratitude to our unmentioned helpers by insisting that we regard this book as theirs as well as ours.

We recognize especially, however, the helpful services of our former colleagues in the Bureau of Industrial Research at every stage of the volume's preparation, the beneficial criticism of managers for whom we have acted as consultants, and the cumulative suggestions of successive classes with whom we have studied this subject from every angle.

To Robert G. Valentine, to whose memory we dedicate the book, we owe a peculiar debt of inspiration and suggestion. Although Mr. Valentine died in 1916 before any of this material was in its present form, he exercised a determining influence in the direction taken by the text in the methods proposed no less than in the underlying point of view.

THE AUTHORS.

March 1, 1920.

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PERSONNEL ADMINISTRATION

ITS PRINCIPLES AND PRACTICE

CHAPTER I

THE FIELD OF PERSONNEL ADMINISTRATION

The necessity of centering attention in industry upon the intelligence and willingness with which human labor is applied has caused a pronounced shift in managerial emphasis and attention in the last two decades. Executives have come to a new evaluation of administrative ability in terms of effectiveness in directing people, and of a sound use of psychological knowledge to enlist individual and group cooperation. And this shift has come about fundamentally because the necessity and value of cooperation, and the interest and good will of the workers, have come to be recognized at their true worth.

This wise emphasis on the human aspects of managerial work has now created its own distinct administrative function, which means, in organizations of more than a few scores of people, the utilization of a separate staff¹ functionary in management. In recent years the executive world has come to acknowledge a new science and a newly appreciated art — the science and art of personnel administration. To define, study, and apply this science is a vital project if administration is to be sound. To have insight into this art and skill in its use is imperative if satisfactory employee relations are to be maintained. This book is devoted to a statement of the principles of this science and of the conclusions as to practice arrived at by those who have applied this art intelligently.

Managers are today realizing how large a share they must shoulder of the responsibility which is upon us all for the present conflict of purposes and desires between those who work as employees in organizations of all sorts and those who own or control them. Their share is large, because they have been in a position of leadership and partial control; they have often profited

¹ For further definitions of "staff department," etc., see Chap. XXV.

largely by their own success; and they have until recently been slow to see how much could be done by an imaginative and adventurous handling of relations with employees. However, because managers in thousands of companies are now not owners but are in a salaried position of almost professional responsibility for effective operation, they find it good business and good ethics to take a more humane and liberal view of methods of dealing with employees. For the fact is that the business organizations which have been conspicuously successful in recent years are those which have conducted their labor relations in a modern and progressive fashion. They have been those companies in which some one outstanding executive, either owner or manager, has led the way patiently and with vision and introduced personnel methods along the lines which this book describes.

It would be untrue to proclaim salvation for the modern industrial community solely through good management. The problem is not so simple. But the conspicuous part which wise administration can play in the upbuilding of a more stable and equitable industrial order has been clearly shown in recent years by the experience of many corporations. It is now widely recognized as the task of managers to possess themselves of a point of view, purposes, and methods which assure that the relations of workers to companies can become more truly cooperative than was formerly possible.

What, then, are the nature, field, and work of this new branch of administration?

A formal definition is easily phrased, but to convey its full meaning requires elaboration.

Definition.—*Personnel administration is the planning, supervision, direction, and coordination of those activities of an organization which contribute to realizing the defined purposes of that organization with a minimum of human effort and friction, with an animating spirit of cooperation, and with proper regard for the genuine well-being of all members of the organization.*

The phrase "personnel department" indicates the staff department which is charged with the advisory, executive, and operating duties which are agreed to fall under the personnel function. Other equivalent terms are used in practice, such as "industrial relations department," "labor department," "employees' service department," but there is today increasing agreement upon the terminology made use of in this book.

The personnel manager is, if properly termed, *the staff executive possessed of equal rank with other staff officials in handling matters of general administrative policy*, who is looked to for the initial formulation of sound policies in employee relations and under whom the operating work of employment, health and safety, training, etc., is carried on. The *employment manager* is the assistant of the personnel manager, in charge of selection and placement. The *training director* is the subordinate in charge of training. The welfare or *service manager* is under the personnel executive in charge of such activities as recreation, lunchrooms, group insurance, and workmen's compensation. All these activities are operated through divisions, bureaus, or sections which together go to make up the operating side of the personnel department's work. A company might have an employment manager, safety engineer, or training director, without necessarily having a real staff personnel manager. It is therefore important not to be misled by the title of the executive or of his department, since the extent of his power in helping to shape personnel policy and the scope of his executive duties are the factors which really determine his status in the management.

Several aspects of our definition require further emphasis; namely, the fact that personnel work is of a staff character; that certain specific purposes or objectives must be in view if this work is to be done most effectively; that no discussion of personnel administration can be fundamental which does not assume some reasonably definite standard as to the meaning and nature of human well-being.

Personnel Work a Staff Function.—Personnel administration is a major *staff* executive responsibility. Any functional analysis of industrial and mercantile organizations has for a long time recognized production, finance, and sales as major functions. In recent years managers and experts in administration have increasingly agreed that the special effort required to secure the best application of human energy, intelligence, and good will of the people employed throughout the organization is important enough and homogeneous enough in responsibilities entailed to merit being ranked as a fourth major function. But as a major department it acts in an advisory and consultative capacity for the organization as a whole and thus is usually and properly conceived as a *staff* and not a *line* department.

This means that the direction of all the other departments is from the operating point of view interfered with not at all by the personnel department. The actual day-to-day work within other staff and the line departments under superintendents and foremen is handled in the usual way. The personnel department does, indeed, have certain operating responsibilities of its own in the fields of employing, training, medical and safety work, research, and "service." But over and above its operating activities are its consulting and advisory efforts with all staff and line executives. It is this broad, educational, policy-proposing, and policy-instituting function which is the crucial contribution of a really effective personnel executive. And it still remains for the supervisory force to maintain directive contact with workers in the operating departments and to translate into action the personnel policy of the organization. How well they do this determines the pervasive effectiveness of the personnel policy and the educational value throughout the office and shop of the work of the personnel executive.

The present conception of effective personnel work means, in short, that certain operating procedures closely related to personal contacts with the workers are expertly handled. It means even more that all executives are assisted to make their own handling of people as skillful as possible. And it assures that in the councils of management, executive decisions on all questions affected with a personnel interest are made with just as full consideration and weight given to the personnel point of view as to every other. The personnel manager is the staff executive who, on an equal footing with other staff and line managers, joins in coordinating general policies and in maintaining a proper balance among the claims of all the executive heads in reaching decisions on new policies.

It may be objected, however, that in all organizations some major executive is already in control of the determination of labor policies. It is true, even where no separate personnel function is explicitly recognized, that personnel policies are ultimately decided by a top official, usually the general manager or president. But it is the lesson of all recent developments in operating practice both in industry and in all kinds of organizations for other purposes that personnel administration is inherently a separate major function, for which special ability, peculiar aptitude, and expert training are imperative. This is

no argument against having existing major executives assume direction over the expert administration of this function, especially in small concerns. Rather, the point is that where high executives have to divide their time between responsibility for some other major function and personnel, they should fully realize what vital duties they have in this field, what a distinctive point of view is required, and what concrete techniques should be applied, if they are to administer personnel policies successfully.

The Test of Success in Personnel Work.—If, then, personnel work is largely a staff function in character and scope, the test of its success is the same as that for all staff work; *i.e.*, its demonstrated or demonstrable ability to result in a more effective and economical application of labor to production, or, speaking more broadly, to forward all the avowed aims of the corporation. In short, this staff department is fundamentally as concerned as any other in forwarding the corporate purposes. The only difference is—and it may be a difference of great importance—that its point of view as to how the purposes of production can best be furthered will be a special one. The personnel manager approaches his organization's executive problem from the point of view of engaging the workers' interest in their work and of building up a corporate morale and genuine sense of partnership. He comes to his task as an expert in the vitalizing of human activity and human association. At times, he may therefore be unable to subscribe to policies of immediate expediency dictated by short-sighted motives of selfishness or quick profits. His motive as a professional expert is not exclusively that of profit. His objective includes following out his professional standards of expert service and standing for and giving effect to personnel policies which are as humanly and socially sound as possible. His presence in the administrative organization should assure that at least one voice in the top councils is speaking with full competence on the human aspect of corporate problems, and that, before executive action is taken, full and adequate weight has been given to all psychological and human factors.

In a word, expenditures and activities undertaken in the field of personnel must, in large part, be justified in the same way as all other managerial expenses and activities. The question which managers may fairly put is: Does any proposed activity in the field of personnel further, in reasonably direct ways, the ends of truly efficient operation? There is, of course, no hard and fast

line which can be drawn between company activities and community activities, between legitimate personnel procedure and less essential "welfare" proposals. But the closer the corporation confines its activities and expenses to those which in relation to local conditions are justified in the eyes of management and men alike, as contributing essentially to economical and harmonious operation, the more wholesome and sound will its personnel policy be likely to be.

The following from a report on personnel work in department stores indicates the economic value placed upon this function in the mercantile field:

It has been found that the personnel manager in department stores can demonstrate the money value of his work. The profit in personnel purchasing can reasonably be said to be savings beneath the planned payroll expenditure which the department is able to effect without affecting adversely results in sales and non-selling department efficiency.

The principal means employed to measure the effectiveness of personnel work are:

1. Payroll expense—comparisons of actual with budget.
2. Daily sales per salesperson—in terms of dollars and in terms of number of sales.
3. Labor turnover records—one firm in a year had those leaving interview the employment office, and 500 were again readjusted to employment in one year's time.
4. Error record decreased.
5. Hospital records.

The Relation of Personnel to Other Executives.—Just what the relationship of the personnel manager should be to the other staff executives, it is impossible to say absolutely for all companies. Numerous arrangements are in effect in companies depending on size and general organization policies. There probably is no one best way by which the proper integration is achieved in the work of the staff heads. This subject is elaborated in Chap. XXV as a vital phase of *executive coordination*.

The question does arise, however, in this connection: to whom should the personnel executive be responsible? Four typical arrangements suggest existing practices on this point.¹ (1) There is the plan under which the personnel executive is advisory to the chief executive and is a member of the operating executive

¹ See the presentation in chart form of several alternate types of personnel organization and relationships in Chap. XXV.

committee. In this relationship he may carry the title of "assistant to the president in charge of personnel" or he may be a "personnel vice-president." (2) There is the plan under which the personnel executive and the production executive or plant superintendent are on the same footing, both reporting to the head executive. (3) There is the plan, used mostly in small companies, of having the chief executive act as the head personnel executive by devoting the necessary time to the direction of these matters. (4) There is the plan of having no real personnel head, but having the division chiefs over employment, health, safety, training, etc., report to the plant superintendent or production manager.

Of these four plans there is least to be said on behalf of the fourth. The third plan tends to be used in family concerns and smaller companies. The second plan has developed in practice a certain amount of divided responsibility. The first has found considerable favor and use in larger companies where executive functionalizing has naturally to be elaborate and where personnel work has achieved its full dignity of major staff status.

In department stores two typical arrangements which are adaptations of the above plans are as follows:

1. The personnel department is under the store superintendent who in turn reports to the general manager. This store superintendent is usually also in charge of maintenance and operating work.

2. The personnel department is directly under the general manager in a position coordinate with the store superintendent, the controller, and merchandise managers.

These two plans may not work out very differently in actual effect, but the second one is certainly more effective in larger stores. Where, however, the store superintendent is responsible for other items as well as personnel—which is the case in the majority of stores—he should be sufficiently experienced in the theory and practices of personnel work to be able to give the necessary guidance to a trained personnel assistant.

The Functional Basis for Personnel Work.—It is important to reiterate that the personnel function is not limited in use to business organizations. Broadly viewed, it is a vital function in the administration and management of *any* organization, wherever there exists the relationship of director to directed, of manager to managed. In the conduct of every organization

there inevitably appears not only the aspect of process, technology, material, or special service, but there is also the aspect of the attention, interest, will, cooperation and morale of the working staff. The two aspects are by no means inseparable, and there is a wide hinterland where they intermingle closely. The fact that administration is not yet viewed in all types of organizations as embracing these two complementary halves does not alter the fact of a basic essential function to be cared for. Implicitly, every enterprise, be it hospital, bank, railroad, steamship, prison, municipal department, university, or what not, has these two aspects to its directive problem. In all organizations where there are more people and technical problems to look after than one executive can conveniently know and deal with, failure to make special managerial provision for centering continuous expert attention upon the conduct of personnel policies is bound to mean serious loss in enlisting the best efforts of the workers.

In short, the problem of personnel administration is not solely industrial. It is *organizational*, which puts this function in a much sounder position as respects its inherent and widespread utility.

It is in industry, however, that the need of a clear functional differentiation of managerial duties has first been recognized. And the practical demands of large-scale industry, simultaneously with the reflections and studies of those interested in a science of administration, have now resulted in a general recognition of the necessity of maintaining managerial departments of personnel. The most serious practical limitation thus far upon this development has been the difficulty of finding enough executives of high caliber and necessary background to occupy the highest posts and exercise the leadership and responsibility which personnel work calls for. It is not merely a question of giving the title and duties to some one person. It is far more a question of being sure that the strength of character, intellectual stamina, and social outlook of this executive are such as to assure him an effective influence in the top councils of management. And in the thousands of small companies there remains much missionary work still to be done to make the operating executives give the necessary constructive thought to the personnel aspects of their work.

The Defined Purposes of the Organization.—In suggesting in our definition that personnel work must contribute to realizing

the organization's defined purposes, a question of profound import is raised, which can be treated here only in the most summary fashion.¹ What are the defined objectives of economic organizations? If one says flatly that an enterprise is run solely for profit (and that seems to be still the tacit assumption in many enterprises), then one has to recognize that to enlist the workers in behalf of this purpose may prove a mammoth task, unless the workers are to become in some measure real partners and participants in the net financial outcome of the business. A mere wage relationship has shown itself to be psychologically inadequate as a motivating and cohesive force. If, however, a less absolute position is taken, and it is agreed by owners and managers that an enterprise justifies itself fundamentally by its service to society in providing economically for real wants; and that a reasonable profit is but the reward of risk, the source of new capital, and a measure of the utility of the enterprise; and if, finally, the company is willing to keep its profits down to this "reasonable" point, there is the evidence of a growing body of experience to prove that *such a company approaches its workers with much greater likelihood of securing from them a genuine adherence to its purposes.*

The truth is that many executives have never seriously asked themselves what the objectives of their company are. If, in the light of experience, it is true that there are certain ends in view in typical corporations which employees can be brought to share and others which they cannot, that increases the personnel executive's responsibility for attempting to clarify the thoughts of owners and managers as to their objectives. Only so will executives discover whether what they want out of their organization is something which they can reasonably expect the employees to want also and to work for with a will. This clarifying of objectives can be a service of fundamental value in many companies where, under present conditions, the objectives are confused or narrowly selfish, and where, in consequence, the likelihood of sustaining real employee loyalty is slight. Under such adverse conditions, many of the more routine personnel activities will be conducted with little or no gain to a really enthusiastic attitude among workers. The personnel policy as

¹ For a further treatment of this topic, see TEAD, ORDWAY, "Human Nature and Management," Chap. X, The Importance of Management's Purposes.

a whole only becomes vitalized and dynamic *when objectives which can humanly be expected to interest employees are adopted*. Fundamentally, and in the long run, the process of adopting objectives, as well as of finding ways to their realization, is one which has to be shared by all who are to be parties to the effort of realizing them. It is bad psychology to believe that people will serve purposes they do not have a hand in forming and therefore do not truly understand and experience the benefits of for themselves.

Reducing Effort and Friction.—"With a minimum of human effort and friction," in the above definition, implies conscious study of the methods of applying human energy to machinery, materials, and services, and of the methods which create good will, understanding, morale, and mutual confidence. The personnel executive has, in conjunction with those in direct supervisory positions, the job of seeing that the energy of workers is applied with the greatest effect and economy. He is analogous to what is sometimes called the "morale officer" in the army. And to this end he must exercise leadership among the directive heads of the business to get them to see that ultimately the workers as a whole must share in framing and in giving practical effect to the objectives for which the entire group is to strive. Sooner or later industry must come to realize that a greater harmony and identity of purpose among all participants is the psychological and economic condition of genuine morale.

A related and newly appreciated emphasis in his duties in this connection is for him *to be responsible for an educational effort among all supervisory workers which renders their work of personal leadership more deft and considerate* and enables them to translate into effective individual relationships the policies about human relations to which the managerial heads are committed. At present the tendency is for personnel policies to be sounder than their concrete manifestation in the conduct of the line executives.

To help accomplish this, the personnel executive must oversee the creation and operation of the necessary formal procedures for treating with personal and group grievances and maladjustments of all sorts. It is his responsibility to help invest the whole organization with an animating spirit of friendliness and good will in which animosity cannot thrive. And to do this he will also concern himself in a consultative way with the deter-

mination of all terms and conditions of employment around which necessarily center so much employee anxiety.

A further friction-removing duty, which the recent progress of the mental hygiene movement has brought to the fore, is to make available and make use of the best psychiatric knowledge, in order to lessen those many individual maladjustments which grow directly out of mental strains and aberrations among executives no less than among the rank and file.

A final duty in this connection has been more recently acknowledged and stressed. It is the work of *assuring that relations with employees affect favorably the attitude of the community as a whole and of customers and consumers toward the organization.* There are, to be sure, aspects of this publicity work which are functionally closer to advertising than they are to personnel. But enough companies have in recent years placed their "public relations" work under the same general direction as their personnel work to demonstrate the truth that they want to win the approval of the outside world for the manner in which they deal with employees. This recognition of the value of public support for a company's labor policy is itself a gratifying acknowledgment that the moral sense of the community has now developed to a point where enlightened employee relations are expected and widely valued. Hence it is more and more good business for any organization to be able to justify its personnel work in the community even though it may invite no public attention to the fact of its liberal policies. It promises, indeed, to be truer in the future than in the past that problems of developing the right type of labor supply, of securing financial support from bankers, of getting cooperation from local communities in matters of health, housing, education and recreation are all influenced for better or worse by the quality of the program of employee relations which a company sustains.¹

A Spirit of Cooperation.—Our definition further calls for fostering an "animating spirit of cooperation." A real distinction is to be observed here between passive and active consent, between an indifferent and an enthusiastic cooperation. Industry has long been familiar with the quality of work and the mood where a grudging and reluctant attitude prevails. No far-seeing executive can escape the conclusion that it is an aggressive and eager cooperation of workers which is required. And the underlying

¹ See "Handbook of Business Administration," pp. 1689-1718.

conditions of right relations of workers to corporations are what industry must more courageously search for. Personnel management is now an old enough growth so that we can say positively that a genuinely cooperative attitude gradually develops *only where there are in progress wisely conceived experiments and procedures which look to a greater harmonizing of purposes and objectives.*

The Well-being of the Personnel.—"With proper regard for the genuine well-being of all members of the organization" is the clause of our definition which more than any other, perhaps, supplies the distinguishing characteristic of this branch of management. Upon this department rests the special duty of knowing all there is to know about people, about their physical and mental constitution, about human nature. This knowledge, in so far as it is available, is organized in the sciences of physiology, psychology, and psychiatry. The personnel executive must be familiar with essential principles in these fields. And since the science of psychology opens up a point of view toward personnel problems which is uniquely illuminating, we shall present the outlines of a psychological approach in the next chapter. And we shall hope that throughout this book the light shed by an organized knowledge of human traits will guide us in our evaluation of policies and methods.

More than psychological knowledge is, of course, ultimately necessary to an adequate consideration of the nature of human well-being. To treat this topic adequately would plunge us into the fields of philosophy and religion, where questions of value and human purposes are uppermost. What psychology can and some time will do is to throw important light on schemes of value and estimates of human purposes as inspired by philosophy and religion. Such a psychological judgment will be based upon realistic knowledge of the limitations, the average expectations, and the potentialities of human nature and behavior.

For no conception of human well-being will have vitality which does not reckon with the major basic traits of human nature as it manifests itself in a temperate climate. Conceptions of human well-being, in short, must be dynamic, evolving, relative, psychologically self-consistent. And, finally, they must be democratic in temper, in the sense of understanding how interdependent and social the fact of individual well-being necessarily is. Not democratic in any interpretation of that word which connotes a

leveling down, flattening out, or standardizing process in personalities; but in the sense of making provision for the necessary self-choice, self-discipline, growth, and qualitative enhancement of life for more and more people who natively have the desire to grow, if opportunity is not too obstructed.

The Problem of Ownership and Personnel Work.—Since the principles of personnel administration largely apply wherever there is the relation of manager and managed, it is important to understand that the problem exists, at least in many of its aspects, independently of the problem of ownership in industry. Wherever the title to ownership may reside, a majority of the problems of directing the personnel remain the same.

In some quarters there is a disposition to believe that a change in the title of ownership—for example, to the government or even to employees as stockholders—could of itself “solve the labor problem.” In our view, this is a greatly over-simplified view, since a considerable part of the labor problem is, from the point of view of the science of management, to establish a satisfactory and effective working entente between managers and men. This relationship of director to directed creates problems in human contact, association, and organization which are inherent, permanent, and virtually universal. Within governmental departments and bureaus, for example, there exist many of the personnel problems treated in this book. And all the evidence available from communist Russia indicates that similar problems are still present and urgent there.

On the other hand, the attitude of manual workers toward their work is undeniably conditioned by a more or less conscious doubt about the narrow objectives which still dictate management policies. More and more, wise executives now admit that under private, absentee, corporate ownership, the attitude of workers cannot be brought to a point of willing and hearty cooperation and enthusiastic morale. To that extent personnel work at present labors under a serious limitation in most industrial organizations; and it should not be criticized for not being able to do the impossible. Whether or not, under the present scheme of ownership of economic resources and equipment, methods can be devised which will give rise to objectives of a broader, more humane, and more democratic character than those typical today may well be doubted. Yet there is a possibility that, growing out of existing experiments in certain industries and corporations,

some plan of stock ownership or other forms of partnership with employees and customers may suggest modifications in the corporate structure under which a more nearly complete identity and community of interests can be obtained.

The point remains, however, that there exists the problem of managerial and supervisory technique, many aspects of which are separable from problems of ownership, and eminently in need of scientific attack. This would still be true, even if workers elected their own foremen and superintendents. Even if what we call economic interests can be approximately harmonized, psychological interests and attitudes as between manager and managed may well continue to conflict because the nature of the work process and of the preoccupations of each creates real differences in mental habits and points of view.

The Permanence of Personnel Work.—Question sometimes arises about the permanency of personnel work in industry. It can be answered unequivocally by saying not only that personnel departments are increasing in this country in number and effectiveness, but that more and more general managers in plants, stores, and offices, where a separate personnel department does not seem warranted, are concerning themselves in an intelligent way with the handling of personnel problems. In scores of large corporations, where the personnel department is working influentially, vice-presidents are now specially designated to handle this work, and boards of directors spend a substantial amount of time deliberating on such questions of major personnel policy as stock-purchase plans for employees, shop committees or collective bargaining with labor unions, and morale-building features of various sorts. The tendency is clearly in the direction of dignifying the determination of personnel policy by having the highest executives devote some of their best thought to it. As a result, more varied and significant experiments in industrial relations are in process today than ever before in the country's history. Also, the principles and methods of personnel work have already been incorporated, to a certain extent, into the operation of governmental departments and institutions, city, state, and nation.¹

¹ See FELDMAN, H., "A Personnel Program for the Federal Civil Service," Washington, 1932; Personnel Classification Board, "Closing Report of Wage and Personnel Survey," Washington, 1931; Personnel Classification Board, "Preliminary Class Specifications of the Positions in the Civil Service," Washington, 1930.

The prolonged depression following the bull market of 1929, unlike the depression of 1921, did not lead to a serious curtailment of personnel activities. Rather it led to the increased use of personnel workers to mitigate the worst human consequences of slack work and thus naturally caused a pronounced shift in the kind of activity required. It may therefore be affirmed that by this time the idea of personnel administration has had its baptism by fire and is permanently established in theory and practice, even though the content of its work inevitably shifts from time to time. The net gain in clear thinking about organization problems has thus been substantial. And one consensus from it all has been to place greater rather than less emphasis upon the value of policies and methods which assure a right working attitude from all the members of an organization. This solicitude, however manifested, means essentially a complete acceptance of the indispensable role of the personnel function.

Motives in Personnel Work.—It is said by some, as if to detract from the value of personnel work, that it is done only because it pays. Of course, personnel work should pay, in the sense of contributing to forwarding the corporate ends. If this objection means that workers are deliberately exploited to realize purposes which they do not really share, that is indeed a prostitution of personnel work, the seemingly paying effects of which are certain to be temporary. Good personnel work is educational for managers and rank and file; and one of its educational influences is showing itself clearly to be a broadening of the conception of corporate purposes held by all concerned.

Personnel work, properly executed, is a paying proposition for companies. At the same time, it is a liberalizing influence, which helps people to realize that the purpose of industry is more than the amassing of wealth. And it should be acknowledged eagerly that an enlightened conception of personnel work implies that standards other than those of profit have gained a place in managerial thinking. Managers are more than ever inclined to accept the view that the fundamental human welfare of the members of the organization and the genuine utility of the product or service offered are the factors which justify the whole work of production. Industry is not run, basically, to enrich its nominal owners, but to supply material and psychic satisfactions to those who work and to those who consume.

Personnel work thus has its main justification as an educational influence. Inevitably its use of psychological knowledge has helped it to call the attention of all to the necessity for broader objectives, and therefore for more satisfying outlets for energy in and through the work processes themselves.

More serious, it appears, is the criticism that personnel work is conducted to make the introduction of organized labor's activities unlikely in any immediate future. Undoubtedly this motive accounts for the introduction of some personnel departments. Without wishing to raise here the whole complex issue of the relation of organized labor and its function to the work of the personnel department and its function, it can be agreed that personnel work has unquestionably in some cases lessened the likelihood of immediate aggressive organizing campaigns by the unions and has in other cases weakened the hold that unions already had on groups of workers. No doubt more of such influences will be traceable in the next few years because an increasing number of managers will believe (perhaps mistakenly) that there is an advantage to them in their supplying terms of employment, and even machinery of negotiation, as advantageous as, or more advantageous than, those immediately procurable for the workers by their unions.

It does not seem, however, that the fact that this continues to be so can be construed as an argument against personnel work. *Managers never can do everything for the workers through managerial initiative that the workers can do for themselves through their own initiative and exertions.* But what good personnel work has done has undoubtedly helped in raising the standard of well-being among the entire working force. If the workers are slow to see that in the last analysis their own efforts are the basic means to their advancement and to the preservation of their self-respect and personal integrity, the blame for this can hardly be laid wholly at the door of management. Yet even on this count those managements which have instituted employee representation plans cannot be accused of a wholly negative policy. For, whatever their defects, such plans can potentially teach a lesson as to the value of the self-effort of groups for group self-advancement. Such recognition of the value of self-directed organization has been tardy enough among manual workers even where personnel work has been unheard of.

One further factor in relation to this whole contention is that the present strength, leadership, and organizing effort in the labor union world are today at an astonishingly low ebb, especially in the manufacturing industries. And it would be academic in the extreme to maintain that personnel work cannot constitute an important educational influence for corporate workers, particularly in those companies where some plan of employee representation operates with any vitality. Even if such a plan is no equivalent in economic power to collective bargaining with national unions, it becomes an object-lesson in group action and joint deliberation which has real educational significance.

Finally, no mention of motives in personnel work is complete which does not recognize that there are companies, relatively few in number but important in educational influence, where the objectives and purposes of operation have already become broadened to include a remarkably full acknowledgment of the priority of human values. In these cases, profits are regarded as a necessary measure of efficient and useful operation, as a source of new capital, and as a stabilizing safeguard against periods of business depression. But, beyond that, the central thought of owners or managers is upon perfecting the organization as a sound instrument of production and public service.

These companies have succeeded in remaining free from the control of exclusively financial interests; and, recognizing that management is an expert professional function quite separable from the function of promoting or investing, they are seeking to perfect their administrative technique in personnel as in other branches of management. Obviously, in such cases, the professional spirit has most free play, and the application of science and art to organization can be made most readily, since every experiment, even before it is made, does not have to satisfy a demand for larger immediate profits.

It is in such companies that the most significant advances in the personnel field have first been made and virtually all the pioneering and experimental work has been done. Not a few of the procedures which this book discusses have been drawn from the successful efforts of those concerns. We feel free to draw upon their experience, because practically all of their new efforts have slowly but surely been borrowed and adapted by other less adventurous firms. And it should hardly need to be said that what is needed is not alone a rehearsal of widely success-

ful past experience in this field, but also a *clear indication of the tendencies in theory and practice which give evidence of becoming more general in the next few years*. Indeed, there is good reason to believe that the rate of progress will accelerate and the disposition of managers to experiment along personnel lines will be far greater as time goes on.

A Professional Standard.—It is upon the extension of a professional spirit throughout the entire field of management that the future security, integrity, and effectiveness of personnel work depend. For a professional attitude, as it becomes more common throughout management, will mean a readier understanding and an agreed ground for cooperation among all staff executives. The essence of the professional spirit is its solicitude for maintaining its professional standards. The cornerstone upon which all professional standards rest is a motive of disinterested service for the common good, an attitude in which attention is fastened not upon the reward but upon the thoroughness and scientific character of the workmanship and the utility of the work done.

The definition of personnel management given above and the subsequent discussion of it should suggest the professional standards here at stake. This profession is concerned to secure the maximum necessary production with a minimum of effort and friction, and with proper regard for the health and happiness of the great body of workers, both manual and mental.

If the reader will examine, as the rest of this book attempts candidly to examine, the implications in theory and practice of such a professional purpose, his own conclusions may be left to take care of themselves. We have been less interested to set forth conclusions about numerous topics than to foster an inquiring and humane approach to them, animated by this professional spirit of public service. Given this spirit, experience and judgment will bring for each his valid choices and decisions.

Much experience has, however, shown that in the management field professional standards will wisely be mindful of four broad objectives—as we too have tried to be mindful of them in writing this book. These are:

1. *Productivity.*—We must produce the goods and services needed to sustain the life of those now living.

2. *Personality.*—We must endeavor to assure the cultivation of those spiritual qualities identified by the phrase “the good life,” for more and more people.

3. *Profit*.—Economic effort as a whole has to assure enough income to replace worn-out equipment and to develop new capital equipment as needed, including all necessary costs of risk of loss, reserves for bad times, and taxes for social uses. In any given corporation the final allocation of any net profit may in practice become increasingly subject to social control through taxation and other forms of public regulation.

4. *Perpetuity*.—All our social institutions including industry presumably have the duty of operating so that the race will go on. This assumption may have no logical basis but it seems to secure wide social approval; and industrial practices which kill or maim or physically stultify the race are in the long run agreed to be against the public interest.

Personnel Work and the Public Interest.—It would be an undue simplification of the problem of how personnel work can measure up to professional standards if mention were not made of the possible conflicts of corporate with public interests in administering the personnel policy. This problem is found acutely, for example, in the increasing prevalence of technological unemployment. Unquestionably the advances of technology will lead to the replacement of workers by machines in more and more companies and industries. Unquestionably the difficulty of finding work for displaced workers will increase even in periods of relative prosperity. Older workers may for various reasons find it progressively harder to resume employment. In the handling of these and similar issues it would be idle to assert that the immediate interests of the corporation are identical with those of the employees or of the community as a whole.

Yet such is the progress of public sensitiveness on these matters that the setting up of public methods of alleviation may be expected. Unemployment compensation, public pensions and health insurance, legally shortened hours of work—these are only the more obvious of the methods which the community as a whole may feel driven to in recognition of its responsibility for its citizens.

What attitude will executives in general and personnel executives in particular take toward such matters of public policy which clearly fall outside the range of the individual corporation's efforts? An obstructionist attitude will not only do no good; it will discredit the social judgment of the executives who voice it. The need is clear for an honest recognition among executives

that there is a host of problems, vital to the public welfare, which although economic in origin *have to be handled on a community scale*. And the wise executive policy will be the one which tries to have industry do all it legitimately can in a direct way in such matters, *while encouraging the community as a whole to assume its necessary share of responsibility*. Policies which may be urgently necessary for one company in the interests of immediate solvency and security may well run counter to the public interest. And where this is true managers and owners may as well honestly admit the fact and admit that the state from its broader and more permanent point of view is clearly entitled and required to institute provisions which protect the human claims of its temporarily destitute members. Hence the unwisdom of any retarding policy of organized employers' opposition to such provisions!

Conclusion.—The center of gravity of personnel work naturally shifts both with changing economic conditions and with newly acknowledged needs and standards of humane practice. The present focus of attention may be summed up in two words—*education* and *security*. The fact is that, apart from the forces of the depression, stability of working forces plus a longer life among all workers are making the relations of a worker to a company tend to become more those of a life work career and less those of a casual job. This has advantages and dangers. But in any case it increases the importance of the work of selecting the employee group, of sustaining its interest and loyalty, of assuring that the working relation and job opportunities are dynamic and developing, not static and deadening for the individual employee. If an enlightened corporation can offer a reasonably secure life tenure of employment, it becomes the more important that it consciously help the employee to find a genuine measure of life fulfillment in and through work. And to do this requires an educational motive which is more strongly sensed than ever before. It means emphasis on a broadened education within industry, on cultural aspects, on fostering adaptability and ambition. And even more, perhaps, it means imbuing the whole conduct of executive work with an educational emphasis for which the personnel department should be the source of inspiration and definite effort. Personnel work is seen today as largely educational work—with executives and with rank and file.

The depression has only accelerated a tendency already well defined to make far better provision than formerly for security of employment. And it is a safe prophecy that from now on corporations will pay increasing attention to all sorts of methods in their personnel policies which have security of livelihood as their aim. What these are we shall discuss in further detail later in the volume.

The case for the functionalizing of the personnel activity thus seems to be definitely established and accepted in theory and in practice. Even if the future should not disclose an increase in the number of executives specifically designated as personnel workers, it will nevertheless show unquestionably more and more major executive time and thought devoted to solving the problems of the effective relationship of the personnel to the organization. And it is with the fundamental improvement of this relationship, primarily in economic organizations and secondarily in all types of institutions, that this book is concerned.

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CHAPTER II

HUMAN VALUES IN INDUSTRY

Knowledge of the characteristics of human nature and of typical human behavior is a necessary part of the equipment of any executive who is going to handle people. Psychology is the science which throws organized light on this subject and which supplies important clues as to what human well-being means. It is therefore the purpose of this chapter to set forth briefly in popular terms the highlights of present knowledge of human nature; and it is to be hoped that this taste will whet the reader's appetite for more extended independent study of this highly illuminating and useful subject.¹

It should require no argument to emphasize the fact that, since so much money goes in payroll and since we already appreciate the value of complete knowledge of material and machinery specifications and characteristics, we should now make every executive conscious of the importance of a knowledge of human characteristics. What people typically desire, how they are moved to act, how their interest and working enthusiasm can be stirred—these are crucial questions. The major objective which we seek is one of a new *attitude* toward the corporation, the management, and the job on the part of all members of the organization. Executives should appreciate that they are not getting full value from workers until their attitude is one of willing enthusiasm and intelligent application. Such an attitude does not come spontaneously. Indeed it is met all too rarely. To help secure it is part of the responsibility of the personnel executive. But every executive who directs people must also know human nature and work with it if this new attitude is to prevail. And every board of directors as it formulates personnel policies should do it in the light of considerations that are largely psychological. For it must provide answers to such questions

¹ The references at the end of this chapter supply suggestions in this direction. Attention is called to TEAD, O., "Human Nature and Management," which was written as a companion volume to this.

as: Under what conditions, terms of employment, and organized relationships to the company will employee loyalty and cooperation be stimulated and sustained? How can individuals and groups be stirred to their best effort? How can day-to-day supervision be most effective in supplying real leadership?

In short, there is good reason to believe that managers, by taking time really to understand the true character of human beings and motives, are finding fruitful suggestions as to the meaning of human well-being and as to the purposes which their companies must hold as central if true employee cooperation is to be enlisted.

Human Characteristics Unchanging.—The saying “you can’t change human nature” has its important element of truth. For it means that all of us, regardless of clothes, vocabulary, social standing, language, and color, need and desire the same fundamental things in life and possess the same basic traits. The demands which others will make upon life may be gauged by the demands which we make, not necessarily in the details but in essence. Home, family, prestige, security—these are as significant and influential in controlling the life of the humblest night watchman as in controlling the life of the president of the corporation.

Moreover, the stability of human nature means that the same kinds of appeals and methods tend to secure the same kinds of response from different groups. Without that assurance of similar characteristics and similar mental habits, education would be impossible; all types of association would be capricious; every individual would be a law unto himself.

Because, in essentials, people are moved by the same desires and satisfied with the same activities, we can be reasonably confident that ideas, purposes, and aspirations which are found to have appeal for limited groups will probably find a general appeal, if only human nature has a chance. Permanence of our human characteristics, however, does not argue against the possibility of improvement in individual or social life. It argues rather for a clear understanding of those characteristics and desires which are innate and those which are subject to change by education, habit formation, appeals to reason and feeling.

Bodily Integrity.—No study of human characteristics can proceed far unless it is grounded in a knowledge of the influence of bodily conditions upon life and attitude. Behavior, says the

biologist, is a function of structure. It is no less a function of the health of the organism. Much of the variation in the responses of people to similar situations is due to differences of physical condition. Low vitality, under-nourishment, continued over-eating and under-exercising, bad liver and bad lungs—all modify the individual's behavior. Until managers are prepared to face the problem of their workers' attitude *first in terms of physical and mental fitness*, they will meet only discouragement in trying to foster qualities which do not manifest themselves in the absence of good health.

Chronic fatigue, worry, an anemic condition, a rheumatic condition, or any of a dozen other organic or nervous disorders, even in an incipient state, can detract so markedly from the individual's healthy-mindedness that interest in work, or any other enthusiasm, is out of the question. The fatal conjunction of "tiredness and temper" cannot be called too forcefully to the realization of managers.

"The basis of all national progress, whether industrial or social, is the health and physical efficiency of the people"; and the need and desire for individual health and free-flowing vitality is native to all. The soundness of any procedure or of any purpose in industry or in life depends upon its ability to square itself first with the demand for physical wholeness. Enthusiasm, zeal, and morale are rooted in good health.

Desire for a Sense of Individual Worthwhileness.—If it is possible to select any one trait as of outstanding influence in behavior it is perhaps that one spoken of as the self-assertive tendency, or the effort to maintain a sense of individual worthwhileness. We all want to register, to be some one, first in our own eyes and next in the eyes of those whose approval we desire, to have status and a sense of significance. Such a general tendency, of course, takes many forms and directions, and we see it at work in relations of sex, family, work, social life, and elsewhere. Fundamentally we seek to vindicate ourselves to ourselves on all the fronts of action. And that sense of self-realization comes when we have individually made progress from the point at which we each start. This is no absolute manifestation, since each of us starts from his own point of origin, background, and prior experience. And this fact explains why employee "demands" or aspirations are usually not a matter for alarm but are reasonably related to the progress in status these individuals

have already made. All that most of us want is to be sure that some authentic next step is progressively being taken by ourselves beyond the point of personal fulfillment we have now reached. Life for all of us demands more life, change, and development.

Love of Family.—Coupled closely with the desire to assure one's own life and integrity is a desire more or less urgent to marry, create a family unit, and carry on one's life through children. This impulse, of course, expresses itself in love of parents, wife, and children, and in a yearning to give them the best possible opportunities and enjoyments. Until managers realize that this love is just as strong and fine and socially beneficent in working-class families as in their own, and that it impels workers in the same way as it does themselves, they will misread many facts about employee behavior.¹ The passionate desire to see families not merely supported but "getting on," to see children have larger opportunities than parents had, helps to explain much effort and sacrifice.

Indeed, a combination of these demands for self and family attainment largely explains why the struggle for higher wages, for a progressively higher standard of living, and especially for security of livelihood, is so insistent. In fact, failure to satisfy this demand for security of livelihood is at the bottom of the bitterest protests of the workers against current industrial practices.

The Creative Impulse.—In modern industrial life another native tendency has been too largely deprived of expression. That tendency has been variously spoken of as the "creative impulse," "the instinct of workmanship," "the tendency toward contrivance." The trait behind these names is of tremendous importance. Individuals are only alive when they act, when they *do* something. To live is to desire and to strive to realize one's desires. People, especially in temperate climates, prefer activity to idleness; they prefer activity to which use is imputed or in the accomplishment of which honor and approbation are gained. They prefer activity where some tangible evidence of achievement remains. They know that they count for something in their own and others' eyes only as they act. Occasionally the action may take queer, perverted forms, because no constructive

¹ For a fuller treatment than is possible here of the influence in industrial life of the native human characteristics, see TEAD, ORDWAY, "Instincts in Industry."

channels seem to offer. But fundamentally *the action which assures the greatest self-satisfaction and group approval is that regarded as in some sense creative.*

It may as well be made clear here, since it applies to all of our major and basic drives, that usually the failure of the individual to find normal or socially acceptable channels for them results either in *suppression* of them or in what is technically known as *repression*. Both are likely to be harmful: suppression because there results a sense of being thwarted, stultified, and unfulfilled, and repression because the direction the flow of energy takes may be ill-advised, anti-social, and perverted. Originally the dangers to the individual of balked or misdirected desire were thought of as occurring largely in relation to the sexual urge. But we know now that the same type of reaction response takes place when other drives are obstructed.

The desires to be creative, to get approval, to have one's own possessions—these are socially useful characteristics. Under their stimulus the individual may integrate his own and society's aims. So that it becomes essential for managers to make it part of their responsibility to see to it that the work setting ministers to the normal release of these tendencies. Failure to find this normal release invites trouble. Itinerant workers, for example, who are "jobless, womanless, and voteless" are a potential menace. Workers preoccupied by fears of their bosses, of insecurity of employment, of domestic worries, or by boredom and antipathy to their work—these are prevented from a wholesome release of energy. They tend to be in danger of responding subnormally or abnormally to their relations with industry. The aim of managers must be to assure such terms and conditions of employment that in and through the work relationship as many natural and healthy impulses as possible find a measure of permanent satisfaction.

The Desire to Possess.—There is in the human characteristic of possessiveness a stabilizing influence of social value. If people can establish an area of proprietorship and control, even though it be only over a backyard thirty feet square, a real satisfaction is secured. Things that are undeniably "our own" are a pleasure to us. It is probable that normally the sense of ownership is most stimulated where the things possessed are in actual use by the owner, are often the product of his own labors or the expression of his personal choice.

This tendency, too, under modern conditions can take perverted and unwholesome turns. But the important fact for industrial experts to bear in mind is that, apparently, possessiveness is a good quality if it is kept in balance by other factors like love of family, creativeness, and desire for approval. Until manual workers can get some reasonable degree of satisfaction through this tendency, they are being deprived of benefits and enjoyments for which they may be unconsciously groping. Moreover, all groups in the community seem today so to translate all values into cash terms that material possessions have become an influential factor in their ability to bring a sense of personal status through social approval.

The Value of Curiosity.—A further desire of human beings is to know and understand. Curiosity is native; and the word “why” comes naturally to the lips of those who have not been discouraged too often by receiving no intelligible answer to their questions. Generally speaking, people do what they have to do *better when they know why they do it*. There is a fundamental connection in the human mind between conduct and knowledge, as well as between conduct and impulse. It is true that conduct is largely impulsive or habitual, but the hope of getting any direction into behavior, of securing some sensible selection by the individual of socially useful activities, lies in getting him to *know better*. To know better is to have in one’s mind an accumulation of past experience of one’s own and of others in similar situations, and knowledge also of how those experiences came out. Knowing better is thus an outgrowth of curiosity; and, on the whole, the more curious persons will tend to be the more intelligent. Intelligent conduct is conduct in which a course of action is pursued similar to that course found by previous selection from among similar alternatives to bring a better adjustment of the individual to his surroundings.

The hope of improving the quality of people’s choices in the ordinary problems of life lies in cultivating this natural ability to think critically, to weigh alternatives, to relate new problems to sensible standards of value. This power for wide comprehension, this making available to the individual in organized form the best experience of the past, is the essence of education. Managers should realize that conduct can be more fully controlled by understanding only if knowledge and thoughtfulness are made a definite objective in their educational programs. In a pro-

found sense that personnel policy will be best which is imbued throughout with a sustained *educational motive*. "Does this or that procedure minister to the growth in knowledge and understanding of my entire staff?" is the question the wise manager will repeatedly ask himself. For good personnel work is that which encourages workers to be more alert, curious, and thoughtful.

The Desire for Association.—But to this intellectual element must always be wedded the characteristics of enthusiasm and emotional excitement. Every important practical policy will give rise to these two inextricably related phases—the phase of understanding and the phase of spirited desire for action. Always to be aware or to know and to want to do are the two prerequisites of effective conduct. And the emotional tension which impels thought into action comes in various ways—from a yearning to be at one with one's group, from a craving for praise and admiration, from a deeply felt personal aspiration derived from more abstract and disinterested claims such as those of religion or the desire to emulate great and worthy characters. There is undoubtedly a positive satisfaction in the sheer act of personal association with one's fellows, especially those whose outlook and purposes are similar to our own.

Modern industry requires an unprecedented amount of association and cooperation; but much of it is now enforced. People cooperate in factories, stores, and offices not because they want to but because they must on pain of foregoing a livelihood. The problem of rendering this association a voluntary and willing one is urgent because it is in association which is reasonably spontaneous, self-initiated, and self-sustained that the most effective work is done and the most pleasurable atmosphere prevails.

Shop committees and labor organizations, whatever their other values or dangers, are unquestionably an asset in satisfying this elemental yearning for comradeship. The evidence of numerous corporations in recent years is conclusive that group bonuses, incentive payment methods, employee committees, safety contests, etc., are tangible procedures by which the desire for association, for status, for creativeness, and for approval are integrated in the going activities of the day. The whole point of this chapter is to make clear from the outset that tangible procedures such as these get their justification simply and solely in the measure that they are found to minister to the sense of

well-being and of living life significantly that the workers attain as a result of their operation. There is no justification and no standard of value here other than that of potential personality growth in and through the channel of the working life.

The Desire for Approval.—It is because the desire to associate is so innate that the search for the approval of those with whom we associate is also dominant. If properly used, this desire to be thought well of by one's fellows is an immensely constructive force. Much that we speak of as the conventions of society is nothing more than a historically successful process of organizing the approval of men in behalf of those ways of acting which past generations believed to be safe and wise. The problem that arises at every turn in industrial life is how to organize the approval of fellow-workers, and the approval of the larger community of consumers, so as to offer a legitimate and important stimulus to useful effort. It becomes increasingly clear that, after a reasonable minimum income has been assured, it is not merely the pay envelope which stands at the center of the thinking of owners, managers, and workers. It is the honor, prestige, and standing which come with the monetary return plus the inner satisfaction of successful accomplishment.

More passionately than almost anything else people desire to be thought well of by those whose opinion they value. It seems indeed as if this yearning for approval was only a diluted form of some tendency even more basic, a tendency to give and receive generous, disinterested affection and regard between man and man. This tendency has its definite basis, and it only can be fostered if its sources are properly understood. Good will and actual warmth of intercourse between individuals and between groups depend upon personal acquaintance and upon a full knowledge of people's motives and achievements. If it is true that people fundamentally desire not only approval but affection, there is a value in widening and deepening the quality of personal relationship in the setting of their jobs which has thus far been unrealized and unused.

It is, in fact, a commentary on the emotional sterility of our workaday life that the very suggestion that we should be able safely to manifest more affection, both to our associates and to our leaders, sounds forced and a little absurd. But the springs of enthusiasm, loyalty, and devotion do not flow from the mind alone. They flow from the pulsing stir of the emotions. And

where there is no affection, no reciprocal approval, no personal relationship with a supervisory leader worthy of emulation, the provocation for enthusiasm is all but absent. If, as we believe, there is normally room for more warmth of feeling among working associates, the value of creating conditions where approval can be shown and felt must be realized by managers. And equally they must realize the value of having men in the supervisory positions who have those qualities of personality and character that excite admiration and elicit affection. In this connection it is well to ponder the words of the executive who said that "the most successful leader is the one who loves those whom he leads."

The Desire for Justice.—Related to the desire for status and approval is a deep desire for justice. Contradictory as may be the forms which this demand takes from decade to decade, men are still eagerly searching and are still never satisfied until relationships, institutions, and opinion seem to them just. The appeal of the "square deal" has not been in any definition or specific application which it ever received, but in the universal demand of people that, in so far as they have knowledge about a situation, fair play shall prevail.

As applied to the industrial problem, this idea of fair play is, of course, especially baffling; but there do seem to be emerging several ideas which lend it definiteness. That there should be some approximate relation between expenditure of effort and reward is now generally thought to be fair. That passive absentee ownership is sufficient justification for the receipt of income is, conversely, being increasingly thought to be unfair. That full authority over shop affairs and terms of employment should be vested in the management alone is also being questioned by many as unfair. That the continuance and extension of the basic, essential industries should depend upon the willingness of private investors to lend money is another condition which some groups in the community believe unfair.

At any given moment it may be hard to determine what a given group of workers considers as fair for them; but once it is known and expressed they will be unhappy until they get it, or until they change their minds. Shifting though this demand for justice is in its concrete manifestations, in the abstract it is a strong and continuing motive which is potent when focused effectively on specific situations.

Love of Beauty.—There is a similarly indefinable characteristic of people in their desire for esthetic satisfaction. Groupings of line, color, form, and sound which are felt to be beautiful are profoundly satisfying and a source of great refreshment. Yet beyond this general statement it is difficult to go because esthetic standards are so divergent.

A knowledge of "the best that has been thought and said in the world" is within limits a source of individual enjoyment; and we find mind meeting mind and spirit rising to greet spirit back over the centuries in a way that indicates a common yearning after the fine things of the intellect and the spirit. So that, varied as esthetic standards may be, we do find a desire for beauty as native and permanent as a desire for justice and truth. And it is a desire which, as the necessities of life become more assured, gains influence in the individual's choices. Ugly shop conditions, shoddy, useless, and unattractive products, drab home surroundings, meager recreational opportunities—these together act as a depressant on the human spirit and increase the sense of futility in and repugnance for economic efforts. There are numerous and powerful influences at work today to support the statement that increasingly people will insist that their industrial labors must at every point yield far greater esthetic satisfaction than typically they now do. All of us are beginning to realize that our love of beauty is not desire for an extraneous adornment to life, but the need for sensory and esthetic fulfillment in and through our working careers.

Love of Goodness.—Yearning for goodness or righteousness, vague and sporadic as it often may be—covered over by more immediate claims, set at naught by the paralyzing effects of some fear—is still a historic fact in human experience. Historically it has usually been identified with some religious sanction. This desire has thus far been expressed too often in terms of personal conduct unrelated to the working life. And, until recently, there has been little attempt to relate it to individual responsibilities in connection with people's corporate labors. But as the sense of ethical obligation for right conduct spreads to include behavior of owners, managers, and manual workers in corporations, new demands will undoubtedly be made upon each group. Should we witness the growth of a more sensitive conception of righteousness, especially if supported by religious sanctions, it will be reflected in greater attention both to personnel and to

public relations. For this sentiment is linked to a positive feeling for fuller human cooperation, deeper human fellowship, and conscious public service. And there are abundant signs that our popular conscience for an up-to-date interpretation of righteousness is gaining new vigor.

The Whole Personality.—Human nature is the manifestation of the interaction of all our impulses, habits, desires, and purposes. Human desires cover a range extending from essential physical needs through more generalized demands of impulses and habits, to intellectual, moral, and spiritual aims. All have to be reckoned with; all have a place.

The human personality might thus seem to be only a battleground for conflicting desires, impulses, and habits. There is a sense in which this is permanently true; but unifying tendencies are at work. Organization and integration of the individual's impulsive and habit life are not merely necessary, they are as native to human beings as thought itself. And society will realize the promise of personality only as it understands how potentially fine and generous are the strongest inherent human tendencies. For conspicuous among the human desires which are seeking constant expression are the positive characteristics of love of family, of association, of creation, of group approval. Personality is thus expressed and developed in the demand for fullness of life, creative power, comradeship and love.

In a word, upon examination, the human personality is found to contain within itself its own penetrating suggestion as to valid and lofty human purposes. The fulfillment of personality thus becomes a significant end in life. The integrity of the individual life and the maximum improvement in the quality and variety of its manifestations are permanently sound objectives; for out of human nature spring all the positive energies which in their expression satisfy the individual and contribute to social upbuilding. This fulfillment of personality is the liberation in the individual of those native qualities which make him free, active, and energetic. Because fulfillment brings this, it brings to pass activities which, *ipso facto*, have social utility. Personality is essentially a social product, depending on a process which is reciprocal in its effects. It is the best possible life of the individual; and by being that for the individual becomes also a contributing force in the common life of the community. Self-realization fundamentally conceived and efforts at social service

are, in short, but two aspects of one fact, the fact of individual fulfillment.

It thus becomes a valid purpose in life to desire the development of as many individuals as possible into fine, free, generous, serene, and happy human beings. No one has ever excelled the compactness and directness of Aristotle's characterization of true happiness as "an activity of the soul in the direction of excellence in an unhampered life."

Personality in Industry.—Reinstatement of the human personality as of central value in life has a significance for industry which should not be ignored. It implies that as a condition for the development of the individual there must exist a reasonable freedom for choice of work, for leisure, for growth, for free association, for exercise of the whole gamut of human faculties.

Industrial practices are, in other words, to be judged in terms of their effect on human beings. If human personalities are the "home and center of all values," then they are or should be a central factor in industry. Surely, managers and workers are not carrying on their labors for the sake of industry. Industry is being carried on for the sake of people—the people in it and the people whose needs it serves. The profession of management has a major task of understanding this purpose, this natural and sensible emphasis upon the human values as central in the world's economic life. The department of personnel is indeed, as some one has well characterized it, the department of personality. It is the department devised to assure that working and living come into real identity. Profoundly viewed, *it is the department charged with the high duty of helping to restore and keep restored in all minds a right perspective on the basic purpose of economic effort and on the best ways and means of objectifying that purpose.*

In the light of present economic conditions and of contemporary knowledge about human characteristics, the need for a redefinition of purposes in industry is only too apparent. Happily, it is now being increasingly acknowledged that human beings natively and fundamentally prefer doing good to doing ill, prefer creating to destroying, prefer approval to disapproval, love to hate, and happiness to misery. Industry, if it is to develop in the light of these human needs and desires, must come to this simple but essential truth—that human beings are of primary value in life.

The purpose of industry is to make needed goods in sufficient quantity and at moderate cost. But, more fundamentally, the purpose of industry is to enhance human happiness. Until industrial managers set themselves to reconcile these two purposes, there will be conflict and misunderstanding not only between managers and men, but in the minds of managers themselves.

It is a matter for congratulation that more people seem aware of this conflict today than ever before. Any reconciliation of divergent aims awaits on this awareness. But actual reconciliation will be fully possible only when there is wide recognition that human personalities are of supreme value in life.

Maladjustments of the Personality.—The difficulties and dangers encountered when the personality does not function with a reasonable balance among its several elements are being appreciated and understood with increasing precision. Indeed a whole field of professional service, that of psychiatry, has grown up to minister to the individual who finds himself seriously unadjusted mentally or emotionally to the demands of life. The symptoms of such departure from mental health are now recognized and methods of corrective treatment are being constantly refined.

The application of this knowledge to the needs of men and women as these are disclosed in their work environment is one of the most potentially fruitful fields for advance in personnel work. We know now that those who are morose, apathetic, unstable, alternately elated and depressed, quick-tempered, sexually obsessed, sure they are inferior or persecuted, unable to get on with people, and the like—these are victims of more or less deep-seated maladjustments for which aid can be offered. It is an expert service which they require and the period of personal care and re-education may be extensive. But it is disruptive for them and for all with whom they associate if their difficulties are not correctly identified and dealt with.

The promise of more harmonious dealings of person with person which this psychiatric approach holds out is great. And the value of it potentially is perhaps greatest among executives themselves, since any emotional excesses or disturbances which they manifest can affect unfortunately so many other people. Already the record of accomplishment in this field is impressive even if on a small scale.¹ But whether or not corrective aid of this sort

¹ See ANDERSON, V. V., "Psychiatry in Industry"; FISHER, V. E., and HANNA, J. V., "The Dissatisfied Worker."

should be made available directly within industry by staff assistants, comparable to company physicians or dentists, is still questionable. There is as yet too little administrative experience to offer adequate guidance. By far the greater point to establish for executive use is the fact of the existence of serious mental maladjustment in many persons. Dr. Anderson's work in one department store suggested that as high as 20 per cent of the personnel found their way to his consulting room in the course of time. What we need is general executives and especially personnel workers trained to identify serious mental affliction when it appears and able to draw upon the best available psychiatric assistance when it is needed.

Indeed, once we can get the basic concept of *mental health* into its rightful focus, the whole area of economic practices has a new fundamental criterion against which to be evaluated. We are coming to realize that mental health, like physical well-being, is a matter of the total environment. The healthy life of the mind and the emotions is all of a piece, its domestic, social, personal, and industrial expressions being all interrelated and interacting. Industry can help to create and sustain the conditions of mental normality. But it can do so only in the closest possible conjunction with the supporting aid of the other institutions in which we all live and move and have our being.

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CHAPTER III

THE REASONS FOR A PERSONNEL DEPARTMENT

The usual conception of the major functions of an industrial organization formerly included production, finance, and sales, with purchasing or engineering added in certain cases where either of these assumed special importance. Within the last twenty years the function of "personnel" has been added to the scheme of staff departments for reasons that have now proved sound and permanently useful. Those reasons are economic, psychological, and administrative in character. And it is advisable for executives to have a clear picture of these in view in order to be able to answer the objections of short-sighted colleagues who may try to curtail expenses in the field of personnel as the readiest source of economy.

The Economic Justification.—Experience has shown that the costs of choosing, maintaining, and training the members of the working staff of any business organization—factory, store, or office—as well as the costs of securing effective application of their labor, can be substantially reduced by expert handling. For every worker hired, trained, and put to work, for every absence and accident, for slow and careless work, for damage to equipment and waste of materials, for failure of people to work willingly and harmoniously together, for inadequate conditions in the physical working environment—for all of these there are unnecessary costs and expenditures which increase operating charges. And where personnel work has been soundly conceived and been given effect for a number of years, the evidence is conclusive that all of these costs have been greatly reduced.

Indeed, the tendency in recent years for the larger companies to try to provide a life career for their workers rather than a mere day-to-day job has strengthened the economic case for personnel work by making the work of initial selection, no less than that of the developing and sustaining of all potential personal abilities of the working group, more painstaking and thorough. Also the increasing demand from every quarter that industry assure the

greatest possible security of job tenure has imposed a responsibility upon management the administration of which is largely shifted to personnel workers.

It might be supposed that, as the cost of necessary capital equipment increases and as the number of workers per dollar of capital investment decreases, the importance of the individual worker would be diminished and solicitude for his effectiveness be lessened. The contrary has usually proved to be the case. In general, the more expensive and elaborate the machinery, the more crucial it is to have workers operating it who have positive intelligence, resourcefulness, and good will. And in industries where personal service enters into the work as an integral part, as in department stores, banks, hotels, and the like, it becomes of the utmost economic importance that the employee's relation to the public shall always be adept and effective. This kind of working competence and attitude does not appear spontaneously. It is the result of careful training and of the operation of a whole self-consistent group of policies which are now recognized as being the special province of the personnel executive to initiate.

In short, the labor cost in every type of organized economic effort is a vital part of total cost. To keep it reduced to a minimum is not a matter of low wage rates but rather of applying carefully the energies of workers who are paid on a high enough wage level so that under proper direction a willing and efficient application to work is assured. Personnel work has demonstrated its ability to reduce labor costs while it has continued to urge the economic necessity for wages higher than current standards require.

The Psychological Justification.—It is being more and more appreciated by executives that supervisory and directive work which fosters a sense of *esprit de corps* does not occur by chance. The building of a wholesome morale in any organization is a matter of conscious planning and effort. Supplying an attractive leadership we know to be valuable and we know that certain leadership qualities can be developed by training. Adequate incentives, effective methods of instruction, ways of reducing boredom and stimulating interest in work—on these and numerous other factors determining the success of the worker's relation to himself, his work, his associates, his supervisors, and the corporation, psychological knowledge can throw and has thrown much light.

Despite its relative youth as a science, psychology has been able to give aid and point to personnel work in two distinct ways. It has imparted a fresh point of view about human nature to those who have studied it sympathetically. And it has supplied a scientific method for the study and application of specific procedures such as selection tests, incentive methods, and training programs. We realize now that there are reliable and legitimate ways in which conduct can be controlled or foreseen under specified conditions. We are discovering both how to capitalize upon individual differences and how to make group appeals to those traits and desires which are common.

Indeed it is literally true that every problem concerning the workers' *attitude* is in part psychological. And although attitudes themselves cannot be seen or weighed, their importance is coming to be realized. To get the right attitude among executives and among rank and file—this is one way of saving the personnel executive's job. The material he is working with most of the time is mental. The organization from his standpoint is *a working together of minds and feelings*. And a satisfactory working basis surely requires the utilization of the fullest possible psychological knowledge.

Such knowledge can, of course, be used in an exploitative way, *i.e.*, it can be made to further the aims of management in ways not necessarily to the best immediate interests of the working force. There is always this possible danger and it should be frankly acknowledged. Indeed, personnel work should have as one of its aims the prevention of such policies and procedures as may seem to give the management a temporary advantage in the control of behavior. The personnel executive must sponsor and give effect to a long-range view. He must remind his colleagues of Lincoln's dictum about the impossibility of fooling all the people all the time.

Basically, however, executives are coming to realize that it is absurd to expend so much care on material specifications and so little relatively on the fulfillment of the necessary human specifications. Payroll in many industries is almost as large an item as raw-material cost. And the job of seeing to it that the payroll yields its proper increment of value in product or service is central in the personnel executive's thinking. He, in the first instance, must be an expert in human motives, characteristics, desires, and aspirations. And, in the second instance, he must

help in communicating this sensitive comprehension of human nature to all the operating line executives. The more psychological knowledge we gain and apply in the world of industry, the more we are appreciating the value of having one executive as the special student of applied psychology.

The Administrative Justification.—Historically, the growth of the idea of the personnel management is directly traceable to a growing appreciation during the first two decades of this century that a number of scattered movements and independent forces all relating to the humane and intelligent utilization of people in an organization should be logically brought together under one administrative head.

Almost as two interdependent strands of one activity, the vocational guidance movement and the employment management movement, in the years from 1906 to 1915, were striving to improve the methods by which people secured positions in the industrial world. While the vocational guidance movement went at this problem from the angle of the placement of school children in industry, employment management went at the problem of effective placement both of school children and of adults by specialists within stores and factories.

The movements for vocational training and for corporation school training were another distinct influence which developed in relation to each other during the same period and which tended to stress the value of special training work within industry.

Industrial medical work began successfully with clinics and even hospitals in those industries and plants which were so isolated that the services of community physicians and nurses were not available.

The safety-first movement also had its own special appeal, beginning in the most hazardous industries; and it, too, grew as a separate branch of management effort.

The scientific management movement, with its emphasis on the intensive study of jobs, objective measurements of results, and concern as to the fitness of workers for their jobs, introduced a much-needed emphasis into the thinking of managers about their personnel problems.

Collective bargaining dealings in some plants and industries and shop committee dealings in a few others were also early developed as an industrial policy looking to a more enlightened handling of group negotiations and of grievance adjustments.

A further influence in the first years of this century which contributed its part was the so-called "welfare work" of a few large companies which interested themselves in beautifying factory surroundings, in lunch rooms, in housing, and in other activities not directly related to the work of production.

In the period from 1910 to 1914 a few companies had brought the activities represented by all of the above movements under the direction of one executive to whom, in a few cases, the title "personnel manager" had been applied. It was gradually seen that this was the most economical administrative method for handling a variety of related activities, all of which had proved to be paying business procedures.

The war unquestionably hastened this integrating process and convinced managers and experts in the science of management that this integration was sound and necessary. All phases of the personnel movement developed more in the five-year war period than would otherwise have happened in ten years. The army personnel work with its psychological and trade testing activities contributed an additional positive influence in bringing the whole personnel movement up to a scientific plane. The fact that much of the personnel work done during the war was done under compulsion, and was dropped as soon as this compulsion was removed, does not alter the fact that the war experience demonstrated to many managers in the non-munition industries that it was economical to handle all personnel work under one expert staff department.

The Business Success Attained by Personnel Departments.—A reason for the introduction of personnel departments which can now be used, in the light of fifteen years' experience, is that the results of this type of work in scores of companies have proved its business value conclusively. In respect to all the labor costs and losses enumerated above, facts and figures have been brought forward from company after company to prove the economies which have been achieved within a relatively few months after special and expert attention has been given to one or another personnel procedure.

And although the depression which began in 1929 inevitably required retrenchments in the personnel staffs of many companies, it can be positively stated that the status of personnel work as such had been so firmly established that there have been few instances where it has been abandoned. Rather the personnel

department has been heavily leaned upon in the difficult years of poor business to help ease the burden of insecurity and joblessness which fell upon the working staff. And the general solicitude for distributing or staggering work, for making loans, giving unemployment compensation or outright relief, which the depression period has witnessed, is in real part attributable to the educational work of recent years for which personnel executives can take some credit.

A function becomes a major one in any organization when the number of activities which gravitate to it are sufficient in number or importance to require direction by one of the head executives. The personnel function, it is now generally acknowledged, has for some years attained the dignity of a major staff responsibility. And although the character of its duties may alter in detail with the years, its essential role will remain. And that essential role is to take the initiative in seeing to it that the organization in all its phases and activities operates in ways that secure a cooperative working attitude.

Conclusion.—Experience, logic, and common sense have shown that, in a world where organizations are a dominant instrument of human effort, the effective application of human energy within every organization and on behalf of its agreed objectives presents a continuing problem. The problem has economic, psychological, and administrative aspects which together combine to establish the justification for a new major staff function. And whatever the purpose of the organized group—whether it is economic, civic, philanthropic, corrective, or for other ends—the personnel phases of management stand out as requiring competent handling.

It is difficult to say which of these three grounds offers the strongest case for organizing into a unit the administration of a company's human relations; but it surely is true that together they make a case which is unanswerable.

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CHAPTER IV

FUNCTIONS OF THE PERSONNEL DEPARTMENT

There is now reasonable agreement so far as industrial personnel work is concerned as to the functional duties which it embraces. In this chapter these are briefly outlined and subsequent chapters are devoted to a more detailed description of each important subdivision of its work.

No two corporations will, however, find it feasible to accept completely any one standardized plan. The presentation which follows is therefore offered as that of some of the best organized companies and it constitutes a workable and reasonably comprehensive program of activities. Questions of the reorganization of duties to conform to this set-up and of the rapidity with which these duties are developed intensively in any one company are matters of practical internal expediency. And it should be remembered that the important fact is not a theoretical plan but the acceptance in actual practice of a correct delegation of duties by all executives in the organization. Nor should the personnel department accept new responsibilities faster than it is able competently to administer them.

People versus Functions.—Managerial thinking on this problem will remain sound if at every point the distinction is clearly kept in mind between people and functions. In a small organization there may be but one personnel executive, yet he may have responsibility for various functions. Indeed, up to a reasonable point, it is usually good policy to let the qualifications and interests of members of the executive staff to a considerable extent determine the actual distribution of their duties. In large organizations, however, it is more possible and more feasible to keep the responsibility of individual personnel executives more clearly differentiated. Any possible difficulties in this connection may be greatly lessened if the policy is followed of keeping currently accurate two charts—one showing the several functions which it has been agreed the personnel department shall assume, the other showing the duties assigned to each member of the personnel staff.

Divisions of Personnel Work.—For administrative purposes there is a logical division of personnel work into employment, health, safety, training, research, service, adjustment, and supervision of joint negotiations. Before enumerating the detailed responsibilities under each of these headings, it is well to suggest the general basis of this classification.

The function of *employment* covers all the work entailed in securing, properly introducing, stabilizing, and retaining a willing and effective working force.

Health work covers corrective and preventive efforts to maintain the staff in sound physical and mental health, including physical examinations and general oversight of working conditions as they affect health.

Safety work includes the minimizing of accidents through both proper mechanical safeguards and continuous educational and preventive efforts.

Training covers all the various educational activities of the organization having to do both with definite job instruction and with broader cultural education.

Research comprises all efforts to study living costs, wage levels, all other data which give a fact basis for decisions about terms of employment, and new personnel developments in other organizations as they may be applicable to the particular company. Periodic analysis and audit of personnel policies are included as well as a supervisory relation to the work of job analysis and the establishment of production standards.

Service includes all the miscellaneous activities which are directly related to the comfort and welfare of the individual, such as insurance, pensions, restaurants, savings plans, housing, and recreation.

Adjustment covers the handling of individual grievances and complaints, absences, disciplinary measures, and discharge.

Supervision of joint negotiations implies responsibility for dealing as management representatives with any organized employee groups to discuss terms of employment or other group problems, including the terms of the labor contract and the interpretation of that contract.

Finally the most important duty of all is that of *infusing the thinking of the management staff as a whole with the best possible personnel point of view*. The personnel executive should take the initiative in the proposal and sponsoring of new personnel

policies and procedures. He should be sure that the personnel implications of all major policies are considered when these are under consideration and should try to assure that no policy is adopted which will permanently injure the cooperative attitude which it is his duty to foster. In this connection he will, for example, urge general policies that tend to assure stable and permanent security of job tenure. It is in this area of general sponsorship of sound policies related to the changing needs of the times that his major contribution should be made. And this supplies one more vital reason why the personal qualities of this executive must be of such a character that his judgment will be respected and given full weight in the top councils of management. Anything less than this not only lessens his influence but it relegates the personnel problems to a less than primary place in managerial thinking—a danger which has constantly to be guarded against.

Employment.—Under the division of employment, the following duties are usually assigned:

1. Knowledge of:
 - (a) Labor market and the sources of supply.
 - (b) Work requirements—use of job analysis and job specifications.
 - (c) All wage rates paid.
 - (d) Hours of work and other terms of employment.
2. Selection including:
 - (a) Preliminary interview.
 - (b) Interview.
 - (c) Hiring.
 - (d) Follow-up of references.
 - (e) Use of psychological and other special tests.
3. Introduction to the company and general instructions to new employees on company policies.
4. Follow-up of new employees at the job.
5. Recommendations for transfers and promotions.
6. Interviewing all leaving employees:
 - (a) To insure fair consideration of their case.
 - (b) To discover reasons for leaving.
 - (c) To analyze and pass upon discharges.
7. Compilation and care of records of:
 - (a) Applicants.
 - (b) New employees.
 - (c) Adequate individual employment and progress records.
 - (d) Labor turnover.

Health.—Under health the following duties are usually assigned:

1. Recommending of standards of physical fitness for workers at different jobs.
2. Physical examinations of:
 - (a) Applicants.
 - (b) Present employees.
 - (c) Periodic re-examination of employees.
 - (d) Special oversight of workers exposed to industrial hazards.
3. Administration of first-aid clinics and company hospital.
4. Treatment of:
 - (a) Surgical and accident cases.
 - (b) Dental cases.
 - (c) Ocular cases.
 - (d) Medical cases.
5. Giving of individual medical advice or referring to family doctor.
6. Supervision of all preventive health educational work, both physical and mental.
7. Supervision of all extra-mural nursing service or cooperation with local community nursing agencies.
8. Systematic supervision and check-up of all working conditions:
 - (a) Cleaning.
 - (b) Ventilation and humidity.
 - (c) Lighting.
 - (d) Heating.
 - (e) Washing and bathing facilities.
 - (f) Toilet equipment.
 - (g) Dressing rooms.
 - (h) Lockers.
 - (i) Drinking water.
 - (j) Janitor and matron service.
9. Prevention and elimination of communicable diseases, epidemics, industrial disease hazards, and special strains:
 - (a) Fatigue.
 - (b) Mental strain.
 - (c) Special problems connected with women's work.
 - (d) Study of working hours and rest periods.
10. Cooperation in study and investigation of absences.
11. Adequate records and statistics on all health matters:
 - (a) Physical examinations.
 - (b) Sickness.
 - (c) Treatments.
 - (d) Occupational diseases.

Safety.—The safety division is responsible for the following duties:

1. Systematic inspection of all operating conditions to reduce accident hazards.
2. Conducting safety educational work with executives and rank and file.
3. Supervising work of all safety committees.

4. Study of best safety practices and educational procedures.
5. Handling of compensation cases, records, and supervising payments.
6. Compilation of all accident records.
7. Cooperation with government officials in observance of safety laws and regulations.

Training.—Under training the following duties are usually assigned:

1. Training courses for executives.
2. Training courses for foremen, assistant foremen, and instructors.
3. Training new workers in company policies, and in knowledge of the uses of the company's product.
4. Apprentice courses.
5. Vestibule schools.
6. Part-time continuation schools.
7. Supervision of methods of job instruction.
8. Company publications.
9. Bulletin board information.
10. Circulation of magazines and library books.
11. Organization of educational clubs.
12. English and naturalization instruction.
13. Training for:
 - (a) Transfers.
 - (b) Promotions.
 - (c) Inspection.
14. Suggestion systems and awards.
15. Cooperation with health and safety divisions in training in:
 - (a) Personal hygiene.
 - (b) Safety.
16. Cooperation with outside educational agencies.

Research.—Under research the following duties are usually assigned:

1. Studies and recommendations as to wage rates.
2. Studies of cost of living.
3. Periodic labor audit of the organization.
4. Study of current experiments of other concerns with personnel activities, with recommendations as to their adaptability.
5. Supervision of use of job analysis data, including adoption of production standards.

Service Features.—Under service features the following duties are usually assigned:

1. Administration of group insurance, pension plans, mutual benefit associations, and unemployment compensation plans.
2. Conduct of savings plans.
3. Conduct of company store or employee group buying.

4. Rest rooms.
5. Recreation work:
 - (a) Noon-day and rest periods.
 - (b) Athletics.
 - (c) Dramatics and musical clubs.
6. Employees' gardens.
7. Supervision of company housing.
8. Assistance in planning summer vacations.
9. Employee restaurant.
10. Cooperation with community efforts in matters of housing, transportation, etc.
11. Company protective or police service.

Adjustment.—The work of adjustment refers to such activities as:

1. Handling complaints and grievances which department heads cannot settle.
2. Helping handle difficult disciplinary problems.
3. Handling cases recommended for discharge by department heads.

Supervision of Joint Negotiations.—This function includes the following responsibilities:

1. Supervision of installation and operation of any plans of employee representation.
2. Adoption of company rules and regulations.
3. Supervision of joint dealings on all matters affecting terms or conditions of employment.
4. Acting as management agent in dealings with labor unions whether or not under collective bargaining.

The Function of Contact.—Special mention deserves to be made of the duty of keeping abreast of the times in knowledge of current developments in the world of personnel management. So numerous are the experiments, so rapidly are good ideas extended from one organization to another, that it is poor business to remain uninformed of the experience of others. The personnel executive who takes his work seriously will affiliate himself with the several organizations active in collecting personnel data and in holding stimulating conferences where new ideas and activities are discussed.

Important in this connection are the following bodies: The American Management Association, the Taylor Society, the Personnel Research Federation, the Society of Industrial Engineers, the Industrial Relations Section at Princeton University, the National Safety Council, the National Industrial Conference

Board, the National Office Managers' Association, the American Association for Labor Legislation, the United States Department of Labor, the Bureau of Personnel Administration, the Policy Holders' Service Bureau of the Metropolitan Life Insurance Company, the Industrial Relations Counselors, Inc., the Psychological Corporation.

There are also a number of first-rate consulting firms which stand ready to provide service either in special problems, like payment plans or pensions, or on a broad audit and evaluation of the personnel policies and methods which a company is now pursuing. The stimulating value of such an outside judgment upon an organization's effectiveness may often be great if the consultant has broad vision and a liberal outlook and is not committed to some narrow hobby or device he is primarily interested in installing.

Finally, a word should be said as to the periodicals¹ and books in the management field as an added source of helpful current data. The selected references at the end of each chapter in this book should supply suggestions as to the outstanding current volumes of value for the reference library of the personnel department. And from time to time new bibliographies are issued by the Industrial Relations Counselors, Inc., in New York City and by the Industrial Relations Section at Princeton, N. J. Recent years have seen important additions to the book literature on many phases of personnel work and personnel executives should make it part of their job to encourage members of their staffs to keep their study of their special fields as up-to-date as possible.

Also the nature of personnel work is such that its value is enhanced by a broad grasp of economic and general cultural literature. There is not room here to outline a reading program that would help to realize this broader objective. But executives should realize that well-chosen volumes in history, biography, psychology, and science can be a great stimulus to the development of character and enthusiasm. They should realize that personnel work rises no higher than its source in those who direct it. To be a big executive is essentially to be a *big person*. And

¹ At the present time these magazines include *Factory and Industrial Management*, *Management Methods*, *Industrial Relations*, *The Foreman and Industrial Executive*, and *The Survey*, in addition to the regular publications of a number of the organizations listed above which are available only to members.

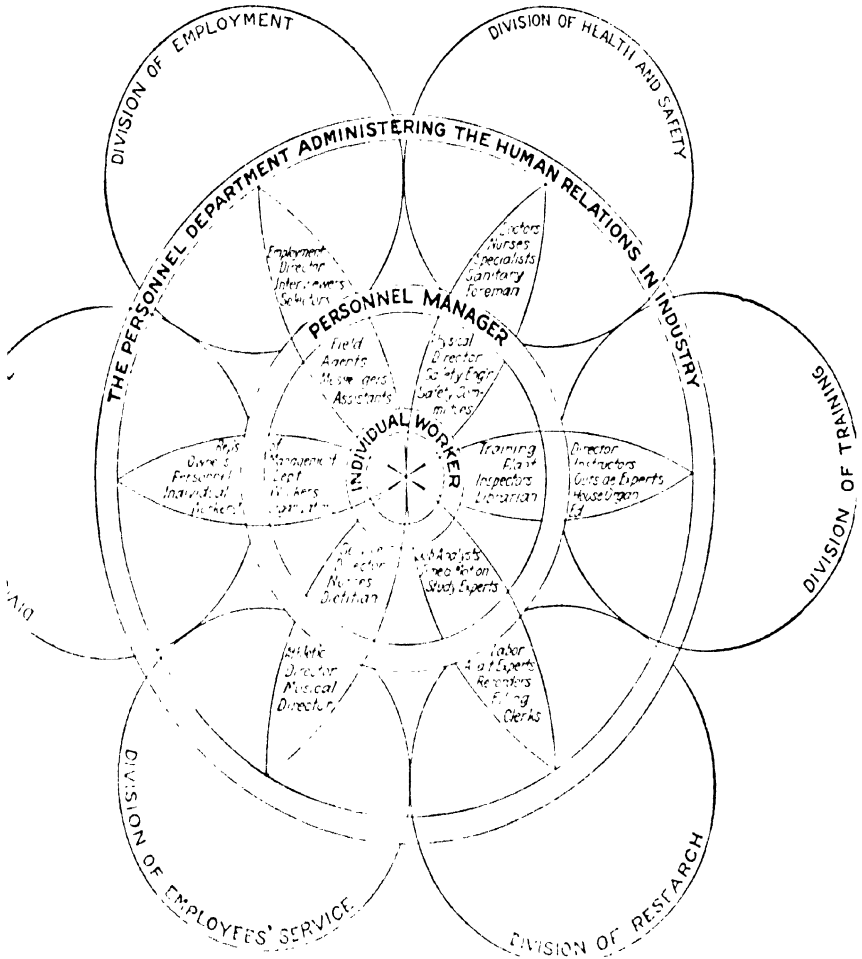


CHART I.—Personnel Department: Interrelations and Functions.

PERSONNEL DEPARTMENT		ADVISORY PERSONNEL COMMITTEE Personnel Manager Production Manager Foremen's Representative Workers' Representatives			
DIVISION OF EMPLOYMENT 1 KNOWLEDGE OF: Sources of supply Job analysis & job specifications Wage rates paid Hours of work 2 SELECTION: Preliminary interview Interview Hiring Follow-up of references Physical examination Intelligence & trade tests Other special tests 3 INTRODUCTION TO PLANT: General instructions Company policies 4 FOLLOW-UP OF NEW EMPLOYEES 5 RECOMMENDATIONS FOR PROMOTIONS AND TRANSFERS 6 INTERVIEWING ALL LEAVING EMPLOYEES: To secure for treatment Employer reasons for leaving To analyze and pass upon discharge 7 COMPLETION OF RECORDS Applicants New employees Adequate individual progress records	DIVISION OF HEALTH AND SAFETY 1 RECOMMENDING STANDARDS OF PHYSICAL FITNESS FOR WORKERS AT DIFFERENT JOBS: Applicants Re-examination of defective workers Social oversight over workers exposed to industrial hazards 3 FIRST AID HOSPITALS 4 TREATMENT OF: Surgical & accident cases Dental cases Medical cases Home service Ocular cases Individual medical advice 6 SYSTEMATIC PLANT INSPECTION BY: General and department safety committees 7 COOPERATION WITH PROPER AUTHORITIES IN REPORTING ALL ACCIDENTS 8 ACCIDENT CONTROL & REDUCTION: Following best building practices Safety training Safety examination & follow-up accidents 9 COMPENSATION PAYMENTS	DIVISION OF TRAINING 1 TRAINING EXECUTIVES FOREMEN, INSTRUCTORS 3 TRAINING NEW WORKERS IN COMPANY POLICY Company policy Company product knowledge 4 APPRENTICE COURSES 5 VESTIBULE SCHOOLS PART TIME CONTINUATION SCHOOLS 7 JOB INSTRUCTION 8 COMPANY PUBLICATIONS 9 SUGGESTION SYSTEMS 10 BULLETIN BOARD INFORMATION AND LIBRARY BOOKS 12 ORGANIZATION OF EDUCATIONAL CLUBS 13 ENGLISH AND MATHEMATICS INSTRUCTION 14 TRAINING FOR: Transfers Promotions Inspections 15 TRAINING IN: Personal hygiene Safety 16 COOPERATION WITH OUTSIDE EDUCATIONAL AGENCIES	DIVISION OF RESEARCH 1 JOB ANALYSIS 2 PREPARATION OF JOB SPECIFICATIONS 3 TIME AND MOTION STUDIES 4 FATIGUE STUDIES 5 WAGE RATE STUDIES AND RECOMMENDATIONS 6 STUDIES OF COST OF LIVING 7 PERIODIC LABOR AUDIT OF THE ORGANIZATION 8 STUDY OF CURRENT PERSONNEL PROCEDURES AS TO THEIR ADAPTABILITY	DIVISION OF EMPLOYEES' SERVICE 1 RECREATION Noontday and rest-period programs Supervision of athletics Dramatics, musical clubs etc. 2 BENEFIT AND INSURANCE SCHEMES 3 COOPERATIVE PURCHASING ARRANGEMENTS 4 REST ROOM 5 SUMMER VACATION 6 LUNCH ROOM 7 EMPLOYEE GARDENS 8 SUPERVISION OF COMPANY HOUSING 9 THRIFT ACTIVITIES 10 COOPERATION IN MAINTENANCE OF: Adequate local housing Transportation Public health Primary education Other civic activities 11 LEGAL AID 12 LOANS	DIVISION OF JOINT CONTROL 1 GRIEVANCES AND COMPLAINTS 2 QUESTIONS OF SHOP CONTROL Adoption of shop rules Enforcement of shop rules 3 ADJUSTING QUESTIONS OF DISCHARGE 4 COOPERATION IN THE SUPERVISION OF SHOP COMMITTEES 5 CONFERRING AND AGREEING WITH THE PROPERLY CONSTITUTED EMPLOYEE OR UNION GROUPS ON TERMS OF EMPLOYMENT: Wages Hours Production standards

CHART II.—Personnel Department: Its Functions and Administrative Divisions.

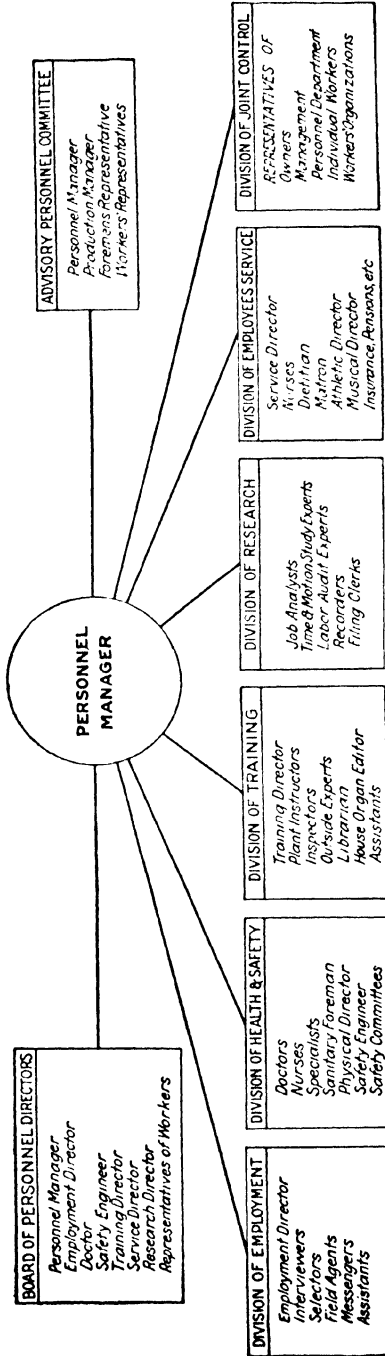


CHART III.—Personnel Department: Chart of Authority.

to be a person of large grasp, wide sympathies, and broad understanding requires continuing contact with great, forceful, and heartening minds as these have been precipitated into the great books of the world. A program of conscious self-development for the personnel executive himself is one of the most vital elements in his total schedule of activities.

Organization Charts.—Chart I shows the major functions of the personnel department and its vital relation to the individual worker. It illustrates graphically the thesis about which this book is written: that the individual is the central value and end of the personnel department's activities.

In order to suggest a grouping of functions which conforms to the conventional arrangement of organization charts, Chart II is included.

Chart III shows the lines of authority and responsibility in the personnel department.

Other charts showing the relationship of the personnel department to the other departments will be shown in connection with Chap. XXV.

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CHAPTER V

SOURCES OF LABOR SUPPLY

Managers who are fortunate enough to be building new plants today decide upon locations with one eye to the availability of the kind of workers which their industry requires. Managers whose plants have been located without careful consideration of the sources of labor supply are frequently at a disadvantage which only deliberate efforts can overcome. Such efforts at cultivation of sources of labor supply are now recognized as a necessary part of the personnel department's activity.

Cultivation of sources of labor supply is the attempt on the part of managers to bring the advantages of working in their organizations before potentially or actually qualified workers so that they will want to apply for openings which may occur. It is a matter of organizing the community's good will toward the company—of creating an attitude toward the organization in working-class centers, for example, which makes people really interested to apply for a job. It is creating a legitimate differential between the necessity of working for some company and the superior advantages of working for a particular enterprise.

In a campaign to cultivate the proper sources of labor supply, it should be possible for the personnel executive to presuppose three things: that the company is doing all it can to keep employees with it continuously, so that, except when expansion occurs, the need for new workers will be minimized; second, that it knows accurately the kind and quality of working ability which it needs; and, third, that it is pursuing a personnel policy that makes working relations within the organization genuinely attractive to workers.

On the first point, it should be remembered that some of the best corporations spend comparatively little on cultivating sources of supply and on selection. Their working force remains substantially intact year after year—which is certainly a desirable objective to strive for.

On the second point, it is still true that many companies do not know definitely enough how much ability and what kind of ability their work calls for.

On the third point, it should go without saying that it is folly to spend much effort in recruiting new workers if they soon leave because the treatment they receive is unsatisfactory. Experience is clear that the best advertisement for the right kind of new applicants is the company's reputation in the community for fair and decent treatment of its employees. "Get right with your personnel policies" is the first injunction in a program of making additions to the staff.

Assuming that the company has taken care of these three prerequisites, it can by deliberate efforts improve the quality of its applicants. These efforts naturally emanate from the personnel department and must largely take the form of personal contacts. Some one should from time to time make a survey of the field, whether it be in the neighborhood, the surrounding community, the schools, or the colleges. This should result in a knowledge of the community agencies and leaders who are likely to be in touch with the properly qualified workers. It is important to consult local teachers, school superintendents, ministers, and college faculties. In medium-sized and small communities, stockholders, public and lodge officials, newspaper reporters, tradesmen, old residents, and even car conductors are often in touch with workers of one or another grade of skill.

Especially valuable are personal associations with leaders, bankers, priests, and editors in foreign-speaking groups. Confidences which are genuinely established with such groups help greatly to minimize serious misunderstandings which might otherwise develop with colonies of foreign-born workers. These workers can also help to keep the inflow of foreign workers advised as to where to find congenial employment.

The same is true of relationships with local trade union groups and with local public employment offices. The value of personal acquaintanceship as the basis for subsequent dealings is tremendous. A wise personnel manager will allow and encourage his assistants to spend some time in maintaining friendly associations with all the useful community organizations.

Effect of Restricted Immigration.—All signs point to the continued commitment of the United States to a policy of restricted immigration in the next few years. One effect of this is to make

it increasingly important to cultivate intensively the sources of labor supply which are at hand. If there is no longer an inexhaustible supply of foreign unskilled labor available for the most disagreeable work, the conditions surrounding this work will have to be improved as much as possible, machinery will have to be introduced to the maximum, and the level of compensation for such work will inevitably rise.

One effect of restricted immigration is the migration of Negroes from the South into the industrial centers of the country. The tendency has been marked in recent years for Negro labor to supplant foreign-born labor at unskilled industrial work. Because the Negro is at first willing to accept a lower wage scale and because of social, housing, and other problems created by the working together of Negro and white laborers, a personnel problem has been created here in many communities and companies which calls for the most thoughtful handling.

Any personnel manager who finds that his company has either by deliberate intention or by accident brought an increasing number of Negroes upon its payroll should at once survey their whole relationship to the organization to be sure that conditions are not developing which may lead to racial conflicts within the company or in the community such as have already been experienced in a few industrial centers.

Much the same situation arises regarding the importation of Mexican laborers, although, as yet, this has not taken place on any such considerable scale. Equal care is necessary in handling the personnel and social problems involved in the use of this group of workers.

Possible Sources.—Enumeration of actual sources of labor supply would be a prolonged task, since the sources tend to vary with the type of work and the size of the community. There is, moreover, one technique of cultivation in the small town, another in the small city, still another in the large city.

It has usually been found true that *friends and relatives of present employees* are the most valuable and reliable source of worthwhile new workers. Some firms find this to be so pre-eminently true that in normal times they pay employees a bonus of from \$2 to \$5 for new workers whom they bring in and who stay more than a given number of weeks. On the other hand, there are companies where friends and relatives are definitely not employed because of the dangers of favoritism. This is

probably more likely in a small organization, but where there are centralized hiring and careful interviewing any possible hazards from this cause are slight and are more than offset by the advantages of knowing the personal background of applicants. Many firms also find it of advantage to keep in touch with *former employees* who have resigned or been laid off. Their induction can be readily effected and if their former record was good they constitute a reliable source.

The *casual job-seeker* is a perennial source of supply and whether he is a valuable one depends on conditions of the local labor market and on the care exercised in interviewing him. If the company has a favorable reputation as a good place to work, these unsolicited seekers will undoubtedly include many who are worthy applicants.

Many firms encourage *written applications* from people who are elsewhere employed but would like to change. They find that people who will write in this way are usually steady, ambitious workers, who, when they change at all, stay for a considerable time.

Casual newspaper advertising is used successfully by a few firms, but it is regarded by many as a last resort because its usually unsatisfactory results are out of proportion to its cost. The question will arise as to the relative advisability of a signed help wanted advertisement and a "blind" one in which no company name is mentioned. Our own view is that usually the odds favor a signed notice and if a rush of applicants is feared they can be advised to reply by letter. Also, drawing upon the "positions wanted" advertisements is one avenue for securing young workers who are offering their services through the daily paper.

Interchange of information about jobs and applicants *by telephone among local personnel workers* has proved another service valuable alike to company and workers. Where lay-offs are about to occur or where new work is starting, such advance information to a half dozen other employment departments in the same city can save much time and anxiety for all concerned in quickly securing new placements. Indeed, the careful effort to place elsewhere workers who have to be laid off has proved in many cases to be an important factor in building or retaining good will in a local community where otherwise the hardships of such a lay-off might act adversely on the company's standing.

The *graduates of grammar, continuation, and high schools* are systematically canvassed by some employment managers for both factory and office positions. Well-equipped applicants are also frequently found in business colleges and trade schools. In Minneapolis these schools keep in close touch with the employment opportunities in twenty-four different trades.

In smaller communities, *house-to-house canvassing* has been resorted to by companies in need of people. If tactfully done, such calling may help favorably to establish the organization in the minds of local people and encourage them to apply. Often, workers who go some distance to their work are glad of a chance to change to a firm which is within walking distance. Indeed, some firms prefer not to hire people who live more than a mile and a half from the plant.

Where there are collective bargains or strong unions, the *union headquarters* are usually a source for craft workers. Some employers have felt compunction about patronizing the union offices; they have felt that they thereby, in some way, admitted a condition of union ascendancy. This is, of course, a shortsighted attitude, since, if managers would go halfway to deal with the unions in this matter, they could save much time and expense in locating competent craftsmen.

Ideally, under conditions of collective bargaining, there seems much to be said for having employment offices run jointly by the employers' association and the union. It tends to put them on a business footing and assure prompt service which is satisfactory to both groups. It has the further important value of pooling the local labor reserves of the trade.

Such a pooling process should ultimately, of course, extend beyond the boundaries of one industry. There should be some central agency or group of agencies through which information about jobs could be cleared, not only for workers going from one plant to another but for those going from one industry to another and from one locality to another.

The *private employment agency* is one further source deserving consideration. In large cities where such agencies are found to be honest and well managed, they have undoubtedly proved valuable for serving office help and certain specialized salaried positions. But, in general, a good personnel department ought to be able to draw on other sources intelligently enough to make calling on private agencies unnecessary. Especially for manual

workers these agencies may present problems of fee-splitting with foremen, unscrupulous collection of fees, and offering too many applicants for interview. Susceptible as this kind of service is to abuse, a company should be sure that it deals, if at all, only with a private employment office of unimpeachable integrity.

A hitherto neglected source of supply is those who are newly discharged from penal institutions. Approximately half a million men are thus sent out annually into the various communities of the country. The plight in which these persons are likely to find themselves is truly pitiable and a reflection upon the social conscience—not to mention business sense—of their communities. In most cases these men have a narrow margin of funds and few if any friends of such standing that they can be effectually used as references in getting jobs. They meet on all sides a prejudice against ex-convicts which all but forces them to remain outlawed and unproductive.

Industrial managers have a responsibility for helping to reintegrate these unfortunates which they can no longer ignore. The Ford Motor Company of Detroit set a notable example in this work of reintegration. In good times it reserved 1 per cent of its positions for men with prison records, helping them develop into good citizens by offering them a second chance in life. Such employees need protection against gossip and prejudice, as well as careful and sympathetic oversight. There is every reason why industry should draw on this source, especially since by cooperation with penal institutions many employers have already demonstrated in a quiet way that former prisoners are not only "safe" to employ but are usually eager for the chance to make good and establish a good name for themselves. The economic and moral gain to society of reviving hope and courage in these men, by helping them realize useful and satisfying lives, cannot be measured in money terms.

As long as the proper end is held in view, sensible methods of developing sources will be devised. The aim must be to have the sources of supply become as unified as possible in the sense that applicants apply to as few places as possible in their search for work and companies have to resort to as few different labor markets as possible. It will save employers and workers alike many hours of valuable time as soon as agreement can be widely reached that in one agency, and in one agency only, all can get the information and guidance they want, that in one centrally

organized system of offices all jobs are known and all unemployed workers registered.

Public Employment Offices.—The time has come when managers should be willing frankly to face the fact that even in good times the waste of time and effort both for their employment interviewers and for workers is tremendous when the effort is being made to bring worker and job together. Even in years of peak prosperity our country has had nearly two million unemployed and the great majority of these were not chronically idle but were wasting time going from one company to another seeking work. In times of depression when there are more men than jobs, the process is equally wasteful and more discouraging. Also the increasing tempo of technological change resulting in the rapid displacement of men by machines adds to the general public responsibility for seeing that men and work are brought more quickly together.

The remedy for this chaotic situation, in which every potential worker ignominiously peddles his services from one employment office to another and every employment department interviews (or refuses to interview as the case may be) many applicants unadapted to its needs, is reasonably clear. *Our country needs urgently a system of employment offices, publicly administered, country-wide, non-competitive, free, and offering specialized service to different classes of workers.* Our war experience with such a system may not have been perfect, and the administrative difficulties are admittedly imposing. But other countries have done it; and under proper terms of national, state, and local cooperation, along lines that have been well planned out, such a service should be instituted, and there is good reason to believe that it could be efficient.

Already we have several local instances of successful demonstration experiments in public employment offices and the already proved technical requirements as to interviewing, record keeping, testing, and the like, could readily be made matters of general application. Large employers and employers with special technical requirements could, as they already have in some places, work closely with the public agencies to get far better results than they do now, and with less expense. The objective of such a unified clearing house is sound; and we can have its advantages as soon as industrial leaders will take a broader view of the importance of solving this problem in a statesmanlike way.

Limits upon Sources.—Complication is introduced into the procedure of cultivating sources when definite limits are put upon the selective process. Some companies, for example, will employ only American citizens. While it is easy to understand and sympathize with this position, it seems doubtful whether such a policy can be recommended for wide adoption. Until our country makes far greater provision for free instruction in English and naturalization than is now the case, it is an arbitrary and in a sense unfair restriction from the workers' point of view to exclude them from employment on this ground.

The restriction that only applicants who live within a certain radius of the plant will be accepted is based on a desire to cut down the time of coming and going from work, to create a homogeneous group of workers, to make community ties and industrial ties more nearly identical than is usually the case. This also is a policy of doubtful value for general application, although there may occasionally be conditions, especially in the case of women workers, where such a policy is to be preferred.

The limitation upon hiring because of old age is one which is explicit in a few companies and more or less tacitly imposed in many. There has recently been much discussion of this difficult problem and no final solution is yet in sight.¹ There is, however, wide agreement that any rigid age limitation is both unwise and unnecessary. But to be able to retain or to hire new employees who have passed fifty, a company must stand ready to give their placement special attention and to undertake special training which will assure the best utilization of these older workers. Many executives already agree that what may be lost in working speed with oncoming age is made up in general knowledge of company policy, reliability, and improved judgment, if only the worker is carefully placed in relation to his capacity. One practical course is for a company to know what jobs are better adapted to older workers and to encourage the hiring of these under certain safeguards.

The policy of excluding workers of some one race, religious affiliation, or color is one as to which the peculiar local circumstances and prejudices manifestly have determining weight. It

¹ See the excellent, practical, and humane statements in the "Handbook of Business Administration," pp. 1303-1335. As we shall see in discussing pensions, the problem of the older worker is not one that can be solved by industry alone. It has become also a community responsibility.

is impossible to generalize as to wise procedure. But it is not only important but essential, where such exclusions are felt to be justified, to handle the procedure so that the basis of exclusion shall, as far as possible, be candidly acknowledged. Frankness in matters of this sort, provided always it is accompanied by kind and courteous treatment, is to be preferred to any hypocritical pretexts. In this connection it is well to remember that it is less what is said than the way in which it is said that counts heavily with the rejected applicant.

Sources for Executive Workers.—An increasing practice among large business firms of all kinds is to recruit embryo executives from the colleges. Each spring a personnel executive visits the leading universities, schools of business administration and engineering schools for interviews with selected seniors. Upon graduation, these students are put through a more or less carefully organized training course within the corporation with a view to seeing where their talents may best be employed.¹ Although the turnover among these young men is not small, a useful service is undoubtedly rendered by such placements. The danger is that the practice may result in the new executive getting a view of management work limited too much to the experience of his own company. The ingrowing outlook which may result is something which has deliberately to be contended against.

There is the further danger that the maintenance of this procedure may make ambitious young men in the company who did not have a university education feel that they are debarred from advancement to important executive posts. This would be an unfortunate sentiment to allow to gain currency in any company, since the opportunity to rise should supply an incentive to all workers who demonstrate genuine ability. Within limits, a policy of encouraging promotion to executive positions largely from within the company is sound. But it implies for its most effective use the development of an executive training program. And every able worker, irrespective of his formal education, should be made to realise that he can rise as high as he is able with the use of all the instructional facilities which the company can encourage him to utilize.

Conclusion.—Some experts feel that the necessity for cultivating sources of labor supply is in inverse importance to the success

¹ A useful discussion of this topic will be found in the "Handbook of Business Administration," pp. 1120-1134.

of a company's personnel work. There is something to be said for this view. But a certain amount of turnover is inevitable, and it is good business to try to have those who apply of a progressively suitable and superior character. To secure this result a degree of deliberate planning is usually necessary, no matter how popular the company may be.

The essence of this campaign of cultivation is that it shall be carried on by honest and genial assistants who know that the company's personnel policies are in line with employee desires and that new workers will find their hopes for opportunity, security, and advancement realized in actual fact in the policies they experience in practice.

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CHAPTER VI

METHODS OF SELECTION AND PLACEMENT

The development by many companies of a rounded and liberal body of employee-relations policies has had the effect of stabilizing employment to a degree which formerly would have been considered impossible. This pronounced increase in the length of tenure of workers with the company is now recognised as adding new importance to the process of selection. More and more in all kinds of industry the effort is to secure new employees not for a job but for what may become a life career with a company. And this larger view of the relationship between the individual and the corporation justifies a care in the selective process which was not formerly taken.

To be sure, it is true here, as we shall find it true in all personnel procedures, that a few companies are pointing the way. But we believe it is essential to emphasize that the selective process should be as thorough and sound as possible in the light of this developing tendency. Also this tendency calls new attention to the truth that in the main the management and the worker are after the same thing when selection is taking place. The worker wants not merely a job. He wants a working opportunity in which a livelihood, reasonable security, a chance for interesting and creative work, a chance for recognition of his merits in terms of pay or position advances are all combined. The management wants or should want him to have just these things as the recognized setting in which he will become not merely a worker with a payroll number, but a conscious, willing, active partner in the enterprise. The wise management is looking not for "hands" even from its most menial workers, but for a mobilization of intelligence, initiative, and enthusiasm on behalf of what the company is trying to do. And these it stands to secure only from the carefully selected and well-placed worker who has been made to realize his integral place in the organization.

In other words, the company which wants to build its personnel work on sound foundations will, first and foremost, take thought

as to the kind of individuals who are entering to comprise its entire group. Every effort to secure a right response and a right attitude is conditioned on the character and quality of the personnel. So that to expect to build up a unified organization on the basis of two-minute hiring interviews becomes preposterous. Managers must come to see that plenty of time is allowed for the proper induction of each new worker if the outcome is to be a reasonably successful adjustment of individual capacity to opportunity and to cooperative group effort.

Centralized Hiring.—To this end the first requirement is unquestionably that *successful selection presupposes a separate specialized agency to administer it*. Recent experience is conclusive that an employment department with carefully trained interviewers working under the supervision of a personnel manager is essential to best results. Even in companies so small that the amount of hiring is negligible, it will pay to take the interviewing out of the hands of foremen and scattered executives and give it to one person who can gain proficiency by intensive experience. The available data reveal that even under the best and most skilled hiring it often takes from five to eight or ten interviews to secure one permanent employee; and the waste of time if this laborious process were left to foremen is readily seen to be inordinate. Add to this fact the showing which many employment departments have made in cutting labor turnover at least in half as well as in extending the tenure of employment—and the case for centralized hiring needs no further urging.

Knowledge of Job Requirements.—The next requirement if selection is to be well done by a centralized office is *to know in detail the personal attributes demanded by every job in the organization*. This is no slight task and in practice an employment office may have to commence its career without these data in well-organized shape. Where this is true, department heads will have to be relied on heavily for cooperation in picking qualified workers. But as soon as possible those who are doing the interviewing must come to know what each job entails. One formal way of gaining this information is for the interviewer to spend his spare time in making *job specifications*, which in the first instance should be reduced to writing and be kept on file in currently accurate form in the employment office.

A job specification has two purposes: to describe and define the process and the terms of employment offered; and to describe the personal qualifications needed for carrying on the process.

As to the process or job, the interviewer should know the operating content of the work, its special requirements in terms of skill or training, length of learning period, terms of employment offered including pay rates and methods, special hazards, whether "blind alley" or leading to advancement, etc.

As to the worker, he should know what special physical, mental, or temperamental demands are made upon him; what special abilities or aptitudes are required; what personality traits are to be preferred; what prior education or training is important.

Knowledge of this kind can, of course, be obtained only within the operating departments from department heads, instructors, and workers themselves. Specifications should be carefully checked by department heads, and they should be periodically rechecked to be sure that job requirements have not changed. Interviewers must keep constantly close to operating conditions. They must gain and retain the confidence of department heads. If, as seems to have happened in some companies, the paper work of keeping written job specifications up to date is neglected, the interviewer must nevertheless have the essential data about jobs accurately in his head.

The Interviewer.—The work of interviewing is in large companies often divided into a preliminary and a regular interview. Where this is the case, the preliminary interviewer should preferably have a special gift, enhanced by training and practice, of quickly appraising the appearance of applicants in relation to his intimate knowledge of job requirements. Such a gift can be developed, and time and trouble can be saved for company and applicant alike if those obviously unsuited for available openings are quickly and courteously informed of the fact. Indeed, in some companies the best interviewers are placed at this work because this has been found to be the most economical and effective way to reduce wasteful operation in the employment department and to assure that discernment and tact are used in the initial weeding out.

Also, it should be stressed at this point that *whoever has the first contact with applicants should be chosen with great care.* Many otherwise well-run employment departments prejudice the applicant unfavorably in advance by the bullying manners of

gatemmen, company policemen, or abrupt clerks. First impressions, it should always be remembered, count heavily; the applicant is super-sensitive to these. Consideration and kindness with a man under the anxious necessity of finding a new job can pay high dividends in subsequent good will. Let the first contact with a company representative properly reflect the policy of humane personnel dealings which you are trying to exemplify within the company walls!

Both preliminary and final interviewers should be persons of maturity and human sympathy. The work of selection calls for patience, insight, fineness of feeling regarding the sensibilities, and reticences of applicants. It will be the exceptional youngster who can exhibit these qualities. The good interviewer invites trust and confidence; he is confided in because he embodies good will and considerateness. Also he is a better interviewer usually if he knows the worker's problems from the other side of the desk, if he has worked in the line departments himself, and if he has had experience in going out and looking for a job himself. In fact, some companies have sent their interviewers out in old clothes for a couple of weeks to learn what the applicant is typically up against. To keep the interviewer's sense of personal kindness perennially fresh and alert is a matter the personnel executive must keep constantly mindful of.

Again, the interviewer should preferably have a working familiarity with the traditions and policies of the company. This will help him to sense the kind of individuals who will fit in with the temperamental differences of different executives and departments. If there is much hiring of foreign-born workers, he should know something of the languages they speak or at least have ready access to an honest and kindly interpreter.

No final word is possible about the sex of interviewers in relation to the sex of applicants. Generally speaking, however, men have been found to be more satisfactory in interviewing men (with conspicuous exceptions to be noted); and if there is a preponderance of women workers, women interviewers are probably more suitable.

Interviewers, like all of us, approach their contacts with applicants with inevitable preconceptions as to certain evident characteristics in people which they believe have diagnostic value. The general appearance and manner of the applicant have, of course, to be relied heavily upon in reaching a decision.

Yet the experienced and candid interviewer will realize how deceptive appearances alone can be and will be always alert to secure and rely on more objective data to help in forming his choices. More than that, he must conscientiously *try to free his mind of untested and preconceived notions* which he may be cherishing about what appearances reveal. It is fortunately true, as we shall presently see, that it is possible for the interview to supply much reliable information which is not dependent upon the eye alone.

Finally, let us repeat that the basic demand upon the good interviewer is for a warm heart, a sensitive awareness of the undercurrents of personality expression, a spontaneous interest in human beings—all coupled with a cool, shrewd judgment of character. He meets people under circumstances which are to them trying and difficult; he must somehow reduce the inevitable sense of strain. This takes time and sympathy. But if a successful placement is effected and if the interviewer maintains a contact with the new worker on the job, the company has made a friend and one more personal bond has been established which it then remains for the department head to develop.

Requisitions for Help.—It is essential to any systematizing and improvement of employment procedure that the interviewers have sufficient time in which to locate suitable candidates for positions as they become available. This should mean, practically, that they are informed of a department's needs at least twenty-four, and preferably forty-eight, hours in advance. Where skilled people are in demand, or where a large increase in staff is taking place, an even longer time is necessary. Delinquent department heads are usually brought to terms on this matter by the establishment of a rule that requisitions calling for new workers in advance will be honored prior to those calling for assistance at once. There will, of course, occasionally be emergency calls. Yet the effort should be to get department heads to give adequate notice ahead of positions to be filled.

The Waiting Room.—Companies which wish to secure the good will of prospective employees will see to it that the atmosphere in which they are to be hired is as cheerful and unrestrained as possible. First impressions are too important for any opportunity to be lost to start the worker right. The waiting room should for this reason not be hidden off in some out-of-the-way corner of the building. It should be accessible to the street; it

should have air and sunshine; it should have seats for applicants. Usually separate waiting rooms for men and women are desirable, and often separate rooms also for skilled, unskilled, and office workers.

Adjoining the waiting room should be the interviewing booths, so arranged that each applicant can enjoy a *completely private* conference with the interviewer. The equipment of these booths should be simple—a chair for the interviewer, one for the applicant, and a small table located at one side. It is an essential part of efficient practice in selection that *the interview be private*. By this one improvement alone, many companies could greatly improve their hiring methods and results.

The Preliminary Interview.—Where any considerable volume of hiring is done and where standards of age, sex, appearance, etc., are definitely established, many factories and stores find it economical to have a preliminary interviewer eliminate all but the really promising candidates for examination by the regular interviewers.

Another arrangement for saving time is to have this preliminary interviewer or some other attendant supply application blanks to be filled out in advance of the interview. There is, however, no complete consensus as to whether it is better to do this before or during the interview, since the latter method supplies a natural basis for the interviewer to see with how much intelligence the candidate discusses and fills out the form in his presence. In fact, a majority of interviewers today fill out this blank during conversation with the applicant.

Application and Employment Forms.—If the interviewer is favorably impressed and wishes to employ the applicant, he will use a regular form on which to write the data he has gathered. This either takes the form of an application blank or an employment record card, or a combination of both. Such a form should set forth the name, address, telephone number, age, nationality, education, former experience, position desired, and other personal items. Sometimes the applicant is asked to fill this in. The part of the blank filled in by the interviewer is so arranged as to contain his estimate of the applicant together with the results of any special tests given.¹

In connection with devising the application form, one important question arises which merits more thought than is usually

¹ See "Handbook of Business Administration," p. 1035.

given to it. We refer to the inclusion of certain questions the answer to which the worker may be reluctant to give for his own good and adequate reasons. It may be conceded that there are in most cases few if any questions which the applicant will not be ready to discuss with the interviewer orally if he understands why they are asked. But to be asked to fill in a blank giving wages or salaries received at previous positions, stating why one left former jobs, one's religious, political, or labor union affiliations, whether one lives with one's family or not—these are examples of questions which may sometimes be legitimately resented. And since the applicant is consciously in the weaker position anyway, it is unfortunate to arouse antagonism unnecessarily by what is often impertinent prying.

The Use of References.—In factory manual employment, references are not widely called for or, if they are, are infrequently looked up. It is usually felt that no great reliance can be placed on them and that an independent judgment must be reached. In other types of work—executive, professional, office, commercial, mercantile, and selling—the reference may play a more definitive part both in determining character requirements and in estimating working capacity. The employment office in a large organization may find it necessary to establish a definite system both for securing reference information and for supplying it to other employers or to workers who leave. As one factor in maintaining employee good will, this item deserves careful handling.¹

The Interview.—The purpose of the interview, it has been well pointed out,² is three-fold: to give information to the applicant; to secure information from him; and to establish a friendly relationship with him. We have already said that the aim in selection is one of mutual satisfaction. Each party to the transaction should feel that a right placement has been made and a suitable work opportunity been secured. This implies the need for several things of which the first is *enough time*. Today the hiring interview is in too many cases shorter than it should be to secure best results. If the interviewer is to put the applicant at ease and hear his story in the man's own way, he cannot hurry

¹ For a full and excellent discussion of references, see the "Handbook of Business Administration," p. 1099.

² Valuable intensive discussion of this whole subject, together with an exhaustive bibliography, will be found in BINGHAM and MOORE, "How to Interview," New York, 1931.

the process. Equally he needs time in which to let the man become fully acquainted with conditions of employment and the company requirements and expectations.

Also if the interviewer is going to be able to appraise the applicant's fitness for a long-time connection with the company, he needs facts about the man's personality background which it takes time to secure.

The aim in view, then, is to build up a personal relationship in which, while full regard is had for the applicant's natural reserves and sense of self-respect, the conversation gradually discloses whether the total personality of the one interviewed seems to promise to develop harmoniously in its relation to the going policies of the company.

To accomplish this aim, the interviewer will both get and give information as the talk unfolds. He will at the outset avoid blunt or too direct questions; he will try to get the one interviewed to offer relevant facts. He will truthfully set forth all the special terms and conditions of employment. If these are such that the applicant would clearly not be fitted for the position, that should be established as directly as possible; and he should be made to feel that failure to employ him is a matter of regret and concern to the company no less than to himself. Special pains should be taken that rejected applicants are so handled that no ill will is incurred which may be communicated to other possible applicants. There is no reason why, if it is properly done, the act of rejection should not make the company a friend almost as much as the act of acceptance. Responsibility for this lies preponderantly with the interviewer.

There will be occasions when as a part of informing the worker about the job it will be well to take him upon the premises and let him see the work in operation. Our own view, supported by a body of confirming experience, is that, especially where working conditions are hazardous or unusually dirty or unpleasant, it is better for the applicant to realize all this fully before final selection takes place. This reduces labor turnover which is otherwise sure to occur.

Conversely, any effort to over-sell a job or to over-state the chances for advancement it offers is bad tactics. The opposite procedure of understating its possibilities has always proved in the long run to be better business. For the over-sold worker becomes the discontented and discouraged worker;

and his disaffection may readily be communicated to his fellow-workers.

It seems probable that the next significant development in interviewing method will be an extension of the use of what has come to be called the "personality approach." By this is meant an organized and systematized effort to appraise all the important items that have contributed to forming the applicant's total personality. The sound assumption of this type of inquiry is that the company should be interested in the quality of *person* being hired rather than merely in his working capacity, which in fact cannot be dissociated from his total personal effectiveness. A helpful suggestion as to details of such an inquiry has been made by Dr. V. V. Anderson and the major topics of his analysis are the health history of the individual, his domestic situation, his educational history, his work history.¹

As more companies come to realize the value and necessity of hiring people and not foot-pounds of energy, the type of interview with its supplementary tests which will help diagnose personality is sure to gain in favor.

The interview even in experienced hands is still at best a method that defies complete scientific precision. And any claims thus far advanced by commercial consultants based on systems of character analysis or evaluation of appearances or of physiognomy are *not* scientifically justified. Personnel executives should view with extreme caution any efforts to sell them the use of such pseudo-scientific systems of analysis. If the use of tests of true diagnostic value is felt to be advisable, the safest procedure is to entrust one's problem to some accredited agency of professional psychologists. Among these the outstanding is the Psychological Corporation in New York City which is run on a non-profit-making basis by psychologists of the highest academic standing and which has specialized in advising on test procedures for many different kinds of work.² The desire to supplement the interview by objective tests is a natural one, and some progress in this direction has been made in a few companies. But the idea of the value of special tests has, in general, been sold to executives beyond their real ability to deliver in the quick and ready-made fashion that is expected of them.

¹ For further helpful details see ANDERSON, V. V., "Psychiatry in Industry," Chap. VII.

² See, for example, their Condensed Catalogue of Tests.

The important point to stress here is that the interview itself should be set up on the most sensible basis thus far known before the attempt is made to introduce the refinements of special psychological tests. In other words, *have an experienced, able interviewer, give him a private room for his interviews, allow him plenty of time with each applicant* (including a second interview before final hiring whenever possible), *let him consider the applicant's total personal history*—and only when these elements of sound procedure have been well worked out is it worthwhile to consider what tests might be added.

The Use of Special Tests.—Our caution in the advocacy of special tests arises from no lack of appreciation of the results already obtained. But managers have too often failed to understand just what the conditions of successful use of tests are. In the first place, they must be introduced by a trained psychologist. Only by experiment can a sound choice of tests be made for most jobs. Just what qualities a job requires and what tests will disclose these qualities involve careful study. Also the whole problem of scoring the test and of correlating the result with competence at the job is a highly technical one. At best, tests are not complete or final evidences of fitness for employment. They take no account of moral factors such as persistence, powers of application, integrity, honesty, or loyalty, all of which are, of course, to be considered in a sound selective procedure. Their value is supplementary at the present stage, never absolute.

All this means that the introduction of useful tests takes time and money. A company should expect to wait at least a year for fruitful results, and undoubtedly at many jobs it may be true for some time to come that the best, quickest, and cheapest test is that of actual performance—of putting the worker on the job and seeing how he fares.

Assuming that some test is to be given to the applicant, the interviewer will state that fact and as soon as he has reached a tentatively favorable decision will arrange first for an initial physical examination¹ and, if this is satisfactory, for the administration of the other tests. The interviewer should be at pains to have the candidate realize that both the physical examination and the special tests are a constructive service to both parties in facilitating placement at work for which the man is best fitted.

¹ Discussed more fully in Chap. VIII.

What, then, are the kinds of tests now available for possible use? They include:

1. General intelligence tests.
2. Aptitude tests, *e.g.*, clerical, mechanical.
3. Tests of special abilities, *e.g.*, manual dexterity.
4. Tests of trade knowledge and skill, *e.g.*, trade tests.
5. Tests of special interests.
6. Personality tests.
7. Rating scales.

As the literature on psychological tests is extensive we shall here only summarize briefly the meaning and uses of these several types of test.

General Intelligence Tests.—Tests of intelligence or mental alertness or capacity for individual adjustment to new situations are the most generally used of all mental tests. They do not measure knowledge or moral qualities or emotional traits.

They state an "intelligence quotient" for an individual, which is a numerical figure in terms of which the result of the test is stated. And the problem for every position or kind of work is to find experimentally the range from high to low quotients within which, other qualifications of workers being equal, the best adaptation of worker to job will occur. Workers whose rating is either above or below the range determined to be suitable for any particular task are unlikely to be happy or successful at it.

The application of this test has been greatest in executive, office, and selling occupations. It is used to an extent in corporation schools as an aid to classifying pupils for instruction. Among otherwise equal candidates for advancement to supervisory posts there is also good reason to believe that the one with the higher score will prove to be the more promising material. Obviously to know the intelligence requirements of the specific job is the first condition of applying this test with any success. And it needs further to be emphasized that so many other qualities besides those here estimated go to make up fitness for most jobs that the intelligence test by itself is admittedly only a very partial and inconclusive instrument.

In short, if this statement of the possible applications of intelligence tests itself sounds inconclusive and tentative, that is a correct reflection of the facts. There are no doubt hope and promise of extremely helpful results but these wait upon a longer period

of experimentation than intelligence tests have thus far enjoyed in helping disclose which workers are best for many jobs.

Aptitude Tests.—Tests that disclose general mechanical ability and clerical fitness have been devised and applied sufficiently so that their value has been broadly established. The work of Mr. Johnson O'Connor¹ in the discovery of mechanical ability and of Miss Marion Bills, Mr. L. J. O'Rourke,² and others in the field of office positions deserves mention in this connection.

Tests of Special Abilities.—Recent years have seen the development of special tests for individual jobs which have been applied with considerable success. Motormen, taxi-drivers, sub-station operators, apprentices in certain metal trades, telephone and telegraph operators, and aviators are among the callings for which tests are available. Much ingenuity has been displayed in selecting test materials and situations which would disclose the presence or absence of the qualities peculiarly needed at the particular job. Obviously such tests must be built up carefully in relation to the requirements of each company and position. Expert assistance, time, and expense are entailed if productive results are to follow; and any personnel executive who proposes to initiate special abilities tests should be clear in advance as to the difficulties to be encountered. Progress here is also limited by the number of people trained and otherwise qualified to devise and operate this kind of test procedure; but the promise it ultimately holds out is real.

Trade Tests.—Where an occupation has an organized and clearly defined body of knowledge and skills—in short, in the crafts—it has been found possible to develop a trade test which will go a long way toward distinguishing the expert, the journeyman, the apprentice, and the novice. Trade tests of three types have been evolved. They may be a set of questions for oral answer so contrived that only the experienced worker can reply correctly. They may be in the form of pictures from which the applicant identifies and names parts of machines, operations, or tools. They may be a performance test at some portion or miniature model of the work. Or they may be a combination of these. Practically, the value of trade tests is limited because the crafts constitute such a small proportion of the jobs in most industries. But their technique is well standardized for certain

¹ See his book "Born That Way."

² See "Handbook of Business Administration," p. 792.

occupations and the work of administering them is not difficult. Within their possible field of usefulness they can have real value, even if they are only used in a partial way and included in the initial interview.

Tests of special interests, of personality traits, and of temperamental and emotional characteristics have none of them reached a point of exactitude or simplicity of administration where they have been found serviceable within industry. Such possible application awaits more knowledge and further experiment.

Rating Scales.—Although not ordinarily of service as part of the process of initial selection, rating scales may usefully be considered here because they do constitute an aid for the employment department in relation to matters of individual progress, promotion, training of supervisors, and selection of executives. The purpose of a rating scale is to make as definite as possible the appraisal that is being made of another's qualities and characteristics as these relate to his working fitness. By defining and standardizing the names of the qualities to be evaluated, it has been possible to make such individual judgments a little more precise and articulate than formerly.

Rating scales of several different types are in use but there is no final agreement as to the one which is best. We find a comparative rating of man-to-man, a numerical rating, a graphic method, and an adjective method. What qualities can effectively be rated, how they shall be named and defined, who should do the rating—these are questions on which the doctors still differ. But the experiments which have been made are in the right direction and the utility of the objective rating idea has become widely established. Its use in connection with the improvement of the executive ability of supervisors and foremen has been especially valuable.¹ For it has focused attention on the individual's weaker qualities and thus encouraged personal corrective work on his deficiencies.

Authority over Selection.—Whether the employment department or the operating department head should have final say as to who shall be hired is a question that sometimes arises. Consistent with the view of personnel work as a service function, our conclusion as well as that reflected in the practice of many companies is that, if this issue ever does arise, the line department head should be allowed the final decision. He is responsible for

¹ See "Handbook of Business Administration," p. 1200.

the conduct of his department and will get the best results from workers with whom he feels congenial. The task of the employment department is to study the needs of those who requisition workers; and if a foreman or supervisor seems persistently to use poor judgment in accepting or rejecting new candidates, some definite educational work might well be undertaken in his behalf. The employment office's role here is one of persuasion, service, and salesmanship.

Introducing the Worker to the Organization.—After selection, the next distinct step in employment procedure is the introduction of the worker to his position. This also is a function of the employment department. Upon the manner and spirit of this introduction the employee's first impression of his work and of his employer depends to an important degree. This induction is a procedure to be surrounded with as much dignity and impressiveness as possible.

The first step in this introductory process may well be an oral explanation of the company's history, tradition, and policies. This may be undertaken singly or with groups by the interviewer or preferably by the personnel manager himself. Some executives, in addition to distributing an informational booklet, go over its contents with groups of new workers in order to make perfectly plain the material it contains. This method of supplementing a reading which may never take place or be hurriedly done is highly desirable. With any group of employees, it is a mistake to think that the printed page can of itself take the place of verbal communication.

The information and regulations contained in the booklet cannot be too explicit and they should be presented in a friendly and positive manner. There should be no occasion for a misunderstanding about pay, hours, shop rules, safety regulations, provision regarding tardiness and absence, overtime, training, and insurance. The average worker also wants to be told about the opportunities provided for social intercourse and self-expression through educational or recreational activities.

After the items on all these points have been made clear in conversation, the booklet, which repeats in full the contents of the talk, should be distributed. It should be stamped with the employee's name and number and be used by him for reference.

The new worker is then ready to be personally conducted through the plant or store to his work place. Several methods of

handling this are used, depending on the size and facilities of the organization. The interviewer may himself take the new worker to his department; a messenger may be used to effect the introduction to the department head or he may take along a card of introduction to present to the head; or the department head may come to the employment office to receive the newcomer.¹

In larger companies special messengers are available to show new employees the lunch, rest, and hospital rooms and assign lockers. They also point out the location of toilets, bubblers, exits, and fire escapes and explain the use of the time clock. Finally, they take the worker to the department to which he has been assigned.

The new employee should be left with the department head only when the latter has time to give him the proper attention.

Specifically, the department head should be introduced to the newcomer by an intelligible interchange of names. The department head may then put the worker in charge of an assistant or of an instructor, who would in turn be responsible for making the worker known in a friendly way to his working associates. They should be told his name and he be told theirs.

Beyond this point the procedure usually becomes a matter of training. Some firms take the new worker on a visit through the plant in order that he may know what he is helping to make and see the importance of his job in relation to the whole process. This is usually a highly desirable step. Some firms put the employee immediately in charge of a job instructor, and others also assign a fellow-worker to the new man to help familiarize him with the procedure of the company—to act as a “big brother,” or “sponsor.”

Indeed, some plants make it a practice to have a higher executive—a general foreman or an assistant superintendent—introduce himself and chat a few minutes with each new employee in the departments under him. The department head himself can usually well afford to give some encouragement to the novice once or twice a day during the first week.

To have the worker enter upon his job thus with the manifest sympathy and knowledge of the entire organization not only eliminates waste of time and misunderstanding, but it tends to assure in the worker's mind a positive conviction that he is really wanted and welcome. Good manners and courteous treatment

¹ See “Handbook of Business Administration,” p. 1108.

have a value in industry which is no less significant than in social intercourse. True courtesy in inducting new workers creates a favorable attitude worth striving for and worth studying to achieve.

Finally, a word is needed regarding the induction of new executives where these enter employment from another company. This occurs more frequently in department stores than elsewhere, and where the accessions from this source are at all numerous it will be imperative to formulate some systematic procedure to facilitate rapid and effective assimilation of such executives into the organization.¹

Following Up the New Employee.—Careful follow-up methods by the interviewer after the new worker has been at work are essential to round out properly an effective program of selection and placement.

The importance of this follow-up is hard to overstate. The largest percentage of labor turnover occurs during the first three months. The worker is at the outset in peculiar need of friendly advice and attention. To make the follow-up successful, the employment department, foremen, and instructors must all cooperate. However, the actual work of checking up on the success of the placement is usually best done by the interviewers, who in well-organized companies are given afternoons or the last days of the week to go and talk again with those whom they have selected several days before.

The attitude with which all this follow-up should be done should reflect a spirit of friendly, personal interest. This cannot be achieved if it is not consciously sought throughout the organization. The department head alone cannot establish it, nor the personnel department alone, nor the fellow-employees acting alone. The process of friendly introduction and of coming to feel at home requires the sincere and thoughtful cooperation of all in the management and of all the men.

In relation to subsequent possible transfer and promotion, the follow-up has another task to perform. It can help to estimate a man's all-round fitness for his job, study his attitude, and measure his progress. If the interviewer is found to be mistaken

¹ Those who face this problem will find detailed suggestions in a memorandum published by the National Retail Dry Goods Association, entitled "The Induction of the New Executive."

in his original placement, he assigns the worker to a position for which he is better fitted.

In fact, there are companies which make it a practice to have a follow-up interview with each employee every six months. This is sometimes accompanied by a conference on ratings and possible pay rate changes and sometimes not. The benefits of this have been reflected in not only a positive saving of time and expense in the induction of beginners but also a longer tenure of office by more efficient and happier employees.

This will be recognized as the more important if one realizes that the successful adjustment of worker to job is not a static but a dynamic fact. As the worker's attitude toward his work changes for any reason, it is of great importance that he have a chance to talk over his growing sense of maladjustment with some one from the employment office.

Control of Employment Standards.—The discussion of selection has proceeded on the assumption that employment standards are immutably fixed by the management. Employment standards are those minimum requirements which are determined upon as necessary for the applicant to measure up to at each job if he is to be eligible for it. The items would include, for example, age, sex, previous industrial and trade experience, and in certain cases special strength, good hearing, or good sight, etc. From our discussion thus far it may be inferred that managers alone have determined what all these standards should be; this is undoubtedly true today in the majority of companies. But such standards are likely to be subject eventually to determination and control by bodies on which employees are also represented. Already, wherever the workers are strongly organized they have something to say about these. The serious problem is to see to it that their determination takes place on an intelligent and socially satisfactory basis. For if they are too rigid, the supply of trained workers may become so scarce that they can command a relatively too large reward for their services, or good workers may be barred from socially necessary work.

Moreover, one of the employer's rightful objections under many union shop agreements is that employment standards are in reality set for him by the unions which all must join who seek employment. The remedy in such cases may not be easy to apply, but it seems reasonably apparent. It is to make employment standards a matter for joint negotiation; and this negotia-

tion, if it is to be any improvement on arbitrary decisions either by managements or by unions, must be based on facts which both admit. Such facts as are necessary are the product of job analysis and are unobtainable without job analysis. How this analysis is to be carried on, what matters it should study, what results can be expected—these are questions the consideration of which is deferred until a later chapter.

Meanwhile, our conclusion is that employment standards and selection methods should be progressively based on careful study of the work to be done and upon agreement between management and men regarding those standards and methods which shall have force.

Conclusion.—In other words, the process of selection, although now thought of largely as an individual relationship of worker to corporation, promises to be increasingly conceived of as a problem of adapting the diverse talents of all applicants for work to the opportunities which industry as a whole offers. The potential significance of a broad public employment service lies in this ultimate possibility of bringing talent and opportunity together with the maximum of satisfaction to the worker. Industry will find that thus it is likely to evoke the best that each worker has to give. And if, when good adjustment of men to jobs has taken place, each company also surrounds the work situation with policies which enable the workers' interests and aims to come to the support of and into harmony with the aims of management, the conditions of basic efficiency and contentment will have been developed to a new and unprecedented degree. How this latter objective of trying to harmonize the aims of managers and workers can be attained is considered later in this book.

At this point it suffices if we have suggested the best consensus of current practice regarding selection of workers by the individual company. The results to date have been impressive, even though great room is left for experiment with more scientific devices as well as for the extension of established methods to many more companies. Also, the depression has confirmed the judgment of social scientists as to the indispensable value of a free publicly organized employment service as an aid to the consolidation of the now separate labor reserves of different industries and as cutting down the wastes and demoralizations now attending the shifting of workers from job to job. Socially, our aim must be to see that all workers find productive employment in

which their capacities and their potentialities are challenged and mobilized.

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CHAPTER VII

HOURS AND WORKING PERIODS

Consideration of methods of selection might logically be followed by a discussion of the terms of employment at which new workers are engaged. Wages and hours constitute, of course, two of the major terms of employment; but our exposition of payment will be more illuminating if, instead of coming now, it follows our study of job analysis. We shall therefore consider only hours and working periods here and then proceed to discuss the health of the worker and the conditions of the working environment into which he enters—in other words, his working conditions.

Our treatment of the hours problem will not attempt the impossible. There are today no scientific data at hand to *prove* what length of working day is the most “productive” in a sense which takes account of both output and human factors. Even if there were such data, it must be remembered that, since working hours are in practice, often a matter for determination by a negotiating process, other considerations than science help to determine the length of the working day and week actually adopted. The range of the bargaining discussion can no doubt be somewhat narrowed by joint possession of certain facts. For that reason what seem the relevant elements in the problem will be stated. Our purpose is to enumerate the several topics relating to the time factor upon which *some defined policy should be adopted*, and to suggest briefly the consensus of recent opinion and practice upon these topics.

A second prefatory word will save repetition as we proceed. Policy on all of the time factors should be clear, explicit, known to all workers, and where possible passed upon in an organized way by the workers’ representatives. Acceptance and satisfactory administration of all the following items will in most cases be better assured if there is prior conference and joint agreement with the workers upon the terms adopted. Just because numerous variable factors enter into the determination

of working periods, just because individual and group desires, conventions, and habits help to mold sentiment on this question, it is good business to have such explicit agreement.

In discussing hours, managers should remember that the worker is a physico-chemical engine, which requires time in which to renew wastage by sleep and recreation; that the worker is possessed of a human nature which demands expression for a known variety of native impulses; that the worker is a member of a community with responsibilities toward family and state which he should assume and have sufficient time, energy, and intelligence to carry out worthily. Without the broader approach which realization of these factors brings, managers will be in danger of seeking decisions about hours on too narrow a basis.

Explicit limitation of working hours for the executive staff is important, especially for the foremen, who are usually confined closely to their departments during every minute of the working week and are likely to suffer from the narrowness which such confinement brings. Frequently foremen, assistant superintendents, and technical experts are necessarily in the plant longer than anyone else; and their long hours of continuous application contribute not a little to a fatigue which dulls the fine edge of their executive capacity.

The Newer Approach to Decisions on Hours.—The upswing in productivity which was witnessed in the 1921 to 1929 period and the lessened demand for labor during the subsequent depression years—each in its way is inducing a new outlook throughout the business community on the question of a sensible number of hours of work per week. As a result, this issue is today being increasingly considered in terms of (1) the economic effect of hours on general productivity, (2) the equalization of working opportunity for the entire available manual working group, (3) the maintenance of consumer purchasing power, (4) the increase in universal leisure to allow more time for consumption as well as for personal development, (5) the decrease of labor costs per unit of product due to improvements in technology. Whereas formerly there tended to be a chronic conflict of interests and haggling over the length of the working week (still characteristic in the industries dealing with organized labor), there is now increasing disposition to want to fix hours as far as possible in relation to broad economic factors as to which employer and employee interests are far less in sharp opposition than formerly.

And the issue as now presented, at least in the minds of enlightened managements, is: how can the operation of our company be made to square with this newer view on shortened hours without getting us too far out of line with competitive conditions in our industry?

In short, the center of gravity of the problem of hours of work has shifted from humanitarian and controversial grounds to economic and social ones. And determination by single corporations or even by industries of what hours policy they shall pursue has increasingly to be thought through afresh in the light of this emergence of new factors now shaping the problem. These factors, in summary, are: the present over-development of capital equipment in factories which cannot all be immediately put to profitable use, the rapid superseding of workers by machines creating immediate technological unemployment, a gradual shifting of workers from producing to service industries and apparently an absolute lessened demand for workers in many specific industries, the increased recognition that industry requires a larger local market, that this market is at least half among manual workers, and that hence their incomes and consequent purchasing power must be maintained and increased if production is to be stimulated.

Our discussion of working hours will proceed in the light of this new shift in emphasis which the problem has undergone in recent years. Indeed, we believe that, on broad economic grounds of assuring a better balance between production and consumption throughout the country as a whole, a further general reduction of hours may well be expected. This might work temporary hardship on the individual company if such reductions were to occur only in isolated cases. It may in the not distant future be felt to be in the public interest to increase the scope of general legislative regulation of hours for all, thus placing all competitors on an equal basis as far as this factor is concerned. One thing is certain: that as a social policy this country will not long continue to support permanently a body of several million unemployed workers many of whom might be provided with work if the available jobs were somewhat increased by a universal shortening of the working day.

Hours of Work per Week.—Prior to 1929, the eight-hour day and the forty-eight hour week were typical of a large cross-section of American industry. Careful studies indicate that in 1932 the

average hours of work per week had shrunk to about thirty-seven. Some of this is to be accounted for by depressed conditions; yet the extension of a forty-hour week as a permanent policy also accounted for much of it. The United States Department of Labor figures indicated in 1931 that a little less than a quarter of a million workers in a variety of industries enjoyed this hours schedule as a regular practice irrespective of the depression; and of this number a small fraction were in organized trades having collective bargains with employers.

It is impossible to generalize as to how this reduction of hours was handled in relation to pay rates. In some cases the hourly or piece rates of pay remain unaltered; sometimes they are correspondingly raised to assure the same weekly earnings; sometimes rates are partially raised. The practice has depended wholly on local conditions. Of course, any economically significant reduction of hours should provide for a maintenance of the same weekly earnings as before. And certainly there are plenty of instances to prove that such a maintenance can be provided, if the management takes the possible steps to improve producing methods so that unit costs of output do not increase.

The forty-hour week—implying, of course, a two-day, week-end holiday—is thus likely to become permanently a more universal hours schedule.¹ It has recognized advantages which in many cases (omitting from consideration the continuous industries) far outweigh the disadvantages. These include: machine and plant maintenance and repair better handled over the week-end, short and unproductive Saturday half day eliminated, fuller chance for rest, recreation, and home gardens, etc., over the week-end.

The Thirty-six Hour Week.—The continuous industries and plants that for any reason operate twenty-four hours a day are now experimenting with the use of four six-hour shifts or a thirty-six hour week. One large company has since December, 1930, found this policy highly satisfactory as a regular measure. Among the benefits claimed by it are:² increased total plant production, decreased overhead, lower cost per unit of product, elimination of lunch period and therefore of cafeteria costs,

¹ Interesting evidence is offered in "The Five-day Week in Industry," Industrial Relations Section, Princeton, N. J., 1930.

² See pamphlet "What of the Six-hour Day?" by BROWN, L. J., Former President, Kellogg Company, Battle Creek, Mich.

greater incentive to employees to prepare for increased opportunities for executive work, greater number of workers demanded, greater stability of employment. In this case hourly rates of wages were increased enough, allowing for reduced costs of living, to equal earning power in 1928.

Another experience with four six-hour shifts which has been in operation for well over a year has demonstrated the following results:

"(1) One-third more workmen were given employment; (2) loss of production was reduced so that at no time did it exceed 5 per cent, with many days showing a perfect score; (3) absences which had been an appreciable factor on the eight-hour basis declined almost to the vanishing point; (4) the labor cost per unit cured declined 8.2 per cent." The executive who has supervised this plan further states: "Our experience bears out all of these advantages and the plan, in general, seems entirely sound and workable."¹

There are, of course, in the depression numerous instances of a thirty-six hour week due to the effort to distribute work and reduce output. In how many of these cases they will lengthen the working week as demand increases, it is impossible to say. But some undoubtedly, instead of adding to plant equipment, will try two or even three six-hour shifts in order to make a fuller use of existing capital fixtures. For even a two six-hour shift basis means a per unit lessening of capital overhead charges as compared with one eight-hour shift; and from other points of view also this method of shortening working hours and lengthening the operating day will undoubtedly become more popular where demand warrants it.

In general, our conclusion regarding over-all hours is that the trend toward a week of from thirty-six to forty hours is gaining daily momentum. And on both humane and broad economic grounds this will be a highly desirable gain. It seems demonstrable that our potential national productivity with existing capital equipment is now at a point where it is economically wise to distribute its benefits (as well as the working opportunities) to some degree in terms of greater leisure and more stable employment for all.²

¹ See U. S. Department of Labor, "Six-hour Shifts of India Tire and Rubber Co.," in *Monthly Labor Review*, August, 1932.

² See National Industrial Conference Board, "Factors Affecting Shorter Work Schedules," in *The Service Letter on Industrial Relations*, Feb. 29, 1932.

Overtime Work.—Overtime work becomes a problem only in the busiest periods. And it represents an effort either to meet emergencies or to avoid the necessity of adding to plant equipment facilities required only for the peaks of production. Deliberate encouragement of overtime over extended periods is to be avoided as a short-sighted personnel policy. For it leads to cumulative fatigue of both manual and supervisory workers, a tendency to stretch out work which should be done during the normal day, and by reducing the effective working pace it may increase labor costs—as it certainly will where a higher rate of pay is given for overtime work. In consequence, there should be a rigid limit set upon overtime hours; and there are sound reasons, as a penalizing measure, for agreeing that time-and-a-half pay be allowed for such work. Also, where payment is made in definite relation to production—as where there is piece-work or production standards—the temptation to stretch work out into the overtime period is reduced.

Night Work.—Night work has normally no justification outside the essentially continuous industries. In these cases the all but universal extension of three eight-hour shifts reduces somewhat the hardships involved. The deleterious effects of night work can apparently be further lessened by rotating the workers on the several shifts at some agreed interval. Although this distributes the night work over the entire force and gives to all a reasonable amount of time in which the normal hours of work, play, and sleep can be observed, it does involve a periodic readjustment of living habits, which is found to be taxing.

The physiological objections to night work should be kept clearly in mind. It is the usual testimony that under night work (1) the worker gets less sleep than he needs; (2) he works less effectively in the early morning hours—3 to 5 a. m.—because the bodily vitality is then at its lowest point in the entire twenty-four hours; (3) the lunch period is usually short, and the factory facilities for providing a hot lunch are not always operating during the night; (4) little work is done during the last hour of the night shift.

Sunday Work.—The commandment that on six days man and his helpers shall labor, but on the seventh day they should rest, has its sound foundation in human physiology. The demands of civilization for continuous service in hotels and restaurants, transportation and telephone lines, the purveying of news,

perishable food products, etc., make Sunday work today a necessity for hundreds of thousands of workers. In some companies this condition is met by one day of rest in fifteen. This is an unsatisfactory expedient which does not meet the physiological demand for regular periods of rest. Employers in these industries, as well as consumers, must come to realize that the wage charge for a large enough staff of workers, so that each one can have at least one full day off in seven, is a proper and economical part of the operating cost.

Holidays.—Saturday half-holidays now prevail widely; and during the four summer months are almost universal. All day Saturday, especially during the summer, is granted in many department stores and in an increasing number of factories, even where the forty-hour week mentioned above does not prevail.

In written collective bargains the public holidays which are to be observed are usually named. This is an advisable policy for more general adoption, since otherwise it often happens that in each individual company the granting of a holiday depends upon the amount of business in prospect, and no decision is reached until a few days before the holiday, thus making it impossible for workers to make any advance plans for recreation. It is now true in most of the Eastern states that a state or national holiday is observed in each of ten or eleven months of the year. Regular and advance adoption of this one day off a month (especially where it can be added into the week-end period) is desirable from the human and production points of view.

Vacations.—Vacations with pay have long been granted to salaried and executive workers. But recent years have seen a gratifying and marked extension of this policy to include members of the rank and file who have been with the organization a specified length of time.¹ As the stability of the working force increases under improved personnel relations, the economic and human value of regular paid vacations has gained wider and wider recognition. Voluntary vacations without pay do not fully meet the needs of the situation, although they are better than nothing. The defensible vacation policy will pay for at least two weeks off a year (a longer period would be better for executives); will begin after ten months of employment; will pay at least part of the

¹ See MILLS, C. M., "Vacations for Industrial Workers," for a comprehensive statement of the development up to 1927. See also "Handbook of Business Administration," pp. 1269-1278.

vacation wages in advance; will not give vacations as a bonus or reward but as a right, allowing time beyond the two-week period if desired for attendance, good behavior, and length-of-employment bonuses.

In order to get the best results from its vacation policy along the above lines, a company will be well advised, especially in the first few years, to encourage vacation savings plans and to offer information and advice about vacation resorts. The proper utilization of vacations is an acquired art and those not acquainted with it should be helped to overcome their inertia about getting away for a complete and beneficial change. A liberal vacation policy pays unmistakable dividends in improved health, better work, and employee good will. To use them as rewards rather than as a physiological necessity is to lose much of their value. And to make the waiting period before vacations are granted a matter of several years is poor business. Vacations should today be regarded as just as much a matter of course as Sundays off.

Length of Working Periods.—The adoption of the eight-hour day usually solves automatically the difficulty of the too long working period, since four hours of work are done in the morning and four in the afternoon. It is now fairly well established that five hours of uninterrupted work is too long a period in which to try to sustain production at the maximum. The four-hour period normally is not over-fatiguing. Yet every job requires study to see, from the production standpoint, what is the best length of uninterrupted work period. The company above mentioned where a six-hour work shift is used has no break in this period, however, and reports satisfactory results. From fifteen to twenty minutes are allowed out for use of the toilets and drinking fountains.

The Noon Hour.—In addition to bringing the benefit of a shortened work period, the eight-hour day has also tended to increase the doubtfully hygienic practice of the half-hour lunch period. It is true that workers are often anxious to eat quickly in order to have the working day finish as early as possible; but there are physiological factors which, out of consideration for the long-time well-being of the workers, should be given weight. It is clearly impossible for the human stomach to bring the amount of food which should be taken at the noon meal to a state of sufficient digestion in thirty minutes to make it healthful for the

worker to return at once to work and thus draw the blood supply away from the stomach where it is needed to further the processes of digestion. Forty-five minutes is the shortest time which should be taken. The unhealthy tendency today to eat rapidly is sufficiently widespread to need no such encouragement as the half-hour lunch interval brings. Ideally, a full thirty minutes should be given to eating and thirty minutes more to quiet relaxation. It is usually found that, if workers have some place to go besides the shop door-step and something to do besides sit on uncomfortable benches, they are less reluctant to give forty-five or sixty minutes to the noon recess. The stomach, it should be remembered, is a vital part of the individual's physico-chemical engine, which can be prematurely worn out and put temporarily out of business by overwork under improper conditions. To require it to finish its work while the body is otherwise engaged in physical labor is too severe a demand.

Decision about the actual lunch-hour policy in any given plant must, however, be made with its local conditions in view. If there are not convenient and adequate lunch rooms, or if the workers unwisely are being allowed to eat in the shop with nowhere to go after disposing of their little packet of lunch, there is some reason in their demand to get to work again and get through so much earlier.

Rest Periods.—A rest period is a regular, concerted, and required pause in the work activity. The purpose of its introduction is to preserve the efficiency of the workers "through reduction of temporary fatigue and prevention of cumulative fatigue."¹ Industry already has a growing body of experience with rest periods; and they are found to be most clearly of advantage in the following types of work:

Occupations monotonous in character or requiring prolonged and intense concentration of attention.

Occupations enforcing either a continuous sitting or a continuous standing posture.

Occupations involving severe physical exertion.

Occupations exposing the workers to extreme heat or gases or other unfavorable ventilating arrangements.²

¹ See "Rest Periods for Industrial Workers," *Research Report 13*, of the National Industrial Conference Board, Boston, 1919. We are indebted to this study for much of the matter in this section.

² "Rest Periods for Industrial Workers," *op. cit.*, p. 9.

Frequently rest periods have been introduced and continued because, as one manager puts it, it is "common sense."

We believe, that it is self-evident that a few minutes in the middle of the morning and in the middle of the afternoon devoted to relaxation and to exercises, which will straighten out the cramped bones and muscles of workers have beneficial results in every way.¹

More reasoned arguments have also been advanced by employers who have studied the results of this policy closely. It is claimed, for example, that rest periods show a beneficial effect on quantity and quality of work done. Quantity may be increased because of a spurt immediately preceding or following the rest period, or because of the greater energy which it is possible to summon throughout the working period.

I consider rest periods at certain times of the day as absolutely necessary to secure a reasonable amount of human effort from the individual worker. We find that we can do more and better work with fewer employees by this method.²

The results of the experiments described in this report suggest that monotonous activities of the type under consideration cause a considerable reduction in output, which is most apparent about the middle of the spell of work. This reduction can be avoided to a certain extent by the introduction of a rest pause of 15 minutes duration halfway through the spell, and such a pause is slightly more effective than two rests of 7½ minutes each, introduced at intervals of 50 minutes. There is an increase in output not only after the rest, but also before the pause takes place. The increased output due to the introduction of rest pauses may not be due only to a reduction in the number and duration of adventitious rests in the continuous work series, but also to an increase in the rate of working.³

Quality, likewise, may be improved because the worker's powers of attention, perception, and manipulation are kept keen through an occasional rest.

That a brief rest would be conducive to better work in occupations involving such concentration as proofreading, bookkeeping, or close inspection seems almost self-evident.⁴

¹ "Rest Periods for Industrial Workers," *op. cit.*, p. 43.

² "Rest Periods for Industrial Workers," *op. cit.*, p. 20.

³ "Two Studies on Rest Pauses in Industry," *Report 25*, p. 34, of the Industrial Fatigue Research Board, London.

⁴ "Rest Periods for Industrial Workers," *op. cit.*, p. 25.

The length of the rest intervals and the distribution of them through the working hours are subjects for experimentation.¹ But the typical practice, where an eight-hour day is in force, is a rest period in the middle of the morning of ten or fifteen minutes, and a similar respite in the middle of the afternoon.²

Questions often arise about the use of this interval. Some plants leave the workers to themselves, and it is understood that they shall use the time to get drinking water, walk around, and use the toilets. A few plants where the work is sedentary have setting-up exercises for five minutes; selected workers are trained in the setting-up drill, and they lead the drill in their own departments. Windows are opened, and everyone is encouraged to get the most complete possible physical change. Other plants encourage the taking of a small lunch at this time. Provided that wholesome food like milk, sweet chocolate, or sandwiches is taken, this is sound practice and should be encouraged, especially in the morning interval when many workers have taken a breakfast insufficient to energize them until noon.

The important principle to apply is that the workers should be encouraged to do something in the rest period which brings a real change in position, muscular action, and blood pressure.

The administration of rest periods is not without its difficulties. Some employers object that there are types of work at which the worker can normally rest between the times when the job requires attention. Whether this is true or not is easily established by job analysis; and where it is true, the need for a rest period is minimized. At other types of work it is claimed that the period of rest would naturally follow the completion of certain parts of the process which occurs at irregular times, and that it has nec-

¹ MYERS, CHARLES S., Director of the National Institute of Industrial Psychology of Great Britain, "The Study of Fatigue," in *Journal of Personnel Research*, vol. 3, No. 9, pp. 331-332, January, 1925, states:

"In another experiment an increase of over 14 per cent in output was obtained by the introduction of a fifteen-minute interval in the morning and the afternoon, which the workers, engaged in another factory on the same work as that referred to, spent mainly in a *change of work*, not merely in rest. They spent the pause in collecting materials, a task which had been previously carried out partly during the first few minutes of each morning's work, partly distributed irregularly throughout the remainder of the day. The output curve showed an enormous improvement in form as well as in height."

² See VITELES, M. S., "Industrial Psychology," pp. 470-482, for summary of most recent findings on this topic.

essarily to be intermittent. Where this is the case, obviously the time of rest should be accommodated to the nature of the work.

Certain objections that may arise at the installation of rest periods depend for their satisfactory handling largely upon the management's attitude and the shop morale. For example, workers may prefer to have no rest periods but a shorter working day. This is a natural position, even if the day is eight hours long or less; but it is an objection that the management can usually meet with ease if it is in the habit of conferring with its workers and explaining the reason for using rest periods. Again, there may be danger that at first it will take the shop a long time to settle down after the period is over; or that the machine or material has again to be made ready to use when the worker returns after an interruption of the process. Neither of these difficulties, however, proves impossible to meet; under special manufacturing conditions rest periods can be dovetailed or taken by groups in rotation.

There is also the piece worker's possible objection—occasioned if output and, therefore, earnings are even slightly reduced when rest periods are introduced. If it should really in a few cases prove true that the earnings of piece workers suffer a permanent reduction, this situation might be met by a slight alteration of the rates, which will give the worker as much as he earned before. For the piece worker is in many cases more in need of the interval than the day worker.

In conclusion, it may be said safely that the use of rest periods, even when no positive effect on output is demonstrable, is a commendable and physiologically wise precaution at most jobs. As to the length and distribution of the periods, however, it is impossible to generalize.

Hours and Working Periods for Women Workers and Children.—Consideration for the health and integrity of the race has led to the gradual adoption of legislative restrictions upon the working hours of women and children, which do not apply to men. It is not necessary to recite what those restrictions are in detail. It is important to understand, however, that the enlightened conscience of the community has reached a stage where the following standards are regarded as essential:

There should be no night work for women, or for children (under sixteen years of age), *i.e.*, work after ten o'clock in the evening or before six in the morning.

There should be no more than forty-eight hours of work per week for women and children; and less is desirable. This maximum figure should be inclusive of all overtime.

Children under fourteen and preferably under sixteen should not be allowed to engage in industrial, commercial, or mercantile work.

There should usually be a full hour off at noon.

There should be a rest period of at least ten minutes in the middle of the morning and the afternoon.

Pregnant women should not be employed for at least eight weeks preceding and following childbirth.

For all women and girl workers, one day a month might well be allowed off with pay, the day to be taken at the worker's discretion.

Organized opposition to regulative provisions for women is now voiced by certain women's organizations, which take the view that such regulation results in an invidious discrimination against women in the competition with men for jobs. This view, however, seems to us an ultra-feminist reaction, one lacking in realism as to the physiological limitations under which women work, and as to the ruthless demands which industry in competitive situations may make upon women and children workers. In consequence, the repeal of existing statutes or long delay in the passage of additional legislation designed to incorporate the above standards into law seems quite unwise.

Conclusion.—Since the satisfactory number of working hours per week is a subject upon which actual practices are necessarily dictated by a combination of production requirements, economic factors, and human desires, those practices will be most amicably determined and effectively put into operation if they are made the subject of determination by managers and workers in conference. There are maximum hours and working periods which it is clearly inexpedient to exceed. There are certain rest intervals which it is often expedient to introduce; but experiments are needed to determine the best possible relations between length and intensity of operations and necessary output.

Finally, employers should realize that the progressive demand for shortened hours seriously challenges their managerial ability. It gives a new reason for intensive application of the workers to their work while they are on the job. And it gives added impetus to managers to control to maximum advantage all the other

elements, besides the time of the workers at the bench and machine, which contribute to productivity. Once the real roots of efficiency are tapped, there is good reason to believe that the working hours should in the immediate future be further reduced to even more healthful and enjoyable limits. Civilization under present technological conditions is unqualifiedly in a position to refute the melancholy observation of John Stuart Mill that it was doubtful whether the introduction of machinery had in any way lightened the burdens of mankind.

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CHAPTER VIII

THE HEALTH OF THE WORKER

Physical and mental health and integrity are the rock-bottom foundation of the individual's well-being and of his economic value. The primary importance of positive healthfulness, physical zest, and personal vigor is acknowledged today as never before. The general health education of the last two decades has borne tremendous fruit in reduced sickness rates and in a marked increase in length of life. Industry has both profited from this movement and done its own part to promote it in fresh ways.

The widespread establishment of medical departments by corporations, for example, has been a most significant and salutary gain. In general, the case is proved for the economic and social value of industrial medicine. The task today is rather to extend the influence of this movement to the smaller companies and to increase the preventive and educational work done everywhere by those responsible for the health of workers. Our first task here is descriptive; and we shall answer such questions as: What is included in industrial health work? How is it administered? How are the detailed duties organized?

The Medical Department.—Organizations which employ upward of a thousand workers are today finding it advisable to employ a full-time industrial physician. He administers a medical division which may be responsible to the head operating executive or may, as we would recommend, be responsible to the personnel manager as one constituent division of his department. If this executive ranks equally with the major staff heads, the logic of having the physician report to him is sound; otherwise the alternate practice of his being responsible to the general manager undoubtedly works satisfactorily in many instances. Under the doctor's direction will be the nurse or nurses; or if there is no full-time physician, such nurse will usually report to the personnel executive.

The functions of the medical department are as follows: to give physical examinations, to do first-aid work, to treat

minor illnesses of workers who are able to remain at work, to supervise the maintenance of healthy working environment, to conduct health education.

Physical Examinations.—Corporations are increasingly requiring certain definite health standards as a prerequisite of employment. This entails giving a careful physical examination before applicants are definitely hired. The objectives of such an examination are: (1) to determine who is physically qualified to be employed, (2) to determine for what types of work each applicant is fitted, (3) to give corrective treatment to accepted applicants with minor defects, (4) to identify defects which may contribute to accidents for which the corporation might become liable, (5) to protect the health of all workers by not exposing them to new sources of contagion or other afflictions of new employees.

Physical examinations can be given, of course, only by a qualified physician. And standard forms of diagnosis and report have now been evolved which indicate just what experience has shown to be the relevant health information.¹ It is significant that, whereas such examinations used to require but a few minutes, recent investigation shows that an average of thirty minutes per worker is now found necessary for adequate examination.

The success of such examination depends upon several factors among which are (1) the cooperation of the worker who should be made to realize the benefits to him of a check-up of his condition, (2) the personality of the examining physician, (3) the emphasis upon correct placement and correction of defects rather than on rejection, and (4) the careful follow-up of workers to whom corrective suggestions have been made.

Formerly some resistance was encountered to examinations among employees but they have now become such a usual part of the selection process in larger companies that they are all but taken for granted. Even so, however, every assurance should be given to workers that the emphasis in examination is placed upon correct placement in relation to individual health conditions and on removal of defects, that medical records will be treated as completely confidential, and that the medical service will not be used to pry unwarrantedly into the worker's domestic affairs. In the organized trades where opposition to compulsory health examinations was formerly most pronounced, several efforts

¹ See, for example, appendices to "Medical Supervision and Service in Industry," National Industrial Conference Board, New York, 1931.

to conduct such examinations are in progress which utilize physicians employed by the union itself. Certain it is that no health program can be anything but superficial unless it includes individual examinations as the basis of all subsequent contacts of the doctor with the worker, which then become the occasion for valuable individual suggestions on health measures.

The positive benefits of this policy have now been demonstrated beyond a doubt. Company after company has reduced the time lost through illness; individual defects of all degrees of seriousness have been detected at an early stage and have been treated or recommended to family or other doctors for treatment; unfavorable working conditions and positive occupational disease hazards have been discovered and removed; workers with minor disabilities or handicaps have been placed at work suitable for them rather than being arbitrarily debarred.

Sufficient experience with corporation medical work is now accumulated so that the following standards of good results may be offered: "In a business with a reasonably representative personnel as regards age and sex, with no outstanding occupational hazards, total absence rates should be controlled at around 4 per cent of working time. Sickness disability should not exceed 2 per cent of work time".¹

Periodic Re-examination.—Because of these values which the employee comes to recognize no less than the company, it is increasingly the practice to require an annual re-examination of all employees as a preventive and educational measure. This should by all means be made to include the entire executive staff, as physical limitations upon their fitness are as serious as if not more so than upon the well-being of the rank and file. Only as such periodic check-up is made, is it possible for the corporation's health program to develop most intelligently and constructively. For such contacts enable the doctor and nurse to adapt their preventive program to the special needs of each individual and thus give it the utmost value and effect.

Medical Treatment.—The medical department will, of course, handle all first-aid cases; and in large companies the hospital equipment may be sufficiently extensive so that more serious accident cases involving surgical treatment can also be cared for. Minor illnesses, such as colds and digestive upsets, may be pre-

¹ See "Handbook of Business Administration," article by QUINBY, R. S., and LANGE, W. H., Personnel Health Service, pp. 1252-1269.

scribed for by the company physician, in the effort to keep the employee at work if his condition does not too seriously impair his working efficiency. But it is sound policy to keep the good will of the local and family doctors by not doing work which should normally fall to them. Also, company doctors are sometimes in danger of keeping employees at work when it would be more sensible for them to be sent home to recover. In cases where the company physician is also working for a company's mutual benefit association under an arrangement to provide medical care as one of the benefits, it will obviously be necessary that he in some measure supersede the family doctor. A few companies also arrange to give medical care to workers' entire families, although usually this would better be restricted to localities where other medical service is not readily available.

Special Services.—Dental clinics and an oculist's services are available in a few companies either free of charge or at a nominal cost. And without doubt a valuable service is thus rendered. But, in general, it will be more advisable, if these services are to be made accessible for workers, that arrangements be made with local practitioners on some special fee basis. It will be the exceptional company which will find it good policy to offer its workers complete medical facilities. Logically this is not a necessary charge on industry directly; and the usual limits to direct service will be those set by attention to ailments which can be treated on the company's premises and to assistance in making some club offer of service to an association of employees. This does not argue any relaxing of interest in workers' health, but usually the services available in the community should be cooperated with and utilized. Only when these are seriously inadequate is a more elaborate corporation program wise.

A further development of recent years deserves mention among these special services because it is one that may hold large promise for the future. A consulting psychiatrist has been employed in two or three companies to help restore the mentally maladjusted workers to a more wholesome outlook.¹ Although the number of companies that would find the full-time employment of such a mental hygienist advisable may never become large, the value of this work is tremendous; and it can no doubt be effectively

¹ See ANDERSON, V. V., "Psychiatry in Industry"; and FISHER, V. E., and HANNA, J. V., "The Dissatisfied Worker."

extended by the use of trained consultants on a part-time or fee basis.

Nurses.—The function of the industrial nurse is to assist the doctor in first-aid work and minor treatments, and to help in essential home visiting. Where no regular physician is employed, she will usually have charge of the first-aid work and of medical records. Some companies make it a practice to send the nurse to the employee's home after a two-day absence in order to see if possible illness is being properly cared for. As long as this practice does not become a policing task but is offered as genuine aid to the health program in a helpful, friendly spirit, much good can be accomplished. Often such visits disclose family conditions which require further attention and in such cases the preferred procedure is to call in the local nursing association for cooperative aid. In fact some companies wisely leave all home visiting to be handled on call by such a public or semi-philanthropic nursing agency, to which the corporation then makes a special contribution.

Like the industrial physician, the nurse should study to make every individual contact a positively educational one upon relevant health matters. On many problems of sanitation and first aid, dietetics, infant welfare, moral, domestic, and occupational troubles, her counsel will be freely and usefully sought by employees if she proves to be a person whose confidence may be trusted. Workers are quick to respond to a feeling of genuine personal interest, especially where serious personal problems have arisen. She needs a special endowment of tact and patience in going about among the employees' families and in trying to coordinate corporation health work with that of local health agencies.

Equipment.—The size and extent of the first-aid or hospital lay-out and facilities will naturally be governed by the hazards of the work, by the elaborateness of the health program, by the extent of adequate community provisions, and the like. Hence it is difficult to be specific as to proper equipment. And so far as first-aid requirements are concerned, these are well standardized from a medical point of view.¹ It will only be the large company which can afford elaborate hospital facilities. More usually it

¹ See, for example, CLARK, W. I., "Health Service in Industry," Chap. IV; National Industrial Conference Board, "Medical Supervision and Service in Industry," p. 23; and "Handbook of Business Administration," p. 1254.

will be better for a company to help support the local hospital or endow one or two of its beds if sufficiently frequent use of them is likely.

Medical Records.—In order to record accomplishment no less than to have a basis for further corrective or preventive efforts, the physician should have a good system of medical records, including a day-book of treatments, records of physical examinations, individual records of treatments, and a monthly report of work done. The details of proper recording methods are now well worked out by the American Association of Industrial Physicians. It is important to utilize these in order to keep the value of the health work clearly before the general executives of the organization and to form a basis for health educational work and on occasion for the improvement of adverse working conditions.

Cost of Medical Work.—The proper costs for medical work are now known and in 1930 a representative study found that the average cost per employee was \$5.10 for service consisting "of at least a full-time, hospital trained nurse with a well-equipped dispensary."¹ The cost figures show a marked increase above this figure in small establishments, running as high as \$9.95, whereas in companies of between five and ten thousand workers the cost per employee was \$3.28. The kind of industry also affects the cost figures noticeably. Metal manufacturing companies average \$7.44, while department stores show a cost of \$1.11 per worker. The greatest single item in this cost is salaries and fees which absorb around 75 per cent of the total expense.

Health Education.—There is wide agreement that one of the most essential elements of good health work is the carrying forward of a definite educational program which will include executives as well as employees in all departments. The proper conduct of this depends almost entirely upon the doctor and the nurse, who must be thoroughly imbued with the preventive attitude.

Both individual and group meetings are employed to make this work effective. The physical examination and the re-examination constitute, of course, the first vital points of contact out of which much subsequent preventive work can develop. Encouraging individuals to bring minor ailments for consideration and encouraging the medical department to familiarize itself with the peculiar accident, occupational disease, and physical and mental

¹ National Industrial Conference Board, *op. cit.*, p. 83.

strain hazards of the enterprise may be the means of beginning preventive work.

Doctor R. S. Quinby, in discussing the relative merits of individual and group education methods, says: "I would weigh the value of the individual contact type as against the group method at least 80 to 20. I believe that the individual method will return you 80 per cent of the total as against 20 per cent by any group method."

As a part of the program of individual instruction he rightly insists that a great deal may be done with the supervisory staff both for themselves and in order to get them to support the health efforts made by the medical department with those in their departments. The health program must, in short, be sold to the foremen so that they will be on the lookout for people who appear to be in any way sub-normal and will bring them promptly to the attention of the medical department.

This same medical director testifies that in his own plant in recent years they have cut down by one-half both the amount of time lost and the number of people absent because of disability, owing largely to this type of preventive educational work.

On the side of group methods, the use of periodic health lectures has proved beneficial, especially if they are given in a simple and graphic fashion, so that the lesson may be quickly taken in by the employees. Such talks are also supplemented by the use of educational pamphlets and fliers which are enclosed in the pay envelopes and by the presentation of special articles on timely topics in the house organ.¹

A further method of assuring that the employees will take an affirmative interest in a health program is to encourage the organization of an employees' health committee. Such committee may be either appointed or elected as seems best, with periodic rotation of members; and they should be encouraged to consider and report on special health problems peculiar to the company or industry.

Discussing powers of the health committee in the department store, Doctor Emmons gives the following suggestions, which apply almost in their entirety to other types of organization:

¹ See, in this connection, RECTOR, DR. FRANK L., "Health Education," supplement to *Committee Report of National Industrial Conference Board*, and discussion at the Pittsburgh Convention, Nov. 8, 1922.

A store health committee or council can ascertain the facts and consider them in their bearing on separate store departments; can learn the popular reaction to a measure; can formulate a plan consistent with established store policies; can recommend such procedure to the store directors with confidence that it will receive prompt consideration and even probable adoption unless serious obstacles arise; can adapt a plan to store needs; can strongly influence store public opinion to give it a fair trial and often to insure its success by disarming prejudice and obtaining hearty cooperation. The health committee can be to the doctor the greatest aid in making effective his professional knowledge.

The personnel of such a health committee or council should naturally be representative of those directly affected by its actions. These are the employment manager, the educational director, the store superintendent, the personnel officer, the president of the store mutual aid association, the store engineer, a member of the firm or a director (representing the business as such), the doctor, and the nurse.¹

Supervision of Working Conditions.—Administration of the actual operation and maintenance of sanitary facilities, drinking water supply, etc., is sometimes under the medical division but more often it is not. The company doctor is rather looked upon as a staff expert who will advise in setting standards of adequate facilities and of cleaning methods, and who will from time to time inspect all conditions as they affect health. Purity of drinking water supply, effectiveness of sewage disposal, cleanliness of toilet accommodations, cleanliness in food handling in company restaurants, correction of occupational disease hazards—these are among the items the doctor would normally be called upon to supervise. And the more explicit his ultimate responsibility can be for having effective voice in all matters concerning the establishment as they affect health, the better it will be.

Occupational Diseases.—With the increasing tendency to define diseases of occupation under workman's compensation laws as compensatable accidents, it has become more important than ever for companies to identify and reduce all possible occupational disease hazards. The discovery of these hazards and the employment of corrective and preventive measures are an important part of the work of a corporation's medical department. As currently defined by medical experts, occupational diseases in one form or another are likely to be encountered even under conditions where acute afflictions might not be expected. Doctor Kober makes the following definition:

¹ EMMONS, A. B., "Health Control in Mercantile Life," p. 83.

Diseases of occupation may be defined as injuries and disturbances of health contracted in industrial pursuits, and other vocations in life, as a result of exposure to toxic agents, infectious organisms, or other conditions inimical to health. These diseases may be acute or chronic and vary in intensity and duration from the acute and fatal attacks of asphyxia, caused by suffocating gases, to the slow and insidious forms of industrial tuberculosis.¹

Adequate research into the important occupational diseases is expensive and can usually be undertaken much more economically (except perhaps in very large plants) by cooperative effort such as could be sponsored by a trade association, a medical school, a labor union, or a private foundation. The initial reporting of cases to state boards of health is one of the ways of accumulating sufficient data to supply argument for the undertaking of this type of research into preventive measures on a cooperative basis.

Fatigue Elimination.—The scientific medical attention given to industrial fatigue was greater ten years ago than it is today. With the tendency to shortened hours and to increased mechanization of production, the character of the fatigue problem has tended to shift to the question of boredom and its consequences, and to questions of individual unfitness due to personal conditions. For fatigue carefully defined is a diminution of working capacity due to length or intensity of previous activity; and evidences of such fatigue on any large scale or to any serious degree have proved hard to get under recent conditions.²

We know, of course, what items in the work environment may particularly predispose to fatigue—such as speed of machinery, noise, vibration, duration, and monotony of work. But efforts to correct these must be adapted to each special case and to each affected individual, since what may fatigue one worker unduly may leave another relatively unaffected. Our interest

¹ KOBER, G. M., and HAYHURST, E. R., "Industrial Health," p. 1. Every personnel worker, whether specialized in medicine or not, will do well to familiarize himself with the disease hazards which have been found to be typical in the industry in which he works. This reference book will give a comprehensive introduction to this subject. An excellent and up-to-date listing of possibly harmful chemical agents and of the occupations in which they typically may occur is included in McCORD, C. P., "Industrial Hygiene for Engineers and Managers," pp. 88-117.

² Current data are well summarized in VITELES, M. S., "Industrial Psychology," Chaps. XXI, XXII.

today, in fact, centers not on fatigue in general but on each individual's total working effectiveness. And if for any reason workers "go stale," are "used up," or are "played out," the need is for personal treatment. More often than not the trouble lies not in the fatiguing character of the work as such, so much as in some phase of the workers' attitude toward it or some pathological condition.

The fatigue of executives and supervisors is a further matter which might well receive greater attention from the company's medical department. Those doing directive work lessen their effectiveness noticeably if they are tired and irritable. Qualities of positive leadership in the supervisory staff can only show themselves in a sustained way when executives are encouraged to keep themselves thoroughly fit and free of that tired feeling.

Medical Service in Small Plants.—The company with less than five hundred employees usually finds it very expensive—if not prohibitively so—to do health work of the inclusive character we are here outlining. The situation has stimulated a number of significant examples of a group of companies cooperating in the conduct of adequate medical work.¹ This includes physical examinations, first aid, treatment of minor ailments, health education, etc., undertaken by a full-time physician and one nurse who may prorate their time approximately as follows: the doctor visits the company for at least one hour a week for every hundred (or less) employees, while the nurse spends two hours a week on the same basis. Both are also on call for emergencies. Such a set-up can be operated for a unit of one thousand employees working in neighboring plants with no more than five hundred workers in any one plant, and for a cost of about \$4.50 per worker per year. Other variants on this idea are being tried and there is every reason to believe that, if managers of smaller plants would take the initiative in interesting local doctors and other companies, this group cooperation might be widely extended with considerable benefit to the health conditions in each unit.

Cooperation with Local Health Agencies.—The public and philanthropic agencies for all kinds of health work have now become so numerous, especially in larger centers, that their cooperation can often relieve the company medical department

¹ See, for example, EVERTS, DR. G. S., "How the Small Plant Can Have Medical and Health Service," in *Factory and Industrial Management*, p. 293, July, 1932.

of work it otherwise might feel it necessary to undertake. Red Cross units, anti-tuberculosis and anti-cancer associations, public health associations, visiting nursing associations, local mental hygiene groups, special clinics—these are among the agencies which can help to advise about individual cases. And the principle is sound which would delegate all extra-mural health efforts to such community agencies. Health measures in their broadest conception are a community responsibility. And industry's responsibility ceases in the usual course of events when it has *within the working day* done all it can to keep the worker well, get him well, and tell him how to keep well.

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CHAPTER IX

A SAFETY PROGRAM

The safety movement has made impressive progress in the last twenty years. The economic saving resulting from a reduction of accidents is so clearly evident, and the improvement in operating morale under safe conditions so worth striving for, that safety efforts no longer have to be argued for in most corporations of any size. The problem today is one of method, not of intention. And there has occurred a definite shift as to the methods to stress in administering the safety program. Formerly efforts were centered on preventive mechanical devices and on mass educational movements. Now the educational motive is completely in the ascendant and it has become an axiom that the really productive and efficient worker is the safe worker. If the new employee *is trained properly on his job in the first place, with necessary emphasis placed upon the safe way of working*, experience has shown that this is the best single preventive measure which can be employed.

Causes of Accidents.—The reasons for this shift in emphasis are understandable when we consider the causes of accident. These are roughly separable under three headings: mechanical, physiological, and psychological.

The mechanical causes are related to the working equipment and machinery. Today these are usually well under control and, even in the manufacture of machinery, account is increasingly taken of protecting or eliminating hazardous features. On the whole these causes have been or can readily be coped with.

The physiological causes arise from adverse influences of the working environment such as poor lighting or ventilation, from disorderly or dirty surroundings, from poor physical condition of the worker such as poor eyesight, deafness, fatigue, etc.

The psychological causes are ignorance, carelessness, recklessness, worry, day-dreaming, and individual pathological conditions which may give rise to "accident proneness."

Safety Organization.—Obviously these several causes have to be dealt with in different ways. But they all require attention of

a sustained and expert character. To assure this the corporation with more than a few hundred employees will find that the employment of a competent safety engineer is a paying proposition. In smaller plants, a general personnel worker may assume this responsibility with help from the National Safety Council or it may be delegated to the chief engineer, or whoever is in charge of plant maintenance, although this will be unsatisfactory unless a vigorous safety policy is pushed by the head executive.

The safety engineer should normally report to the head of the personnel department; and his duties will include the following:

. . . to have general supervision of the safety work in all departments; make frequent inspection of physical operations; counsel with local committees; see that approved recommendations are carried out; investigate accidents; fix responsibility for accidents and make recommendations to prevent the possible recurrence of similar accidents; keep statistics of accidents and labor data and make thereon monthly and special reports to heads of departments and other officials; supervise and conduct the educational work through safety committees.¹

To assist in the effective extension of his influence throughout the organization, the safety engineer will work through one or more committees, depending on the size of the establishment. There are in many larger companies (1) a general safety committee, (2) a foremen's safety committee, and (3) a joint management and employee committee. The function of the first of these is to have general supervisory charge of safety matters, since it usually includes one or two operating heads, the safety engineer, the head mechanical maintenance man, and two or three other responsible executives. The major initiative over and authorization of the entire safety policy emanate from this group. The function of the foremen's committee is to help in every way to assure that the supervisory group are continually hammering away at the safety idea in job instruction and in daily operations. Responsibility for accident prevention should be squarely placed on the shoulders of these supervisory workers who are in close and constant contact with the rank and file. The function of the joint management-employee committee is to review carefully all accidents, to study preventive methods, to

¹ See "Handbook of Business Administration," article by Young, A. H., *Accident Prevention*, pp. 1294-1298.

stimulate and maintain enthusiasm in safety contests, to receive in the first instance all safety suggestions from the workers.

This last committee may be appointed by the management or, better still, be elected departmentally by the workers themselves and rotate every six months in order that as many employees as possible will be exposed to this intensive safety instruction and study. Large departments may even have their own committees for this same purpose. For workers serving on such bodies come to learn, as they will in no other way, that accident prevention implies cooperation of the workers no less than of the management and supervisors.

The Foremen's Responsibility.—As a staff worker, the safety engineer will become effective only as his educational influence galvanizes the entire organization into constant attention to safe practices. And in this effort his work with foremen is of crucial value. One executive, for example, testifies as follows as to the large place the foremen occupy in a constructive safety program:

Who is there, in the existing methods of factory administration, who is better fitted to handle these fundamental requirements of safety than the foreman? He is with his men from morning until night and every day in the year; he is usually one of them; he knows the workmen's problems, he knows their moods, he knows his machinery and tools, and he knows the requirements of the work. If the foreman has a safety conscience and consciousness, his mind and eye will be so trained for safety that he will detect unsafe and careless methods on the part of his men on their first appearance. He will stamp out danger before it gets a hold.

In our own organization, we have come down to just one method—a safety committee consisting of every foreman in the plant. This group meets regularly to discuss our accident and safety problems. We look into every accident to see what lesson is to be learned. The lesson is thoroughly brought out in our foremen's safety meetings and applied, not only in the department where the accident occurred, but throughout the plant where similar accidents are possible.

We have convinced our foremen that our accident-prevention problem is in their hands and we look to them for results.

In order to make this application of responsibility as concrete as possible, we rate them annually on the basis of their lost-time accidents. Each year we make out a so-called "management report" for each foreman, covering his performance as regards quality of product, production, handling of men, and costs. If a department does not show progress in the accident problem, it is marked "subnormal" as to handling of men.

On the basis of performance as reflected in these management reports, we base our opinion of a foreman's fitness and efficiency and determine therefrom his worthiness for promotion, wage advances, etc. Under this method of "yard-sticking" our foremen on accident prevention, it is surprising how interested our foremen are to have good accident records.

The question naturally arises as to how our own records reflect interest, efficiency, and performance on the part of our foremen in meeting our accident-prevention problem. In our Worcester plant, where from 2000 to 2500 are ordinarily employed in the shops, the time lost by employees due to accidents was 0.4 per cent in 1922 on the basis of 600,000 man-days worked, 0.45 per cent in 1923 on the basis of 750,000 man-days worked, and 0.22 per cent in 1924 on the basis of upwards of 500,000 man-days worked. Our work covers, too, a wide range of what is ordinarily termed dangerous occupations—a foundry with several hundred employees, a wood-working department with another two hundred, and machine shops using all kinds of metal-working machinery and employing a thousand men.¹

This same executive is also responsible for a suggestive safety code of ethics for foremen which is of such helpful value as to deserve reproduction:

"1. The foreman is the company's best safety man. You are right in the ranks with the man and you are in position to carry out the safety policies of the company.

"2. When a man goes to work in your department, you should feel that his wife and family are placing their trust in you as a foreman and that you will send him home safe and uninjured when the day's work is done.

"3. This is a sacred trust which every foreman holds, and it involves an unwritten pledge which you are in obligation bound to fill.

"In order to meet the above responsibilities, it is necessary:

(a) That you understand all the machinery and equipment in your department.

(b) That you understand every danger point in your department.

(c) That every dangerous condition receives immediate attention as soon as it develops.

(d) That every man be warned of the dangers connected with his job.

(e) That each man uses proper care in doing his work.

(f) That each new man be carefully instructed before he starts to work, and that each man be instructed when he starts a new job, or one with which he has previously been unfamiliar.

¹"The Most Important Factor for Safety Work in the Plant," by TINSLEY, JOHN F., Vice-president and General Manager, Crompton & Knowles Loom Works, Worcester, Mass., in *Monthly Labor Review*, pp. 2-3, U. S. Bureau of Labor Statistics, August, 1925.

(g) That every man on your job is familiar with the safety rules in General Instructions No. 16.

(h) That the instructing of employees in the hazards and safety rules must be done by you or your assistant and must, in no instance, be left for a clerk to do.

"You are directed to take disciplinary action when your employees disobey the safety rules or persist in working in an unsafe manner; you are directed to post the man's name, penalty inflicted, and the reason for this action in a conspicuous place where all workers in your department may see it."

Safety Education.—The propaganda for the safety idea for which the safety engineer should be responsible will assume numerous forms and be varied from time to time to have the fresh, attention-compelling power of novelty. Among the tested methods are: safety contests, bulletin boards, suggestion systems, safety rallies, articles in company magazines, slips in the pay envelope, special conferences of workers on safety codes.

The use of safety contests and awards has taken many forms both inter-departmental, among the several units of a large company, regionally, by industries, through trade associations, etc. On the railroads, in local public utilities, in numerous industries, the results of such contests have been almost unanimously astounding in their beneficial results. The accident rate and the severity rate, *i.e.*, the time lost to work, have been drastically cut; and many cases are reported of companies which have gone for months without accidents. Of course, such contests require careful and persistent organization of publicity and usually the reward should have some recognizable significance in the eyes of the workers. Also contests cannot be invoked too frequently unless ingenuity is used in keeping the appeal a forceful one. But in this, as in all educational matters, the National Safety Council can offer detailed advice; and no company should try to elaborate its program without joining that organization and securing the numerous benefits of membership.

Bulletin boards can be effective if good advertising technique is used and if they are kept changing and striking in their appeal. Suggestion systems centering on accident prevention ideas have often proved valuable. Rallies have an occasional value if they are effectively staged and especially if vivid motion pictures^t can be shown.

One large company with operating units in different parts of the country found that the accident rate in one craft in all their units was too high; and this despite the fact that a rigorous safety code covered the practices which they were supposed to observe. The company finally decided to put the revision of the safety code into the hands of a representative committee of men from this craft in all their operating units. This was done, and after six months of careful study, a new safety code, in some particulars more strict than the previous one, was promulgated by the workers' delegates. Their signatures were attached to the new code and it was sent broadcast throughout the different plants of the company as bearing the approval of the men themselves. In addition to this, there was established a policy of public announcement of accident rates by companies to secure the benefit of competitive effort to reduce accidents. The result of this whole campaign was an astonishing diminution in the rate, severity, and cost of accidents.

But, as has been said, a major reliance is increasingly being placed upon having each worker as he learns the operations of his job *learn the safe way to do it*. If proper insistence is placed on safe practice at this stage, much later work can be minimized, for thus safe habits are initially inculcated and if vigorously instilled they become a part of the worker's operating attitude.

Safety Discipline.—Problems are frequently faced as to the breach of safety rules, the failure to wear or to use safety equipment, and the like. Whether or not strict measures of abrupt dismissal or some other drastic penalty shall be imposed for such infringements may thus become a vexing question. No one answer to this question can be offered. Where failure to observe reasonable and understood rules endangers the life not only of the worker but of other workers and the public, the need for effective action is paramount. It is necessary, of course, that rules be understood by all, that they be agreed to in advance by all, that safety equipment and facilities of a truly suitable and usable kind are available. Given these prerequisites, the offending worker is still entitled to a fair hearing. It may often be better psychology to have him brought before a committee of fellow-workers. And dismissal should be the last resort against a truly obstinate offender. In other cases, personal education of an intensive sort should be resorted to.

Close personal contacts between safety executives and the workers are often helpful in convincing employees that safety measures must be enforced. An illustration of this was seen in an Eastern metal company. In the early days of its safety campaign the employees in the chipping room of its iron foundry absolutely refused to wear goggles. Eye injuries persistently occurred in that department in spite of safety posters quoting extracts of the state law, in spite of periodical visits of the state factory inspector, and in spite of threatened dismissal of offending employees. Finally, the safety engineer procured as many different varieties of safety goggles as he could find, showed them to the employees, let each man make his own selection, and fitted the goggles so carefully to each man's face as not to interfere with his comfort. This act convinced each employee that the safety engineer took a real personal interest in his welfare. The result was that during the following year no more lost-time accidents were reported from the chipping room.

Certain studies recently made, especially on several street railway companies, suggest that it may be true in many cases that the largest percentage of accidents occur among a relatively small group of what are now called "accident-prone" employees.¹ Study of accident records may isolate these individuals and thus make possible individual conferences with them in the effort to see what personal causes, physical or mental, are predisposing them to unsafe practices. The results of such study, conference, and personal re-education work where it has been undertaken have been highly significant; and they suggest that the extension of this type of analysis of records and personal corrective work may have far-reaching value in other situations. Certainly a novel development of accident-preventive effort is represented by these few successful campaigns.

Results of Safety Work.—The remarkable results achieved in American industrial plants by the vigorous prosecution of safety campaigns in recent years are shown by the following quotation:

Achievement in accident prevention can be estimated in terms of reduction in frequency and severity, and, in like manner, in a reduction of lost time and in cost.

¹ For good summary of facts and sources, see VITELES, M. S., "Industrial Psychology," Chaps. XVII, XVIII.

Under a plan of competition, conducted by the Worcester County Safety Council, including 24,383 employees in 1924, as compared with 23,419 in 1923, the number of accidents was reduced from 1,019 to 639, and the days lost were reduced from 16,764 to 10,819. Forty-five member firms competed, many of which were quite small.

Three years of accident prevention, ending Dec. 31, 1923, have resulted, in the Standard Oil Company of New Jersey, in a reduction of 5 per cent in the frequency rate of lost-time accidents, and a reduction of 52 per cent in the cost of accidents.

In the American Smelting and Refining Company the number of disabling accidents decreased from 2,749 in 1913 to 318 in 1921, or a 76 per cent decrease. Simon Guggenheim, the president of the company, says, "The figures show that the policy of the company pursued in the education of its employees along safety lines has been efficient, economical, and from the humane standpoint, a great achievement."

The United States Steel Corporation has decreased its accident rate per thousand employees from 1906 to 1923 by 55.39 per cent, during which time 36,374 employees have been saved from serious injury. The disabling accident rate was 70.20 per cent less in 1923 than in 1912, and the aggregate number saved from injury, based on the 1912 rate, was nearly a quarter of a million.

The Sharon, Pa., plant of the National Malleable Castings Company won the 1924 inter-works safety contest with only 28 hours lost out of a total of 488,864 worked, a percentage of 0.0057.

In Henry Disston & Sons, Incorporated, Philadelphia, during 1924, the number of accidents causing lost time was only one-fifth of those in 1916, when an intensive safety campaign was started. With an average number of employees of 3,000 there were only 71 accidents, resulting in 1,174 days lost.

The insurance rate for steel manufacture of the same class as the Disston company is \$1.20 for each \$100 of wages paid. The rate of the company, however, was only 66 cents in 1924. Based on the above figures the company would have secured a saving of \$75,000 on premiums alone in the last nine years. . . .

The reduction in cost has been quite remarkable, in a number of other companies. The Chattanooga Street Railways had an accident cost of \$120,010 in 1917, which was reduced to \$16,152 in the first six months of 1922, the percentage of accident cost to revenue being 17.8 in the former and 3.5 in the latter year.

In the Sperry Gyroscope Company the number of hours lost per employee per year was 19.66 in 1918 and 1.41 in 1920; while the compensation paid per employee per year was reduced from \$5.21 to 22 cents in the same period. The plant employs 2,000 workers and the reduction resulted from a carefully planned organization, a systematic method of carrying on the work, and a carefully selected personnel.¹

¹ HACKETT, J. D., "Health Maintenance in Industry," pp. 307-310.

Conclusion.—The best guarantee of safety in an organization is a body of careful and alert workers. Carefulness and alertness are intangible assets which are of great value not alone in reducing accidents but in effecting economies in other ways. Like other assets they may be secured and held only at a price. The price is absence of drive and fatigue, a policy throughout the works which sets life above dollars, an educational campaign which translates this policy into a demand for a quality product made under wholesome conditions and by workers who have learned how to work safely at their tasks and who feel themselves fairly treated.

A safety program which is to be successful cannot, in short, be separated from the personnel program as a whole. Only when it is dominated by a humane point of view and directed by one who understands and values men as human beings, will a program function in the sustained, educational, and personal way that it should if it is to produce the best results.

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CHAPTER X

STANDARDS OF PHYSICAL WORKING CONDITIONS

The importance of safe, wholesome, and attractive workplaces is today widely recognized. There can be neither maximum efficiency, mutual good will, nor genuine self-respect in the working force if working conditions are dangerous, disagreeable, or unhealthy. It is to everyone's interest that the work environment conform to what are now well-established scientific standards. Other things being equal, the company with the best conditions gets the best class of employees, holds them longer, and turns out a better product.

It is, therefore, our purpose to set forth here the items which should be considered in providing, inspecting, and improving working conditions, and to indicate the reasonable standard practice in connection with each. This chapter will thus serve a double purpose. It becomes in effect a check-list of the most important items in physical working conditions, and it is a statement of standards.

One or two words of explanation are first advisable, however. This chapter does not attempt to offer detailed technical advice on all the topics treated. The aim is rather to present an accurate statement of the best expert conclusions available on matters of working conditions, and to supply a guide to further sources of technical counsel. It would, for example, be unwise for the personnel executive to attempt independently to offer advice on a design or installation of an exhaust system. But he should be able to offer an intelligent opinion as to whether a proposed system will satisfactorily meet his plant's needs. Mechanical engineers and lighting, heating, or ventilating consultants are not infallible. Too many cases of grievous error in judgment and execution in factories and stores have come to notice for it to be wise that the technical expert should always be on top. He should be on tap; and his conclusions, like those of specialists in other fields, should be scrutinized by the general executives who have common sense, who know the workers' point of view, who

combine some technical knowledge with a knowledge of the rest of the organization's problems.

To call in the expert when in doubt is a good rule in matters of working conditions. Another is to know all you can yourself about the problem on which you seek advice.

Control over Working Conditions.—Responsibility for the maintenance of good working conditions is variously allocated today. The most important thing is to be sure that the assignment is clearly and explicitly made to *some* executive for all the necessary provisions. Often questions of physical equipment are under the control of the general superintendent or a staff assistant; matters of housekeeping and cleanliness may be handled by a cleaning foreman and staff; matters of sanitary and health provisions may rest in the company doctor either directly or in an advisory way; matters of safety conditions may be initially the responsibility of a safety engineer reporting to the personnel executive or to the general plant executive. The vital consideration here from the personnel point of view is that *all* these items are expertly and continuously being cared for.

There are, to be sure, legal standards and regulatory requirements on many matters of working conditions which have to be observed and taken account of in cooperation with governmental inspectors, usually from the state labor department and local fire or health authorities. The literal observance of all such regulatory provisions should not, however, exempt companies from further thought and attention to these conditions. Any such attitude of negligence beyond obedience to the letter of the law ignores several patent facts: first, that the legal standards are often vague, far from uniform, and are minimum standards only; second, that inspection of physical properties and facilities is by no means adequate in most states; and, third, that provisions for assuring the most effective and agreeable working surroundings are not, and never can be, completely embodied in law. In short, while legal standards furnish an index to some widely accepted minimum standards, they seldom comprise what any competent manager would regard as adequate standard practice.

A further possible objection from executives is that standard conditions are all very well if one can build an entirely new plant, but that with an old plant little can be done. Two aspects to this difficulty should be noted: first, as to the older buildings;

second, as to expense. Unquestionably, the new plant has a great advantage. It is even true—speaking from experience in over a score of industries—that working conditions in what have been regarded as the most disagreeable industries can with new construction be made practically unobjectionable, clean, and healthy, if thought and pains are expended.

This does not meet the problem of old-fashioned buildings. Concerning them, one difficulty is that managers do not always use to best advantage the equipment which they have. They forget what wonders can be performed by the constant application of soap and water and paint and broom. There is often less a crying need for new facilities than a need for the clean and orderly maintenance of those which exist.

Yet this is not always true. There are cases where over a period of ten years it will prove cheaper in dollars and cents to rebuild from the ground up at once than to tinker here and there and never have a thoroughly light, airy, and efficient building to show for the trouble. There are some corporations in which this procrastination has become a habit. Executives ward off every suggestion of improvement by pointing out that "in the new plant all will be different," yet the new plant never seems to get built. The personnel executive has the real duty under such conditions of precipitating action. Today a modern building pays not simply from the process point of view but also from that of personnel.

Also in installing new equipment in an old building costs of modernizing should, of course, be considered as a capital charge, not as a current expense. And it is always useful to remind the hesitating executive that the cost of any outlay on permanent improvements should show on his annual statement only as the cost of the interest charge on that amount.

To argue from statistics of labor turnover alone is never safe; but suppose, for illustration, the personnel executive finds that the turnover, demonstrably traceable to bad building conditions, is costing the company \$3000 a year. He can in such a case legitimately use the argument that if that \$3000, instead of being frittered away in turnover, were used to pay interest on an investment in improved conditions, betterments worth \$60,000 could be installed, the turnover would decrease, and all the other benefits of good conditions would accrue immediately and permanently. In other words, the immediate out-of-pocket

expense is not the only consideration. In sound business thinking today working conditions which are right are an essential part of the going investment.

Fire.—Inspection of the entire physical equipment in order to assure adequate protection to the property against loss by fire is usually undertaken by the insurance companies and by local and state authorities. What concerns the personnel executive especially, therefore, is the risk to *life* that may exist. The risk to property and to life cannot, of course, be sharply separated. It is simply that the point of view of the conservation of *human* values is constantly emphasized in personnel work.

Of prime importance is the question of *exits*. These should be of fireproof material, whether within or outside the building. Failing that, they should be contained in a fireproof tower. Where more than ten workers are employed on a floor, there should be at least two exits, located at opposite ends of the room; and no exit should be more than 150 feet from the farthest work point in buildings protected by sprinklers, or 100 feet in buildings not so protected. The treads should be at least 10 inches wide with a rise of not more than $7\frac{3}{4}$ inches to a step. The width of the stairway should depend upon the number of people who must use it, but it should never be less than 44 inches. There should be hand rails on both sides. It is important to be sure that exits do not debouch into blind alleys, or locked basements, or other places where people might be trapped and smothered. They should lead either to the street or to a fire-proof passageway leading to the street, such passageway to have a width not less than the aggregate width of the stairways leading to it.

Exit doors, of course, should open outward, should be unlocked during working hours, and should be equipped with some such type of latch as that used in theater exits in which there is a metal rod across the entire door at the height of the waist, which is attached to the latch and which when pushed down releases the latch. Aisles to exits should be at least 4 feet wide and should at all times be unobstructed by trucks or materials. Exits should be clearly marked by signs in languages familiar to the occupants of the room by day, and by red electric lights by night. These signs should always be kept clean and bright.

Monthly fire drills are frequently required by law; and even if they are not, they should be adopted as standard practice.

There should be fire-alarm bells which will give all workers the fire signal; and upon hearing it they should (according to previous instructions) proceed to the assigned exits. If the drill is held during working time, it is better that piece workers be paid for the time lost; and it is assumed that week workers will be. There should be every inducement for the faithful carrying-out of a complete emptying out of the building at these monthly drills. The location of the fire box and the emergency fire apparatus in each room or department should be known to all, as well as the methods of utilizing them. Especially where the nature of the process or material makes a sudden conflagration likely, there should be sufficient hand extinguishers, pails of sand, or other effective means at hand which the workers know how to use. Maximum protection is further attained where a plant fire department is trained efficiently in the use of the apparatus, and where the interest of all in reducing the fire hazards has been aroused.

Valuable preventive work can be done by providing adequate *fireproof containers* for waste, scrap, and rubbish, and by seeing to it that these are emptied and the contents safely disposed of at regular intervals. Special problems arise in the handling of combustibles and explosives, which are usually covered by the regulations of the underwriters.

In summary, let what is true of every item of working conditions be emphasized here: *Some one executive should be assigned to the task of overseeing the work of fire prevention and reduction of hazards to life and property.* Then, and only then, will these matters receive the constant and systematic attention they deserve. *The allocation of responsibility with authority is the beginning of effective executive action.*

Accident.—In the previous chapter we have dwelt upon a safety-first program and have mentioned the value of a proper safety organization, executive and educational, throughout the company.

The concern here is with those physical conditions and hazards to which special attention must be paid if the entire equipment is to be as safe as possible. Only the familiar hazards will be considered briefly.

Elevators require special attention. They should operate in fireproof shafts, protected by spring bumpers at top and bottom. The car should be enclosed on all sides and on top by strong steel

grilling and should carry an automatic locking device to be used when the car is being loaded, or when the operator leaves the car. The gates to the shaft should cover the entire opening at each floor, preferably with a fireproof door which can be unlocked from the elevator side only.

Belting, especially high-speed, overhead transmission belting, should be equipped with shifting devices having automatic locks so that belts cannot work back on to the wheels and start the machinery. The safest method of fastening belting together is to glue the joints; the most dangerous is to use steel fasteners. It is important that there be either a direct method of stopping belting at each machine in each room, or direct communication to the engine room so that power can be turned off at once if an accident has occurred.

Machines or wheels revolving at a rapid rate should, especially if there are projections from their surface, be enclosed in a stationary guard. Exposed gears, sprockets, and chains usually should be covered with steel wire mesh or solid steel casing. Circular saws, emery, and all types of abrasive wheels should be enclosed just as fully as the proper execution of the work allows. Calendering operations of all sorts require guards to prevent hands and clothing from being caught in the revolving rolls. On all such machines the guards should be painted a conspicuous color; they should be strong enough to hold under the severest conditions; they should be removable, but usually only by the machinist who repairs the machinery.

Punch and drill presses of all sorts and hydraulic cutting machines are a grave source of danger unless so arranged that the worker *must* remove both hands from the danger zone before the machine operates.

Floors are a hazard if they are splintery, slippery, or uneven. Floors wet with oil or water may be made safe by proper covering of rubber matting, wooden gratings, and by proper drainage. Obstacles on the floor such as tools, materials, upturned nails, etc., over which the worker may fall are usually the result of careless housekeeping and are avoidable. Truck handles which project into aisles are a fruitful if minor cause of injury, which can be remedied by attaching a steel spring holder to the truck itself, in which the handle can be held securely upright out of everybody's way.

The gauging of the speed of fly wheels and exhaust fans of all sorts is important in the light of the number of explosions of such wheels which have been due to their running at higher than prescribed speed. The normal revolutions per minute should be clearly posted beside each wheel and a reading of the speed gauge will then make comparison and regulation an easy matter.

Ladders should be used with great care. The only safe equipment is specially designed bases for the feet of the ladder, which, depending on the material of the floor, should have either steel pointed feet, inverted hollow rubber bases, or some other non-slip device.¹

Other details which require constant watchfulness include the protection of workers in factory yards from moving freight cars, dangers incident to oiling machinery in motion, dangers of electric shock at switchboards, special hazards to the eye, hazards of open pits and vats, of traveling cranes and falling objects, of hot pipes and boilers located too nearly under the work places. Finally, it must be remembered that each industry has its own additional special hazards.

The following general rules of standard practice may be safely laid down:

Make factory equipment as "fool-proof" as possible. Accidents occur not when men are alert against a hazard "that any man in his senses simply could not get hurt from," as managers so often put it. Accidents happen in those moments when attention has wandered, fatigue set in, darkness come on, when workers are "fooling," or a fellow worker or truck has bumped into the employee; and it is against such moments that the protective devices are needed.

Have adequate first-aid kits available, near enough to the work place so that they will be used. Have some one in each working group or department trained to administer first aid; but do not consider this person as substitute for a doctor. Call the doctor at once. Meanwhile, try to restore breathing, stop bleeding, and make the patient comfortable. Use a solution of iodine freely. It prevents infection, is healing and cleansing.

Have a pleasant, well-equipped, centrally located first-aid room with a trained nurse in attendance as much of the time as the size of the plant and character of the work require.

¹ See "The Principles and Practice of Safety," National Safety Council, Chicago, 1919, as well as other publications of this society.

Have some one executive responsible for the prevention of accidents and the maintenance and installing of all accident-prevention equipment.

Ventilation, Heating, and Humidity.—The problem of ventilation is to keep the air fresh, uncontaminated, and in motion. The problem of heating is to keep the air at a comfortable temperature. The problem of humidity is to keep the proportion of moisture in the air within certain healthy limits; otherwise, neither adequate ventilation nor good heating will give satisfactory results.

Scientific studies show that the influence of temperature upon the performance of physical work can be marked. An increase from 68 to 75°F. may cause a decrease of as much as 15 per cent in accomplishment. Also, it has been shown that warm, stale air is distinctly adverse to maximum production as compared with fresh, cool air.¹

It is well to reiterate that man is in the first instance a physico-chemical engine. His body functions properly only under definitely prescribed conditions of external surroundings and internal functioning. With this in mind when evaluating working conditions, the executive will almost automatically possess an outlook which appreciates the significance of having plant equipment *always right*.

¹ The following is taken from "Ventilation," *Report of the New York State Commission on Ventilation*, pp. 197-198, New York, 1923.

Physical Work.—We have demonstrated, on the other hand, a very marked and significant influence of atmospheric temperature upon the performance of physical work. An increase of room temperature from 20 to 24°C. (68 to 75°F.) caused a decrease of 15 per cent in the physical work performed by men who were not compelled to maximum effort but were stimulated by a cash bonus; and an increase from 20 to 30°C. (68 to 86°F.) with 80 per cent relative humidity caused a decrease of 28 per cent in the physical work performed under conditions of maximum effort. The fall at 24°C. (75°F.) was most marked in the afternoon hours when fatigue effects were called into play.

Physical Work.—In regard to the performance of physical work, on the other hand, there appeared to be a distinctly harmful influence of the vitiated air. Temperature and humidity being the same, our subjects performed 9 per cent less work in stale than in fresh air, a difference less marked than that produced by warm as compared with cool air (15 per cent), but apparently significant. When both unfavorable conditions were combined (in warm and stale air) only 77 per cent as much physical work was performed as in cool fresh air."

In regard, first, to ventilation, the removal of the grosser contaminations must be provided against. Fumes, vapors, smoke, organic and inorganic insoluble dusts should be eliminated at the source either by doing the work under some dust-laying spray or by the installation of adequate exhaust pipes with hoods set as closely as possible over the point where the contamination is generated. The size of the exhaust pipes and the speed of the fan which creates the motion are matters requiring the most careful technical study, since upon these factors depends the thoroughness of the exhaustion.¹

The provision of fresh air, properly conditioned, will usually in the larger plants and in stores require some artificial ventilation. In every plant the following provisions should be observed:

Each individual requires at least 500 cubic feet of free air space and, depending on the character of the work, may require as high as 1,000 cubic feet. Since he breathes in between 250 and 350 cubic feet of air in a day of eight hours, it is safer that two or three times that much new air should be supplied during working hours.

All air supplied should be free of dust, bacteria, and other contaminations.

Ample allowance should be made for the consumption of air by gas or oil used in the room, and additional ventilation be provided to offset this consumption.

Rapid air currents, *i.e.*, drafts, should be avoided. Yet it is one of the cardinal points of good ventilation that there *be a free movement of air*. Experiments prove that the same air can be used again and again if only it is kept circulating.

"Excessive heat, vapor, and injurious substances arising from manufacturing process or other causes require to be locally removed."

"All toilets, lockers, and other rooms of similar character require positive exhaust ventilations."²

All heating surfaces should be located and arranged so that they cause no discomfort to workers.

All hot surfaces which it is not essential to expose should be insulated by non-conducting material. This should apply to

¹ See "Mechanical Engineers' Handbook," 2d. ed., pp. 1411-1452.

² "Requirements and Standards upon Heating and Ventilation," pp. 14-15, U. S. Council of National Defense, Advisory Commission. Committee on Labor. Washington, Government Printing Office, 1919.

pipng and surfaces of machinery as well as to walls and floors which radiate excessive heat.

Whatever ventilating system is in use, a periodic, thorough airing out of the workroom is valuable—before work starts in the morning to remove the stuffiness, in the middle of the morning, at noon, and in the middle of the afternoon.

Executive responsibility for ventilation should be clearly fixed; yet the maximum possible freedom should be left to the workers in each room to determine the conditions under which they will work. If the conditions as so determined are manifestly unwholesome, the remedy is not in a display of authority but in education of the group along familiar hygienic lines.

The amount of heat required depends largely upon the character of the work. For active shop work, where the whole body is engaged, 58 to 60°F. is found to be satisfactory; at bench work and other less active work 65°F. is suitable; while in work at desks and counters 68 to 70°F. is required. In order to assure uniformity and regular control, an automatically recording thermometer should be in operation in each room and should be checked up at least twice a day by the person in charge of ventilation and heating.

The record of temperature will give a true picture of satisfactory conditions, however, only when correlated with a record of humidity. This correlation can be obtained easily by the use of a hygrometer which shows the per cent of humidity in relation to temperature. From the standard hygrometrical tables it is then easy to discover whether sufficient moisture exists in relation to the desired temperature.¹

Various effective devices for artificial humidifying are on the market; but for a plant that can attack the whole ventilating problem at once, it is unquestionably desirable to install an air-conditioning apparatus which in the same mechanism washes, warms, and moistens the air which is distributed. It is only where the nature of the product or process requires excessive moisture that some supplementary humidifying may be needed.

Ordinarily, factories and office buildings do not provide air which is sufficiently moist. The heat dries the mucous membrane and leaves it in a condition of lowered resistance to germs. Managers too frequently fail to recognize the need for adequate

¹ See table in McCord, C. P., "Industrial Hygiene for Engineers and Managers," p. 130.

humidity; and the use of a hygrometer for a few weeks will usually show convincingly that most work places would be more healthy and conducive to efficiency if artificial humidifying were installed.

Lighting.—Deficiencies in factory lighting are estimated by illuminating engineers as accounting for as high as 18 per cent of the industrial accidents and 20 per cent loss in production where, as in textile plants, the work must be closely scrutinized. Bad lighting directly contributes to eye strain, headache, and nervous irritation. Its correction depends as much upon an expenditure of thought as of money. Adherence to a few fundamental principles can help greatly to eliminate the worst lighting difficulties.

There are three points to consider regarding both natural and artificial lighting—its sufficiency, its continuity, its diffusion.

The minimum amount of light required at different kinds of work has been standardized. Studies are given in terms of "foot candles," *i.e.*, the illumination on a surface one foot distant from a standard candle. The Illuminating Engineering Society is sponsor for the standards set forth in the following table:¹

FOOT CANDLES ON THE SPACE OR AT THE WORK

- | | |
|---|---------|
| (a) Roadways; yard thoroughfares..... | 0.02 |
| (b) Storage spaces; aisles and passageways in workrooms, excepting exits and passage leading thereto..... | 0.25 |
| (c) <i>Where discrimination of detail is not essential</i> | 2. - 5. |
| Spaces such as hallways, stairways; exits, and passages leading thereto; toilet rooms; elevator cars and landings. Work such as handling material of a coarse nature; grinding clay products; rough sorting; coal and ash handling; foundry charging. | |
| (d) <i>Where slight discrimination of detail is essential</i> | 2. - 5. |
| Spaces such as stairways, passageways and other locations where there are exposed moving machines, hot pipes, or live electrical parts. | |
| Work such as rough machining; rough assembling; rough bench work; rough forging; grain milling. | |
| (e) <i>Where moderate discrimination of detail is essential</i> | 5. -10. |
| Work such as machining; assembly work; bench work; fine core making in foundries; cigarette rolling. | |
| (f) <i>Where close discrimination of detail is essential</i> | 5. -10. |
| Work such as fine lathe work, pattern making; tool making; | |

¹ Code of Lighting: "Factories, Mills, and Other Work Places," *Bulletin* 331, p. 3, U. S. Bureau of Labor Statistics, Safety Code Series, April, 1923. Prepared under the sponsorship of Illuminating Engineering Society, New York.

weaving light-colored silk or woolen textiles; office work; accounting; typewriting.

- (g) *Where discrimination of minute detail is essential*.....10. -20.
Work such as watchmaking; engraving; drafting; sewing dark-colored material.

In order to secure daylight sufficient to conform to these standards, the following conditions must prevail:

Windows should be as large as possible, provided they do not create a glare, and should be so located that artificial light is necessary only when it would naturally be used. Natural light is the most normal and satisfactory for the human eye. Other things being equal, it is to be preferred and sought as a source of workroom illumination.

The top sash of the windows and all basement windows should be supplied with ribbed glass to increase the refraction of light into the center of the room.

Even though a translucent glass over the entire window might give better diffusion of the light, regard for the worker as a human being demands that the window panes at the level of the face be of transparent glass so that the worker can see out of doors. Minor as this point may seem, it is fundamental to the maintenance of a cheerful atmosphere.

Where curtains must be drawn to remove the glare due to direct rays of the sun, they should be arranged so as to pull halfway up from the bottom and halfway down from the top. This provides shade near the window and leaves the middle of the room still supplied with light from above.

Windows should be washed at the necessary regular intervals.

Reflecting surfaces outside, as, for example, an adjoining building or another section of the same building across a narrow court, should be painted a light color to increase the supply of light within the room.

Reflecting surfaces inside the plant—walls, ceilings, and, where practical, the machinery as well—should be painted a light color (preferably a soft, light green) to increase the light. Below the wainscoting, walls may be a darker color, in order to rest the eyes.

Work places, benches, and machinery should be placed *at right angles* to the window so that the light comes over the worker's shoulder on to his work. The persistent ignoring of this simple but fundamental rule probably accounts for existing eye strain more than any other one factor.

To secure proper *artificial* light, it is important to observe the following principles:

There should be sufficient light for each worker irrespective of his position at his work, in accordance with the standards suggested above. Lamps should be fixed and stationary.

"The type, size, and spacing of lamps and reflectors should be determined with special reference to the ceiling height and class of work in question."¹

A system of general overhead lighting is to be preferred, with the use of reflectors which make the actual rays of light from the lamps semi-indirect or wholly indirect. The light should be strong enough and so located as to remove sharp shadows and to remove the necessity for individual lamps except in special cases.

Where it is necessary to use individual lamps, it is important that opaque reflectors be used and so affixed that the light does not shine in the worker's eyes.

Care should be taken to avoid glare from bright or polished reflecting surfaces.

Lamps should be operated from sources of supply which insure continuous and steady light. The flicker of some lamps where electricity is locally generated causes strain and fatigue.

Lamps and reflectors should be dusted and washed at regular intervals.

Emergency lamps should be provided, especially in passageways and exits, to assure reliable operation if for any reason the regular lighting fails. Those lamps should be supplied from sources wholly independent of the regular lighting.

Switches should be so located that "at least pilot or night lights may be turned on at the main points of entrance."²

Here again, the final word is: *Make some one executive responsible for these matters* and provide him with competent technical assistance so that the lighting may be as effective, as cheerful, as scientific, and as economical as possible.

Noise and Vibration.—The harmful effects of excessive noise and vibration are only beginning to be realized. Noise, especially when it recurs frequently at irregular intervals, requires an adjustment of the worker's whole nervous system which is taxing and wasteful of energy. It distracts attention, creates an irritating feeling of "jumpiness," and generally reduces the equanimity

¹ "Principles and Practice of Safety," p. 11.

² Code of Lighting, etc., p. 8.

and efficiency of the affected person. Where noise leaves off and vibration begins is not always easy to determine. The deciding factor is the number of sound waves per second, and "it is difficult to determine whether or not it is the ear alone or the whole body that detects the sound in vibration. Hence the annoyance from sound is not easily separated from the nervous exhaustion resulting from direct vibration."¹

Testimony is general that severe vibration "tends to tire the women and make them nervous, with the result that they become irritable and inefficient. In the case of women, it seemed impossible for them to stand the vibration even temporarily on account of its serious effects. We believe that employees working under such conditions as we had were not over two-thirds efficient." Other evidence might be cited to the same effect, but it is sufficient to call attention to the seriousness of the problem. The question is: What can be done about it?

The elimination of noise is, of course, impossible under present conditions in certain processes. Machines have not been built with a view to quiet action, and until machine builders attack this problem the most acute cause will remain untouched. Nevertheless, there are certain things which may be done.

The first essential is to realize that all *unnecessary* noise should be done away with. The rubber-tiring of all trucks is a preventive measure of first importance. In many plants it will also help to have aisles covered with some sound-deadening composition, such as battleship linoleum. Where the near-by passage of trains is a noisy distraction as well as a cause of vibration, the remedy is not so easily at hand, although the better constructed buildings have a great advantage here. The use of electric power drives from local motor units greatly lessens both noise and vibration and has the added value of reducing the objectionable flicker of the daylight which a mass of overhead belting usually creates.

The elimination of vibration is fundamentally a matter of building construction. The structure has to be solidly based, and the evidence seems to point more and more to the use of reenforced concrete as the most non-vibrant material. Where the shaking is due to special machines, it is sometimes found necessary to build separate foundations for these machines. The

¹ "The Effects of Vibration in Structures," Aberthaw Construction Co., Boston, 1918. This and the following quotations are taken from this pioneer and suggestive preliminary study of vibration.

use of some type of absorbent mat under machines also is helpful. Rubber mats and ground cork mats as bases for certain types of machines, as, for example, power sewing machines, reduce the vibration appreciably. In some cases sound-deadening material can also be used on the ceiling to excellent advantage.

It must be admitted that the problem of noise and vibration is one which is just beginning to be studied. Until buildings are firmly anchored and soundproof, and until machinery is designed to work with less pounding impact, the greatest advances cannot be made.

Seating and Rest Rooms.—The value of seats for workers is recognized in the legal provisions which several states make for women workers; but the value is not sufficiently recognized so that the right type of seating is always provided. The wooden stool, the flat, enameled steel stool, and the chair with a flat board back are still widely used. A correct chair embodies the following features: an adjustable back with a padded rest (like that on a stenographer's chair) to support the worker immediately below the shoulder blades; an adjustable seat so that its height from the floor can be regulated (if made with a revolving seat the chair should have a locking device to prevent motion when the worker wants to be stationary); adjustable foot rests; and, finally, a cushioned seat. In short, a good chair is one which reinforces and supports the body at those places where reinforcement means less exertion, better posture, and consequently a better functioning of the vital organs. A number of companies are now selling chairs which fulfill most if not all of these requirements.

One excellent study of seating reaches the following two conclusions:¹

First, that posture must be varied. Continuous sitting and continuous standing are both harmful. Ideally, conditions should allow the worker to vary his position at will, because of the rest and the enormous saving of energy that comes from a change of position during working hours.

Second, that work conditions should be such that correct posture is possible.

(a) By providing a physiologically good chair.

(b) By assuring a proper relationship of the different parts of the work place.

¹ "Industrial Posture and Seating," p. 6, prepared by the Bureau of Women in Industry, New York State Department of Labor, April, 1921.

There is no one chair that is best for all industrial processes. To determine what chair is best for a particular process, the nature of the work to be done, the position of supplies and finished work, the equipment at hand, *i.e.*, the height of bench, chair, place for foot rest, etc., as well as the height of the individual worker—all these must be considered. To provide a good chair is not enough; the important thing is to bring all parts of the work place into the best possible relationship.

Chairs in a factory or store are not a luxury or a frill. People's physico-chemical engines can by correct seating save energy which can be better used in other directions. Also, to vary the posture from sitting to standing and from standing to sitting is restful and conserving of strength. For this reason, the tradition that the worker must never be found by his foreman sitting down must go the way of many other unscientific notions. The worker should be encouraged to sit, and many jobs now done standing could be done with equal facility and much less fatigue if suitable chairs were provided.

The problem in most departments in the mercantile establishment is not so much the kind of seat, but the chance to use it. Investigations of department stores show that often there is a tacit understanding that no sales girl should be caught sitting down, even when her stock is in order, and no customer is waiting. Investigations have also shown a startling lack of seating facilities behind counters, in spite of the fact that laws exist in forty-seven states requiring them.¹

The provision of rest rooms is often required by law where women are employed, although little, if anything, is specified about equipment. There should be a clear separation between dressing rooms and rest rooms. The practice of simply providing benches in the locker room is wholly inadequate to meet the needs for which a real rest room is designed; neither is it sufficient simply to use a lunch room for this purpose.

Whether or not rest rooms should be available for the men depends upon the policy the company is prepared to adopt regarding the employees' use of off hours. If what is desired is a place to rest and restore vitality, then that need should dictate the provisions which are made. If a noon meeting place and social lounging room for all employees is desired, the required equipment is manifestly different. It is almost impossible to pronounce in general upon the provisions which a factory or store

¹ "Industrial Posture and Seating," *op. cit.* p. 49.

should make in this direction. The only point is that if the choice is for a *rest* room, no one should be ashamed of the decision. *It is exactly as good a business proposition to have a rest room for men as it is for women.* Indeed, from a physiological point of view it would often be a good thing for workers to recline at full length in the intervals between work, because the change in distribution of blood pressure which is thus assured is a most effective recuperative measure.

In providing a properly equipped rest room, the items to be considered are that it be located away from the noise, odor, or other effects of work processes; the room should be quiet, cheerful, bright, clean, and restful in atmosphere, hangings, and furniture; the chairs and lounges should be comfortable and sufficient in number so that the worker will not have an attack of conscience if by occupying one for more than five minutes he deprives other workers of a chance to sit at all.

Finally, it is important that the employees should feel it to be *their room*. This feeling can be achieved in various ways; but there is nothing like responsibility to give a genuine sense of proprietorship. One way of securing this attitude is to have a committee of workers administer this room, helping in the selection of its furnishings and in its maintenance.

In practice some rest rooms are well used; some are used at the start and then forgotten; some are used very little. It is, of course, better from every point of view that workers, if they want to stretch out and sleep at noon (as many do), should sleep comfortably on a couch rather than on a work bench. But they must want to use the couch and they must feel that they are not getting a substitute for more wages when a rest room is provided. Under these conditions only will a rest room be permanently used and valued.

There is a principle about the installation of all personnel equipment which should not be lost sight of, namely, that the provision of equipment of any sort for people without some simultaneous attempt to create a sense of need and a knowledge by them of methods of its use is uneconomical and unappreciated. Old-fashioned "welfare work" is in bad repute, partly because the workers were not taken into the confidence of the management in its administration, and it was therefore regarded as a paternalistic sop, and partly because it was conceived by workers as an effort to let "welfare" take the place of fair dealing.

"Welfare work" so conceived is now discredited. The modern point of view looks rather in the direction of studying the elements in the problem of human relations which must be dealt with in order to have the factory or store operate efficiently with the affirmative cooperation of the working force. If in pursuit of that end the personnel worker has at times to take a somewhat broad view of his duties, he does this deliberately as an organic part of this work of sound management and not with a motive of philanthropy. The provision of right working conditions is not welfare work. It is a plain business and human necessity. Until corporations are prepared to provide right working surroundings, there is little use in launching into projects such as profit-sharing or other complex proposals which fundamentally presuppose for their beneficial operation an efficiently managed production organization in a physically well-equipped plant.

Lunch Rooms.—The policy to be followed in installing lunch rooms will be governed by a number of factors, such as the nearness of adequate restaurant facilities, the quality and price of their food, and the local lunching habits. The importance of good food, well cooked, quickly served, and moderately priced is appreciated today by managers as never before. The result is that lunch rooms are being used more widely than ever and many companies even favor running them at a slight loss because of the other values received. It is impossible to lay down any principle here beyond advising that, if a company is considering the wisdom of a restaurant installation, it should visit other comparable plants and get actual data on costs, equipment, menus, and the like. There is an elaborate technique in handling lunch rooms, which can be utilized with least outlay only by hiring experienced and competent people to set up and run them. In general, the management of such facilities should be retained by the company or by an organization of its employees. To rent out a concession here has rarely proved satisfactory.

As a minimum, the equipment of the plant or store should provide some suitable place away from the work place where workers can warm up and eat food brought from home.

The following paragraphs from a report on the management of lunch rooms in stores offer conclusions which are generally applicable:

The management of the lunch room should be in the hands of a specialist, preferably a woman, qualified to run a homelike place to eat,

to judge the right quality and right prices of foods, to handle the lunch-room employees and to operate the lunch room without loss. The manager of the lunch room may report either to the personnel manager, in whose field of activities employee services are included, or to a committee of employees, depending on the store policy as to the management of the lunch room.

Employees have taken more interest and pride in their lunch room when they have had a share in its management. A committee of employees elected by the workers can be of considerable assistance to the manager of the lunch room in serving as a clearing house for all criticisms on service, prices, and food. Six stores have such a committee.

In most stores, the management gives light, heat, space, and equipment, and meals are sold for the cost of labor and food. Most lunch rooms have on this basis been able to operate without loss. The items to be charged against the lunch-room manager depend on the firm's policy. It is important that the lunch-room manager know what these are in order that he may work toward covering his expenses.

Cleaning.—The reaction of competent plant housekeeping upon the appearance and morale of a working force is in the long run of great benefit. Workers dress better, they are more cheerful, they are more careful in the disposal of waste and rubbish in plants where the watchword is cleanliness and orderliness. Nor is this an impossible ideal for any plant to hold in view, it matters not how dirty the processes may be. This is another case where regular executive attention to the problem is the price of good results. From the experience of plants where the house-keeping has thus been made satisfactory the following hints can be learned:

There must be a separate cleaning staff under a cleaning foreman. This staff should get an hourly rate of pay high enough to assure a competent and conscientious force. The old notion that cleaners should get the lowest rate in the shop is the product of a time when bacteria were unknown and antiseptic methods of cleaning unheard of. It must be remembered that cleanliness involves not simply the removal of dirt—misplaced matter. It involves also the minimizing of harmful germs.

Methods of dry sweeping should give way to some method which lays the dust before it is collected. There are several good dust layers on the market; even the use of wet sawdust, except for the fire hazard in storing dry sawdust, is better than dry sweeping. Vacuum cleaners are excellent where the nature

of the work permits their use. Sweeping should be done as much as possible out of working hours.

Raw materials, work in process, finished work, discarded machine parts, scrap, trays, and boxes should all have their definitely assigned place and be kept there. Cleanliness without systematic orderliness is impossible; and a tidy work place is more efficient, more safe, more easily cleaned, and more conducive to continued habits of orderliness.

There should be sufficient fireproof containers for waste material and rubbish, and these should be emptied at frequent intervals.

There should be a regular schedule for cleaning at the necessary intervals the workrooms, toilets, walls, ceilings, windows, lamps, reflectors, halls and stairways, yard, etc.

Drinking Water.—Every encouragement should be offered to assure the drinking of enough water by each worker. As a preventive health measure two quarts of water a day per person is usually recommended. And this implies an adequate supply of pure, cool water conveniently available throughout the building. The medical department should make sure that the source of supply is clean. Water should be cooled either by a central system or by local units to a temperature of around 50°. A fountain should be available for every forty workers, and one should be accessible on every floor level, not more than three hundred feet away. The faucets at these bubblers may well be double; one from which a glass can be filled, and the other a nozzle which will give side delivery for a sufficient jet of water so that one can drink from a free flow. There are a number of satisfactory bubbler nozzles on the market, all operating on the principle that no chance is given for the worker's mouth to touch the opening through which the water comes.

Where the process makes it difficult for the worker to leave his work, some companies have found it beneficial to have an attendant pass through the room every little while with water in individual drinking cups—much as theater ushers do. They realize that it is almost impossible for workers to drink too much water; and therefore the more easy and attractive its drinking is made, the more it will be drunk and the better it will be for their health.

Sanitary Equipment.—Physiologically the provision of adequate, clean, and attractive toilets is of importance, especially

because of what we know about the relation of their condition to constipation and venereal diseases. The law usually requires a closet to every twenty workers; but this is a minimum provision. Other desirable conditions to observe are the following:

The toilet rooms for men and women should be completely separate from each other, and from the work rooms, and should be clearly marked "Men" or "Women." There should be screens before the entrances of these rooms to conceal effectively their interiors from outside view.

Toilets should be adequately lighted at all times, and they should have adequate ventilation from outside the building. The room should be kept at a temperature of not less than 60°F. during working hours.

Floors of toilet rooms should be of some moisture-proof, smooth material; and walls should be kept covered with clean, light-colored, non-absorbent paint or other moisture-proof material.

There should be free provision of toilet paper; and near-by basins in which to wash the hands.

There should be individual closets with wooden seats, with bowls of vitreous china or other approved material and adequate pressure for flushing. Each closet should occupy a separate compartment and be provided with a door opening outward.

The proper maintenance of toilets unquestionably offers occasional difficulties. These difficulties are not to be permanently overcome until managers realize that the abuse of toilet facilities occurs most frequently where *workers are unfamiliar with their proper use*. It should be emphasized in this as in other connections that, in those factories where workers are immigrants from rural regions of southern and eastern Europe, they have never used modern plumbing arrangements. The problem is an educational one. Where there is a medical staff, the method of operation and proper use of all modern plumbing devices should be explained in the course of the educative work in personal hygiene. For managers to make existing or past abuses of the toilet or washing facilities an excuse for continuing old and unsanitary equipment is to place responsibility on the wrong shoulders. The rank and file of workers are not inherently wanton or vicious or destructive in these matters; it is more often the case that they do not know any better.

Washing Facilities.—Standard practice in washing facilities depends in part upon the nature of the work. There is no doubt from a physiological point of view but that, where employees leave work at the end of the day wet through with perspiration, it is good hygiene for them to take a shower bath before going outdoors. The fact that thousands of workers have done and still do otherwise does not lessen the hazard. The danger of possible respiratory disease especially during winter months is serious, and the tonic effect to health and self-respect of a bath and change to clean street clothes is valuable.

Where the character of the work calls for them, it is, therefore, valuable to furnish showers and to encourage their use by legitimate educational methods. Several attendant conditions must, however, be assured if the use of the baths is to be satisfactory and permanent. There should be a warm shower bathroom—one kept at all times of use at 80°. This room should adjoin the dressing room, should be clean, well lighted, and well ventilated. The floor of this room should be covered with removable rubber matting, wooden grating, or some other material to keep the feet off the cold cement and prevent dangerous slipping.

Hot and cold water should be provided, as well as soap. Towels should be furnished by the company upon deposit of five cents and should be laundered at least weekly at the company's expense.

There should be one shower to every eight or ten workers.

In plants where the work is less arduous but still dirty, the installation of wash basins or enamel troughs is requisite. Individual basins are, of course, more expensive to install and maintain, and if used one basin to every five workers is needed. Where troughs are used, a length of two feet to every five workers is recommended; there should be a free flow of warm water, and soap and toweling should be provided.

Where men chew tobacco at work or spitting is habitual, it is necessary to make some arrangement for cuspidors. Promiscuous spitting can be reduced to a minimum with a little effort; and an important adjunct of a clean-up campaign is to have on the stairways and at the necessary work places an adequate supply of receptacles. It is also useful to have all floor corners painted white. Galvanized iron pans filled with a solution of lysol or some other disinfectant, light cardboard boxes filled with sawdust, boxes filled with sand—these are some of the

prevailing methods of providing cuspidors. Care must be exercised to have sanitary disposal of the contents, which should be removed daily and burned.

One further detail deserves mention; the elimination of flies. There are industries, like the food-preparing trades, where flies are especially dangerous. The faithful use of screens, the use of giant fly-traps, and keeping all waste and rubbish carefully collected and burned—these work wonders in ridding the plant of this germ carrier.

Dressing Rooms.—Standard practice in dressing rooms depends, as with washing facilities, on the nature of the work. Where a complete change of clothes has to be made, the need is for full-length, individual lockers. In trades where the work is especially disagreeable because of odors or dangerous because of dust or vapors, two dressing rooms are sometimes provided. The worker, in such cases, leaves his street clothes in his own locker and proceeds through a shower bathroom to the room where the work clothes are hung on racks over steam pipes. At night the work clothes are left to dry; the worker takes a bath and proceeds to his locker and his street clothes with the traces of his work effectually eliminated.

Dressing rooms, of course, should be completely separated from the work room; and there should be completely separate rooms for men and women. There should be a bench between the rows of lockers, and if possible workers who leave at the same time should have alternate lockers to avoid congestion. The lockers themselves should have a steel grill bottom and top so that a draft of warm air from steam pipes beneath the lockers can continually circulate, thus drying the garments that are left hanging and preventing dust from settling. In size such lockers should measure sixty inches high by twelve inches wide by fifteen inches deep; and they should be provided with a combination lock, like those used on safes, to do away with the bother of keys.

The importance of periodic fumigation of locker rooms and lockers should not be forgotten, since nothing so contributes to their non-use and unpopularity as a reputation for uncleanness or vermin.

The provision of full-length individual lockers in a separate dressing room, however, is not essential under all conditions. Separate dressing rooms are sometimes required by law for

women and these are essential if any change of clothing takes place. But open racks with coat hangers for coats, with individual lockers about fifteen inches in each dimension for hats and lunches prove a satisfactory arrangement in many places. Similarly for men in plants where no complete change of clothes is necessary, it is usually adequate if there are clean, dry, safe racks where street clothes may be hung. These places, however, should be wholly separated from the work room, where there is no chance for dust, dirt, or odor to harm the clothes. But it is desirable for each worker to have some safe place to keep his more portable possessions—shoes, hat, lunch, etc.; and the provision of small lockers provides for this in a satisfactory manner.

Plant Exterior.—There is an unquestionable psychological value both to the community and to employees in having the exterior of buildings neat and attractive. There is no inherent reason why buildings devoted to industrial uses should not be architecturally significant or at least inoffensive. The squalor of much factory environment today finds its reflection in a widespread attitude of indifference if not of downright hostility toward work. In consequence, one progressive employer after another is demonstrating that factory, store, and office buildings may be made varied, attractive, and even beautiful without undue expense.

Certain things that every corporation can and should do are to keep its own yard in order, its waste picked up, and its rubbish pile concealed or removed altogether. It can provide a sidewalk to the factory entrance on which one can walk dryshod at all times of the year. Again, the plant can be kept painted. Whether the management will go beyond this and cultivate a lawn, train vines against the factory walls, put in window boxes, and plant shade trees are less matters of standard practice than of taste. But if, without gaining the reputation of adorning a "whited sepulchre," the management can create an exterior of which all in the plant and in the community are proud, there is everything to gain. Certain it is that our scientific knowledge today makes possible the construction of all kinds of work places—even at formerly dirty work—which are clean, safe, light, and attractive both outside and in.

Conclusion.—In summary two points should be stressed: first, that the provision of a healthy working environment is good business and should be considered as an essential part of the capital

investment. Second, that although a variety of seemingly minor items have here been discussed, they do in the aggregate combine to be matters of critical importance in determining working efficiency and employee attitudes. Experience is conclusive that until the administration of all physical working conditions is centralized as one function, preferably under the personnel department, adequate and constant attention is not paid to them, and their proper maintenance is not assured.

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CHAPTER XI

THE TRAINING OF EXECUTIVES

The deliberate training of executives is now an important feature in the personnel program of many large companies. The reasons for this have grown in urgency in recent years. Not only is the best technical equipment of all executives for their special work and for possible advancement recognized as essential in a day of rapid technological and marketing changes. But the centering of attention upon right methods of directing people has also given further point to intensive instruction. Management's emphasis in the conception of executive work has latterly undergone a subtle but drastic change. The emphasis today is upon ability to lead, to stimulate and encourage, to exercise creative imagination about probable trends, to teach others to do and to develop. The positive rather than the negative appeals, the effort to harmonize the desires and purposes of different groups of workers in an organization, the objective of creating a career and not merely a job for workers—these have all placed upon executives of every level and in both staff and line departments the responsibility for cultivating a new outlook and supervisory methods at their jobs.¹ In short, the watchwords of executive work and therefore of training for executive work are now two: *be good leaders and be good trainers.*

Administration of Training.—The next three chapters are devoted to this important function of training because it has been thought best to consider separately the instruction of general executives, of foremen and line supervisors, and of the rank and file. But a few general introductory words apply throughout. All industrial training if it is to be most effective requires specialized direction. In a company of more than five or six hundred employees a training director can often be profitably employed

¹ This whole problem is discussed more fully and in a way which should make useful supplementary reading, in the "Handbook of Business Administration," article by TEAD, ORDWAY, on Executive Leadership, pp. 1655-1675.

to work as a staff aid reporting to the personnel executive. His usual duties have been well summarized as follows:¹

1. To provide that enthusiasm and promotive quality which spreads interest in training throughout the organization and creates desire and willingness on the part of every supervisor to take part in the training process.

2. To help to prepare the instructional outlines to be used by supervisors in the training of their workers. One says "help" advisedly, because it may be easily recognized that when the supervisors themselves have prepared the instructional outlines with the help of an educational department, they are much more likely to take an interest in the training program and to feel a definite responsibility for making it effective.

3. To prepare, improve, and constantly revise the procedure for carrying out the training program, thus facilitating the work of the supervisor.

4. To take a very active part in training the supervisor to train.

5. To act as an adviser to the management of the company in regard to the development of its personnel and thus link the training policy of the company to the whole future of the business and its financial success.

To what extent he will himself conduct training work in a centralized way, or to what extent he should confine himself to "training trainers," will be considered as we proceed, since much depends on the size of the company, the objectives of training, the nature of the processes, etc. In general, it is true, however, that recent years have witnessed a marked shift away from centralized training in the direction of departmental instruction by superiors with some oversight from the training director in supplying good training methods. This is especially true of job instruction. And the values of professional direction and executive encouragement of training interests and efforts are best secured only with the aid of a carefully chosen training director.

Another general truth is that training programs *must have a clear objective*. Just what result is desired? Who should be trained? What course content is required? What instructional methods will best impart this? These are questions requiring careful thought before training starts.²

¹"Handbook of Business Administration," article by DONALD, W. J., Decentralized Employee Training, p. 1249.

²See in this connection the valuable practical manual by GREENE, J. H., "Organized Training in Industry." Chapter X of that book supplies an

In line with this solicitude over objectives it will be necessary to keep clearly in mind the difference between education and training. The latter may be defined as the acquiring of an ability to exercise a given skill, whereas education is a broader process concerned to develop the total effectiveness of the individual to meet life successfully and endeavor to adjust satisfactorily to it. And while formerly training of one kind or another was thought to be the exclusive purpose of corporate instructional work, it has recently become true that the broader purpose of education has come increasingly to the fore. For it has become more widely grasped that for many kinds of work the most effective worker is the one who is the most rounded, balanced, and developed *person*. Especially in executive and supervisory instruction is the tendency pronounced for the objective to be broadened in the interest of *fostering more effective personalities*.

A further consideration of great importance is that the entire management shall be imbued with the value of the training idea and motive and will not leave the carrying out of training efforts merely to a staff department. The best training results have notably been attained in those companies where, from the president down, executives are sold on the importance of continued educational work and are prepared from one year to another faithfully to support, encourage, and participate in varying training efforts. It should be remembered that it is literally true that individuals who are not consciously striving to improve themselves in some definite way are not merely standing still in their development but are beginning to regress. For, under present dynamic economic conditions, to stand still is to let the procession pass quickly on ahead. In a word, the training director must first be sure that he has the unqualified support of his head executives and must see to it that he continues to elicit their active cooperation by proving to them in definite terms the value of the entire educational program.

Objectives in Executive Training.—The character of the work of a corporation will naturally help to determine the relative emphasis in its executive training program. In every case, however, the choice lies fairly clearly between training efforts on the side of *process* and those on the side of *personnel*. In practice, these two types of subject-matter may be variously combined in

excellent outline of preliminary planning necessary to assure the effective conduct of training.

the same course; but the aim desired should be clearly seen. In a company where technical manufacturing problems are uppermost and skilled engineers tend to occupy many high executive posts, the need for advanced engineering training of some executives may be pronounced. But many such firms find that what is more urgently needed is that training efforts should center on matters that supplement the engineering tuition with broader topics. Subjects like economics, marketing, salesmanship, management of people, production control, etc., are therefore often preferred for executive groups to help broaden their specialized outlook.

In any company the first step is to decide what the need of executives is and to direct the training work to that end. One year the emphasis may well be in one direction; the next year in another. Or if a more individualized program is adopted, the special needs of each executive can be studied and supplied by intensive guidance.

Requirements of Executive Work.—Since knowledge of required personal characteristics in executives, no less than of their technical duties, must precede the building of a training curriculum, it is worthwhile to mention briefly a few of the personal qualities usually required in successful executives.¹ First and foremost is sound *health* and abundant *energy* and vigor. In this connection there should be no pathological manifestations in behavior which indicate mental aberrations of a serious sort, such as obsessive fears, feelings of inferiority, excessive love of power, chronic moodiness or irritability. It may be assumed that the necessary *technical knowledge* is possessed, as one important basis for self-confidence. There should be *enthusiasm* for the corporate objectives, *good judgment* and an active, constructive *mind*, *knowledge of human nature* and *ability to inspire people*, *a knowledge of good teaching methods*, and a genuinely friendly *interest in people*. In a word, the executive's *physical*, *intellectual*, and *emotional* equipment must be functioning effectively, and to assure this should become a major objective of his further training. For in these three separable but interdependent directions there is abundant experience to show that specific training can be of help. This may or may not take the form of group efforts; the important thing is that executives at all levels be made recurrently aware of the value to the organization of their good

¹ For a fuller discussion see TEAD, O., "Human Nature and Management," Chap. XII.

health, of their development of sound, scientific reasoning powers, of their emotional stability and control growing out of an understanding of the elements of mental hygiene.

Scope of Training.—When discussing executive training we have in mind the top staff and major line executive groups. And we are urging that the training program should include all these individuals in some way. This may be by recommended personal reading or by group conferences. It must, of course, be of an intellectual calibre calculated to appeal to such executives. The important point is that the stimulus to self-improvement shall be constant and the spur of supervised direction shall be present.

Training Content and Methods.—If it be admitted that the crux of the executive problem today is total personality effectiveness in action, that recognition will naturally bring a broadening of the organized curriculum, or an encouragement of independent personal study, as it already has in a number of companies. The field of sound literature on personal development has been much augmented in recent years, and, with a little direction, executives may be guided to reading that can help them to solve their individual problems.

It is perhaps worthwhile to suggest what a few of these volumes are which have been found helpful for this type of study. Examples are: J. H. Robinson, "The Mind in the Making"; R. C. Cabot, "What Men Live By"; D. A. Laird, "Increasing Personal Efficiency"; M. T. McClure "How to Think in Business"; V. V. Anderson, "Psychiatry in Industry"; S. A. Lewisohn, "The New Leadership in Industry"; H. A. Overstreet, "About Ourselves"; W. Williams, "What's on the Worker's Mind?"; E. D. Smith, "Psychology for Executives"; S. M. Shellow, "How to Develop Your Personality." The last two of these books were written directly as the result of executive training conferences. And the references to other related volumes included in these works can guide the reader to a broader field.

In addition to study that follows these lines of personal cultivation, many companies are using courses in economics, in general psychology, in English literature, and in other subjects. Where companies operate in communities where university faculties can be drawn upon, excellent courses can often be organized under such guidance. Or if evening extension work or good home study courses are offered by near-by universities, executives can be encouraged to enroll with the prospect in some companies

of having their fees repaid to them by the company if the course is satisfactorily completed. This method of indirect subsidy and stimulus to advanced study cannot be too highly recommended for wider use. Supplementing personal contacts of the training director with individual executives, which is a still too neglected method, executive training is usually most effective in group conferences. The training director may be the leader of these, or some other well-qualified executive, or an outside teacher; or the chairmanship may rotate among the members. There should be a well-organized program of related topics. The unit should usually be short, *i.e.*, of not more than fifteen weeks; it should preferably be on company time unless it is so broadly educational in content as to make evening meetings seem more expedient; regular attendance should be insisted on; collateral reading and writing of reports should be required. The aim should be to encourage thought and sound methods of attacking problems, even more than the imparting of information. Lecturing should be minimized in favor of the method of guided discussion in which experience is shared and ideas evaluated.¹

Many companies make considerable use of committees of executives for the coordinating of managerial efforts and the elaboration of operating policies and methods. Where this is done, there is usually room for improvement in the methods of conducting meetings both from the point of view of more economical use of time and equally of fostering executive training as an invaluable by-product. *Regular committee action can be a source of genuine education*; but to get this result attention has to be paid to the processes of conducting the meeting. The aim of sharing experience, of critically evaluating new proposals, and of reaching clear-cut and acceptable decisions must be to the fore to assure that the training process will be effectual as well as to guarantee sound administrative deliberation.

Indeed, it should always be borne in mind that a good training policy will lose no opportunity to make sure that *the processes of policy formation and execution at every level of an organization are undertaken as in part educational processes*. By this is meant that one of the best ways to inoculate the entire organization with a training motive is for the personnel workers to be sure that all

¹ See for details in this connection Chap. XIV, *The Technique of Group Action*, and the bibliography of related helpful manuals in TEAD, O., "Human Nature and Management."

group deliberations of executives make use of good pedagogical methods.¹ If the going executive work of the day is consistently thought of as training for self and others, and not merely as authoritative executive action in making and carrying out decisions, a great advance can take place in effective administrative technique.

Another feature of a good executive training policy is the systematic planning of occasional visits of inspection to other well-run companies. To give the best results, these should not be casual tours of observation. What facts are to be looked for, what questions are to be asked—these points should be organized in advance, and *written* reports of facts, conclusions, and recommendations should be brought back to the company for subsequent conference discussion.

Executives should also be encouraged to join the professional associations in fields related to their major interests. It is a sound company policy to send selected representatives to technical and trade association conventions where timely topics are being presented. Reports to one's managerial associates should be brought back and in this way new ideas will get currency and trial. Such trips can be used both as a reward and incentive and as a source of new fertilization of company thinking.

The maintenance of an executives' luncheon room has much to be said for it as an indirect educational medium of often unrecognized value. Experience is conclusive that the semi-social atmosphere of such a regular day-by-day gathering can yield great value in cultivating better personal contact, understanding, and exchange of views among executives.

In summary, the roster of those corporations now devoting considerable time and money to various efforts to stimulate in head executives the growth of effective personal power, no less than technical competence, would include most of those where personnel work is well established. This parallel development is not accidental; it is inherent in the kind of result which a focusing of attention on the central personnel issues secures. For the personal calibre of executives determines the quality of their directive efforts. And no personnel policy is any more effective than the kind of day-by-day directive relationship which is established.

¹ Conveniently summarized in TEAD, O., "Human Nature and Management," p. 230.

The representative and thoughtful program of one large corporation which embodies these objectives in a sound manner is worth describing in detail. The choice of young men for this executive training process first takes place with great care. Promising younger members from the rank and file and candidates recently graduated from college are selected after personal conferences and independent ratings by the personnel executive and half a dozen other top executives. The initial panel of applicants has first been carefully selected by the personnel manager. Depending on the prospects of advancement and the needs of a developing business, between twenty and thirty men may from year to year be started in training. The first half year is spent by each man as a manual worker in one department where he is routed through the typical operations. If his progress there is satisfactory, he is made an assistant foreman, a post which he may hold for a year if his work is satisfactory. He may then be transferred to a similar post in one or two other departments to broaden his experience, after which he would be made a foreman for a period of years, depending on the rapidity of his development. During this period he is assigned a research project by the assistant superintendent of the operating division in which he works; and he has a weekly conference with this official on his research progress and on his general effectiveness on the job. These research reports weigh heavily in determining fitness for advancement.

The direct supervision of each man's instruction is thus kept in the hands of the operating executives. But it is the duty of the personnel manager to be sure the assistant superintendents are carrying on the weekly conferences and are making them as educational as possible. In fact, the company finds that these executives seek constant guidance and suggestions from the personnel department on fruitful methods and content for this personal conference work. In this indirect way, the procedure for developing new executive timber also becomes of definite educational value for the executives who are supervising it. And at the end of a three- to five-year period, this company has available trained men, acquainted with process, technology, and executive methods, who are available for higher positions as they open up.

Training Junior Executives.—Mention has already been made of the policy of many companies which bring in each summer

college and business school graduates to go through specific training for executive work. Here too, the objectives of such training need the most careful thought. Such courses should, of course, familiarize the newcomer with the traditions and policies of the company, and the operating methods of the important departments of the business, with a view to finding which branch of the organization will be the most suitable in which ultimately to place the young executive. But there arises a nice problem here of balance between the college trained man's ambition to use his best faculties on real executive problems at once and his almost total lack of close, day-to-day experience with the amount of detail, the slowness of change, the frequently met, similar yet separate, minor adjustments to be attended to. Successful dealing with people requires among other things this realistic sense of the actual subject-matter of supervisory work; and in one way or another this has to be supplied to the new executive candidate. This argues for units of training which are long enough to give this first-hand conduct with the details of jobs down the line. It argues also for deliberate instruction in methods of human dealings, leadership, and training methods.

Also, to the fullest extent possible, junior executive training courses, flying squadrons, and the like, should be open to other than college graduates who have already worked their way up and have demonstrated their ability to qualify for such further tuition. The sense thus conveyed that there is reasonable equality of opportunity for executive advancement is a valuable aid to the morale of the whole organization, and a useful incentive to further training all down the line.

Conclusion.—The inculcation of the training motive, the sustained enthusiasm for new training procedures, personal alertness to new ideas, the development of executives who are broad and strong personalities—these are at once the purpose and the result of a well-conceived executive training program. Where such a program is initiated with full management support and under competent direction, the results have been astonishing in the kind of alive, aware, progressive atmosphere generated throughout the organization. Supervisors and rank and file quickly take their cues from those at the top; and if continuous mental improvement and discontent with ideas and practices which exist only because no one ever challenged them is the characteristic attitude among the head managers of a company,

that will definitely stimulate a zeal for further organized study all down through the organization. So that it usually proves true that the best training work at the lower levels is done in those companies where it is vigorously prosecuted at the higher levels.

And it deserves repetition that the trend in executive training is noticeably in a broadened direction with the objective coming to the front of *developing managers who are all-round, effective, and influential personalities capable of impressing others by the integrity and vigor of their outlook on life.*

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CHAPTER XII

THE TRAINING OF FOREMEN

The primary problem in the training of foremen is to be sure that, despite their special limitations of background and attitude, they are successful in representing progressive management policy to workers under them in an effective way. It is widely recognized today that a company's personnel policy is no stronger than the actual manifestation of that policy in the hour-by-hour dealings of each foreman, department head, or supervisor with his own men. It is almost literally true that to many workers the foreman is the company. For he it is who embodies most of the company's tangible contact with them. There may be generous group insurance, pensions, employee stock-ownership provisions, and employee representation plans; but if the foreman is overbearing, stupid, ungrateful, distrustful, mean, or dishonest, that fact largely vitiates the other possible benefits of a well-conceived program of employee relations.

The difficulty of being sure that the foreman is acting in deft and considerate ways consistent with the avowed intentions of the top management is created in large part by his peculiar outlook. No progress in the direction of improving this is possible until the psychology of the average foreman is sympathetically in mind. (The word "foreman" is used throughout this discussion to include any department head, department store buyer, or supervisor of workers in stores, banks and offices, no less than in factories—in those numerous instances where such lesser officials have had limited schooling and have patiently worked their way up from the bottom.)

The Foreman's Outlook.—While gladly admitting that there are plenty of exceptions, we shall therefore draw a composite picture of the average foreman and his mental processes, as helping toward a better understanding of his special training needs. His attitude is usually colored by four facts: his success in rising from the ranks, his lack of education, his capacity for hard work leading often to an accumulation of unrecognized fatigue, his effort to overcome a sense of divided loyalty.

To rise from the ranks is no mean achievement. It implies more than average physical and nervous energy, ability to "take knocks," superior technical knowledge, patience, docility, and ability to get work out of people, by either driving or persuasion, a greater than average ambition. Almost inevitably an attitude toward one's fellow workers creeps in which is a combination of disgust at their inferiority, scorn at their lack of ambition, and pity at their failure to arrive. Foremen like the rest of humanity are in danger of spurning "the rungs by which they did ascend." One may object that this characterization is overdrawn; but testimony is general that something closely resembling this complex attitude will all too often be found.

The reason why this attitude may persist throughout life is that the foreman's standards of values are frequently restricted by lack of education. He has usually left school at the completion of the grammar grades; and there is no one who can be so confident in his own knowledge as the self-made man. The fact that he has been relatively successful is for him the best evidence that his own ideas and methods are undoubtedly the best. Industrial consultants have frequently observed that objections to changes and improvements usually come more from foremen than from either managers or manual workers.

There is also likely to be an element of accumulated fatigue of body and mind that may affect the foreman's outlook. It is only by dint of hard work over long hours with generous donations of overtime and home work that his advance has been made. He is often the first man in his department in the morning and the last to leave at night. Add to this the fact that too many and too diverse duties are often placed upon him, and it becomes literally true that many foreman may without realizing it be chronically tired out.

Finally, he has for some time been trying to throw his lot whole-heartedly with that of the company. His fellow-workers, for reasons that they cannot always voice coherently, but which they feel strongly, have not approached their work in quite his loyal, wholehearted spirit. They have felt instinctively that on certain points their desires diverge from those of the management and give rise to demands for more leisure, more pay, greater security. The foreman has felt this divergence too; but he has suppressed it—has taken the deciding step and become a "company man." He knows only too well from experience the points

at which he, as company representative, must try to persuade or cajole workers into conformity with the company's desires. In this situation it is hard to prevent an attitude of mutual suspicion in which foreman and workers are both playing a game to see which can give as little and get as much as possible.

The fact is, therefore, that unless the foreman is unusual he is likely to be in a rather strained and confused mental attitude in dealing with workers. It is not a matter for blame; the foreman is simply a victim of the rapid growth of the industrial system. His position calls urgently for understanding and reeducation. And as time goes on and companies in their fundamental policies try more and more to espouse objectives which employees find acceptable, and as an actual relation of partnership, financial and otherwise, is worked for throughout the entire membership of an organization, the role of the foreman will normally become less complex and a more unified outlook will more readily arise.

The Foreman's Job Today.—There is another element to consider—the changing character of the foreman's job. The all-round foreman is still, especially in smaller plants, required to assume the most multifarious tasks. He has been expected to fix rates, fix costs, supervise machine installation and repair, hire workers, keep production records, inspect work, train new employees, advise on process changes, and secure the required output. He would indeed be a paragon who in this confusion of duties could be solicitous about the niceties of human relations. Inevitably in the past there has been overwork, on the one hand, and neglect of important functions on the other.

The pendulum began to swing rapidly to the other extreme, however, several years ago under the impetus of the scientific management conception of "functional foremanship." Instead of one all-powerful foreman, plants which adopted scientific management in modified form created a mechanical department to look out for machine maintenance, a research department to provide formulae and standard practice, a cost department to figure costs, a planning department to plan and assign the work, a stores department to deliver materials, a personnel department to select and train workers. And the foreman found himself surrounded by specialists who were encroaching upon his preserves in every direction, apparently leaving him little to do, but after all insisting that he administer the plans which they

proposed. More recently, although this extensive staff functionalization is retained, the tendency has been to reinstate the foreman in a position of real importance. The trend is now completely away from functional foremanship. And the foreman is viewed as the responsible executive leader.

Indeed, the attitude is in many organizations one of charging the department head with successful operation as though the department were his own business. The difference between this and the old-fashioned conception lies in the fact that under modern management the company supplies many facilitating staff services which the foreman is trained and encouraged to utilize to the full. He remains the directive and coordinating head, the leader of his group, responsible for its morale and working effectiveness. If he is properly qualified, his use of the personnel department, the accounting, planning, stores, designing, engineering, and other service staffs will lessen his specific labors and leave him free for the essential and unique job of coordination and leadership. This means, of course, that in modern organizations less emphasis is placed upon his detailed knowledge and skill in the processes of his department, conversant though he, of course, will be with them.

One of the major training tasks here is definitely to qualify and enable the foreman to utilize the staff experts to best advantage. This implies specific knowledge on his part of the nature of these staff functions and inter-relations. The whole process of production control and of scheduling and routing work into and out of his department must be known. The possible aid of the personnel department must be appreciated. The uses and significance of all departmental control records must be grasped.

When it comes to the complexities of inter-departmental coordination as well as to the adoption, transmission, and interpretation of company policies both for his own use and that of workers under him, a more difficult organization problem is faced which is discussed in its proper setting in Chap. XXV.

In short, the department head, irrespective of his technical problems, is working almost constantly *with people*. He is establishing and maintaining working relationships among the members of his department, with staff agents, with other line executives. If he does this well, friction is eliminated; harmonious and friendly feeling is generated. If he is inept in human dealings, he can create havoc. He must be able to deal successfully

with people and to do this he must know how to act with sound psychological insight.

With this picture of the average foreman's outlook and of the way in which his position is now viewed, it is possible to discuss more effectively the kinds of training which are useful.

Foremen's Training.—There is today a large body of experience with the formal training of foremen. Out of this a certain consensus of conclusions about effective training methods is possible as follows:

Foremen's training conference groups meet preferably on company time toward the end of the afternoon. This instruction is given by a trained teacher, selected, first, because of his ability to present a subject or conduct a discussion in a clear, orderly, and interesting fashion and, second, because of his acquaintance with the particular industry.

The method of instruction should be one adapted to adults; *i.e.*, it should be more a conference than a class. The instructor should aim not so much to deliver himself of knowledge as to bring out, organize, and make vivid the knowledge which is often to a large extent already present in the group. More ground may be covered and more systematic presentation assured, if well-selected outside reading, amounting to not over thirty pages a week, is assigned.

Classes should be small, containing not more than twenty or twenty-five members. Sessions should be held at least weekly and preferably twice a week, running over a period of a dozen to fifteen weeks. It is better to run different courses over a number of years than to work the foremen to the point of fatigue and lack of interest in one long exhaustive course.

Enrollment should be optional, but once enrolled the foreman should be expected to attend regularly. With a little personal work on the part of the training director, however, it is usually possible to bring a large majority of foremen to the point of attendance. This is especially true where there have previously been other popular courses.

The choice of subject-matter for the curriculum depends on local needs and on previous training activities. The objectives of the course are the first thing to be clear about; *i.e.*, what it is desired to accomplish. It is usually necessary to narrow these objectives so that too much or too many different results are not expected from any one course unit. An educational program

that contemplates other courses in succeeding winters allows a more intensive method of instruction, which is to be preferred. Typical subjects for courses cover the following range: business economics, the company's history, factory or store management and production control, principles of leadership, management of men, technical processes, and the work of foremanship.

It will often be useful to make use of technical experts, such as buyers, chemists, accountants, to explain their several fields. Visits within the plant and to other plants, the use of moving pictures, models, samples, and other graphic methods of showing ideas at work are also valuable.

In the course of all educational work the dynamic nature of the foreman's job hardly can be over-stressed. There is real danger that when surrounded by staff experts he will assume that they and not he should be the initiators. Hence, he should be made to realize that he is the one who, if he is energetic, ingenious, and imaginative, is peculiarly in a position to see how his department as a whole could be run more economically and more productively. Indeed, the entire educational program is not to assure that the organization as it is shall run smoothly, but that it shall become, under the creative interest of all those at work, a progressively more effective instrument of production.

Curriculum Building.—Admittedly it is not easy to translate course material quickly into the means of assuring fundamental changes in the foreman's point of view and working methods, as respects both his use of staff services and his skill in directing and leading people. Habits in such directions are not readily changed and the learning experience has always to be kept in close relation to the supervisor's specific activities if it is eventually to result in habit transformation. This fact argues for several things: for great care in getting the course content realistic and vivid, for the continuance of training work from one season to the next with somewhat altered objectives and subject-matter, for the careful follow-up by the training director of each individual foreman to discover the extent to which he is able to apply what he has learned for the definite improvement of his working methods.

Two illustrative ways of assuring a training content that have a genuine relation to company problems are as follows: One large corporation gave to a committee of its supervisors the job of preparing the course syllabus for a training program on the whole

production control system of the company. This preparation required the cooperation of numerous staff and line officials and resulted in a topical outline covering material for a long and systematic discussion study. Technical executives were drawn in to present their special work as it related to supervisors. At the end of the course the syllabus was entirely revised to embody a correct statement and was then presented to each class member for permanent reference. Such a study by another committee leading to a new syllabus could then be undertaken after the lapse of a couple of years when the course could effectively be repeated. The value of this method was, of course, greatest to the working committee which wrote the original syllabus, but the material was so organized and presented in discussion that it kept close to the problems of all and was thus of inestimable usefulness.

The Western Electric Company, in a now famous study¹ of the attitude of its workers toward the company, found as a by-product of this inquiry that it had unearthed a source of case material for study by supervisors that was most productive of beneficial change in their outlook on methods of handling people. This inquiry was in reality two-fold. A test shop was set up in one department to which half a dozen workers were assigned in the effort to study what factors could best contribute to greater productivity. The utmost care was exercised to introduce conditions, incentives, working methods, etc., that might be beneficial. These were altered from time to time under controlled conditions to see which factors were of greatest influence. Irrespective of these changes in incentives and conditions, the output continued to rise for weeks. Only one constant factor as the weeks went on seemed to account adequately for the increased work. Better than all mechanical devices, incentive payment methods, and all the other innovations as an aid to stimulating output *was found to be the kindly, considerate, personally helpful quality of the supervision. The foreman's leadership and training abilities were clearly the most significant factor in the working success of the group.* And the workers' own testimony confirmed this conclusion. This result gave added weight as to the usefulness of the second study which we shall now describe.

In order to find out what was on the workers' minds, this company arranged to carry on, under the direction of the personnel

¹ "Research Studies in Employee Effectiveness and Industrial Relations" (pamphlet), Western Electric Company, Chicago, 1929.

department, a careful personal interview with every member of the rank and file. The individual answers and suggestions were carefully recorded but were faithfully kept anonymous. Only the interviewer knew which worker was responsible for which opinions. Many interesting and enlightening comments were collected from some thousands of workers. But the significant thing was that here again the findings disclosed that the *quality of immediate supervision loomed as the largest single disturbing factor*. The adverse influences on the attitude of workers of the bungling and inadequate methods of direction and leadership employed by foremen were the most predominant unfavorable influences.

Much of this reported material took the form of specific incidents or cases in which problems of supervision were posed. These were then assembled and made the subject-matter of a project course with the foremen. Regarding each incident, what was done, why it was wrong, what the results were, how it should have been handled, were discussed in detail. Foremen came to realize, often for the first time, that what they said, their tone of voice, their bearing, their manners, their disciplinary measures had a reaction in the minds of workers which was of tremendous influence. When such actual cases were commented upon and better methods considered, the inevitable consequence was that these supervisors went back to their departments with a new sense of the elements in their conduct which needed care and correction on their part. The improvement in supervisory methods which gradually has resulted from this program has been most gratifying. The foremen's own problems were brought to them in their own concrete terms and it was impossible to escape from the disturbing impact of facts upon their customary habits.

Even where such cases and incidents cannot readily be assembled in this fashion by a company, it has proved possible in a number of courses for the personnel department and training director to assemble interesting and telling incidents about handling people which made admirable discussion material. Also supervisors can be invited to present actual difficulties and problems of this sort which they have encountered; and these also constitute excellent subject-matter. One thing is certain—that the use of this kind of data supplies the basis for unsettling the complacency of foremen about old methods of handling people; and under intelligent guidance and positive suggestion from the training director or other members of the group, helpful new

methods and attitudes can be proposed and suggested for trial.¹

The Milwaukee Electric Railway and Light Company has for nine years, as part of a broad and ably directed program of employee training and education for employees at all levels, given careful thought to supervisory training. In this connection a significant item has been a course in "Development of Personality." The purpose of this course, the syllabus states, is

. . . first to discover in ourselves those qualities which need development and others which need to be eliminated. We shall do this by means of self-analysis blanks, tests and meditation. In every religion from time immemorial meditation has played an important part. We all need to take time to stop and think about ourselves seriously and objectively, to look at our relationships with people about us, and wonder if they are as satisfactory as they might be. It is often difficult to know how to begin. During this course, guidance along these lines will be given.

First offered to higher executives, the success of this course led to its being offered to other groups. From the attention this experiment has received, we are convinced that it is one which is sure to be extended to other companies because it is so definitely in line with the broader training objectives we have been stressing.²

The American Rolling Mill Company is another corporation which has done unusually effective work in this direction. In the year 1931-1932 it developed a foreman-manager training course built around the subject "Prime Output per Hour." Lesson sheets covering a six months' course of twenty-four sessions were used, in which a digest of each topic was set forth for the guidance of students and conference leaders. The major topics for each of the six months were: prime output and profitable production; men; materials; machinery; fuel and service items and their application; service departments. This was the

¹ See in this connection such excellent instruction material as that contained in SCHELL, E. H., "The Technique of Executive Control"; CRAIG, D. R., and CHARTERS, W. W., "Personal Leadership in Industry"; SMITH, E. D., "Psychology for Executives"; WILLIAMS, W., "Mainsprings of Men."

² The material in this course is the basis of the volume by SHELOW, S. M., "How to Develop Your Personality," which is designed as a group or self-study text.

third winter of such a general course, the two previous courses having studied "The Elimination of Waste" and "Prime Yield." The response to these educational efforts has been impressive and may be attributed to the earnest support of the top management and to the great care and skill shown in setting up and supervising the actual work of instruction in conference.

Selection of Teachers.—No one best way has been found to secure suitable teachers for foreman training. Yet on the selection of the right leader depends much of the success of this work. In larger companies the training director or members of his staff may be the logical candidates. Experience is less successful with the bringing in of outside college or technical school teachers. To use different staff heads for a series of lectures or discussions proves of very unequal value and too scattered in results. Small companies which could hardly afford such courses are resorting to one of several expedients. They are cooperating with a group of companies and engaging a good teacher. This method has met with great success in several cities. They are supporting Y.M.C.A. foremen's courses, or university extension, or home study courses.¹ Or they are hiring some commercial training organization to come in and give a specified course of study. All of these methods, however, may never get quite so close as is desirable to the local difficulties of each member of the conference; but they certainly are a beginning. And if followed up by individual study or more advanced group study, they will perform a useful service.

It is hardly possible to stress too much the importance of securing the right kind of leaders for foreman training. They must be able to win the respect of the group, talk in language it will understand, avoid being academic or pedantic, be alive, energetic, dramatic, and wholly sincere. Usually it will be better not to prejudice training efforts by using poor instructors, but to delay until really suitable ones can be discovered or trained. Especially since the training responsibilities of supervisors are being increased, it is essential that *the examples of training procedure and of pedagogical method, which they see in their own courses, should be illustrative of methods they too can apply.*

The Follow-up of Training.—The criticism is widespread that foreman training work is too often spotty and inconsecutive.

¹ Columbia University, for example, offers for group use a splendid correspondence course on "Foremanship," prepared by Glenn Gardiner.

The assumption often is that one course is enough and that no further formal instruction can be encouraged for several years after a course is given. The following comment is an accurate reflection of the situation:

It is truly amazing to note the lack of a definite "follow-up" after a single course had been given. Such lack of planning with regard to material, processes, or equipment would not be tolerated for a minute by these same companies. It is even more amazing when it is considered that an overwhelming majority testify that the individual courses given have paid dividends.

A number frankly admitted that they were anxious to continue but ran out of material and desired suggestions; others, that they simply neglected, in favor of exigencies arising in the immediate past, what they conceded to be an important function, but one seemingly easy to postpone.¹

Just how this difficulty is to be corrected in every case may not be easy to prescribe; but if the aim with the first course is clearly kept limited to the accomplishment of one part of an educational program, it is possible, after the summer interval, to undertake another series of discussions and conferences with a wholly different problem under consideration. In this way the interest and enthusiasm of foremen may again be quickened and renewed.

Another successful follow-up procedure is to have the training leader call upon each foreman in his department and talk with him about the course, its benefits to him, his criticisms and suggestions. Often in this connection suggestions are made for further reading which can again be subsequently checked up by the trainer. The more personal and the more sustained this interest in each foreman's results from the course can be, the better. In general, if a flexible program of training for a four- or five-year period can be planned, the best results will accrue and cumulative values be realized.

Foremen in the Personnel Department.—A few companies have derived great benefit from arranging to relieve each foreman in turn of his departmental duties for a period of one or two months in order that he may work in the personnel department. Such a temporary transfer, where it is carefully supervised by the personnel executive, has important educational values. It

¹"Foremanship," p. 24, published by Department of Manufacture, Chamber of Commerce of the United States, Washington, D. C., October, 1925.

often proves stimulating to the foreman's general thinking; it broadens his outlook; it increases his knowledge of the kind of service the personnel department can render to him and of the kinds of difficulties faced by personnel executives. Inasmuch as the watchword of successful personnel work is not authority but salesmanship, this procedure can supply a most helpful selling experience. An incidental benefit is that with the foreman removed from his department it is possible to see how well the assistant foreman acts as an executive when he has the chance. Such deliberate efforts to let these understudies demonstrate their capacities for leadership in action should be encouraged as part of the training program.

The Foreman's Records.—From an educational no less than from an administrative standpoint the proper assembly and use of departmental records by foremen should be explicitly cared for. In order to be a master of his control records and make use of them for corrective measures, he must know what records he needs, must clearly understand them, and must make them the basis for action. His instruction along these lines may come from the several staff officers who supply him with these data; but it is instruction which he must get definitely from some quarter.

The Foremen's Council.—Many companies utilize a regular weekly meeting of all foremen as the instrument of organized group contact with them on all matters of executive policy either where their opinion and suggestions are sought or where new policies are to be set forth and launched. It is important to view the work of such a conference or council as of educational no less than executive value. The training director may well take a hand, indirectly and unobtrusively, in assuring that the set-up and operation of such meetings make them a real training medium. What has been said already about the effective conduct of conference groups should be carefully applied to such meetings.

If, for example, the planning or cost keeping department has some proposed innovation, or some new personnel policy is under consideration, much of the success of the foremen's reaction depends on how the proposal is made to them. In many cases it will be better, if such formal presentation is preceded, and the way paved for it, by individual conferences with foremen in their own departments. This brings out shortcomings in the

plan, answers trivial objections, gives new ideas a chance to germinate.

There is no substitute for such individual contact of expert with foremen, in the course of which the expert tries to "make himself solid with the foremen" and get his idea across. This personal educational work may seem prodigal of time where several score of foremen are involved; but progress comes in wise administration no faster than it comes in the mind of every individual executive. A company is building from the ground up and for all time only as it carries conviction with every foreman regarding policy changes which are to be made. Before all organized efforts, then, come personal efforts; and if it proves impossible to win assent to a new proposal from one or two particularly hard-headed foremen in private, it may then be useful for them in a meeting to see in what a minority they are.

The value of planting the seed of a new idea and waiting patiently for developments should be clearly realized. The expert who is content to till the soil and then let the earth, of itself and in its own good time, bring forth the fruit is the one who gets ahead fastest in the long run. There is a saying, which is valuable for the expert in his relations with foremen, to the effect that *a demand for the exercise of authority is a confession of weakness*. Another saying already used in this volume is also suggestive for the foreman and expert in this connection: The expert should be on tap, not on top. Both epigrams stress a vital truth about the foreman's relation to the expert, namely, that the expert cannot safely be allowed to put his ideas into practice until there is a considerable body of supporting opinion willing to experiment with those ideas and accept the consequences as a basis for subsequent action. To bring supervisors to the point where they are eager to apply new staff ideas is essentially a training effort.

The foremen's council, then, provides the representative assembly with which the expert will deal when matters affecting all foremen arise. New personnel policies and practices fall into this category. And the personnel executives should therefore stand ready to work in effective cooperation with this council at all times.

Social Activities among Foremen.—As part of the broad program of foreman education, the social phases should not be ignored, as they have proved to be of genuine value. Some one

has said that "the only kind of organization that will have a permanent *esprit de corps* is the kind where the creative power of the individual is free to express his real inner spirit." And this inner spirit may appear in social and recreational activities that can have a tremendous educational influence in the case of certain foremen who are otherwise found difficult to work with.

In many companies a foremen's social club helps to supply this need. Monthly evening meetings, at which congenial and varied entertainment is provided, always help toward the creation of friendly feeling. They serve the legitimate purpose of developing a sense of fellowship among working colleagues—a sense at once pleasurable and worthwhile in itself, and productive of greater harmony afterward in the work of the organization. These gatherings, however, should be as self-directed as possible. Any leadership which the personnel manager may believe he should exercise should be by methods of indirection and suggestion rather than by active direction. Nor should it be thought that there is anything dubious about such a method; it is essentially the method of democracy. It is the method which realizes that only as the active and forceful agents in an organization are supplied with good ideas, which they submit for popular approval and consent, can progress take place.

Indeed, much of the most effective work of the personnel manager in all of his contacts throughout the organization will be done in this indirect way. He will plant the seed of new ideas in the minds of those who have executive responsibility and then will not be too eager to claim credit for those ideas when the executive or foreman appears several weeks or months later and proposes them as his own.

There are many variants upon this proposal for occasional social activities among foremen: dinners with the head executives, bowling clubs, theater parties, baseball teams, annual picnics, and the like. All can serve a good purpose; yet it is important not to overdo them. It would be most unwise for the company to try to supply the entire social life, either of its minor executives or of its workers. This would be a narrowing experience, altogether too artificial and constricted in the social and recreational group set up.

Training Assistant Foremen.—A special word is needed as to the training of the understudies of minor executives. For this group merits careful attention. These younger men are

more pliable; their habits of thought and methods of work are not crystallized. If they have been carefully selected, they can in the course of a few years raise the entire level of supervisory effort in a splendid way.

For this among other reasons it should be said definitely that one function of the personnel department is to be always on the look-out for potential executive timber. It will be well if personnel workers have a hand in recommending those to be made assistant foremen, as well as in the selection of foremen themselves. The training program here should be so closely linked up to operation that it will disclose which individuals are developing real executive qualities and make it possible for them to have the opportunity for advancement.

The formal training of assistant department heads can proceed along lines similar in many details to that for foremen. It is important, also, to try to make chances for these assistants to act as department heads for trial periods. When a foreman is sent on a trip of inspection, when he is assigned temporarily to the personnel department, when he is ill or on vacation, the assistant should be given full charge under careful surveillance and his behavior as a leader evaluated.

Another useful practice is to rotate assistants from department to department at regular intervals and supplement this by organized study of each department's methods, record systems, etc. Usually the technical training available at this level, either within the plant or in local trade or other schools, is far better than the instruction dealing with the more executive aspects. So that it will be found useful to stress the man-management and leadership phases of the understudy's training in every possible way.

Rating scales for supervisors and their assistants may in some cases supply the personnel and training directors with helpful data about the shortcomings of specific individuals; and these can be made the subject of special intensive effort by the man himself and by the trainer.¹ There is room for most productive developments in this personal direction. The fact that the technique of rating is still highly experimental does not alter the fact that any conscientious and explicit effort to state and measure relatively the desirable and undesirable qualities in a supervisor can almost certainly bring to light deficiencies, errors in judgment,

¹ See "Handbook of Business Administration," p. 1200.

prejudices, limitations of capacity, that formerly were unsuspected and in consequence left undisturbed. Unquestionably the character and the content of supervisory training can be vastly improved by the extended use of rating scales administered under the direction of the personnel department. Similarly such training work can go forward most economically if, by the wise and skilled use of general intelligence tests, the candidates for training are selected, classified, and instructed with definite knowledge of their intelligence potentialities in hand.

Results of Foremen's Training.—It is not always easy to present a cash evaluation of the value of foreman training efforts. Yet the testimony is general that it pays; and the continued and increasing interest in it and development of it argue the truth of this. More definite evidence is offered in the following statement:

In one of Swift and Company's plants a foreman raised the output of his department from 400 to 700 units per man as a result of applying principles learned in his training class.

The production of the Granite City Rolling Mill, of the National Enameling and Stamping Company, increased 34 per cent following an extensive program of foreman training.

The vice-president of the Peerless Woolen Mills recently reported that the production of his plant for the current week was the largest in more than two years, and that they were turning out better work as well—a result which he credited to foreman training work.¹

A recent study² by a close observer concludes with the following statements from several companies as to the values of foreman training:

The continuous objective has been to make more efficient executives. The results have justified the effort.

More efficiency, better cooperation, and a general broadening of foremen's viewpoint. Results have been excellent.

We feel that we are obtaining results along the lines of the principal objectives which we have had in mind; namely,

1. Preparing young men for the duty of foremanship.
2. To give our foremen and supervisors a broader understanding of business in general and of our own business in particular, with the

¹ CALDER, JOHN, "Experiences in Foremen Training" (pamphlet).

² COWDRICK, E. S., "Foreman Training in the United States" (an unpublished pamphlet written in 1931).

object of arousing their interest and stimulating their initiative in their work.

3. To furnish such all-round training in the operation end of our business as will attract young men of high calibre into our organization and hold them through the opportunities which are afforded for learning the business.

4. To enable salaried employees in the operating end of our business to have a better understanding of their relation to the buying, selling, accounting, and financing departments of the business.

As a result of the superintendents' and foremen's courses, we have tangible evidences of cost reduction and also a better spirit of cooperation among them and coordination of their efforts.

The principal objective of the conferences is to keep the foremen interested in the problems arising in the shop, and to give them an opportunity to hear something about the other fellow's work. At the same time this forum proves a valuable field for airing all suggestions which may arise from the discussion of the lecture. The fact that the foremen in routine have to prepare the lectures, makes it necessary for them to study seriously for at least a month or two each year in order to write a good paper.

In regard to the benefits and the results that have been secured we will list four.

1. There is a mutual benefit that men get by getting acquainted with foremen from other companies, rubbing elbows and exchanging ideas.
2. Educational benefits that result from the courses make him a better foreman.
3. A certain cooperation between members of the same organization.
4. The whole purpose of these activities is to make men think.

Key-men receive this training to get a better understanding of business economics, the proper handling of labor, to make themselves more efficient on their jobs. As to the results, we are talking about an intangible matter, but we know we have a fine, efficient supervisory force.

The period over which this system has been in operation is not long enough for any reasonable determination as to either its value or effect. We believe it will result in improving the ability and opportunity of the individuals who take part therein, as well as increasing the general efficiency of our organization.

The results, while not measured specifically, have been a stepping up of the foremen and others' interest in their work and in their responsibility and the creation of more or less of a competitive spirit along these

lines, bringing certain material results in elimination of waste and extending of economies.

Our objective in training foremen is to give them a better understanding of the organization as a whole, the responsibility of the work they are in charge of, and its direct relation to other departments. During the past year, we made an attempt to get each man to think of the work he is doing in terms of the money that it costs.

The results obtained from these foremanship meetings have been very encouraging. In fact, in the opinion of the writer, it is the most fruitful phase of the personnel work which the company has undertaken. There is undoubtedly a very marked improvement in the understanding of company problems on the part of foremen and assistant foremen. In a number of instances there have been some very notable evidences of a greater tendency to approach mining problems and management problems by the analytical method. We have also been able to promote a number of rank and file employees of the foremanship class as a result of seeing their minds at work in these meetings.

The principal objective of these courses is to secure leaders who are well trained in the policies, methods, and systems of our company, and to improve public relations. The results are that we are getting much better leaders and we believe we have secured above average public relations.

The Size of Departments.—The question is often asked: How many workers should a foreman have under him? No absolute answer to this question is possible. It depends on the arrangement of the work rooms, the nature of the process, the character and attitude of the workers, and on the extent to which the foreman is responsible for training his men. If a foreman has too many workers (*i.e.*, over twenty-five or thirty), he loses personal touch with them; if, on the other hand, he has too few workers, he is in danger of giving the impression of watching over them too closely. Let the foreman beware of that; let him beware of "snooping around" his department! He is not a detective or a task master, but an executive, an inspirer, a leader. If his capacities of leadership are so inferior that he has to drive with verbal abuse or profanity or be on hand every minute in order to have work go forward, his methods of human direction are bad and he should be helped by special instruction. Or if this proves hopeless, a successor should be found for his place.

In general, therefore, a foreman should have as many men as he can know personally, provided he can at the same time give the

requisite supervision, advice, and suggestion about production methods, answer the questions which constantly arise, deliver the expected amount of output, and have some time to devote to improving his department's efficiency. This would seem to argue that many companies could profitably increase the supervisory staff so that each supervisor has not over thirty workers. This is, of course, on the assumption that the supervisor is of value as a leader, a facilitator of production, and a teacher—not as a policeman. Some companies have shown a marked increase in production directly caused by an increase in supervisory staff.

Conclusion.—The key position of the department head is now widely appreciated and to bring his outlook and working methods into harmony with a progressive company personnel policy is known to be essential. The present trend is therefore toward more, better, and continuous instruction for the supervisory force. The emphasis in this instruction is increasingly on methods of leadership and training and on broader personality development. The personnel executive who is anxious to translate good policies and decent intentions into sound and cooperative relations with employees will make supervisory training one of the major activities he permanently promotes.

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CHAPTER XIII

THE TRAINING OF EMPLOYEES

To train is to help people successfully to acquire and exercise a skill. That skill may be in proficiency at a job or occupation; or it may even comprise a willingness and ability to work harmoniously with others in a group enterprise. People can be helped to build habits of performing work processes in the right way, to acquire an attitude of interest, to share in creating the morale of an organization. The first of these aims is discussed in this chapter; the two others are considered in the next.

Although the case for employee training would hardly seem to need arguing today, it is still true that well-organized procedures are confined to the larger companies from which most of the evidence of successful results is drawn. In hundreds of the companies where training responsibility is completely decentralized in the hands of each department head, the methods still remain rule-of-thumb in the absence of expert supervision. Also the character of the problem is now understood in somewhat different terms from the approach of ten years ago. The central effort today, even where there is a training director, is *to train department heads to carry on their own training work with maximum effectiveness*. The last chapter has already considered important aspects of this problem. But some details remain to be set forth.

First, a word as to the urgent business reasons which justify outlays on training. It is well known that the highest percentage of labor turnover takes place in the first six months of employment. A substantial fraction of this has often been reduced where there is a training procedure which solicitously gives personal attention to the instruction of each new worker. Also the period of training can be cut, often in half, by systematic training. This means greater productivity at machines, less wear and tear on equipment, less spoiled work, a heightened sense of confidence and achievement by workers. In stores it means lessened selling costs, better stock control, fewer errors and returns.

Again, the fields of potential training should be clearly seen. There are job instruction, apprentice instruction, instruction for

upgrading, and more general programs to supplement deficiencies of public education.

Job Instruction.—The procedures of job instruction have been of two general types—central and local. The centralizing of job training has proved feasible where there are many workers to be simultaneously trained at the same job; the local or departmental method where few workers are being qualified for a wider variety of operations. The trend, however, seems clearly toward instruction within the department. And where this is the case, the emphasis has necessarily to be upon having instructors specially chosen to relieve the department head of too much teaching detail. Often the work of such instructors is combined with that of inspection or of actual production. In some factories the assistant foreman will be the instructor. But, whoever it is, he should be taught something about teaching methods. He should, for example, observe the distinction between telling, showing, drilling, and true training which usually embraces all three. Frequently he must (1) make a demonstration, (2) give the worker a trial, (3) correct his mistakes, and (4) repeat these three steps till right habits are formed.¹

All this assumes that a standard practice has been carefully evolved for each job which embraces the sequence of working methods and motions most economical of energy and time. The learner should be taught the best way to do his job. And that includes teaching the *safe* way to do the job, which should be an integral and emphasized factor in the instruction of each new worker.

Under present conditions of rapid technological change, the problem of objectives in job training requires new examination in many companies. Where formerly the policy of thorough instruction at one limited operation might have been satisfactory, it is now true in many instances that the training procedure should be thought through again *to stress the development of more general qualities among which adaptability becomes important*. As one recent writer has put it, many types of work today require little mechanical ability but do rely heavily on *sustained attention, on correct preception, and on capacity for intelligent, immediate action*. Training to develop these qualities is in part training in an attitude toward work and in right working habits. All of which as an objective implies skill, care, and new techniques on

¹ See "Handbook of Business Administration," p. 1220.

the part of the teacher. So that once again the slogan of *training the trainers* becomes the real key to better instruction in the line departments. And the responsibility for this rests finally on the supervisory work of the personnel department.

In point of pedagogical method, it should be remembered, for example, that at many jobs the natural order of performance may not be the best order for inculcating the steps in the learning sequence. The instructor should, with expert help, have reduced the job to its simpler units and start with the simple elements and gradually work up to the more elaborate.

Workers in training should as far as possible work on materials that are going into actual production. This holds them up to a quality standard from the start and increases their interest in what they are doing. Also keeping the place of instruction in or near the actual work place has value in injecting the newcomer at once into the working atmosphere of a department. An exception may be made to this when the noise of hazards at the job make the early steps of instruction too difficult in such surroundings.

There should be a maximum time limit in which the training must be finished. If as that time approaches the employee cannot produce what the average new worker is expected to, his case should receive special attention to see if transfer to some other position is desirable.

Learners, of course, should be paid while learning; and they must be paid enough to induce them to stay through the discouraging learning period. Many firms make the mistake of giving such nominal wages during the weeks of training that the turnover in this period is excessive. The likelihood of retaining the capable learner is greatly increased if he does not feel that he is forced to make too great a financial sacrifice while being trained.

With the increased attention being given to stability of employment, the value of knowledge of more than one job in an organization is being realized. And some companies make it a definite and, it would seem, sound practice of arranging for the new worker to learn more than one operation during the first six months of employment. This facilitates transfer, cultivates adaptability, and emphasizes to the worker that he is valued for his versatility.

Usually an instructor should not have to be responsible for the training of more than six or eight workers at a time. Individual

attention is essential; time is essential; follow-up by the instructor for a period after training is important.¹

Apprenticeship Training.—In general, it is only the large corporations which can afford to embark on training apprentices. Yet there are indications of some revival of apprenticeship because of the importance, at least for certain key positions in certain industries, of having thoroughly trained craftsmen. And if a plan of supervised instruction is available, smaller companies can utilize it with a group of half a dozen boys. The National Metal Trades Association is only one example of industrial groups which make available a model apprentice plan which is utilized by several hundred firms.

Procedure is today fairly well standardized in the direction of a three- to four-year apprentice period. The actual instruction is divided between class or study work and shop practice under the foreman's supervision. The tendency is away from the use of legal indentures; a verbal agreement is sufficient. And if the apprentice is satisfactory and is given a real chance to progress, experience shows that in the great majority of cases he stays on in the company's employ. One large company, for example, found the turnover among its graduate apprentices to be only 3 per cent in a year; and 40 per cent of the graduates now occupy supervisory positions. A plan of payment must be arranged so that wages increase at definite intervals until the craftsman's scale is reached.

The difficulties with which it has been necessary to cope are the sustaining of the interest of the boys who may realize that they could immediately earn more on machine operating jobs; the provision of really competent instruction; the temptation to use boys on actual production instead of supplying an all-round training; questions of jurisdiction over apprentices arising between foremen and special instructors.

Cooperative training programs for apprentices among a number of local plants have also been successfully developed. This lessens the costs and improves the quality of instruction by making one group of able instructors available to all the companies. In the building trades especially, this method has proved satisfactory in stimulating the enlistment of apprentices.

¹ For further details on teaching method, see TEAD, O., "Human Nature and Management," Chap. XVI.

Department Store Training.—In the larger stores, the organization of training departments has proceeded at a rapid rate in recent years.¹ In such training, a good deal of attention is naturally given to the instruction of the sales force, although all clerical and many other non-selling employees are also initially put through a formal course. The subject-matter of the sales force training is in the first instance usually the system used by the company for the handling of sales, cash, credits, etc. This is followed in the better plans by instruction in selling under the department head. Such instruction usually occupies an hour each morning through the first two or three weeks of the new employee's stay. It is supplemented by checking up on the girl's selling methods and training in keeping and securing stock.

In smaller stores, the entire training responsibility is usually put upon each department head, and with much less satisfactory results. So satisfactory a technique has now been built up as to the proper selling approach and methods to be employed by the sales force, that any store which fails to put these methods at the disposal of its employees is unquestionably losing many sales.²

General Training Plans.—The objectives which are usually set forth to justify training which is more general than job instruction or apprenticeship are to discover individuals with capacity for advancement, to supply the training to enable such promotion to take place, to stimulate interest in the work of the corporation as a whole, to supplement deficiencies in the employee's earlier education which in so many cases has stopped even before the grammar school was finished, and to foster general personality development.

It has been remarkable and gratifying to see the development in the last ten years of elaborate curricula in many corporation educational programs. The continuance and extension of this work argue that more and more large companies feel the expenditure justified in terms of the quality of work, of personal growth, and of good will which has unquestionably resulted.³ Courses

¹ See National Retail Dry Goods Association, "Organization of Training Departments," New York, 1931.

² For further details see, CHARTERS, W. W., "How to Sell at Retail."

³ The Goodyear Industrial University, the General Motors Institute, the Westinghouse Electric and Manufacturing Company's education set-up, the American Telephone and Telegraph Company's provisions, the Milwaukee Electric Railway and Light Company, and the New York Edison Company are only a few among many outstanding instances of a broad adult

are offered for upgrading in special vocational fields, in cultural subjects, in advanced engineering, in economics, marketing, psychology, etc. Usually there is no direct pressure to enroll; but where a company's educational program is closely coordinated with its promotion policy, is well supported by the executives, and has good teachers, the problem of securing enrollments does not appear to be serious.

In the aggregate this is one of the most impressive elaborations of the personnel idea which has come about. And the progressive broadening of the curricula and the large proportion of employees included suggest, as we have pointed out before, that this represents one of the most tangible evidences of the desire of the larger corporations to offer a developing life career rather than only a job to their workers. It may well be that some of this work is done because the public educational system has been faulty and inflexible in its methods—especially in ministering to adult needs. And as the public adult education movement gains momentum, such industrial universities may be less justified on business grounds. But meanwhile we believe the results of all this activity, both in terms of opening up broader corporate objectives and in terms of individual personal development, are of great value and significance.

Any number of companies also encourage their employees to take work in local trade schools or else themselves supply instruction in subjects related to production, as well as physics, chemistry, applied electricity, shop mathematics, draftsmanship, etc. Department stores offer courses on the nature of their merchandise, on textiles, English, etc. In fact, many of the stores and manufacturing companies which run central training departments find it good business to offer evening courses in subjects more or less related to the work of sales or production as well as in all sorts of independent fields where employees manifest an interest in classes such as English literature, letter writing, psychology, and dress-making.

Cooperative Training Projects.—Cooperative training projects divide themselves in general into two types of training activity, of which the first is the now familiar continuation school and the second is any one of a variety of projects which foster trade skill and are therefore subsidized under the Smith-Hughes law.

education program. Some of these are newly described in a summary way in PEPPER, NATHANIEL, "Educational Experiments in Industry."

Corporations which have employees from fourteen to sixteen years of age, and operate in states where continuation school laws are in force, have the responsibility not merely of seeing to it that these employees attend the school but of guiding their study as far as possible into lines of activity that will contribute to making more effective workers and logical candidates for promotion. With the tendency to put young people of this age at blind-alley jobs, it is all the more important that the continuation school part of their experience should contribute to increasing their capacity and earning power. Remarkable results along these lines have been obtained in many large corporations by having such continuation school classes run in close conjunction with corporate training efforts.

The joint arrangements for industrial education made possible under the Smith-Hughes law are sufficiently flexible to be adapted to the needs of all communities and companies which are willing to go halfway in assuring that the conditions of the law are complied with.¹

The encouraging development in trade training in the building trades in New York City is one example of the benefits accruing from the use of this kind of cooperative support. The apprentice training courses organized under the general direction of the United Typothetae of America have also done much to supply the printing industry with thoroughly trained apprentices. The elaborate training plan used in Milwaukee has been remarkably successful in securing trained workers for a great variety of crafts. Since, under the terms of this law, resources will be forthcoming when a well-conceived plan has been put into operation, considerable responsibility rests upon groups of employers in local communities to try to make provision for training plans which can secure support from the federal government.

In addition to this type of cooperative arrangement, there are many special cooperative training arrangements like the instruction carried on by the Boston University for the Boston Gas Company, and the work carried on in many cities by the American Institute of Banking for bank employees.

Other Instructional Methods.—In addition to the job instruction and related training which may be organized, there are many educational measures which have proved beneficial, especially

¹ See PAYNE, ARTHUR F., "The Organization and Administration of Vocational Education," p. 59.

when looked at from the point of view of developing a more intelligent personnel, company morale, and a sense of corporate unity. These include special lectures, the publication of a company paper, the development of a company library, the use of organized plant visitations, the use of suggestion systems, and naturalization instruction.

Lectures.—Lectures have distinct limitations from a training standpoint; but if care is taken in the choice of lecturer, of his method of presentation of the subject selected and the follow-up of his talk, beneficial results of an inspirational character may be obtained. An increasing number of large companies now provide halls in which a majority of the employees may assemble for training talks. These may include for example, lectures by buyers on sources of raw materials, by salesmen on the uses to which the goods are being put, by production experts on technical processes, by executives on organization policies and methods, and by corporate customers on the uses to which they put the product. In all of these cases, the use of motion pictures or lantern slides should be encouraged; in fact, every possible method of visualizing material at such lectures by the use of a blackboard, a printed syllabus, etc., should be utilized.

The Company Magazine.—The company magazine has been found by many companies to be a valuable part of the employee training program. This applies, of course, only to the so-called internal house organ and not to the paper designed for use with the company's customers. The educational purpose can be served, however, only by making the magazine sufficiently readable for it to be popular among the employees. Official articles interpreting company policy, reports of shop committee meetings, discussions of the uses of the company's product, the naming of awards for new suggestions, etc., may be set forth there in such a way as to assure a reading.

This means that the success of the magazine depends on a definite editorial policy interpreted by an able editor who can secure the full support of both the management and the workers.

A good deal of study has been devoted to the technique of employce magazines, and it would be unwise for any company to embark on this experiment without becoming familiar with recent experience.¹ The key difficulty here is to be able to afford

¹ See, for example, "Employees' Magazines in the United States," published by National Industrial Conference Board; "Employees' Maga-

a good editor who can make the magazine a truly educational medium, while at the same time keeping it readable and popular. Experience suggests that subject-matter should feature activities centering about the work, the homes, and the hobbies of employees. Where it can be afforded, there is much to be said for the use of photographs of operations, people, products, etc. Under proper direction and a sound policy the beneficial values of this instrument have usually been found to be great.

The Company Library.—Under intelligent and aggressive direction much benefit can also be derived from a company library. How elaborate this can profitably be depends on such factors as the size of the company, the community facilities, the technical character of the work, and the potential interest of employees. What should be provided is a general service library broader in function than a mere research library or a purely recreational library. While technical problems of library administration can safely be left to the librarian, the vital task is to assure wide and continuous use of the books and periodicals in close cooperation with the specific training and educational work of the training department.¹ This requires effective publicity, helpful guidance influenced by a strong educational motive, incentives such as occasional prizes for the best reviews of noteworthy volumes. With a little ingenuity and executive cooperation a library can mold and cultivate the reading habits of scores of employees to the definite benefit of their working knowledge and cultural outlook.

Educational Trips.—Some companies find that the inspection trip within the factory, to other shops, and to museums is an important method of training. It gives that broad view of the business as a whole which is extremely valuable. One company trained twenty-five of its men from the executive departments as guides and with their aid routed the entire working force of thirty-five hundred employees through the plant. The groups were small and were each guided for three hours. It took two months to give all the employees a personally conducted tour, but when the work was completed it had proved so stimulating that the company decided to extend the privilege to the families and

zines," *Report 74*, Policy Holders Service Bureau, Metropolitan Life Insurance Company; O'SHEA, P. F., "Employee House Organs"; "Handbook of Business Administration," pp. 1407-1411.

¹ See "The Handbook of Business Administration," p. 1589.

friends of the workers. About twenty-five thousand people were accordingly taken through, and the intelligent interest that was aroused by the whole affair more than justified the trouble. Curiously enough, instead of retarding the processes of production, the output was stimulated to 5 per cent above normal during the period when the trips were being made.

Suggestion Systems.—Suggestion systems may be conducted in such a way as to have a considerable educational value. This may only be secured, however, if some one in the personnel department is definitely charged with the responsibility of keeping interest alive and of seeing to it that the whole system is administered in a businesslike way. Further details about the operation of such systems are discussed in Chap. XIV, in connection with the methods of securing interest in work.

Naturalization.—Companies employing workers who speak little English and who have not become citizens have a special responsibility, and there is today a definite and a well-established procedure for taking care of workers needing this training. Although frequently undertaken as a company responsibility, this instruction is really a public function and increasingly it is being conducted cooperatively by companies and public schools.

The Massachusetts Board of Education, for instance, suggests several feasible plans in which school and industry may combine in Americanizing foreign workers. These include a plan to conduct the school on company time at the factory with public school teachers; another to hold school outside the works partly or wholly on factory time, with public school teachers; and still others to establish a school within the works on company time, taught by factory employees or volunteer teachers; to conduct a school outside the works partly or wholly on company time, with factory employees or outside teachers; and finally to have school outside the works on employee time, taught by approved instructors and all expenses paid by other agencies.

Experience seems to show that the best results in this direction are obtained in schools where the work is done in the day time, often half on company time, and half on employee time, at the end of the day. It is essential to have small classes of one sex, and desirable that the teacher know the native language of the group being taught. Classes should meet at least three times a week and preferably every day. It is further important to try to organize the classes so that students with the same degree of

previous schooling study together. Needless to say, this work is of great value from the point of view of sound personnel relations, since without ready means of oral and written communication, satisfactory direct contact between employee and management is next to impossible.

Results of Training.—During his study of corporation training, Dr. James H. Greene asked numerous companies "What objective measures do you have to indicate whether training has been successful?"¹ The answers received suggest that every company has to work out its own measures in relation to its special process problems. But agreement is general that such measures can usually be devised and are important in keeping the training work sold to the management. Lowered labor turnover, lowered training costs, lowered unit costs, improved quality, improved promotional material are among the results most frequently cited.

Conclusion.—Employee training stands today on a sounder and more permanent foundation than ever. Its success is contingent upon competent executive direction and general management support. Its method is to improve the training technique of all department heads—to train the trainers and give general oversight to their instructional efforts. In addition to training for job proficiency, more and more is being done to encourage workers to qualify for advancement by special study and to pursue studies calculated to broaden their general outlook. Now that employee representation plans are extending in number and scope of effectiveness, the values of having the rank and file able individually to grasp the larger issues brought to their attention offer a further argument for this more general training. Generally speaking, the success of a company's personnel work may be gauged as much by its liberality in appropriations for training as by any other single item.

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¹ See GREENE, J. H., "Organized Training in Business," p. 265.

CHAPTER XIV

AROUSING INTEREST IN WORK

There has in recent years been much discussion of the repressive influence of machine operating on human beings. Industry is under indictment from some quarters on the serious count of failing to provide any reasonable outlet for certain fundamentally necessary and useful human characteristics. It is accused of cramping and stultifying the individual; of making it impossible for him to find interest and fulfillment of life in work.

Such allegations require careful scrutiny. For it is indeed a serious situation if millions of people are destined to be confined daily for eight or nine hours to labors which are indifferently or grudgingly performed. It is hardly an exaggeration to say that the permanence, productivity, and humanity of any industrial system stand or fall in the last analysis upon its ability to utilize the positive and constructive impulses of all who work, upon its ability to arouse and continue interest in the necessary activities.

The problem, therefore, demands searching study if we are to answer such inevitable questions as: Is interest in work as now carried on possible? If it is, how is it to be aroused? If it is not, can operating methods be so modified that interest will arise? We shall get effectively away from any popular, sentimental approach to this issue if we try to understand precisely what interest and monotony are, if we examine actual situations to see how many jobs and job relationships seem actually to predispose toward the likelihood of monotony, and if we try to understand the possible effects of present conflicts of economic interest on the motivation of people at work.¹

Interest Defined.—Interest is essentially an attitude of continuing attentiveness, found *where activity is satisfactorily self-expressive*, where the individual has the sense of effectively “getting himself over,” of registering in and through the activity. People are interested when attention has passed the point of

¹ See VITELES, M. S., “Industrial Psychology,” Chaps. XXIII, XXIV.

conscious effort and is eager, sustained, and self-renewing. Manifestly, such a sense can come through as many channels as there are modes of self-expressive behavior. Individuals normally seek outlet for a variety of fundamental tendencies. There is pride of family—desire that the family “get on in the world—pride in work well done, desire for the approval of one’s associates, desire to excel in whatever field of activity excellence will give self and group approval, desire to satisfy one’s possessive feelings and one’s curiosity. A longer list might be made, but this will suggest the variety of desires which are naturally self-expressive and therefore self-satisfying.

An individual is interested, in other words, when an activity keeps holding his attention because it has the appeal and challenge of its own difficulty, or because the performance is giving enjoyment owing to the fact that the activity is natural and the sense of accomplishment pleasurable, or because the approval of one’s associates is anticipated, or there is the appeal which some other imputed significance in the activity brings. We are interested and pay attention when we recognize, as Professor Dewey puts it, that there is something at stake, “something whose outcome is important for the individual.” When the individual can register in an activity so that his sense of his own personal worthwhileness is satisfied, then there is interest.

The elements in this condition of interest are, therefore, four: self-choice of the activity, pleasure in it for its own sake, a sense of significance or value in its performance, and the assurance of friendly approval when the activity is over.

Monotony arises when these elements are absent. Without freedom of choice, without a sense of significance or the assurance of approval, work becomes drudgery. When the activity becomes so habitual that its performance requires no conscious attention—is automatic or reflexive—there is no opportunity for self-expression in the work, and monotony is inevitable. “Monotony means that growth, development, have ceased.”¹ Thus it is not alone the repetitive character of the job which determines whether or not monotony exists, although clearly the chance for a personal outlet is least there. Monotony is present whenever

¹ DEWEY, JOHN, “Interest and Effort in Education,” p. 16. This whole discussion is largely suggested by Professor Dewey’s approach.

the work is so circumscribed that the chance for self-expression or development is denied.¹

Interest and monotony are, therefore, not so much characteristics of work as of a *relationship between a worker and a job*. In each individual case the two must fit; the worker must find that the job satisfies him. The decision is one always reached in the light of the individual's prior training, capacity, and aspirations. The situation of potential interest and satisfaction is essentially dynamic. One is either progressively more interested or less interested, and the latter condition usually means less capable of being interested.

Which of these directions the individual's attitude will take depends on two things: on his knowledge, ability, and temperament; and on the motor and mental content of the job. About this second, people are likely to over-generalize. It is easy for the casual observer to stigmatize all factory work as monotonous; but increasingly as engineers try to put on paper the content and variable elements of which the operator should have command, over which he must exercise judgment, and to which he must pay careful attention, they find that many jobs supposedly without opportunity for individual expression really require genuine interest in order to be well done.

Only specific study of the intellectual content of individual jobs will disclose how many jobs of different degrees of difficulty there are in an organization. It is inaccurate to speak of all repetitive work as monotonous. The work of machine maintenance occupies some workers. The handling of materials and trucking occupies others. There are assembling, inspection, packing, shipping. The actual proportion of unskilled machine tenders or feeders at tasks popularly thought of as monotonous varies from plant to plant from around 35 to about 80 per cent.² The elements of insecurity in the job, non-control over work, little significance in the work, little chance for fellow-workers' approval, however, may be present at non-repetitive jobs as much as at repetitive ones. And monotony exists wherever the

¹ For excellent detailed evidence as to the extent and effects of monotony, see Industrial Fatigue Research Board, "The Effects of Monotony in Work," London, 1929.

² See FLORENCE, P. SARGANT, "The Economics of Fatigue and Unrest," p. 64.

relationship of the worker to the job has ceased to appeal as offering possibilities of self-realization.

The Extent of Workers' Interest.—If there are a variety of jobs and variety of talents, why is the impression so general that there is little genuine interest on the part of the workers? Most managers assume that there are three possible answers. Workers do not want to be interested; or they like monotonous work; or they are incapable of being interested. So frequently are these three statements advanced that it is worthwhile to examine them.

If taken literally, all could be translated into these terms: the manual worker—unlike everyone else—prefers activity which is non-self-expressive. Having no strong desires, he is satisfied with an emotional and intellectual experience which is dull, stale, and impoverished. Thus stated, this conclusion reduces itself to absurdity; but if we view these objections more understandingly, we find that they are intended rather to suggest a condition of unresponsiveness. And certainly anyone familiar with working-class conduct in the average company cannot fail to have sensed a rather perfunctory, indifferent working attitude of many workers.

It is of little use to consider remedies for any situation until causes are understood. If managers would really grasp the reasons for this condition of apathy, they would be better equipped to discover and work patiently with the remedies.

Reasons for Unresponsiveness.—The reasons for this unresponsiveness are no doubt many. But our own explanation is that it is due to the fact that the things in life which the worker desires and rightfully holds as of value to him are all too often not the things the company desires for him. No proper harmony of interests or identity of aims is readily discoverable by the worker, and in the absence of these he in self-protection becomes an only passive agent. Since the industrial revolution the manual worker has typically been a disenfranchised, unpropertied, dependent supplicant for a chance to work and survive. This tenuous master-and-servant relationship has proved to be one not calculated to foster creative interest. It fosters fear, subservience, indifference, suppression of normal emotions, and suspicion. It fosters a negative state of mind that can readily become second nature to those growing up in a working-class environment.

In this country we have had the problem of seeking to adjust to industry thousands whose outlook on life has thus been uncon-

sciously warped and stultified by a childhood spent under the repressive influence either of the slums of our larger cities or of our desolate mine and mill company towns. Of our immigrants, also, many were completely unadjusted to industrial conditions after a background of life in the impoverished kingdoms of Southeastern Europe. In a word, the typical relationship of worker to company, plus the unfortunate influences of the environment from which manual workers have come, would seem to *have combined to predispose them to unresponsiveness*. Managers should realize that at present those who appear not to want to be interested or incapable of interest are in fact responding subnormally because of an abnormal conditioning process. The fault, be it said, is not the workers'. Their reaction has been what might have been expected. And it is not to be anticipated that the present prevailing attitude can be changed overnight, but the change must come if a new and positive response to work relationships is to be realized. And an analysis of the psychological and economic factors which can be controlled to help bring this change about is a most important task.

People endowed with an average amount of emotional and intellectual energy *do want to be interested in what they do*; and the practical problem is to *release* this energy by discovering or creating in the work and in the work relationship some appeal which will catch the attention and then hold it by the strength of the interest aroused. The mental air must be cleared for thousands of individuals. Self-confidence and self-respect must be restored. Powers now latent and unimagined must be given an outlet. There is no one best way to do this. A fascinating study in group and individual psychology is before us; for different groups and different people will be stirred and moved to this release of creative power in different ways.

There is, however, a technique of liberation. William James realized this when he asked:

To what do the better men owe their escape; and, in the fluctuations which all men feel in their own degree of energizing, to what are the improvements due, when they occur? In general terms, the answer is plain: Either some unusual stimulus fills them with *emotional excitement*, or some unusual *idea* of necessity induces them to make an extra effort of will. Excitements, ideas, and efforts, in a word, are what carry us over the dam.

If it is true that excitements and emotional and intellectual appeals result in efforts which successfully bring a release of energy, the problem for executives is to find the excitements and ideas that will arouse interest.

One final caution must be stated before outlining a program for securing interest. The phrase "non-financial incentives" is often used to characterize these methods. If workers should get the feeling that this is all a scheme to get out more work without any commensurate return to them, the supposed benefits will not appear. It must be clear to all concerned that the procedure is not exploitative, that it does not ignore or repudiate the use of soundly conceived financial incentive plans, which may well accompany such methods as those about to be described. The arousing of interest properly conceived is not an effort to speed up workers, cut wages rates, or increase profits. It is an effort to broaden the conception of the company's educational program in order to assure that the supporting conditions of work and of the terms of the worker's relation to it are such as to show the workers that their own personal desires are in fact in close harmony with what the company also wants. This assumes, of course, that the management has broadened its objectives to take full account of employee interests; and only on this assumption will the effort to secure interest be successful. Non-financial incentives are a wise feature of a sound personnel program, but only when they are administered in line with the genuine interest and aims of the workers.

A basic principle in this connection which will be found to underlie the entire effort toward harmonizing objectives and more specifically toward securing interest from the rank and file is that *only as the terms and conditions underlying the relation of the worker to the organization are jointly controlled can a progressive consolidation of aims occur*. The explanation and amplification of this principle will have to wait until later chapters. But it is impossible to discuss here the hows and the whys of arousing interest without explicit acknowledgment of the necessity of the workers sharing genuinely in the administration of the methods of work.

The distinction between an incentive and a condition of interest should also be clearly observed. For the provision of incentives does not guarantee the appearance of interest. An incentive is a device calculated to hold attention to an effort in the expectation

of some explicit gain. It is a reward secured in terms extraneous to the work activity itself. And as such it may be the means of securing application from a worker to the point where he finds that interest has arisen. But interest itself is the sense of a total self-expressive relationship of worker to the work. And to the extent that incentives of gain, status, or approval lead the individual to find fulfillment in and through the work process, they have distinct utility.

Finally it is not assumed that all the methods discussed in the remainder of this chapter can or should necessarily be adopted by one organization; but together they do offer a program from which to select features for a campaign to secure interest, which is comprehensive and worth working on over a period of years.

Regular and Permanent Work.—The first plank in a platform of interest in work is the provision of regularity and permanence of employment. People cannot be expected to be interested in what they are doing if they are likely to be told on short notice that their services are no longer desired. It makes no difference how justified the cause of the lay-off may seem in the management's eyes, to the worker the outstanding fact is that he finds little relation between his fidelity, his workmanship, and the security of his job.

In the building and garment trades, to mention only two of the most conspicuously seasonal industries, individual efficiency is well known to be adversely affected by the irregularity of work. "To make the job last" is the worker's natural retaliation against a corporation which tells him to walk the streets when the job is over.

The methods normally in successful use to regularize work are discussed in Chap. XXVI; and the evidence is conclusive that most corporations can do much to flatten out the irregular curve of annual employment. Failing this, or supplementing this, is the increasing provision which is being made by companies to compensate workers with a portion of their wages during weeks of enforced idleness.

More Careful Selection.—If interest is a matter of adaptation of person to position, the process of selection takes on added importance. Fortunately the emphasis in employment interviewing is increasingly in the direction of assuring that the job and the man really fit each other. To be sure, this is only a beginning; but without the assurance of initial compatibility in

terms of temperament as well as of capacity and ability, there is a poor foundation on which to try to create interest. For, on the whole, people are interested in what they are suited to do. Interest and competence are close allies.

Yet because the individual's relation to his job may change for a number of reasons, initial selection has to be accompanied by careful follow-up and by opportunity for transfer and advancement.

Job Instruction.—There is today so much indifferent workmanship that executives are likely to forget that normally proficiency at congenial work is itself pleasurable. What people can do well they usually prefer to something which they do poorly. Yet a company fails to capitalize this truth if its job training program is inadequate. The case for job instruction needs no further arguing. But if no instructors are set apart to teach the new employee the best and quickest ways to work, he may spoil the material or the machine and acquire a distaste for the job—born of fear—which it is later extremely hard to overcome.

A significant part of training from the point of view of interest comes in acquainting the worker with the knowledge of the process as a whole and of the use to which the product will be put. Managers forget that *knowledge can help to give significance to action*; they ignore the simple truth that in the long run people work better when they know what they are doing, why they are doing it, and how it is done. "If thou knowest what thou dost," said an ancient philosopher to a shoemaker at his work, "blessed (*i.e.*, happy) are thou; but if thou dost not, thou art condemned."

A variety of ways of giving this knowledge is being successfully used today. Some of these are: having classes of newcomers study models of the product in the several stages and having them taken on a tour of inspection through the factory; using popular textbooks on the history and practices of the industry and the plant; showing motion pictures of the extraction of the raw material, work in process, and product in use; using the company house organ to explain in word and picture all about raw materials, processes, and uses of products; rotating qualified employees as factory guides for visitors; giving annual exhibitions of the company's output; popularizing and publicizing the company's annual report; using the company library; sending the catalogue of the plant's products to all employees; arranging annual visits through the plant for families and community

groups; arranging trips for employees to other factories, either in the same industry or where one's products are in use; selecting outstanding workers for positions on an emergency flying squadron which helps out from department to department; returning defective or rejected goods to the workers who made them. The mere mention of many of these will suggest to the ingenious executive's mind many similar methods which might be used.

Ways and means will multiply with a moment's thought, as soon as managers see the value of acquainting every worker with the extraordinary romance and fascinating drama which the modern world of industrial or business processes can really offer. Every worker has a right to the sense that he is an understanding and necessary principal in helping to supply the world's needs. The first condition of having that sense is a grasp of the significance of his own job.

The value of this understanding may be illustrated, for example, by reference to the industries which make or operate transportation equipment. Suppose that, whenever a train wreck traceable to a defective rail occurs, the rail is returned to the mill where it was made; suppose also that motion pictures showing how the wreck happened and its consequences in human suffering are then shown in all the mills where rails are being manufactured. Can anyone deny that the steel workers would have a fuller appreciation of their responsibility, a greater pride in good work, a greater anxiety to see it well done? What is true of workers on steel rails is true of workers on automobile springs, locomotive boilers, car axles, and a thousand other articles.

Measuring Results.—People work to best advantage when they know "how they came out," as the phrase is in athletics. It is natural to want scores by which to measure one's achievements, to have a "bogey" to work against, milestones to indicate progress. This is secured in industry by the use of various forms of published production records, which compare present results with past results and one's own with one's fellows' results.

Convincing evidence of the value of production records to create workers' interest in their jobs has been supplied by a successful production engineer, Robert B. Wolf. His results have been so widely discussed that it is unnecessary to do more than call attention to his experiences. His conclusions, drawn from the paper-making industry, are briefly as follows:

These records we found to be grouped under three general classes: *quantity* records, *quality* records, and *economy* or *cost* records. Quality records are, perhaps, of the greatest importance, for they bring the individual's intelligence to bear upon the problem and as a consequence, by removing the obstacles to uniformity of quality, remove at the same time the obstructions to increased output. The creative power of the human mind is, however, not content simply to produce the best quality under existing conditions of plant operation. So the desire to create new conditions for the more highly specialized working out of . . . the process . . . at once takes the form of suggestions for improvements in mechanical devices.

Because of the interrelation of quality, quantity, and economy records, any complete record of individual progress must, of course, take them all into account.¹

Mr. Wolf's results would be significant by themselves, but there is a large body of confirming testimony from other plants. One plant displayed a large blackboard on the wall at the end of one department. The board was so ruled that every man's production could be recorded every hour. One hour the amount would be projected in white chalk, against each man's name, the next hour in red, etc. A normal day's output was formerly considered to be about 1400 units. At the end of the first day's use of the published production record, several workers produced over 2000 units and all went above 1800. Today between 1800 and 2100 units are considered a normal output. Such innovations are undoubtedly in danger of abuse. This illustration is given at its face value, and it would be necessary, before passing final judgment on its success, to know that the effect of the permanently increased speed of work on the workers was not adverse either in terms of health or of the continuity of their higher output.

An English accountant, writing on the value of a knowledge by the workers of a department of the costs involved, cites the following experience:

At a certain factory the tool-room cost for each production unit of 1000 articles manufactured was 10s. (\$2.43); at a corresponding factory the cost was 4s. 6d. (\$1.10) per unit. In eight months after a costing system was introduced in the tool-room the cost per unit was reduced from 10s. (\$2.43) to 2s. 10d. (\$0.69) per unit. Improvements effected

¹ From "The Creative Workman," an address published by The Technical Association of the Pulp and Paper Industry, New York, 1918. Mr. Wolf's writings are listed at the end of this chapter.

by the introduction of this system were: (1) the firm reduced the tool cost by 72 per cent; (2) the tool-room operatives earned higher wages owing to the reduction in wastes and consequent increased production; (3) the foremen and charge hands received a bonus above their normal wages; (4) the works operatives were insured a regular supply of tools, thus facilitating production and avoiding the idle time which had previously occurred.¹

A number of plants where the raw materials used are relatively expensive (*e.g.*, hides, rubber, copper) testify that workers are much more careful of material *as soon as they appreciate its value*. One engineer tells of a gang of men soldering tin cans, who were using from 11 to 19 ounces of solder per 100 cans, where experiment showed that nearer 5½ ounces was the right amount. The men were consulted and it was arranged that they should share in the value of the solder saved.

Now these men are turning out more cans a day than they ever did before and average from 3 to 7 ounces of solder per 100 cans . . . The same plan has worked out with equal success in operations involving the use of sand paper, silk thread in a sewing room, ink in a printing shop, ribbon on hats, brass wire in electrical work, and so on.²

A knowledge of equipment costs is equally important where expensive instruments and tools are used, the value of which is often not appreciated by workers. It is a good practice to be sure workers know exactly the market value of all instruments, tools, equipment, machines, and materials which they use.

Published records of quantity, quality, amounts of waste, unit costs, and perhaps of other factors are of great value; but care must be taken that they are presented in the right way. They should be in as simple and intelligible forms as possible; if this is accomplished best by graphic charts, these should be used. The records should also be comparative with those of previous days, weeks, and months; and there should be an opportunity to compare results from one year to another.

Records of this type are different from a type of "efficiency record" attempted in some plants. The efficiency record appears usually in terms of the percentage that each worker's output is

¹ JENKINSON, WEBSTER M., "The Workers' Interest in Costing," as reviewed in the U. S. Bureau of Labor Statistics, *Monthly Labor Review*, vol. 8, pp. 1542-1543, May, 1919.

² BASSETT, WILLIAM R., "Developing Pride and Interest in the Job," in *Factory*, vol. 22, pp. 693-696, April, 1919.

of a given standard day's work. In one plant this standard was set so high that workers rarely got over 70 per cent "efficiency." When the workers discovered the reason for this, they lost interest in improving their rating, and the record was eventually discarded.

Indeed, if the comparative performance records are allowed to stir up too great a spirit of competitive emulation or hectic rivalry, they are being unwisely administered. Unless the workers themselves have the scheme in part under their own control and agree with the management as to reasonable production standards, including a guarantee that there will be no rate-cutting, any scheme of competitive production records is in danger of becoming exploitative and rightly unpopular.

Today the worker gains status by the size of his pay check or by the character and prestige of his job. But if the work and records of work are organized in the right way, he is found also to gain standing in his own and others' eyes in terms of the quantity and quality of the work he has done.

Recognition of Superior Personal Merit.—Organizing the approval of fellow-workers and even of consumers for excellence in work is a worthwhile way of enhancing personal prestige and giving interest to the job. Anything that will allow workers to register in their own eyes at and through their jobs should be encouraged. Whiting Williams has shown that in the minds of workers in most companies each level of jobs carries its own special social and personal status for the incumbents; and every legitimate re-enforcement of this recognition of relative status contributes to the worker's sense of accomplishment and significance in his work.

The following are among the methods employed to secure this organized approval for good work: The building trades in a number of cities are offering certificates of merit to craftsmen whose work on individual buildings has been conspicuously thorough and excellent. The New York Building Congress "aims to recognize by a suitable ceremony and certificate the superior craftsmanship of one of the artisans in each of the major crafts engaged on a given building operation."

The Building Congress of Portland, Ore., has a Guild of Building Handicrafts. This guild selects workmen of outstanding competence, and, after examination of their work by a jury of five, awards to them, if the jury reports favorably, the title of "Guildsman." So favorably has this movement impressed the Oregon State Board of Vocational

Education that it has presented the guildsmen with gold buttons bearing the seal of Oregon and the legend "Guild of Building Handicrafts." In receiving this button, at the recent formal installation ceremonies, one of the recipients made the very pertinent remark, "For 40 years I have been a mechanic and this is the first time I have been honored as such."¹

The General Electric Company has a plan for recognizing distinguished service;² and the telephone companies have for some time made it a practice to feature in their house organs and annual reports the conspicuous examples of devotion to service of their employees under trying or crucial circumstances.

The picturing of individual employees in the advertising of companies is a plan which has benefits of this sort both direct and indirect.

A comparable practice looking to a greater personalizing and dignifying of the workers' relation to the public is seen in the practice of public utilities, such as bus lines, Pullman cars, and elevators, of placing workers' names where the public can see them.

Another interesting method is that employed by several book publishers in which at the end of each book the companies and the individuals who have contributed to the manufacture of the volume are specifically named. One company lists at the end of its volumes the names of the members of the staffs of the composing room, key board, proof room, casters, press, cutter, folder, who have contributed to the manufacture of the book in question.

Shop Committees as Creators of Interest.—The extension of employee representation plans has meant that delegated workers in many companies discuss regularly with managers numerous problems connected with their work. Where these meetings become definite conferences on problems, methods, standards, and improvements in production, experience shows that com-

¹ From speech by MEHREN, E. J., Vice-president, McGraw-Hill Publishing Company, Inc., before New York Building Congress, Nov. 12, 1924, *Building Congress News*, Dec. 1, 1924.

² These awards, comparable to honors conferred upon eminent engineers by electrical and other scientific societies, are believed to be the first ever given to shop workers in a large industry. The winners comprise ten shop men, sixteen engineers, ten foremen, six commercial men, five administrative employes, and one woman, a stenographer in the Pittsfield, Mass., works of the company. Those honored are persons who have performed some distinguished service to the company.

mittees are of real value both in stimulating interest and in drawing forth many helpful suggestions from workers.

The important requirement here is that the management shall take the initiative in presenting the facts of its operating problems clearly to the men. On matters of conservation of fuel and raw material, elimination of poor quality work, lowering of unit costs, alterations of design or specifications, shop committees have again and again shown themselves able to be of the greatest aid. And problems for which the managers could not find the answer have in many instances been solved owing to the more intimate contact of the men with the operating difficulties. So pronounced has been this success that it can without hesitation be said that *the shop committee meetings with their repercussions back into the line departments are one of the most interest-arousing agencies that we know.*

One illustration of this is interestingly summarized in the following paragraph:

A large manufacturer of velvets was having trouble with "seconds"; at times half a million dollars was tied up in goods that contained weaving defects unfitting them for first-grade sale. He put the question up to the employees themselves—they were organized on the representative system. The men appointed committees to investigate, they made tests themselves, and they retained experts from the outside to make other tests. They, from time to time, told of their work in mass meetings and received criticisms and suggestions. Soon that whole factory was after "seconds," they improved machinery, insisted on cleanliness, and finally changed the weavers from a quantity rate to a quality. They have now all but cut out "seconds" and under the quality rate the weavers are not only making more money than before, but they say they are making it with less effort than when they tried solely for quantity. But the quantity has also increased. I have through my business associates secured very similar results by the use of similar methods in a plant making linoleum.¹

Transfer and Promotion.—If the objection is raised that many of the methods here discussed are all very well but do not help greatly to alter the character of many highly repetitive jobs, the answer is that at these jobs a more drastic method must be employed to sustain interest. There must be a far more liberal use of transfer from one job to another than is now usually pro-

¹ BASSETT, WILLIAM R., "When the Workmen Help You Manage," p. 113.

vided. Admittedly, transfer is not popular with many managers (except to stabilize employment) or with those numerous manual workers who have gotten into a blind-alley-job inertia. But there is a social and economic responsibility here, especially with younger workers, to train for transfer, to encourage transfer, to set time limits on the duration of employment at the most repetitive jobs, and to try within reasonable limits to move workers on at the end of these periods. The experiments along these lines indicate that, with patience and care in the application of the plan, production may be favorably effected by such transfer, and morale in general stimulated.

In rural industrial centers many workers make use of the transfer idea on their own account and elect to do factory work in winter and agricultural work in summer, a division of labor for which there is much to be said. Indeed, there is a real possibility that in the not distant future our factories may be de-urbanized to an extent that more and more workers can combine indoor and outdoor work. This is the serious proposal of not a few industrial and social scientists.

Similarly, a developed promotion policy may offer an incentive which to a certain extent will increase interest. To be successful, such a policy must work in relation to the real opportunities for advance and not claim too much. For the truth is, of course, that elevation to executive positions is limited by the small proportion of such positions to manual jobs; but with a policy of promotion from within a good deal may be done. If a worker has his eye on some goal upon which he is intent, his job becomes for a time less irksome and more significant.

Maximum Introduction of Machinery.—Experience with the mechanizing of hand operations shows conclusively that most jobs where machine feeding is done by hand are sooner or later subject to mechanization of the feeding process itself. This has proved true, for example, of printing presses, machine tools, textile weaving looms. The progressive installation of automatic feeds into more and more types of machine is inevitable and desirable. It means that human labor and attention then have to be devoted to a combination of supplying material, watching for breakdowns, repairing and oiling the machines, etc. None of these are repetitive in the restricted sense that machine feeding jobs are; and the work of assembling, supervising, and repairing automatic machinery requires mechanical knowledge and

ingenuity of a character that almost inevitably makes the work interesting for mechanically inclined workers. The complete automatizing of machine operations is a tendency to be encouraged, for it shifts the required human work to more skilled and more interesting activities. So that, although this tendency in its halfway stages may seem to increase monotony, the aim should be to effect a complete mechanization just as rapidly as possible. All the mechanical conveyors, material handling devices, road-building machines, track-laying and ditch-digging machines have, for example, brought about a revolution which has wiped out hundreds of deadening jobs.

In the mechanizing process it is inevitable, however, that "technological unemployment" will arise. How to minimize the personal hardships resulting from this is a question which every company has to face. We consider this matter in a later chapter.

Shorter Hours.—We are clear that the direct and essential objective in efforts to arouse interest is to be sure that *each worker finds in and through his work an outlet for his energies which is self-expressive and satisfying*. But under the conditions of speed, noise, and pressure at so much work, it is undoubtedly true that interest could be more readily aroused and maintained if the working period per week were shorter than it now is. As mentioned in a previous chapter, the forty-hour week and even a six-hour day may soon prove to be economically sound and humanly more satisfactory. And it seems reasonable that under these conditions the other efforts to arouse interest will stand a better chance of success.

The view that shorter hours should compensate for monotony at work seems to us fallacious, except in extreme cases. The same seems to be true regarding the possible compensatory benefits of what has been called "optimistic reverie," or pleasant day-dreaming, at jobs where the work may not require sustained attention. The position that the problem of monotony is to be met not by a frontal attack on the nature of the job relationship, but by shorter hours or the encouragement of day-dreaming of a happy sort, is a dodging of the major issue. The really defensible psychological stand is, we believe, to insist that management can by various measures *recover to the work itself an inherent opportunity for creative satisfaction if the supporting conditions are well planned and the duration of the working period not too long*. That this is not an impractical aim will be conceded by anyone

who appreciates, as this chapter tries to suggest, how much is already being done along these lines.

Suggestion Systems.—The experience of recent years with the use of suggestion systems points to a number of ways in which they too can foster interest in work.¹

It is first necessary to remove from the foreman's mind any idea that suggestions from his department reflect upon his ability. Foremen may be brought not to oppose, but actually to encourage, the working of the system. This attitude is more readily assured in some plants by periodically rewarding the foreman from whose department the largest number of suggestions have been received or adopted.

Fairness in the administration of the system is essential. Workers will feel most confident that there is fair play *if they have equal voice with the company in determining the terms on which the system runs, in determining which ideas shall be accepted, and how much reward shall be given in each case.* Such joint action of itself keeps interest alive, especially if, as is desirable, some members of the suggestion committee rotate every six months. This has the further indirect value of educating the committee members in problems of process and technique.

Employees should be acquainted with the terms of the system, the method of determining acceptance, and of evaluating the suggestions, etc., by bulletins, notices in company papers or pay envelopes, and by other means that reach all employees with a reminder at occasional intervals.

Prizes should be given at stated intervals and with effective publicity. Also public acknowledgment should be made at the end of the year to the department submitting the highest number of adopted suggestions, the individual submitting the largest number, the individual submitting the most valuable suggestions, etc.

The problem of the amount of the compensation for accepted suggestions is not always easy to handle. To have a scheme of only arbitrary flat sums may at times be quite unfair to the employee. We say this with full appreciation of the fact that the worker in any valuable invention is usually building on the company's own experience; but this will, of course, be taken

¹ See Metropolitan Life Insurance Company, "Employees Suggestion Systems" (pamphlet), New York, 1932; also "Handbook of Business Administration," pp. 1187-1192.

account of in determining the reward. On the other hand, if employees are to keep up their interest in improvement, they must know absolutely that this interest is not to be an occasion for exploitation. Yet it is often difficult before trying out a new idea to know its value. Sometimes a combination of two methods is worked. Each suggestion is rewarded in accordance with an agreed scale of awards, and when it is seen that the best ones are saving the company substantial amounts (say, after six months), a more equitable division is made.

Where the new idea is patentable, it is important that there be in advance an explicit policy as to how and by whom patents are to be taken out. What the fair procedure will be will no doubt differ from company to company. But if the management's position on employee patents is clearly understood, possible criticism will be minimized.

Again, it is important to have suggestions collected regularly from the designated boxes in each department, passed upon promptly (at least once a month), and employees notified as soon as action is taken. Pains should be taken in each case to explain why rejected suggestions are not utilized; and it should not be required that accepted suggestions be put into immediate practice in order to be rewarded.

Employees should have the right of appeal to the committee if unsatisfied with the award.

Only actual manual workers should be eligible for awards under the system. Executives, from the assistant foreman up, are supposed to be looking for better methods as a part of their jobs.

In plants where little is done in other ways to arouse interest, the suggestion system can undoubtedly afford the basis for a healthy start. But unless there is considerable follow-up from the office of the personnel manager, there is danger that the interest in the system will lag.¹ For, after all, the method of dropping your suggestion in a slot is singularly impersonal and artificial. Some method more direct, natural, humanly responsive, and more organically connected with day-to-day operations is in many companies found preferable. And shop committees can often supply this more natural medium.

¹See DICKINSON, Z. G., "Suggestions from Workers: Schemes and Problems," in *Quarterly Journal of Economics*, August, 1932; also his "Suggestions from Employees," "Michigan Business Studies," vol. 1, No. 3, Ann Arbor, 1927.

Factory Fellowship.—Many companies fail to capitalize, as they legitimately might, the enjoyment that people get in working together, the enjoyment of associated activity. This is experienced even where the work itself may be unenjoyable, because the normal person is so plentifully endowed with “herding” desires that he will put up with a good deal if he can be active in congenial company. Psychologically, all activity in the satisfaction of people’s strong social sense is pleasurable up to a point. This makes it a real object to cultivate a reasonable amount of social life among the members of the organization.

This possible enjoyment in being at work is not the same thing as being interested in the work itself; it is a derived interest. It has, however, a positive value which can legitimately be utilized. A social life inevitably grows up in any organization which then has its own gossip, traditions, jokes, and by-words; and workers like to be at work in order to be in the swim of the familiar social life. Since the condition of being there is to do the work, the work gets done.

When companies accentuate this normal camaraderie by encouraging athletics, dances, dramatics, and other recreational functions, a desire to remain employed may be unduly stimulated. Emphatically, this is not interest in work, although it may be used to lead to it.

Something more than mere satisfaction in human fellowship can also be developed. Under auspicious circumstances workers may be brought to feel that their work, even when not itself intrinsically absorbing, is *part of a larger enterprise which is significant and in which the individual sublimates part of his more personal expression in behalf of a corporate self-expression in which he finds real satisfaction.* To express oneself in one’s loyal efforts on behalf of an organized group is a familiar experience in the church, in politics, in military life. And there is no doubt that where the individual’s desires and rights are being protected, this identification of self-achievement with corporate achievement is legitimate and psychologically satisfying. But that it has its possible dangers under present industrial conditions is unquestionable. For the submissive elements in human nature—the desire to be caught up into a larger loyalty, devotion, and allegiance—are strong. And where loyalty is offered, loyalty should be reciprocated if exploitation of the individual is to be avoided. Nevertheless, as people come to understand the con-

ditions of group organization in industry that do *legitimately* make for a loyalty which brings interest to otherwise uninteresting efforts, a new source of psychological power will be tapped.

Rhythm.—An almost wholly unexplored field of industrial psychology relates to the use of rhythm and music to make work more interesting.

The conscious mental content of the job is, of course, unaltered by making the activity rhythmical; but fundamentally its self-expressive content is altered because to the normal individual the use of rhythmic motions is of itself pleasurable. A love of rhythm is one of the most deep-seated of human tendencies. Its use for any activity releases unexpected energies and sustains them for unexpectedly long periods.¹ It tends not only to reduce the feeling of fatigue but the actual physiological processes of fatigue as well. Evidence is not lacking that work done rhythmically is done with less conscious effort than when rhythm is absent, and the utilization of rhythmic motion, either with or without music, seems to have recuperative value from a physiological point of view. Music cannot increase interest in the job; but it certainly makes being at the job more interesting, especially where the motions of the job can be rhythmically performed. It is to this extent another derived interest.

In consequence, at those jobs where the noise of machinery is not too great, the occasional use of music—either as rendered by phonographs, radio, or by the workers themselves in shop singing—may be a positive benefit to workers and to output. This is recognized by many plants to the extent of having dancing at rest periods and lunch hours, and band concerts in lunch and assembly rooms;² but this is not the same thing as encouraging mass singing at work or providing music to the rhythm of which operations may be carried on. There is a fruitful field for experimentation here. The injunction of the philosopher, "Give me the man who sings at his work," may still be recovered for fruitful application today.

The Wage Incentive.—Managers often say that "the only thing that interests the workers is what's in the pay envelope." This is *not* true. Workers should, of course, feel that questions of pay are being fairly handled. But the kinds of appeal to which they

¹ See VITELES, M. S., *op. cit.*, p. 504.

² Interesting descriptions of experience are given in CLARK, K. S., "Music in Industry," New York, 1929.

will respond are, as we have shown, many and varied. Everyone normally wants to register effectively, not alone in terms of dollars taken home but in terms of all the other natural desires. The trouble really is that, where managers offer no incentive but the pay envelope, they have never had a chance to see how satisfactorily to all concerned these other incentives can work. And the responsibility is largely in management's hands for appreciating the economic and psychological value of a state of active interest among workers, and for initiating such measures as this chapter suggests out of actual experience.

The fact remains, however, that various systems of incentive financial payments (the principles of which we discuss in later chapters) have proved of value in securing a more close application to work and have thus often helped to begin a process which predisposes to the creation of interest. Seemingly the group bonus idea where intelligently applied has had special value in this direction. Unquestionably, methods which place upon a small group of eight or ten workers responsibility for their combined efforts for which a jointly shared reward is given can have positive uses in fostering interest.

Work as Public Service.—Under modern conditions of world-wide economic interdependence, workers have a right to appreciate two truths: first, that they are servants of mankind—self-respecting contributors to the world's stock of necessary goods, receiving their quota (although not necessarily their rightful one) of necessities and luxuries in return for their own contribution; and, second, that the world of consumers must put its faith in the integrity of their workmanship—a faith which if it were betrayed would cost the community dearly.

The worker in food products, for example, must not contaminate them. The workers employed in all branches of the transportation industries, from the running of locomotives to the making of automobile parts, may literally endanger thousands of lives by careless workmanship. In every direction the public is called upon to put absolute trust in the accuracy and quality of work; every worker is really upon his honor to do good work. Many workers have never seen their importance in this light; it has never been dramatized to them; their honor has never been appealed to; and one of the highest and most cogent motives to good work is consequently not fully capitalized.

The objection may be raised that it is out of the question to instill into manual workers this conception of industry as public service and of keeping faith with the consumer if the employer himself is remiss in these directions. We see no answer to this objection in those cases where employers' motives are narrowly selfish and methods of manufacture or sale dishonest. Those employers who have sowed the wind reap the whirlwind in point of employee attitude toward honest workmanship, and everyone is a sufferer.

But it is happily true that a newer conception of the purposes and ethical obligations of industry is gaining headway among employers. As fast as it results in practical conduct which the workers believe to be more honest, they can be appealed to and they will respond. No appeal stirs a deeper emotional response from most normal people than the appeal to honorable and honest service to one's fellows in reciprocity for the services supplied to them. Companies which are not trying just to make money by the sale of shoddy, useless, or meretricious products, but are avowedly trying to supply needed goods of honest quality at reasonable prices under conditions of work which take account of employee well-being, are in a position of advantage in appealing to their workers in terms of public service. And in such cases employees are entitled to the sense of personal dignity, self-respect, and interest in their work, which such a recognition can bring when it is really understood.

At present under competitive conditions and under the pressure of absentee stockholders for dividends, the number of companies which can satisfy the above requirements is undoubtedly limited. From this point of view, the public utility operating units (not the holding companies) have a unique advantage which they might press more strongly in efforts at morale-building among employees. For not only are they acknowledgedly public services at law as well as in fact, but because of this dividends and rates are both regulated so that undue employee exploitation is lessened. Theoretically, an honestly administered public utility should supply the most fertile ground for the flowering of a personnel policy that would create a high degree of *esprit de corps*. And this is true because it can supply the economic and psychological supporting background and motivation which are most likely to elicit favorable employee response and sense of more completely harmonized objectives than can usually be achieved

in "private" industry. This leads inevitably to a brief concluding mention of the relation of the ownership of companies to the possibilities of interest in work.

The Ownership and Control of Corporations.—It would be untrue to assert that there can be little or no interest in work under the present typical ownership arrangements of industry. Evidences of such interest are all about us in the devoted solicitude of thousands of individuals to their tasks. It is in one sense a tribute to human nature that, under conditions where positive motives are so little appealed to, such conscientious and interested application should take place. But there is nevertheless another side to the picture. And it is only honest to confess that, *if harmony of objectives and unity of aims among all the individuals concerned in an organization are the essential psychological condition of the best enlistment of the energy, interest, and enthusiasm of each, then the typical profit-making, absentee-owned, competitive corporation does not meet this requirement.* There have inevitably been reservations and withholdings of interest in situations where the workers have virtually no control over the terms and conditions of work, over security of livelihood, over the disposition of the product, and over the distribution of the rewards from the enterprise. Interest in work, it needs to be repeated, is in the long run related to the total satisfaction and sense of life fulfillment which the individual derives from the entire work relationship.

This is not the place to elaborate in detail the possible remedies for this dilemma. But there are a few individual companies which, *within the narrow limits imposed by competitive conditions,* are trying to face this problem of the relation of ownership to control and to the possibility of a truer attitude of cooperation and partnership throughout the working group. Such companies are in various ways trying to sell gradually the common stock control to their workers, to admit representatives of all workers to top management councils, to settle the terms of employment more democratically, to guarantee reasonable permanency of jobs and income, to encourage suggestions from everyone on better methods of production or sales. And although it may be too early to draw definite conclusions, there certainly is evidence that in such organizations the affirmative response throughout the organization is notable; the atmosphere is different; the working attitude is more intensive and interested.

Under such supporting conditions it should be obvious that, *given good leadership*, workers will gradually feel free to release and apply their creative interest within the corporate setting. They realize that they are both safe and well advised in being caught up into an identification of their selves with the group self. Their interests and their desires, as these can express themselves in their work, become truly harmonized to a considerable degree with those of the corporate body.

In short, we are in a transitional period as respects the character of the relationship of the worker to the corporation and therefore to his work. Just what changes will occur, and how, is not wholly clear. But to discuss the possibility of arousing interest in work and to ignore this basic problem of economic relationships, would be unscientific and short-sighted. That there are serious limits upon the efficacy of efforts to secure maximum interest in work under the typical present arrangements seems to us a reasonable conclusion. And personnel executives owe it to their own intellectual integrity to understand the limitations under which they labor in their efforts to foster a greater harmonizing of interests, and a more unified consolidation of managers' and workers' aims.

Conclusion.—Even so, our conclusions regarding this problem are not negative. The methods discussed above are psychologically sound. They help to broaden the intellectual and the emotional appeals which work can make to the worker. They stress the essential relation of knowledge about work to an effective working attitude. All of this can be applied to every one's advantage at once in many companies.

But in the last analysis it must be realized that the master-and-servant relationship as exemplified in the modern corporation does impose limits to the response which can be secured from employees. The psychological conditions which call out the best free-flowing response of energy and outpouring of enthusiastic commitment to projects are now well known. And sooner or later we are going to have to take account of them in providing the worker with the setting and the appeals which do conduce to self-expression, to interest, and to a true sense of happy and eager partnership in a sound enterprise.

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CHAPTER XV

TRANSFER AND PROMOTION

In the normal individual, interest in work comes from a sense of the work's inherent appeal, of its significance and value in his life and development, of the approval that it wins in the eyes of others. To secure that interest under present industrial conditions is not easy without the special provision of such policies and methods as those discussed in the previous chapter. The place that transfer and promotion may hold in such a plan deserves special emphasis, because both are means of appealing to fundamental human characteristics. Both are means of breaking a dull routine, of holding out promise of change and new opportunity, of appealing to the individual's pride of work, mastery, and desire for advancement. An affirmative policy on both has thus become a definite and important personnel function which more and more is receiving consecutive attention and giving rise to a considerable body of favorable experience.

Transfer is a shifting of workers among jobs requiring approximately equal abilities, for the purposes of securing a better adjustment of worker to work, of providing a varied outlet for his energies, or of regularizing his employment so as to supply steady work.

Promotion is an advancing of workers to new positions requiring greater ability, involving greater responsibilities, and commanding higher pay.

Unfortunately, many companies are still unconvinced that there are business values in systematically encouraging transfer. They may even believe that transfer is not feasible or desirable and that workers prefer to stay at one job; or that promotion need not be considered except at those occasional times when an executive has to be replaced. The first essential point to emphasize is that a company should have a defined policy on these two matters. The reasons why this is good business should therefore be clearly understood.

Reasons for Transfer.—Using transfer to increase interest in work by providing the opportunity to shift from one job to

another has proved of real value in a few companies. This use applies especially to jobs which are found to become highly monotonous for many workers. Not only may labor turnover be reduced in this way, but workers' zest for work can be kept stimulated and their sense of growth and personal development can be kept alive if systematic rotation is introduced. The evidence shows that the beneficial effects of this in increasing production are notable.

Wherever initial selections have been made unwisely, there is need for a definite transfer procedure in order to get the workers adjusted by shifting them to jobs they can do best and really like.

Poor adaptation may be due to other causes:

To the worker himself or to the character of the work. If the worker manifests a preference for another job, there is at least a presumption in favor of it being good business to consider transferring him.

Knowing that an employee can be transferred, if he wants to, greatly reduces the number who leave without notice and increases the number who are content with their jobs because they know they can change if they want to.¹

There may be "dead-end" jobs that lead nowhere at which it is unfair to hold the worker beyond a given period if the work or the pay offers no future.

There are other jobs from which transfer should be provided on health grounds. If it is found that work brings on special strains or predisposes to certain diseases, the worker should be required to transfer before the exposure has become hazardous. In a few companies the employment and medical departments jointly set a time limit on jobs where there is likelihood of occupational disease, as, for example, in sand blasting, curing hides, certain processes in rubber manufacture, or in contacts with, and exposure to, poisonous materials. At the close of this time limit the employee is reexamined physically to ascertain if transfer is necessary. In an extremely noisy department of a large rubber concern workers are examined at frequent intervals and those showing slight defects in hearing are transferred.

Another important reason for transfer may be lack of work in the department where the worker is originally placed, due either to a slump in orders or to seasonal fluctuations. In such cases the

¹ MEINE, FRANKLYN, unpublished lecture at Harvard Graduate School of Business.

desirability of providing ways to keep on as large a body of trained workers as possible will be seen at once by the personnel manager who under the old method had to build up the force afresh each season.

There are also reasons of personal maladjustment between foremen and workers or among a group of workers which make transfer beneficial to shop harmony. Where people do not hit it off together, there is every advantage in rearranging the personnel until a more companionable grouping is secured. Sometimes these personal animosities are racial in origin, and such racial prejudices should to a large extent be respected. A final reason for transfer is to adjust older workers for permanent retention in the company after they have shown themselves unable to keep pace with the work they previously have done. A good many organizations have found it possible successfully to make such transfers to lighter work at lower rates of pay; and certainly such a policy is to be encouraged instead of dismissal.

Reasons for Promotion Policy.—There are important business reasons for definitely formulating a promotion policy. These benefits will reflect in the temper of the organization as a whole, in the efficiency with which the employment department operates, and in the attitude of the employees. In the first place, a promotion policy which is understood by the employees is a concrete expression of the management's recognition that employees do grow and develop and aspire to new and larger employment opportunities. In the second place, this policy will encourage the ambitious and able individuals to come to the front and take advantage of whatever training for understudy positions may be offered to promising individuals. In the third place, the intelligent pursuit of this policy may reduce labor turnover by enabling workers to step up in the organization rather than step out when they feel that they have reached a stopping place at their particular position. In the fourth place, the policy of promotion from within will, other things being equal, spur the entire organization to its best effort and also assure that new executives are familiar with the policies and personalities of the organization with a minimum of time wasted in adjustments to the new position. Finally, it is often possible, where there exists a well-conceived plan of job classification and job grading, to make one necessary promotion lead to a whole chain of promotions down the line with

a net reduction in payroll because the newly promoted worker enters a new class of work at its minimum rate of pay.¹

For all these reasons, a promotion policy should have the result of increasing the sense of corporate unity among the benefited individuals, to say nothing of the fact that it definitely capitalizes for the company's benefit the experience and technical knowledge of the people who are advanced.

Prerequisites of Effective Transfer and Promotion.—All systematic plans of transfer and promotion presuppose that the employment office is responsible for supervising their administration in close and constant conjunction with major executives and department heads. In the production departments the actual order for transfer and promotion should be issued by the production manager's office, but it would come often at the instance of the employment office.

This necessitates careful follow-up of workers by the employment manager in order to be sure that they are properly selected for their new work, in order to discuss with foremen candidates for promotion, in order to arrange transfers in accordance with a prearranged schedule, in order to be sure that the two affected departments and the workers themselves are agreeable to the recommended shift.

All work of adjusting employees into the most suitable positions, all planning of transfer, and all promotional charts must be based on intimate knowledge of the content of jobs and on their place in a scheme of relative worth of jobs after job classification (see Chap. XVII), if the results are to be most satisfactory. Job analysis, or in its absence the less intensive job specifications, are needed for each position. For it is essential to know the precise nature of the abilities and the relative amounts of ability which the several jobs require. Job specifications and charts of job classifications also throw light on the similarity of jobs, and on the fact that similar training may be utilized at different jobs.

Methods of Transfer.—Some firms, in order to place the worker to best advantage, secure on the application blank all possible information about the applicant's previous work, special talents, and interests. From the point of view of offsetting the deadening results of machine tending, a policy of transfer requires a schedule of maximum time limits beyond which workers are not kept

¹ See "Handbook of Business Administration," p. 875.

on jobs. For example, after study of the operations, a factory might plan to rotate all the workers at certain jobs with not more than a six months' stay at each.

Such an arrangement, of course, should be administered with a good deal of flexibility; for it requires some readjustment in the mental habits of executives and workers; but once under way its stimulating effect on all has proved to be tremendous. For one thing, such systematized transfer demands more extensive, as well as perhaps more intensive, training. The policy of requiring new workers to learn several operations at the start is in line with this suggestion. This has been found exceedingly helpful in plants where seasonal fluctuations make it necessary for employees to work in several departments if they are to be sure of consecutive employment.

A few plants have developed the flying squadron idea among their manual workers. The plan is to select a group of from a dozen to two dozen workers, who have worked through the several processes in a plant and demonstrated their versatility, and make them a team which can be turned temporarily into any department where production has slumped. In fact, a position on the squadron is frequently regarded as a promotion in honor or earnings or both.

Workers' Attitude toward Transfer.—Managers have occasionally found that workers are not enthusiastic about a systematic policy of transfer as an offset to the routine character of their work. The reasons for this inertia should be apparent. It may be due to lack of varied training; knowledge that earnings may be temporarily reduced immediately after transfer; general unresponsiveness due to long continuance at one job in the course of which the worker has lost his resilience; or, finally, to a mental constitution which loves routine and hates to change even when that change might in the long run benefit the individual. All but perhaps the last of these causes may be met by definite personal attention and instruction.

Particular care should be taken that wages do not suffer a reduction after transfer. While some managers and department heads may wonder why they should not leave alone workers who have become incapable of demanding some variety in their work, the answer is that for the younger workers, at least, the long-time results of such routine will prove deadening to their initiative, energy, good will, and interest. The values of youthful enthusi-

asm are quickly lost if the newcomers find that work holds no future and no interest. Therefore, the executive who understands human nature will appeal to its creative side by encouraging transfer even when he meets with actual indifference in its introduction.

Methods of Effecting Promotion.—One practical step in caring properly for promotion is to prepare charts carefully outlining the possible successive steps in advancement which the workers in each department may take. The charts should indicate definite lines of promotion within and between departments, so that every employee can see what opportunities for responsibility and increased reward are before him, if he makes good, and can find out what special training he requires before he can advance.

These opportunity charts should be based on detailed job specifications, since, in order to grade jobs scientifically, the employment department has to know the content of the different jobs and the necessary qualifications of the individual workman. A graded classification of occupations for advancement shows the worker the particular relation of the job he occupies to the one next in line for which he may qualify.

Some concerns encourage employees to become acquainted with the duties, responsibilities, and opportunities of jobs closely related to their own. The opportunity to advance from one position to the next logical step leading ahead is made to act as a real and wholesome motivation to good work.

The charts, of course, must present a true picture. Where promotion depends upon special training and superior ability rather than upon mere length and faithfulness of service, that should be frankly stated. For possibilities of advancement may easily be overstated and false hopes be unfairly raised. In general, the ratio of executive to operating jobs is around one to ten, and the factors of time, chance, death of higher executives, etc., necessarily play a part in determining when promotions may occur. It is just as bad to excite unrealizable ambitions as it is to offer no incentives at all.

Promotion as a general policy should go hand in hand with definite instruction for higher positions. Much of the elaborate training of large corporations is really directed to the discovery of talent for promotion and cultivating broad executive capacities where found. Eagerness for advancement and youthful ambition are, managers should remember, no substitutes for real knowledge

of the policies and methods of the company and of actual ability to act in an executive position. A thorough promotional policy presupposes a systematic training policy. This may take one of several forms. It may be a definite method of personal understudying, of personal contact and guidance by the personnel department with selected workers, or of training programs worked out with executive promotion possibilities as the objective.

Even with such training procedures there will be much lost motion if care is not taken in selecting those who are most likely to profit by courses and special training for promotion. Selection for executive work and for positions of increased responsibility could in many cases be vastly improved by the careful use of special records and tests. The use of intelligence tests and rating scales to meet this need should be carefully considered. Actual performance records are also important in this connection, although the fact that an individual is proficient at one type of work does not necessarily argue that he will be equally proficient at a more advanced type. What is rather to be looked for in such records or ratings is the quality of the worker's effort, his faithfulness at the job, his attitude toward the company, and his leadership qualities. In companies where jobs are carefully classified by name and graded in order of their wage worth, the accompanying periodic rating of individuals supplies an excellent means of making it possible for them to realize the promotional opportunities within their own class of work and to other work. The policy of periodic rating is now followed by a considerable number of companies with beneficial results both in better knowledge of opportunity for advance and consistent corrective and training work on the part of those rated.

One formal training procedure in preparation for executive promotion is the flying squadron idea. Under this arrangement as used in a number of large companies, young men work a given number of months in each department, after which training they are advanced to a minor executive position from which their rise depends on their own demonstrated ability.

The method of requiring many key executives to assume some responsibility for training an adequate understudy for his own position is valuable in large organizations as opening up promotional opportunity and as sound organization policy. Foremen, factory superintendents, store department heads, and buyers should be helped by the personnel executive to select and keep in

readiness men who can do the bulk of their work whenever they must be away and who can succeed them if they leave.

Many firms are now definitely encouraging employees to apply for higher positions for which they believe they qualify. One prominent company encourages its employees to fill in a "better advantage notice," realizing that some among its men may be working out of their regular line or trade. Every employee is asked to list his qualifications for other jobs than the one he is doing, the extent of his previous experience in other work, and his estimate of what he would like to do or can do better. This notice is given to the foreman, who may transfer or advance the employee to more suitable work or communicate the worker's desire to the employment department. Among the drill press operators, for instance, the company found a Swiss watchmaker for whom the manager thereafter got work at his own trade. Again, the heat-treating department needed an expert fire-brick layer and found such a man running a drill press. He was a master at his trade of fire-brick construction, and the company made him general inspector of furnace conditions and repairs.

Some companies issue booklets describing the opportunities at the several positions and encouraging workers to undertake special and specified study for them. Other companies, when an opening higher up occurs, have the excellent plan of posting notices throughout the organization asking for applications. This method has several interesting consequences. In the first place, the ambitious workers are usually identified, if they have not been already. Also where there are several candidates for one opening, the process of final decision can be made an excellent occasion for personal educational efforts with the rejected candidates. If by such personal advice about their limitations or deficiencies they can be encouraged to correct them by conscious study or an improved attitude toward their work or their fellows, such candidates are often brought to a point where they qualify for subsequent advanced openings.

Whatever method is used, if the ambitious and capable worker can become convinced that the company is on the look-out for executive ability and will grant promotion where it is merited, a highly desirable atmosphere of earnest application will develop.

Properly conceived, promotion does not necessarily have to be in terms only of larger earnings. A new position with more varied or more interesting work, with greater responsibility and greater

prestige, may properly offer a wholesome incentive—especially among salaried workers where earnings are above a subsistence level. In the shop, on the other hand, promotion may have to be more largely in terms of higher wages than of a change in work. The important thing is that there be agreement throughout an organization as to what changes in work or pay shall be esteemed as promotion; and that then there shall be some organized recognition by fellow-workers for those who do secure the advancement.

Promotion to Outside Positions.—When everything possible has been done, however, to open up promotional chances, some firms will have more aspirants for advancement than they have positions. This has been found to be especially the case in department stores and commercial organizations. In such cases the value of a policy of promoting “up and out” should be considered. A number of firms have, for example, found that they get the benefit of workers’ interest, energy, and zeal sufficiently in a few years under such a policy to make it pay them to help their workers after that time to secure higher paid positions elsewhere. Especially where cooperative relations may be established among the employment departments of a number of firms, there is no doubt that promotion “up and out” may be practical, profitable to all concerned, and a spur to new interest.

Special Problems of Those Promoted.—From an effective training standpoint, it will not be sufficient to leave a newly promoted worker, whether he goes up to an executive position or not, without some subsequent oversight and assistance. Especially in the cases of promotion from the ranks to positions of direction over others, the new executive faces numerous problems not before encountered. What shall be his attitude toward former fellow-workers now under his supervision? How familiar should he be? How strict must he be? How and where shall he learn of executive details with which he is unfamiliar? These are samples of the questions he often does not dare to discuss openly with anyone. Yet no prior formal training can fully dramatize the psychological strains to which he may be subject. And it becomes a definite responsibility of the personnel workers to help him by guidance and encouragement over the period of his novitiate as an executive.

The period of successful adjustment to new and more difficult positions can be minimized only when one’s new colleagues as well as the training director cooperate in supporting the new

status of the one promoted. This aspect of a promotional program deserves far more attention than it gets in many companies.

The Limits to Promotion.—There is in many organizations room for much more promotion from within than now occurs. Many managers and foremen confess that they hold a worker at his position if he does his job well. There are, aside from this attitude, other definite limits to the promotional opportunities. As already suggested, the organization of work in a modern enterprise strictly limits the ratio of directive to manual workers. It is equally true, on the other hand, that many organizations would profit by a somewhat higher ratio of supervisory to actual labor than is now typical.

Many managers and foremen have found that workers in the ranks resist the opportunity to take minor executive positions because of the responsibilities entailed. Whether or not it is advisable in the individual case to encourage and urge such men to make the change can be decided only with full knowledge of the facts. However, there are in most organizations enough ambitious younger workers to make it worthwhile for managers to try to open up in every possible way opportunities ahead into which they may advance.

Where *seniority* is the sole basis of promotion, there may be an arbitrary limit upon the advancement of young men, which is a serious check to ambition. The object sought in most seniority plans is, however, the laudable one of assuring continuity of employment for the older workers, rewarding their faithfulness and presumable superior ability due to long service, and encouraging workers to remain with the company. These ends, however, usually may be better secured in some other way than by a seniority plan inflexibly adhered to. What is really needed in most corporations that use this basis is rather an adequate pension plan, definition of standards of a fair day's work, joint determination of the conditions of discharge, and joint recommendation of the candidates for promotion on a basis in which capacity figures equally with length of service. Seniority may, in certain cases, constitute a fair basis for advancement; but the complicating factors are so many that it is usually an unsound policy to rely on it exclusively for determining advancements.

Conclusion.—Both transfer and promotion, if they are to be pursued as consistent policies, will require courage, insight, experimentation, and patience on the management's part. But

recent experience in numerous companies proves that such policies are good business and integral parts of a good personnel program.

Success here requires careful supervision and full support from the line executives. It requires special training contacts and efforts both before and after the shift has occurred. A sustained transfer policy is at present harder to popularize than one regarding promotion; yet the need for it seems patent. Promotion policies and procedures are well established and of tested worth. The objective in both cases is similar: to adapt people to positions with maximum effectiveness; to stimulate energy and interest; to provide an incentive for growth and development. To ignore the gains possible from striving to realize these aims is to lose one of the invaluable morale-building factors from which every establishment should profit.

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CHAPTER XVI

SHOP RULES, GRIEVANCES, AND DISCHARGE

This chapter considers the several topics which relate closely to the maintenance of order and good conduct in the organization—shop rules, absenteeism and tardiness, individual delinquencies of all sorts, grievances, and discharge. All these matters affect the permanency and the effectiveness of the personnel; and they are matters which must be handled with consistency, deftness, fairness, and wisdom, if results are to be satisfactory.

These problems should not, however, be thought of in misleading isolation. The proper conduct of selection, of training, of methods of arousing interest in work—and of several features still to be discussed such as the setting of production standards, wise payment plans, and employee representation methods—all are indirect supporting aids to morale, orderliness, and good discipline. And all of these it should be possible throughout this discussion to assume as being in effect. The kind of people who compose an organization, the attitude toward it they have built up, the working habits they employ, the kind of supervision they experience—if these and other factors are not given careful attention, the problems here considered may assume wholly unnecessary proportions.

Nevertheless, certain specific procedures do in this connection require special consideration.

The Educational Motive.—One fundamental emphasis should underlie the entire managerial and supervisory handling of the disciplinary problem. It should be administered *with the educational, preventive, and positive attitude uppermost, rather than the corrective or punitive.*¹ This means that all executives should be continually reminded and stimulated to assure that their handling of human adjustments is animated by patience and reasonableness. The handling and disposition of each case should aim to

¹ See in this connection the chapter on *The New Discipline*, in TEAD, O., "Human Nature and Management."

leave each employee more understanding and cooperative. The arousing of permanent resentment is sure proof of the wrong handling of a disciplinary problem. Rather, each case offers a genuine chance to find out what gave rise to the difficulty and how its recurrence can be avoided, both in relation to the individual and in relation to conditions in the organization. Thus only can the best educational and preventive results be obtained.

Correction of misunderstandings requires in every instance that the affected individuals be brought to examine coolly the facts and the issues, be ready to admit it when they are at least partially wrong, and be ready to correct their mistakes as far as possible.

The time is past when disciplinary difficulties can be solved by high-handed and arbitrary managerial decrees. It is a sound dictum of industrial no less than of political philosophy that "only an unmitigated despotism demands that the individual citizen shall obey unconditionally every mandate of persons in authority."¹ The time has come when from a business point of view the control of internal organization affairs must be considered by management and workers *together*.

An important part of all training work is to make plain throughout the organization the common interest of all in an orderly and law-abiding setting. There may indeed be issues on which workers and management will find themselves at odds, such as over pay and hours. The management may also want rules which confine the worker narrowly to his work place. The workers may seek more latitude in conduct than the management believes expedient; but once agreement on regulations is reached, it is in the common interest that they be adhered to by all. A reasonable degree of "law and order," promptness, and subordination of individual whims is a necessary condition of organization efficiency. Work of any sort presupposes for its effective doing a freedom from undue interruption and distraction, a regularity of attendance and effort, which in the long run benefits all.

This problem of securing a proper balance of individual and group prerogatives is usually spoken of as the problem of discipline. Words are such subtle instruments that emphasis on the disciplinary aspect usually seems to imply autocratic dis-

¹ MILL, J. S., "Considerations on Representative Government," Chap. II.

cipline. Many foremen still have on their desks the motto: "If you want to know who's boss around here, just start something." This is manifestly the wrong note. It develops the opposite of the educational attitude.

In treating disciplinary problems, executives are working in the psychological realm where attitudes are all-important. For attitudes on one side breed corresponding attitudes on the other. Arbitrariness and firmness on the part of the management give rise to caprice, obstinacy, and fear among the workers. Reasonableness, patience, sympathy—these occasion a response which is in the same temper. The time has come, as one wise executive has said, to shift the emphasis from authority to responsibility. When it is made clear what is expected of the worker and what obligations have been laid upon him, the temptation to infraction of prescribed regulations is greatly reduced.

Company Rules.—Every organization has certain rules which it is in the common interest to adopt and adhere to. Such rules usually relate to the following subjects: attendance and records of attendance, safety and the observance of safety rules, health and the observance of hygienic precautions, matters of personal conduct like falsifying records, drunkenness on the premises, sex irregularities, profanity, fighting, stealing from the company or other workers, smoking, and special rules required by the nature of the work.

It is important to consider how such rules should be formulated and adopted; how workers should be acquainted with them; how they should be enforced—which involves the question of penalties and fines.

There have been in the experience of many plants three stages in the development of control. Originally, the management itself formulated the rules and posted them on the bulletin boards. Presumably, the workers read these rules; and continuance at the job was taken to mean their agreement to abide by them. This is, of course, the most naive way of trying to assure good behavior. It tends only to assure a nominal observance of rules, while the management is watching. Not knowing why existing rules are in effect, workers see no reason for inconveniencing themselves to carry them out. This method ignores the training motive. The appeal is, implicitly at least, to the fear motive; and it has all the weaknesses that the appeal to fear

usually creates—sullenness, stubbornness, and desire to “get away with” infringements just for the adventure.

The second stage in the effort to secure effective control has been to give over to the personnel department the formulation of rules. This presumably results in a more mature consideration of the reasonableness of, and necessity for, such rules as are adopted, than is the case when no expert executive devises them. Moreover, it supplies a method of transmitting rules to the workers, since it is a frequent practice to include all regulations in the employees' handbook, edited by this department, and given by it to every employee.

The third stage is to *make the formulation of rules a subject for conference with workers in shop committees*, or with labor unions if there is a collective agreement. Where either of these instruments of joint dealing exists, it forms the natural agency through which problems of company regulations should be considered. For it is only through the development of self-control and voluntary acquiescence in rules that permanent social control can be obtained. Indeed, so essential is some organized expression of the workers on these matters that, where no employee representation plan exists, we would recommend one if for nothing else than for this purpose of helping to draw up, adopt, and enforce the company rules and to consider individual and group grievances.

Formulation of Company Regulations.—The company rules are, it should be remembered, the local ordinances of industry; and if their essentially legislative character is borne in mind, managers will come naturally to the following conclusions:

The character, scope, and content of rules should be agreed to by the workers or their delegates. If such agreement is not definitely secured and the workers find any of the rules unreasonable, they will be restive under them and reluctant to observe them. Indeed, the mere fact that they are laid down by some one else is sufficient reason for many people to object to them; whereas they will willingly enough subscribe to even more stringent rules if they themselves have a hand in framing them. Enforceable legislation in industry, as elsewhere, is based upon the voluntary consent of the governed.

Rules should be as few, as simple, as reasonable as possible. They will thus the more readily command the understanding, the loyal assent and observance of all.

Rules should be well advertised to all affected by them. No one method of publicity is alone sufficient. The bulletin board should be used, likewise the company magazine, the employees' handbook, inserts in the pay envelope, and patient verbal conferences with any illiterate workers.

Penalties imposed by rules should in the same way be agreed to in conference and be made known to all.

Finally, there should be some definite agency within the organization to which the employee can complain or appeal if he feels that he has been wrongly accused of breaking a rule, or that some mitigating circumstance warrants an exception in his case. This agency should have the employees' confidence. Its function should include the most careful review of the facts no less than the judicial one of rendering a decision—subject usually to a specified procedure of appeal.

Enforcement of Rules.—How should rules be enforced? The usual threat which is held over the worker's head is discharge. We shall consider this method presently. Some companies impose a fine for loss of tools or identification badges; in some cases an individual "progress record" is kept, and all breaches of rules are noted thereon. This record is then taken into account in determining pay advances and promotion. Other companies adopt a more positive policy and reward faithful observance of rules by an occasional half-holiday, a longer vacation, or a bonus. The use of money fines and penalties should, in general, be kept at a minimum. The tendency today, where a severe reprimand has admittedly to be administered, is to give it in terms of suspension without pay for a length of time dependent on the severity of the offense. This is usually regarded by the worker as a most unwelcome punishment, only less serious than discharge itself.

The personnel executive, in the absence of more elaborate provisions, usually acts as the management agent in administering the enforcement of rules and penalties. But with the extension of employee representation plans, the provisions are usually altered. For once employee representation exists, any interpretation of rules or imposition of penalty which is felt to be unfair will be immediately taken up by a joint committee. It may be objected that such delegation of legislative or judicial power to a body on which employees constitute half the members invites a condition of insubordination and weakened executive authority.

Experience does not confirm this fear. Rather, it has shown in the shop committees thus far handling disciplinary matters that when employees are given responsibility they are likely to exercise it more vigorously upon themselves and their fellows than they would tolerate its exercise by another. Group discipline, when it is not suddenly thrust upon a group, can always furnish a more resolute and insistent control than discipline imposed from without. Also, it is vastly more educational.

The management must usually take the lead in bringing about a mutual recognition of the value of order, system, and promptness. It must be leadership, however, in a joint enterprise—the joint enterprise of assuring proper shop control.

It is but poor education that associates ignorance with ignorance, and leaves them [the people] if they care for knowledge, to grope their way to it without help and do without it if they do not want it. What is wanted is the means of making ignorance aware of itself, and able to profit by knowledge; accustoming minds which know only routine to act upon and feel the value of principles; teaching them to compare different modes of action, and learn, by the use of their reason, to distinguish the best. . . . When we desire to have a good school we do not eliminate the teachers.¹

In the rules of many companies violations of certain rules entail absolute discharge. Definite and firm treatment of flagrant dishonesty, immorality, and willful disobedience is certainly necessary. But it is important here to remember that a man should be tried by a jury of his peers, should have the chance to speak fully in his own defense, and should be considered innocent until his guilt is established.

It should further be remembered that the blackmarking of a man for a first offense may debar him from securing other employment in the locality. Justice may helpfully be tempered with mercy since the prerequisite of reform is not a creating of distrust among other workers and employers, but a disposition to give the delinquent another chance to make good.

Moreover, when any serious offense against the statutory law has been committed, the company should not forget that, unless satisfactory adjustment is immediately effected, the state and not the employer is the one to see justice done.

In short, our conclusion regarding the exercise of discipline and correction is that *it is most effectively administered by a jointly*

¹ MILL, J. S., *op. cit.*, Chap. XV.

representative body of management and men. There must, however, be genuine leadership supplied by the management in these affairs. It must make all relevant facts available; it must explain initially the reasons for specific regulations; it must see that individual cases are handled without prejudice or favor; it must be on the alert to discern when maladjustments or offenses are due to individual pathological conditions which really require psychiatric treatment rather than penalizing. Under such conditions of alert guidance from the personnel executive, the more democratic method of administering discipline proves in the long run to be the most salutary.

Absence and Tardiness.—Reduction of absence and tardiness requires, in the first place, knowledge of their causes. This is not obtainable without a close check-up of each instance, which is secured in some companies by having each absentee and all workers who are tardy more than three or four minutes report for work *via the personnel office*—a practice which automatically tends to reduce irregularities in attendance. When, as is done in several companies, chronic delinquents are brought before a committee of workers, the amount of lost time is found to fall rapidly.¹

A procedure of absentee control should include an absence record sent by each department head to the personnel office within half an hour after starting time each morning. This record should contain the name of each absentee and should as a matter of routine go in duplicate to the employment office, the nurse's office, and the planning department. Absences can thus be looked into before the worker returns, and the day's assignment of work be rearranged in accordance with the attendance.

Follow-up of absences involves one of those delicate points of procedure in which almost everything depends on how it is done. A visit by a company representative to the absent worker's home on the second day of his non-attendance may be a kindly and considerate act of inquiry and proffer of help, or it may constitute an objectionable intrusion into purely personal affairs. It is probably desirable to follow up absentees by personal visits; but the good will of the working-class community will only be retained in the long run if the visit is made by a kind, tactful, and discreet woman nurse whose natural first concern is a solici-

¹ See Industrial Relations Section, "Reduction of Absence and Tardiness," Princeton, N. J.

tude for the health of the absent worker and of his family. If the worker is not sick and if he or his family do not *volunteer* information as to the reasons for the absence, the nurse's work as an agent of the company should be considered finished. If the worker wants to look elsewhere for a job, if he wants to go shopping, if he has earned all he cares to in the week, that is his concern; although he stands, of course, to receive any consequences of unexcused and unexplained absence which may be set forth in the company rules. It is, of course, a legitimate and often necessary work of management to endeavor to educate employees into more responsible and more regular working habits.

A drive to reduce absence and lateness will often disclose other remediable causes besides sickness. Inadequate transportation, unwholesome recreational provisions, poor housing accommodations causing poor sleep, cumulative fatigue—these are all possible contributing causes which demand careful attention.

Positive work in bettering attendance can also be done by giving conspicuous notice and public mention to those who are regular in attendance. By this sort of public record an emulative spirit between departments can be usefully encouraged. Much can also be done in the direction of encouraging workers to notify the company both of contemplated absence in advance or by telephone on the day of absence if it is suddenly required. Many companies, because of its beneficial effect on attendance, justify the provision and loan on rainy mornings of dry shoes and stockings, and on rainy afternoons of umbrellas and rubbers.

Attendance at times is used as a factor in payment; but that such recognition should take the form of an attendance bonus seems an unduly artificial and unsatisfactory method of securing something which the management has already contracted for—namely, the regular attendance of its workers. It is usually poor policy to give special rewards for fulfilling obligations which it is in the nature of the agreement to carry out.

Full and regular attendance is like other items in sound management in that it is important but should not be a fetish. When executives refuse to send a sick girl home, when they send a "strong-arm" man to corral absent workers, when the worker who is a few minutes late is made to lose a whole morning's work, when sick employees are encouraged to return to work before full recovery, regular attendance—which is really a means—is being unwisely made an end.

Moreover, it should be remembered that in some cases absences may be a physiologically sound "defense mechanism"—dictated by the worker's feeling that he is "fed up" on work and needs a change. Any company which pursues a vigorous policy on regular attendance should consequently be prepared to adopt the essential supplementary policy of regular holidays and vacations. For, although it is important to be able to count on the worker's presence when the company is running, managements must realize that under present conditions regular attendance for three hundred days a year is likely to be for the average human being a serious tax on his powers of application.

In general, it should be possible to keep the absence rate at a maximum of 4 per cent of the workers; and lower than that under healthful conditions should easily be attained.

Grievances.—A grievance is an evidence of some temporary misunderstanding and maladjustment in the relation of the worker to the company. It can be treated in one of two ways. It can be ignored—in which case a sense of thwarted, suppressed, and antagonistic emotion tends to develop. The original cause of the maladjustment tends to be magnified or distorted and, if other grievances occur before the first is corrected, a progressively intense, sensitive, and unreasoning conviction of ill-treatment is fostered. Nothing tends to create a more unfavorable atmosphere among employees than an accumulation of unheard, unrecognized, and uncorrected grievances.

The second method of treatment is, therefore, the only safe one. Let in the light, air, and sunshine upon all grievances! Let everyone get every critical comment or complaint off his chest at once. Keep the air clear and the atmosphere free of any vague uneasiness. This can be accomplished in only one way: Have an organized channel of communication between the workers and the management through which the worker can make his grievance heard with confidence that it will be promptly and constructively considered.

This provision will be effective to the extent that it displays fairness in operation and thus retains the workers' confidence.

There have been several theories as to the best ways of handling employee maladjustments. The first is the theory of the manager's "open door," a relic of the days when the majority of shops were small, an attitude which finds expression in the sentence "my door is always open and any worker that has anything on

his mind can come right to me." The possible success of this method of treating with employees depends on several factors. The manager's fairness and equanimity of temper must be assured; and he must be easily available. The worker must know that this channel exists; he must dare to use it; and if he uses it, he must know that it will not prejudice him with his department head. Question also arises as to what is to happen when all workers desire to press the same demand but find, as is usual with the "open door" theory, that the manager "will treat with the men as individuals but will *not* receive a committee." There are, in short, too many qualifying conditions to assure that all complaints will readily find their way through the "open door." If they do not, a congestion of ill will may develop which has positive dangers.

The second way of handling complaints is through the personnel department. The personnel department can play an important part in collecting the facts regarding every grievance considered; and frequently it can effect a settlement of minor, personal frictions which need not take the time of other executives or of a joint committee.

This department, however, in certain cases is being asked to serve as *the* channel of communication with the workers, as the medium of conciliation and the employees' spokesman. The members of the personnel department are in this view expected to move about in the organization, mingle with the workers, listen to their comments, and establish a cordial relation which makes the personnel worker the natural confidant of the worker in trouble. We have throughout these pages urged the necessity for personal contact between management and men; but to carry this idea to the extreme position which makes of the executives in charge of human relations *the* agents for grievance consideration, or the "mouthpiece of the employees," is radically to misconstrue the function of personnel administration. The personnel manager rightly conceived is *one of the management*. True, he is that one in the management presumably best equipped by insight, special training, and experience to understand the workers' point of view and desires. But the same limitations upon communication between managers and men which apply to the "open door" theory apply also to the *exclusive* use of the personnel department for this purpose. It is still implied that workers know the channel, dare to use it, can use it without

prejudice, can use it with expectation of prompt and fair action. It is still assumed that there are no grievances or demands which are a group affair, that in all matters affecting his relationship with the management each worker is concerned only as an individual. It is assumed, moreover, that some managerial agent can speak for the workers better than they can speak for themselves.

It has probably been true that some personnel departments have been introduced with a desire to find out in any possible way what the workers were thinking; to be, in other words, a high-grade department of information. This is definitely an exploitation and a misappropriation of the true conception of personnel administration; and any management which requires the workers of its personnel staff to become informers is grossly misconceiving their function. It is true, of course, that the existence of a personnel department, the personal contacts which its members will soundly establish, the point of view which it espouses, all tend to make recourse to personnel workers the logical course for many aggrieved employees. A personnel department can and does keep its finger on the pulse of employee sentiment and handle with individuals and with their department heads many matters which quickly remove minor frictions. But all this implies a different function and attitude from the unsound view that personnel workers shall be what amounts to tale-bearers. It comes unpleasantly close to the third method of getting at grievances which we shall presently consider—the hiring of outside detectives.

There has in recent years developed an interesting variant on the idea of the relation of the personnel department to employee complaints, which should properly be mentioned here. We refer to the procedure in a few companies of canvassing systematically and openly among employees as to their attitude toward the company and their comments upon working conditions, etc. We have already indicated (in Chap. XII) how this method has been used to provide case material for supervisory training. Its immediate purpose, however, was to learn employee sentiment at first hand. In some instances this personal canvass has been handled by the personnel department through trained interviewers who were committed to securing data without revealing the individual sources from which they came. And in other cases it has been done by an outside consultant retained

for this specific purpose. It has been surprising to see in both cases how freely employees have talked and how many difficulties have been brought to light. There can be little question of the value from the management's point of view of the expressions of critical comment secured, most of which have formed the basis for immediate and helpful changes of procedure or conditions. In the absence of any other method of intercommunication, this has under tactful handling proved a useful feature.

The significant fact is, however, that in every instance of this sort which has come to our attention *there was no employee representation plan* or other organized joint method of grievance discussion available. Without attributing motives, it almost seems as if this canvass of employee opinion represented a compromise regarding or a side-stepping of the issue of the utility of genuine employee representation. As will presently be shown, this last seems to us to be the most logical and soundly conceived method of handling complaints; and such procedures as the employee canvass seem temporizing and temporary efforts to postpone the day when the introduction of an organized joint plan of conference will be inevitable. It is for this reason that, despite its immediate utility in the instances just cited, we do not propose this procedure as an important advance in personnel technique which merits wide extension.

One further aspect of the personnel department's relation to grievances deserves mention here. The problem of *handling executive grievances* becomes a serious one as the size of a corporation grows. Testimony is general that, among foremen, department heads, and executives all the way up to the top, it is almost impossible to eliminate hampering and disconcerting jealousy, nepotism, false gossip, overweening ambition, taking credit for the work of others, and the like. Corporation politics in too many cases plays a far larger part in disrupting executive morale than is usually acknowledged. There is certainly no royal road to the elimination of all this, human nature being what it is. But we do believe that an alert, sympathetic, and discreet personnel executive has the task of encouraging executives to accept his services as a father-confessor. The need for a chance to talk things over and clear up unfortunate personal difficulties is tremendous in many large companies. And the personnel manager who is of a calibre to be effective in such a role can perform

an invaluable service to his company and to the individuals who yearn to share their troubles with a trustworthy listener.

Getting back now to the third of the possible methods of handling employee grievances, we find the use of hired detectives still resorted to in some corporations. Some managers have defended this on the grounds that otherwise they could not find out what foreign-speaking employees were thinking and saying. There is a vague fear of "reds," of agitators, and more especially of efforts of union organizers to unionize the workers.

Experience seems to us conclusive, however, that *there are no problems of employee conduct and contact on which the management cannot itself discover employee sentiment better than by the use of detectives*. Their presence in an organization is soon learned; and at that point every worker begins to be suspicious of every fellow-worker. Without qualification, *the presence of detectives can create more suspicion, ill will, and distrust in a month than all the activities of a personnel department can banish in a year*. What the detectives learn may be the basis of laudable corrective effort on the management's part. But in the majority of cases that effort is foredoomed to failure in helping to secure better relations, because the workers know that they are not trusted, that they are being spied upon, that any spontaneous efforts at self-protection and self-improvement will be immediately suppressed. And where people's native self-respect is not being appealed to, no fundamental benefit can possibly result.

There is the added fact that investigation has disclosed many instances of detectives working deliberately to stir up trouble which they might then be paid for allaying. They may so easily be tempted to become *agents provocateurs* that on this one score alone the hazards are not worth the gains. Also, of course, the fact that managers would resort to this devious method shows on its face a wrong executive approach to the problems of dealing with employees. And no better approach can be inculcated until the hired informers are thrown out and positive efforts are commenced which take account of the legitimate desires of the rank and file.

The most fruitful and psychologically valid course in dealing with employee complaints is the use of an employee representation plan—details of which are discussed more fully in Chaps. XXVII to XXIX. Experience with the introduction of hundreds of such plans has now extended over a dozen years. And it is

conclusively in favor of this as a sensible and effective way of keeping constantly open a recognized channel of management and employee interchange of ideas and desires. At the meetings of such bodies, employee grievances, major and minor, individual and group, are naturally and unreservedly voiced. Where these are serious, involving terms of employment for large groups, there may, as we shall see later, be limitations on the ultimate effectiveness of this method. But in all less formidable issues, experience shows that a full hearing, fair play, prompt efforts to correct troubles are the usual result. Furthermore, in the effort to assure justice, many plans include provision for a stated line of appeal to some agreed ultimate adjudicator.

In fact, even in the relatively few cases where employee committees are supplemented by collective dealings with labor unions, much of the personal adjustment work in giving effect to the terms of the collective agreement is usually best handled within the single company.

In short, grievances and complaints cannot be ignored. Often they are trivial and easily dealt with. But *there must exist an organized agency and procedure, known to all workers, trusted by them for fair dealing, and possessed of power to act promptly to correct acknowledged adverse conditions.* In the usual employee representation plan many companies have found an effective agency which satisfies these requirements.

Discharge.—From the worker's point of view, discharge represents the ultimate in penalties. Normally no punishment or disaster can approach in severity and possible hardship the resort to discharge. For the possession of a job, it should always be remembered, is the manual worker's key to a livelihood for himself and family. Too much care can hardly be taken, therefore, to see that discharge takes place only when there is the fullest justification for it. How, then, should the discharge procedure be handled to assure that justice is done to all?

Four general types of procedure are in view. The first, and now largely discredited, method is to leave the matter wholly to the discretion of each department head. This has been shown to result in hasty, ill-advised, and prejudiced handling.

The second method is to allow a department head to discharge from his department (if he cannot be persuaded to allow the worker another chance) but to allow final discharge only through the personnel department. Experience has demonstrated that

this centralizing of the discharge function almost always reduces the rate of discharge to an astonishing degree. For many workers, even if unsatisfactory for any reason in one department, can often be usefully placed elsewhere in the organization; or foremen, when their annoyance has passed, can often be induced to reinstate a worker whose faults were not serious.

The sound procedure here is to allow no employee to receive his final pay check until he has interviewed the personnel department and obtained its signature for his discharge. By this means conference with a personnel executive who will look into the situation is assured. More often than not, it is possible to put the worker in some other department, if his offense has not been of such a character as to require dismissal.

These first two methods imply that management alone is deciding upon the rightness of the discharge. But the same arguments which have force regarding the sound handling of shop rules and grievances have precisely the same cogency and force in the handling of dismissal cases. For, after all, discharge may result from breaking of company rules; and often the demand that he be discharged is felt by the worker to be a grievance which he has against the company.

A third method is, therefore, *to have a joint committee pass on the discharge*, in case the personnel department has found it unwise to revoke the decision of the foreman and the discharged worker desires to have his case reviewed. It is assumed in this procedure that there has already been prior agreement between management and men upon proper causes for discharge; but it is also assumed that on matters of fact and interpretation the discharged employee should be allowed the benefit of a hearing and even of appeal.

In other words, a first principle of standard practice on discharge is: *Establish in joint conference those causes of discharge which all parties agree it is equitable to enforce.* These causes should preferably be few and specific. It is, therefore, desirable to be as definite as possible in defining in the regulations such phrases as "willful disobedience," "negligence," "incompetence," and "misconduct." If it is felt by all that breach of certain rules about attendance, safety practice, health measures, personal morality, or some other aspect of shop conduct should be cause for irrevocable dismissal (assuming that the facts are fully established), these should be explicitly stated. It will then be easier

to get the discharged worker to recognize the justice in the handling of his case.

Some companies in instituting employee representation plans have brought before the workers a finished constitution and by-laws with a number of causes of discharge (in one case as high as twenty-five) already specified. And acceptance of the plan meant acceptance of all those causes as valid. A far better way is to provide in the constitution for subsequent joint agreement in committee on valid causes for absolute discharge—with a referendum of all the workers upon the committee's recommendations.

Where a collective agreement with a labor union is in force, it will usually provide some joint machinery for consideration of discharge and also in most cases will state certain causes which are recognized as absolute.

A fourth method of handling discharge is to turn its administration over entirely to a committee of workers. We know of less than a dozen companies which use this method, but apparently they regard it as successful in practice. One careful observer, confirming others' conclusions, says of this plan in a department store:

When I read the proceedings in each case, I was struck with the conscientious and scrupulous effort to be fair to the store. A number of cases which, on the face of the records, seemed to me to be unfair to the discharged employee, were decided in favor of the management. Only where the employee's case was unusually strong was a reinstatement ordered.

On the whole, it seems that the best results are to be obtained in most cases with the use of the third method discussed.

A final cautionary word is important in relation to all the topics mentioned in this chapter. Our own experience with a number of unfortunate instances leads us to underscore the statement that *it is essential that management be sure that it has all the facts and circumstances accurately and fully in view in handling disciplinary problems.* Workers have been known to be "framed" by other workers for reasons of personal pique; foremen have "had it in" for workers whose lodge or religious affiliations they disliked; domestic hardships or maladjustments have unconsciously led to infractions of company rules; there are cases of bullying or "picking on" other workers till they did something desperate;

on all such and numerous other provocations workers have found themselves placed in the wrong when a full understanding of their problems might argue a different handling of their case. *Before penalizing the worker, be sure all the facts are unquestionably established!*

The Department Head and Discipline.—Our whole approach to disciplinary problems thus far has stressed joint conference of management and men and has seemingly slighted the responsibility of the department head. And in the absence of experience to the contrary, many would no doubt object that there is danger in all the measures here recommended that the department head's authority may thus be weakened.

The answer to this objection seems clear—and has been found true in companies working along these lines. The department head is the unquestioned head of his department. The maintenance of order and the enforcement of all company regulations lie initially in his hands. And the good supervisor will quickly be able to dispose of more than half the personal maladjustments which may arise in his department. But when he becomes too strict, becomes personally embroiled with a worker, or is presented with some group demand, then jurisdiction over the handling of such issues should go into other, more dispassionate hands. Also on the score of time consumed there will be matters that the foreman can, without prejudice to his status, allow to be handled by the personnel department or by a joint committee.

In general, it has proved true that where foremen have remained disturbed about their prerogatives and powers after formal measures of grievance consideration are introduced, this is due to more basic, personal shortcomings. It is due to the fact that in some way they have not measured up to their task as leaders and directors of men.

Conclusion.—The best way to handle disciplinary problems of all sorts is to try to prevent them from arising. A well-conceived personnel program and a well-organized plan of production management and control may go a long way in this preventive direction. But where more affirmative action has to be taken, the best results come when workers agree that disciplinary measures are necessary and participate jointly with the management in the ultimate administration of the entire procedure in an organized way.

A preventive, constructive, and educational view of the measures of orderly control has been stressed in the belief that, if the management assumes its responsibilities adequately, the workers will assume theirs. Much depends on the attitude with which the management proceeds; much depends on having the organization so well in hand that the workers will normally tend to business; much depends on patient adherence to the training point of view.

To embark upon such procedures as those advanced above may seem at first a venture requiring extraordinary faith in human nature. In reality it is not. It is rather a scientific step based on knowledge that group self-discipline is the only kind which is permanently maintained without resentment; that responsibility is assumed only for matters over which authority is specifically decentralized; and that responsibility is, when exercised, an exceedingly sobering and tempering influence.

The plant, store, or office, it must never be forgotten, exists to contribute to life as well as to livelihood. Hence, the objective in securing orderly shop control is not to create an atmosphere of fear, gloom, whispering furtiveness, and straight-laced uniformity. There is room in the well-ordered shop for cheerfulness, an atmosphere of fellowship and even of gaiety, for flexibility and individuality. In the shop, as in the community, the desirable aim is freedom through law.

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CHAPTER XVII

JOB ANALYSIS AND JOB SPECIFICATIONS

We have already had occasion in several connections to mention the necessity and value of job analysis. The next two chapters are devoted to an explanation of the meaning of this term, to the uses of job analysis, its connection with personnel work and the proper methods of its supervision and control. We propose to show why and how the utilization of job analysis relates closely to the personnel function—to show, in fact, how integral a part of the personnel policy is the procedure under which the several applications of job analysis are carried on.

Definitions.—*A job analysis is an organized statement or record of all the facts descriptive of the content of and the modifying factors surrounding a job or position.* The term *position description* is also used by some as synonymous with job analysis.

A *job* or *position* is a group of duties, responsibilities, and activities assigned to one individual.

A *job specification* is that part of a job analysis which is organized for use in facilitating the process of selection, including especially a statement of the necessary qualifications of the worker and the duties of the position.

A *production standard* states the amount and/or quality of work which the experienced and competent worker is expected to perform at a position in a stated time. A procedure of establishing production standards throughout a department or an organization is often spoken of as the institution of a *measured production plan*.

A *position classification* is a statement of the grouping of the positions in an organization under class designations in such a manner as to show that positions are related to each other by similarities of duties, responsibilities, or workers' qualifications.

The work of *job* or *position grading* is the effort to establish for all positions in an organization their relative place in the hierarchy of jobs from the point of view of their comparative importance without regard to the specific duties involved.¹

¹ See the helpful discussion of this whole subject in "Handbook of Business Administration"; pp. 855-881, 1135-1144.

The Uses of Job Analysis.—Intensive study of the content of positions may be carried on with several distinct objectives. These are: (1) to improve the internal relationships of an organization; (2) to supply facts which will improve the work of selecting workers; (3) to correct special health or safety hazards; (4) to supply a standard practice and content for training for a position; (5) to improve the process details of a position; (6) to supply data from which a production standard can be set; (7) to give a basis for the classification and grading of positions.

The Administration of the Analysis of Jobs.—These several uses of a job analysis really divide into two distinguishable types of use—one having to do with *process*, the other having to do primarily with the effective relation of *the worker* to the process. The uses relating to process alone are not detailed here as they fall properly into the study of industrial management and engineering *per se* and are treated extensively in the literature on that subject.¹ Familiarity with this approach and its methods is, however, an indispensable asset for the personnel executive. Historically this process aspect of job analysis was the first to receive attention and emphasis. And partly for this reason and partly because the personnel ramifications of this work have been less widely appreciated, it has in general been true that the administration of job analysis efforts has been under the general production manager—usually in a staff department such as a “planning department,” “research division,” “standards division,” “new methods division,” or some similar designation.

There is needed, therefore, some emphasis on the point that, where the job analysis is to be drawn upon to establish selection standards, to set up a job training procedure, to set production standards, to derive a position classification, and to rate and grade jobs, *the personnel department has a vital interest in these derivatives and in the manner of their application.* In fact, it should be clear, especially as regards production standards and position classification and ratings, that *these constitute in effect items in the labor contract with the worker.* They result in extending the specific terms of that contract beyond the familiar ones of wages and hours to the added items of *how much work is expected and*

¹See in this connection such volumes as Taylor Society, “Scientific Management in American Industry,” Chap. VII; LANSBURGH, R. H., “Industrial Management,” part V; DAVIS, R. C., “Principles of Factory Organization and Management,” Chap. XIII; LICHTNER, W. O., “Time Study and Job Analysis.”

its relative value in the organization. Because of this often ignored fact, it is sound policy that the personnel department should be a definite and recognized party to the handling of these matters, just as they are already widely acknowledged to be rightly a party to the determination of all the other terms of the labor contract. Indeed, as we propose to show in the next chapter, the workers themselves also have such a vital interest in the setting of production standards that they also should have an explicit connection with the acceptance and use of such studies.

In practice, however, the initial responsibilities over job analysis in general lie in a staff office responsible to the production executive. And the important modification in policy which should usually be effected is *to see that the personnel executive has a definite part in the supervision of such uses of job analysis data as relate to the workers.*

If, as is often the case, there is a management committee which supervises the application of such data, the personnel department should be represented on that committee. In any case no production standard should be set up without the approval of this department. In fact, the closer the personnel department can be to the whole conduct of job analysis work, the better it will be. For the whole effort and objectives of job analyses are such that this work stands uniquely at *the vital cross-roads where technical and personnel factors and influences meet and interpenetrate.* The personnel executive who understands the essential value of integrating his efforts closely with those of production will work unremittingly in this fundamental field. For it is usually at this point of the specific application of individual energy to the particular position that the most effective work can be done in assuring the right employee attitude toward production. The aspect of a job's technology and process cannot be separated in action from the aspect of the willing application of human energy, intelligence, and enthusiasm. And about the whole process of applying the knowledge obtained in a job analysis arise the issues which to an important degree condition the worker's effectiveness at work. If the management wants interest in work, if it is dissatisfied with quality or feels itself cheated on the quantity of work done, *the place to attack these problems is at the job itself where study and common knowledge can supply the basis for agreement and joint action of managers and workers.*

Indeed, the personnel department which soundly relates itself to stimulating and getting proper use for this analytical work stands to make itself solid in the organization *to an extent that few other efforts can equal*. For experience is conclusive that out of this work grow economies of method, lowered costs, heightened output, and more economical application of energy than can be obtained in any other way.

Job Analysis Procedure.—In compiling a job analysis, it is obvious that the use to which it is to be put should control the procedure of study. Rarely are analyses made of such an exhaustive character as to satisfy at once all seven of the possible purposes mentioned above. Only in a general way, therefore, is it possible to suggest a broad check-list of subjects and topics to be inquired into. This can help to some extent to make the research systematic, inclusive of relevant data, and scientific in method. But no complete standardization of inquiry or questionnaire is possible or desirable.

In the specific fields of time and motion study, which will in many cases comprise part of the complete job study, a considerable standardization of procedure has already taken place.¹ From the personnel and from the employees' point of view, however, it should be recognized that certain moot questions may arise in the use of these techniques which require careful handling and supervision. Briefly, some of these are: What shall be the unit of time in which the observations are to be made and stated? Shall it be an hour, a day, or a week? Is there not danger in the choice of too short a unit because of fluctuations in the worker's energy and moods? Are fair allowances being made for machine breakdowns and material variations and for attention to personal necessities? Are the workers chosen for study generally recognized as representative workers? Are the studies made at typical machines with typical material, with typical speeds and feeds? Have all "freak" times been eliminated—*i.e.*, times abnormally high or low?

Reliance must, of course, be placed in a general way upon the competence of the job analyst or time-study expert. But experience has shown that statistical results and other special items do have to be checked over before they can be embodied into new standards or methods in the shop. And here again the personnel department—and often the workers themselves

¹ See references at end of this chapter.

through a chosen representative—should have a supervisory responsibility.

Content of the Job Analysis.—A suggestive check-list of major topics in the formulation of a job analysis follows. This may be grouped under several headings:

- A. The job itself.
- B. Qualifications necessary in the worker.
- C. Standard practice instructions.
- D. Effects of job on the worker.
- E. Relation of job to the organization.

More specifically this may be broken down as follows:

A. The Job Itself.—Under this heading the following subdivisions may be made usefully:

1. *General Description.*—This should be a brief word picture of the job as a whole and its relation to the other processes.

2. *Machinery.*—The machinery at the job should be described and the necessary questions answered as to how it is maintained, etc.

3. *Tools and Equipment.*—It is necessary to know all tools and special equipment (such as boots, aprons, goggles, etc.) used at the job; also how these are provided and maintained.

4. *Materials.*—Especially important is it to determine whether materials are: (a) in the right place; (b) in the right condition; (c) at the right time; and (d) in the right quantity; and whether (e) they are properly removed.

5. *Motions.*—What are the motions? Are they necessary? Are they the best? In order to answer these questions with scientific accuracy, it may be necessary in some cases to have access to the kind of apparatus discussed in the books on motion study listed at the end of this chapter.

6. *Time.*—Under this head should be stated all the facts about hours and working periods (discussed in Chap. VII); also the results of actual elementary time studies with the stop-watch; analysis of the time allowances for rest, delays, use of toilets, etc.

In this section will also be included the data on which the production standard will usually be based. That is to say, on a basis of the time studies the job analyst would presumably make recommendations as to the normal or average time to be taken in doing a piece of work, and the number of operations or units to be done in a given length of time, for example, hour, day, or week,

as the case may be. He would usually also recommend a maximum amount of output at each job beyond which the best worker could not safely be allowed to go, and a minimum amount of output below which the poorest worker (once the period of training was passed) would not be allowed to fall.

It should be realized by all concerned that these standards of output in terms of the time element are based on the going procedure of the plant at the time of study. This entails a degree of *prior* standardization, the importance of which cannot be too greatly emphasized. Production standards are valid over a period of time only when the following factors may be counted upon to operate in constant and reliable ways; material, machinery, plant transportation, plant working conditions, etc. At any given time a production standard indicates the potentialities of the going enterprise. These standards are therefore necessarily subject to change whenever there has been any modification in any of the surrounding contributory elements or conditions. In short, this section of the report will give the fact basis for the subsequent determination of fair amounts of work, standards of quality, cost, waste material, etc.

7. *Records.*—It is important to know what records there are regarding the job—records of quantity and quality of output, amounts of waste, seconds and rejects, unit costs, machine hours in operation, power consumption, etc. It is further valuable, as shown in Chap. XIV, to state what access employees on the job have to these records, and in what ways they could be so compiled as to increase the workers' interest.

8. *Pay.*—The hourly or piece rate, the weekly wages, and the annual earnings should be stated; also all factors which enter into determination of wages, such as attendance, spoilage, fines, length of service, age of worker, cost of living.

B. Qualifications Necessary in the Worker.—This section should include a statement of the general and particular mental and physical characteristics and special abilities which the job calls for.

C. Standard Practice Instructions.—These instructions, once they have been passed upon by the production organization, are usually incorporated into printed manuals or blueprint sheets where they are thus conveniently available for instruction purposes and for use by men at the respective jobs. These instructions comprise a clear, chronological statement of the

activities, methods, and other specifications required in carrying out a job.

D. Effects of the Job on the Worker.—This is a statement of the physiological and psychological effects of the work on the worker in so far as they are discoverable from records, observation, personal inquiry, etc.

Accident and sickness records, records of periodic physical examinations of workers at the job, records showing distribution in quantity of production through the day and week, labor turn-over records for the job, length of service records, absence and lateness records—all these will tell something of the effect of the work.

E. Relation of the Job to the Organization.—In this section the job analyst will consider the foreman's connection with the job, the coordination of the flow of work, the reflection of general policies, such as sales and finance, upon the job, the general working conditions and service equipment, and any other related factors.

The Job Analyst.—The actual work of job study should be undertaken by a trained job analyst who utilizes every method of precise observation and measurement which his ingenuity can suggest. He will have access to all the statistical data about a job and all such information should be secured as far as possible in advance of actual study in the shop.

The introduction of the analyst to the work place and to the workers whose operations he is to study constitutes a crucial point in the procedure. Experience has shown that the introduction of the job analyst may best take place only when the purpose of his work and something about his methods *have been described in advance both to foremen and to the workers affected*, and their assent secured to the study which is about to be made. In the past, the resistance to scientific job analysis work encountered by engineers has been due in part to the suspicion and mistrust of foremen and workers who were not informed in advance of the reasons for and nature of the work of the analysts.

Much depends, therefore, upon the personal characteristics of this technician. He should combine the qualities of sympathy and human insight, scientific temper, and a sense of mechanical ingenuity. He will know in detail all the topics which his study must cover and will utilize every means—interviews with staff experts, foremen, and workers, observation, study of records,

use of a time-study expert, etc.—to get the necessary data. He should combine an agreeable personality with a ready understanding, tact, patience, and ability to put his findings clearly into writing. It is essential that he qualify fully on the side of ability to get along with people, ability to see their point of view and put himself in their place. His reception will be cordial in proportion as he adopts a *learning* attitude, is receptive and a good listener. It is only fair to himself that he indicate to foremen and workers that at the job in question they and not he are the experts. After as long-continued study as is necessary to get accurate, inclusive, and convincing data (this may mean weeks at certain jobs), he should put his analysis and description *into writing*. Gaps in knowledge are never so evident as when data are fully written out under a topical arrangement. Continually throughout his work, after initial deductions are made, he will save himself trouble and misunderstanding *if he goes over his findings with foremen and workers before presenting the completed data* to the committee or individuals who are responsible for utilizing his findings.

Many companies have found that best results are obtained by training up from within their own organization workers who show an aptitude for this work. Such men, if drawn from the rank and file, have a distinct advantage over outside experts, in their familiarity with the supervisors, the workers, the processes and the company background. In fact, experience shows that as soon as such analysts become technically proficient they have usually sufficient sympathy with the employee point of view to make their findings acceptable to the workers as a matter of course—which helps to eliminate at once a possible source of friction and employee objection. The important feature is that the complete intellectual integrity and fairness of the analyst should be demonstrated to supervisors and workers just as promptly and continuously as possible.

Job Specifications.—One derivative from a job analysis which is often a valuable aid in selection is the job specification already defined. While it is true that at present the use of elaborately written out specifications is less popular than formerly, this seems to be due to the fact that interviewers have in various less organized ways become familiar with the data which such specifications contain. And in companies newly embarking on a centralized employment office, it would still be necessary for

some equivalent of these specifications to be put at the disposal of the interviewer.

The items which experience has shown are of value on the job specification card are listed below; and for any one job specification a selection from these items could readily provide the necessary data.

A. *Qualifications Necessary in Worker:*

1. Physical Qualifications:

Age	Sensitiveness of hands
Height	Hearing
Sex	Sight
Length of arms and legs	Cleanliness
Size of hands and fingers	Part of body most used

2. Mental Qualifications:

Education	
Previous experience required	
Ability to:	
Speak English	Read to scale
Read English	Use gauge
Write neatly	Use micrometer
Calculate	Set up work.
Read blueprints	
Type of mind:	
Mental	Manual
Settled	Roving
Indoor	Outdoor
Directive	Dependent
Large dimension worker	Small dimension worker
Adaptable personality	Self-centered personality
Deliberate	Impulsive
Dynamic	Static

B. *Nature of Work:*

Name of job	Quick
Name of machine	Slow
Name of foreman	Rough
Heavy	Finish
Medium	Coarse
Light	Fine
Bench	Exacting
Bench machine	Repetitive
Trucking	Varied
Accident hazard	
Location of job	

C. Conditions of Work:

Standing	Greasy
Sitting	Humid
Walking	Hot
Stooping	Cold
Clean	Fumes
Dirty	Acids
Wet	Permanent
Dusty	Temporary
Odorous	Overtime.

*D. Length of Time to Learn.**E. Rapidity of Advancement and Chance for Promotion.**F. Terms of Employment:*

Starting rate
 Regular rate: piece work or day work
 Average weekly earnings
 Hours per day
 Hours per week
 Expected amounts of work

G. Methods of Measuring Individual Progress at the Job.

The work of drawing up the job specification, or of compiling it from the job analysis, is usually undertaken by the employment manager or interviewer, and it is important that he check up his finished statement with the foreman and the workers at the job in question. And, of course, this statement should be periodically rechecked in the department to see if changes in process have taken place. It will be useful also for the employment office to have this information in such form that workers who are anxious to learn about the qualifications of a job to which they aspire can readily obtain the information. For purposes of presentation to the worker, the check-up of these items should constitute an understatement of the job's possibilities rather than the reverse.

Classifying and Grading Positions.—The growth of large organizations, the elaboration of numerous and ambiguous job titles, the extension of scattered units of one corporation in which comparable jobs are called by different names and assigned different values—all this has naturally increased the attention paid of late to the classification of positions and the assigning of each to a definite place in the scale of wage or salary rates.

Three distinct steps should be recognized here. There is, first, the work of assigning identical and consistent titles to jobs where the duties and qualifications are the same. There is, second, the work of classifying all the positions under consideration into a number of class groups. Here related kinds of duties and qualifications would both be taken account of. And, third, there is the assigning of every job within a class to the place it should have in a listing of jobs graded in importance and value.

It should be obvious, for example, that the titles "clerk" or "helper" or "machine operator" are relatively meaningless. Is the worker a file clerk, a foreman's clerk, a general office worker? Until clear and definite titles are assigned to all positions, further attempts to classify them are handicapped.

Positions may be classified in three possible ways: (1) By making comparisons of existing descriptions as supplied by job analyses, which is probably the more natural method. Here account is taken of relative amounts of education, intelligence, training, and skill required. (2) By a rating method which assigns point values to different attributes and obtains a total rating figure which then automatically places the job in a class. Or (3) by a progression method in which both classification and grading are accomplished at once by ranking jobs from the bottom up to the top in point of difficulty, importance, and relative value.¹

The problem in grading is to assign each job a particular place in a larger class. Thus, if all the positions in a company are grouped into six classes, each class will have within it its own progression of jobs from the least important and value up to the greatest. In the bottom class might, for example, be included sweepers, truckers, messengers, file clerks, beginning typists, etc. And the task of grading is to assign the proper value place within the class to each position. It is then on a basis of this evaluation of a job by classes, and within a class, that pay rates are subsequently fixed (see Chaps. XXII, XXIII).

Conclusion.—Thus far we have centered attention on a general view of the meaning, significance, and uses of job analysis. We have suggested why it is that this work is, in part at least, an important personnel responsibility. And we have mentioned the derived procedures of the job specification and the position classification. It remains in the next chapter to show why the idea of production standards has recently gained such headway

¹ See "Handbook of Business Administration," pp. 862-865.

and how the relation of the workers to this procedure should be organized to get the best results.

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CHAPTER XVIII

THE JOINT CONTROL OF PRODUCTION STANDARDS

It is still an outstanding anomaly that in the majority of cases the labor contract leaves completely undefined the amount or quality of work expected in return for an agreed rate of pay. But developments in this direction in recent years warrant the conclusion which we have consistently advanced, that *one of the most important next steps ahead in personnel work is the extension of the field of explicit negotiation and agreement to include the subject of work—its amount and quality—no less than the subject of pay.*¹

The problem which the advocacy of some form of production standard procedure is designed to attack is a familiar one. It is the problem of low output, restricted either arbitrarily by agreement among workers or because a slack pace has become established, or no incentives for greater output are offered, or week work rather than some modified piece-work plan of payment is used in places where output could readily be measured. There is testimony in abundance to prove that, in the absence of systematic efforts to correct it, the tendency is for individual output to fall a good deal below what it fairly and reasonably might be.² Also in many cases where piece-work payment is in vogue, the problem of converting the stipulated hourly rate of pay into a fair price per piece is often a vexing one and is the occasion of much haggling, ill will, and unfairness. Yet the kind of study which the setting of production standard entails can help—and has helped—greatly to narrow much of this controversy by reveal-

¹ Some modification of this statement has perhaps to be made in respect to certain types of jobs where, for example, the work in process passes the worker on a conveyor belt and the speed of his effort is dependent upon the speed at which the belt moves. The amount of work done may here be dictated by the machine and the possibility of incentive payment based on quantity may be removed. Yet even under such conditions a question as to the reasonable and fair speed at which the whole assembly process is carried on may properly arise for explicit determination.

² See, for example, MATHEWSON, S. B., "Restriction of Output Among Unorganized Workers"

ing through objective study the amount of work to be reasonably expected.

What is needed, then, is a scientifically derived statement of production possibilities at each job, which can supply the fact basis for final decision on expected amounts of output. And it is this which the study of jobs and the formulation of production standards will supply if the proper procedure is followed. What, then, are a sound policy and procedure for the installation of some plan of establishing definite amounts of required work at each job where such measurement can be made?

Workers' Relation to Control of Production Standards.—We have already explained our reasons for advocating that the personnel department supervise certain applications of job research data. The interest of the workers themselves in such applications seems to us also to be demonstrably close, especially when it comes to the setting of production standards. For such a standard becomes one of the definite terms of the contract of employment, and thus affects vitally the working pace, the possible income, and often the methods of work of each employee.

It is not possible here to recapitulate the long and illuminating history of the change in the attitude of both managers and workers toward the scientific study of work which production standards imply and require. The development of the scientific management movement—which is what is actually in question—was in its first three decades slow and unpopular with employees.¹ And one reason for this unquestionably was that the techniques used and the standards set were at the outset arbitrarily imposed by managers with their own purposes and gains preponderantly in view. In this period workers often found to their dismay that several results adverse to their interests accrued from efforts to get more efficient production. These results were: increase in speed of work; rate cutting when wages got too high, subdivision of operations by labor-saving innovations, etc., which lowered the value of a worker's trade skill and even altered a job from a skilled to an unskilled one; substitution of machinery for hand labor; possible unemployment due to increased production. The job analysis was made by management and in the interest of management alone, the workers feared; *and they were justified in fearing it*. In a word, in its early stages, the scientific man-

¹ See, for example, HOXIE, R. F., "Scientific Management and Labor,"

agement movement got a reputation—no doubt exaggerated—for ignoring the workers' rightful interests. Job analysis was used to increase employee exploitation.

But gradually in the last fifteen years a different outlook toward the administration and use of all scientific management procedures has come about in the management world. And this has had its definite reflection in a changed employee attitude.¹ For one thing it has become more clearly understood that the techniques of scientific management, including the job analysis, are of themselves primarily devices for gaining and applying exact knowledge. They are in a sense instruments of precision. What results are received from their use depends *on the purposes for which they are used and the kind of control under which they are put into effect*. Of themselves they are *not* techniques of exploitation.

And in line with more enlightened purposes and to assure control of a more impartial character, recent experience has led to a most important conclusion. This experience, as we shall see, may be embodied in the fundamental principle that *the techniques of job study and the procedure of deciding fair amounts of work are most successfully administered under the explicit joint control of managers and men*. Today production standards based on scientific job study work best where the opportunity for employees to have a voice in decisions is provided either through an employee representation plan or through a collective agreement with a labor union.

Reasons for Employee Participation.—It is important to be clear as to the eminently sound reasons why this whole shift has occurred in the thinking and conduct of progressive managers. These reasons in summary are:

First, the workers have to be informed that study and improvement of production methods are contemplated and that this knowledge is to be put to certain uses, including the setting of production standards. As already pointed out, suspicion will be at once aroused if they are not taken honestly and completely into the management's confidence from the start. This can be naturally and helpfully done best in a meeting with those at the job, at which the whole implication of the job analysis is made clear to them and they are then asked to select representatives to aid in supervising further study.

¹ See Taylor Society, "Scientific Management in American Industry," part VI.

Second, they have information about the job which no one else has, and there is no way to get this, short of having them participate definitely in the study.

Third, the workers' interest is aroused by the new point of view and new problems to which the analytical study of jobs calls attention. *The job analysis conferences should be one of the most interest-provoking occurrences in the entire operation of the organization.*

Fourth, workers will agree to adopt a standard practice at operations only as they are convinced and agree that the standard way is the best way to do the job.

Fifth, what constitutes a "fair day's work" *is not an absolute fact.* There are wide differences of individual capacity and in many cases there is room for honest difference of opinion about methods. Indeed, we should define a fair day's work *as that amount of work in terms of quantity, quality, etc., which all the interested parties agree, taking all factors into account, to be satisfactory because reasonable, possible, and expedient.* Because this whole point of view seems to us sound, the next point seems to follow.

Sixth, workers will agree to the amount decided upon as a fair day's work only as they have a hand in determining it—or at least in passing upon it. Experts can compile the most elaborate figures; but until the workers are convinced and agree to do certain amounts of work, production will fall below management expectations. The fact is that within limits it is the workers who determine the amount of output anyway, unless some definite study is made and standards are set. Managements may think the output less than a fair return for the day's pay; workers may think their output more than they are getting paid for. Frequently that is the situation, and it exhibits the two parties at complete cross-purposes, with the result that the amount which the rank and file tacitly agree among themselves to perform as a day's work becomes the normal output.

What is here proposed is in reality a simple and common-sense procedure; yet it has taken years to get the idea tried in industry and it gains headway slowly—the idea, namely, that *this negotiation about fair amounts of work be deliberately organized under some joint control on a basis of facts provided by job analyses.*

When a company has reached the point where it realizes the necessity of job analysis to bring its production organization

up to concert pitch or to keep it there, the time has obviously come when the manual workers should be called upon to cooperate in a definite and informed way. And the carrying on of the job analyses and the applying of their findings constitute the sensible and invaluable procedures where that cooperation should commence. Only as employee organizations interest themselves in job analysis and as progressive managers take the workers into camp on these problems *can there exist any organic unity in the production effort*. There is much loose talk about cooperation in industry; but there is one kind of cooperation which is essential—the cooperation of managers and manual workers to get out an agreed amount of product of an agreed quality at an agreed cost within an agreed time. There may be friction, delay, divergence, controversy over what standards shall prevail. But once some agreement on this score is reached, the objective of complete and ungrudging cooperation becomes indispensable to economical operation.

When both sides know, and know that both sides know, what men of different degrees of competence *can* fairly do at a job in a day or week, the effort to agree as to how much they *will* do is found to be a relatively easy undertaking.

Objections to Employee Participation.—A number of objections to allowing employees a voice in the procedure incident to installing production standards should be frankly met.

The objection is made that if the amount of work is to be openly bargained over, there is little value in scientific study of the job facts, since the decisive factor will be the relative bargaining power of the groups involved. This objection loses sight of the fact that such negotiation can, and in actual practice does, involve more than mere uninformed haggling, *if facts and records are available*. In fact, *the area of controversy is greatly narrowed and agreement far more readily reached with fact data established than in any other way*.

Another objection is that joint consideration of production standards takes too much time. It may be true, especially at the outset, that a good deal of time is required to convince the workers of the management's good faith in these matters. But it becomes increasingly clear, as experience with representative institutions grows, that *a part of the price of that kind of representative government which builds up confidence and cooperation is the use of sufficient time in conference to enable the representatives to get the facts,*

compose their differences, and decide upon a course of action. If it is said that in industry this is too high a price to pay, the answer is that without it the consent of the workers will be a reluctant consent and their interest will not be aroused. Fundamentally, human efficiency depends upon interest and consent, and job analysis under joint guidance instead of meaning merely one more committee is the *indispensable technical instrument for assuring that efficiency.*

A further objection is that the standards of fair amounts of work should be thought of as absolute and not as relative. As one engineer has put it, the ethical obligation upon the worker is to work as hard as he can and do as much as he can during his working time. This objection ignores the practical realities of shop operation as well as the realities of employee psychology. How much work can be done in a given unit of time is not in fact an absolute amount, but one which depends upon a number of variables for which both the management and the workers are responsible. The setting of these standards by conference methods assures, for one thing, that the management will take seriously its responsibility of providing the attendant and supporting conditions which must be standardized if the production standards are to be possible of attainment day by day. The responsibility thus placed upon management for the effective performance of its work is an important if indirect benefit. Furthermore, without production standards the fast workers may work too fast and too hard or the poorer workers may not be held up to a rate of performance which may fairly be expected. The individual differences in capacity as applied to any one job may without standards become far too great.

A final objection is the high cost entailed by the employment of job analysts, time-study experts, and clerical assistants required to assure the smooth operation of such a plan. The only answer to the cost objection is that although the initial outlay seems large, the ultimate return in terms of increased amounts of work per hour from employees, together with the concomitant reduction of costs over a period of time, is usually found to offset the initial expense.

Procedures of Employee Participation.—In the absence of any plan of employee representation, the relation of the workers to the setting of production standards is usually a negative one. In other words, if standards are established which they find

unreasonable, they may complain to their foreman or even to the personnel department, and some modification may or may not be forthcoming.

Where there is employee representation, we favor a standing joint committee explicitly charged with the supervision of the analysis and of the introduction of standards. The personnel department and the workers should be represented on this committee as well as the production supervisors and staff technicians. This committee would review recommendations offered by the technicians on amounts or methods of work, and without its affirmative action no production standard would be introduced. It would also hear all complaints as to standards deemed unsatisfactory for any reason.

There are relatively few companies which have as yet seen fit to maintain this entire procedure in the carrying on of efforts to increase job production. What is more typical is that employees are told by foremen and personnel workers that, if when new standards are set up they are felt to be unreasonable, they should bring the matter to the attention of the departmental representative on the shop committee. It is usually then possible to adjust differences by conference with the foreman or staff technician; or failing this the issue is taken to the full committee.

It should be admitted that in companies where the implications of the job analysis are fully understood by workers, and where they have seen that the management is not trying to impose unreasonable standards, the urgency of constant, actual joint supervision is somewhat lessened. And as time goes on, this joint activity may become more nominal. But we are clear on two points: first, that *as a safety valve and as a tangible evidence of management's good faith*, organized joint procedures should be instituted at the outset; and, second, that such procedures constitute an educational and interest-arousing medium for employees for which there is no substitute.

In corporations where the employee sentiment is rendered articulate through collective machinery of negotiation with a labor union, some highly instructive instances of successful joint supervision on work amounts have also occurred.¹ Recent years have seen such cooperative efforts in the men's and women's clothing industry, in the manufacture of women's hosiery, in

¹ See, for example, articles by GOODELL, F., SMITH J. F., and O'CONNELL, J. P., in Taylor Society, *Bulletin*, April, 1930.

printing, in cotton manufacturing, etc. The fact that in certain cases these agreements have not become permanent has not been due to failure of the effort to agree on production standards, but rather to other aspects of the joint relationship which led to serious modification or abandonment of the collective agreement.

The usual characteristics of this procedure under collective bargaining are as follows: A joint body is charged with the general supervision of the research work and it may hire at joint expense a technical director and staff technicians to do the time-study and job analysis work. Or such technicians may be hired by the individual employers under the agreement subject to the supervision of the joint director. No standards are accepted or installed without the approval of this joint body. If there is dissatisfaction with the standard which cannot be readily adjusted, there is then appeal to an "impartial chairman," who is usually a complete outsider retained on a salary to act as interpreter of the agreement and as a court of last appeal over all controversies.

In almost all such instances it is highly significant to note that certain protective provisions are also made a concomitant part of the cooperative plan. These measures include (a) some assurance against rate-cutting; (b) some protection of craftsmen against wage rate cuts if the character of their work is simplified by new machinery or methods; (c) some effort to stabilize work and extend the number of weeks of full-time work a year; or (d), failing that, some plan of partial compensation in periods of prolonged involuntary idleness; (e) some effort to assure dismissal compensation for workers displaced by machinery.

In other words, when the workers are strongly organized and realize the possible exploitative hazards of accepting production standards unquestioningly, they naturally and rightly try to surround the administration of such a plan with protective features. Experience has shown what the possible dangers are and these supplementary measures are rightly felt by the workers, to make it safe for them to agree to turn out more production than they otherwise would. It seems to us, indeed, a sound contention that, when workers are being asked to increase production (which is a natural motive in most cases of instituting production standards), they should not be expected to agree enthusiastically, if they know that it means greater insecurity of work or even actual supplanting of their work by machines.

The demand for certain supporting assurances and guarantees is both natural and ultimately inevitable as a *condition of getting fuller cooperation in production*. And where there is no labor union to insist upon these guarantees, the wise management will see, as a few already have, that it is a necessary strategy to put them into effect with the aid of the employee representatives' body.

A closely related development in collective dealing is supplied in the experience of a few railroad repair shops. For in these cases, on the Baltimore and Ohio Railroad and elsewhere, the employees are brought in an organized way into direct consideration of production methods and economies, even though no actual standards in terms of amounts of output are agreed to. This would, of course, be difficult in repair work on varied jobs where the element of repetitive operation is almost completely absent. But the figures offered of repair costs under this so-called "union-management cooperation" indicate clearly that they are substantially lower than in shops where no such agreement exists. The agreement itself takes the form of an understanding about conference on shop methods, about greatly increased stability of employment, about some method (not yet completely evolved) of sharing the results of the resulting economies of operation.¹

The salient point here is that the employees are brought in a responsible and definite way into a share in control of the details of shop procedure. And it is this underlying principle—capable of most varied adaptation—of which we are urging acceptance. We repeat, in summary, what this basic principle is: *Because of their crucial relationship to problems of amount and costs of production, the employees should be a direct and acknowledged party to the control of standards of performance; and to assure that their cooperation in this control shall be wholehearted, the management must be prepared to institute certain supporting measures which protect the employees' rightful interests.*

Introduction of Production Standards.—It will be helpful to present in general outline the kind of procedure implied in introducing production standards. (1) The first step is to identify and agree about the place of the job in the scheme of position classification and grading as discussed in the previous chapter. This means that after study one knows that a job falls

¹ See Wood, L. A., "Union-management Cooperation on the Railroads."

into a certain class group—implying a certain maximum and minimum pay range. (2) Decide what measurable factors can be taken account of in setting up a standard (such as amounts, costs, spoilage). (3) Decide the time unit in terms of which the performance standard is to be stated. This may be a minute, an hour, day, or week—provided that in setting the standard, allowance is made for the human, mechanical, and material variations which may occur. (4) Decide in what terms the standard will be set—whether in “points” or in “pieces” or some other measure. (5) Set the standard on the basis of the performance of a competent worker, using the best methods of doing the work; use this standard as the minimum expectation from trained workers and set a maximum limit which would usually be not more than 30 per cent above the standard. This step implies, of course, the actual application of the job analysis and time-study data which should be available at this point. (6) At non-repetitive jobs, where other factors than quantity of output figure largely in establishing the fact of attainment of the standard, adopt a rating scale for periodic use. (7) Relate the statement of standards to the statement of pay rates in a way clear to the workers (see in this connection Chap. XXII).

Conclusion.—The whole conception of a job analysis as yielding data for several vital uses has been one of the most fruitful developments of recent years. In this chapter stress has been placed on the aspect of standardizing performance at jobs with a view to offering incentives of pay and status accruing from improvements in output. Progress in the adoption of the production standards idea in some form has been marked in the last decade. And that progress has taken place under the policies which we are here urging for wider recognition.

Chief among these is the necessity for explicit joint control of the administration of the whole procedure. Given that, all the numerous perplexing details can be coped with with relative ease. Also, the workers require some protection in terms of security of employment if they are to be expected to become interested in more and cheaper production. And they require a share in the accruing gains.

The organization which wants to involve its employees more closely and wholeheartedly in concern for production at their own jobs will find that the efforts centering around and growing out of job analysis are usually at the very core of the problem.

In relation to matters of job content, job value, quantities of work, economies at work, the joint consideration of issues is fundamental. And the whole process can prove to be one of the most interest-arousing and morale-building occasions that it is possible to provide. Moreover, just because on certain aspects of the application of job analysis data there do arise real divergences of economic interest, it is all the more valuable to have the area of possible controversy narrowed and a channel for open conference available.

Finally, the real stuff of more democratic industrial method takes shape at this point. The worker's interest and his effective effort register first and foremost *at his own job*. If his relation to it is happy, the foundation is laid for a happy relation to the rest of the organization. And his relation can be happy only if the refinements of that relationship are adjusted as they are when a job analysis is made and utilized as we have set forth above.

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CHAPTER XIX

THE MEASUREMENT OF LABOR TURNOVER

Labor turnover is the shifting which takes place in an organization's working force. It is the "change in the force due to men leaving. . . . Every worker who leaves the employ of a given establishment for whatever reason constitutes a part in the turnover of that establishment. The study of labor turnover embraces the study of the causes and effects of every termination of employment and the means of preventing such terminations as are socially undesirable."¹

Labor turnover is measured in terms of the ratio of those who leave their employment in a given period—usually assumed to be a year unless otherwise stated—to the average number who have been on the active payroll during the same period.

The percentage of labor turnover, in other words, is obtained by dividing the number of those leaving by the number in the total working force.

Having given these definitions categorically, it must be added that there is not complete agreement among students as to what turnover is and how it should be measured. A second method of considering it centers around the idea of *replacement* and considers that turnover has occurred only when the cycle has been completed from the hiring of a worker to the hiring of his successor when he leaves. The proposal of those who advocate this method is:

To compute the percentage of labor turnover for any period, find the total replacements for the period considered and divide by the average number on the payroll.²

There is undoubtedly much to be said for this method, since it indicates the success with which the needed working force is being maintained and the needed amount of production being turned out. It assumes, however, a high degree of standardiza-

¹ SLICHTER, S. H., "The Turnover of Factory Labor," p. 1.

² DOUGLAS, P. H., "Methods of Computing Labor Turnover," Taylor Society, *Bulletin*, vol. 4, No. 4, p. 20.

tion of a company's labor needs—a condition which is not always met, owing to fluctuations in production.

The rate of labor flux or the ebb and flow of labor, suggested by Brissenden and Frankel,¹ is a third method of computing labor mobility. It consists of the following formula:

$$R = \frac{A + S}{W}$$

in which R is the rate of labor flux, A is the number of accessions to the force, S is the number of separations from the force, and W is the "number of 'fully employed-worker' labor-time units of 3000 hours put in by the work force" during the period concerned. This measure has several scientific advantages over other plans, but it has little vogue. The reason for this probably is that arriving at an approximately correct figure for W in the formula requires a good deal of care in record keeping.

For the practical purposes of the personnel executives, therefore, the use of separations as the basis of turnover reckoning still seems most popular. For separations have the advantage of fastening attention on *the individual worker who leaves*; and he, from the point of view of diagnosing a company's employee relations, is the one in whom interest centers.

In short, labor turnover is not a thing by itself, an isolated phenomenon. Properly conceived, it is rather a symptom than a disease; and like all symptoms it is of interest to the executive only in so far as it points to the nature or causes of the instability of labor force and thus leads to corrective measures.

People usually quit the employ of a company because of some dissatisfaction, and the effort should be to discover the source of that dissatisfaction. If a company's figures of turnover are in terms of separations, they are, therefore, in terms of dissatisfactions, provided proper allowance has been made in the computation for other non-personal causes.

If all the workers in a department or in a whole plant were to cease work in a body, the event would be spoken of as a strike; and the board of directors would at once inquire of the manager as to the reason for it and the nature of the men's demands. Indeed, the management may be severely censured for letting an interruption of work occur. But boards of directors and managers do not always so readily see that labor turnover—or the

¹ BRISSENDEN, P. F., and FRANKEL, E., "Labor Turnover in Industry."

largest single part of it—is simply a strike by erosion, about which they should also be exercised. It is a gradual wearing away of the working force one at a time, due to some cause and some demand which is unvoiced in any formal way because an adequate channel of communication or adjustment is not provided. It is exactly as important to find out and meet this demand, when it is a just one, as it is in the case of a strike.

The Formula of Labor Turnover.—Reduced to its simplest terms, the formula for the determination of labor turnover is:

$$T \text{ (Turnover)} = \frac{S \text{ (Total separations)}}{F \text{ (Average force on payroll)}}$$

As a gross figure for an entire company, however, this formula is too simple to disclose much about the meaning of the figures of separation. Some break-down in the computation is essential. Hence it is urged that the figures of leaving be itemized in ways that give them significance. An initial division usefully may be made between resignations for purely personal reasons, discharges, lay-offs, and separations. Many companies also itemize a large number of causes of leaving and endeavor to record every resignation somewhere in this classification.¹

Also, it is of great value to present the turnover figures *by departments*. This frequently reveals one or two departments as particularly heavy offenders and supplies a clue as to poor supervision, unfavorable working conditions, etc., which is most helpful.

Similarly the occasional segregation of turnover by sex, by age, and by wage groupings may reveal significant discrepancies in company policy which would otherwise go undetected.

The figure F may be arrived at in several ways; but perhaps as simple a method as any is to use the total weekly payroll figure of the departments in question. If the average force for a year is sought, these fifty-two amounts may be added and divided by fifty-two to give a yearly average. If the figures represented by S are obtained in terms of a week, in order to get the standard labor turnover figure, T should be multiplied by 52; although the resulting figure will mean only that the turnover for that week was *at the rate* of such and such a per cent per year.

¹ See the useful record form and supporting discussion in "Handbook of Business Administration," pp. 1110-1117.

When, however, fifty-two consecutive actual *weekly* percentages are available, the *total* of those fifty-two will give the actual yearly turnover.

Endless refinements in the turnover figures can, of course, be made; and the literature on this subject is voluminous. For example, complications due to the permanent reduction or the permanent increase of the working force during the period in which the amount of turnover is sought have occasionally to be met. But in the interest of emphasizing the main idea of analyzing the remediable causes of dissatisfaction, no further modifications in formula or in the forms for recording it are here suggested.

There is considerable value, also, in figures which show the length of employment of leavers. If, as is often the case, the most turnover comes within the first six months of employment, it is likely to argue some deficiency in methods of selection or training. If it comes with workers of long standing, that may indicate little opportunity for advancement in wages or in kind of work. When carefully scrutinized, facts about length of employment of leavers are likely to be illuminating.

Discovering Causes of Turnover.—Our discussion has assumed that the company has accurately discovered the cause of each individual's leaving. In the absence of a centralized employment office through which all leavers are required to report, the chances that the true cause will be revealed are exceedingly small. Workers usually will not or do not tell foremen or timekeepers the real reasons for their departure. Indeed, it will be hard enough for the personnel interviewer to get a candid answer to his queries. But the chances of accurate analysis are greatly enhanced if some tactful person in the employment manager's office is required to spend several minutes in considering in private interview with the leaver his reasons for going.

The danger here is that the interviewer will put into the leaver's mouth some reasons which the worker will immediately take up and repeat back without ever disclosing what is really on his mind. The only way to prevent this is for the employment manager to appreciate that the leavers are *ipso facto* the ones who feel most strongly about the shortcomings of some aspect of the company's labor policy, and that it is of first importance that their true reason for leaving be discovered.

The Cost of Labor Turnover.—Although labor turnover is not a fact to be dealt with independently, its costs may to an approximate degree be figured separately. And a compilation of the turnover costs for a given job, department, or plant may be exceedingly useful, as providing a cogent argument for changes and improvements. Admittedly such costs cannot be arrived at with perfect accuracy, but enough of the items may be segregated or closely estimated to present a conservative statement of the losses in production and in indirect expenses due to high turnover.

There follows a list of items of cost which is illustrative if not exhaustive, as showing the charges involved in labor turnover, which are not always appreciated:

These costs may be roughly divided into overhead costs and operating costs.

Among the overhead costs there are:

1. More rapid depreciation of machinery because of ignorance or lack of skill of new workers.
2. Extra floor space and extra machines to provide against idleness of a certain amount of machinery due to shifting labor.

Operating costs may include any or all of the following:

1. Time of increased superintendence or office work, including:
 - (a) Time spent by foremen or superintendent in discharging a worker where that is the way the vacancy occurred.
 - (b) Time spent by foreman or other workers in training the new employee.
 - (c) Time spent by clerks on additional payroll or other records.
2. Machine costs, covering:
 - (a) Time machinery is idle when a new worker cannot be obtained immediately.
 - (b) Idle machinery for temporary stoppages due to ignorance or lack of skill of new worker.
 - (c) Repairs to machines or renewals of tools broken for the same reason.
3. Material costs, including:
 - (a) Waste or damaged material due to ignorance or lack of skill of new worker.
 - (b) Difficulties in subsequent processes due to poor work by new employees in previous processes.
 - (c) Lower production while new employee is working up to his best skill.
4. Additional accident cost due to higher rate of accidents among new employees.¹

¹ GREGG, RICHARD B., "Labor Turnover Records and the Labor Problem," *Proceedings, American Society Mechanical Engineers*, Dec. 4, 1917.

Cautions.—Figures of labor turnover and of its costs are not, however, to be taken wholly at their face value. Conclusions from them should always be drawn with some caution, until methods of compiling them and the reasons for compiling them in the specific instance are known. As a general index, as a barometer of the trend and current of the company's employee relations, labor turnover figures, if carefully prepared, are useful. But it must be remembered that to put qualitative facts—facts about people's attitudes and desires—into quantitative measures is a process in which results have to be viewed with caution.

A situation which is sometimes met and which the figures, if superficially viewed, do not reveal is a rapid turnover among 15 or 20 per cent of the force, while the other workers remain employed fairly constantly. What is needed is a measure of labor stability. That measure was supplied by the United States Coal Commission, which defined it as follows:

Stable Force.—The stable force is that group of individuals who were not separated from the roll during the year . . . an absence of two or more pay periods constituting a separation.¹

The percentage of stable force is computed by dividing the number in this group by the average working force. It permits the employment manager to recognize the real significance of the labor turnover by noticing the proportion of the force among which it takes place. For instance, one bituminous coal mining district showed a labor turnover percentage of 198 and a stable force percentage of 40. These figures mean that practically twice the average number of employees shifted jobs, but this shift took place at less than half the positions. The labor turnover figure alone would not have shown the special problems in this situation.

Account must also be taken of the fact that some turnover may be a natural measure of self-defence against the monotony or boredom occasioned by certain kinds of work. A degree of shifting from one plant to another may under present conditions be a healthy and socially desirable protest against present methods of utilizing people. At any given moment in one plant,

¹ U. S. Coal Commission, *Report O*, "Labor Turnover in the Bituminous Coal Industry," Washington, Sept. 22, 1923; a mimeographed report. BRISSENDEN and FRANKEL had previously pointed out the significance of this measure but did not develop and define it as did the coal commission.

it *may* be impractical to do much to compensate for the sameness and dullness of the work, and in such a plant to attribute inefficiency to the employment office because of a high labor turnover is unfair. This is a use of figures without a sufficiently careful examination of their meaning.

There is, indeed, a real danger that managers who have installed employment departments will take it as axiomatic that the amount of turnover is a direct index of this department's efficiency. It may be—or it may not. But until the figures are carefully analyzed and compared with those of previous years and of other plants similarly situated, it is unscientific to draw this conclusion.

Remedies for Labor Turnover.—If turnover is a symptom of some maladjustment, the cure should remove the symptom. Since throughout this book the ways of securing a scientific and human working adjustment between management and men are considered, *the remedies for the avoidable labor turnover are in reality considered in every chapter.* It is, therefore, impossible to enumerate those remedies here. One outstanding remedy of recent years, however, does deserve separate mention.

The introduction of functionalized employment offices in charge of trained executives of a superior type has of itself tended to effect an immediate and marked reduction in labor turnover. The fact that one office specializes in selection and in the subsequent adjustments has in practically every company brought labor turnover within a twelve-month period from an abnormal and excessive figure to one more reasonable and normal. The evidence from the figures of company after company is conclusive on this point.

The Exchange of Labor Turnover Figures between Companies. Valuable studies of labor turnover figures have been carried on by the Industrial Research Bureau of the Wharton School at the University of Pennsylvania.¹ These have shown that labor turnover fluctuates almost directly with the business cycle, increasing in prosperous times when other positions are available, and decreasing markedly in times of depression. Also, comparison of labor turnover figures among companies employing similar types of workers can throw important light on the causes of separations.

¹ "A Study in Labor Mobility," *Annals*, American Academy of Political and Social Science, September, 1922; and "Four Years of Labor Mobility," *Annals*, May, 1925.

Efforts to compare figures of labor turnover, both in a local labor market and for a large number of plants, which might establish a normal rate against which to compare the figures of an individual plant, have been instituted from time to time under both private and governmental auspices.

Labor Loss.—Finally, mention should be made of a somewhat more elaborate method of computing all the labor losses in terms of the loss in productive hours which the plant suffers each day or week. Labor loss is conceived by Mr. Hoopingarner¹ as a combination of the following measurable factors:

1. Original failure to secure the right or standard number of employees.
2. Failure to maintain the number of employees regularly up to standard.
3. Hiring new workers to replace lost ones.
4. Poor attendance (absenteeism and tardiness).

This method assumes a standard working force and a standard flow of production. The figure of labor loss is based on divergence from this standard caused by the factors just listed.

The formulae and charts suggested by him are of distinct value and may help in an effective way to show the relation of regularity in attendance and of workers' efforts to output. This is a correlation which in some way or other it is valuable to establish as helping to demonstrate the value of certain phases of personnel work. The only criticism, it seems, which can be offered, is not of this method, but of the many companies which could not use it because they have not yet determined what for them is a standard work force or a standard day's work per unit of man power. The method requires, in other words, not merely good cost accounting methods, but good planning, routing, and scheduling procedure.

Conclusion.—Discussion of labor turnover as such seems by common consent to occupy a far less important place than formerly in personnel circles, not because the fact of turnover is any the less real or less important than fifteen years ago but because managers are coming to see turnover for what it really is—a rough gauge upon the success of an organization's labor policy. As such an approximate measure it is useful; and the more refined and accurate this measurement can be, the better. But the real interest of forward-looking managers today is in

¹ HOOPINGARNER, D. L., "Labor Relations in Industry," p. 456.

those elements of positive personnel procedure and in those methods of enlisting interest and cooperation, which have proved effective in gradually but surely lessening the avoidable and socially undesirable turnover which still remains.

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CHAPTER XX

THE LABOR AUDIT

The development of special interest in personnel procedures and of a technique for handling them has given rise to a demand for a method of analyzing, reporting, and evaluating them. The need is for a standard practice of survey of the labor relations of an organization as a whole, just as we have already seen the need for intensive analysis of each job. As in the carrying out of other functions, there are now standards to be maintained, or to be changed, throughout the field of personnel policies and practices. And progressive managers recognize the necessity for an occasional check-up on performance to see if standards are lived up to or need to be altered.

This need can be supplied by an organized method of investigation and report along lines now to be described. The name for this which we shall use is *labor audit*; but the phrase "personnel survey" is also used in the same sense.

Definition.—*The labor audit is a systematic and reasonably exhaustive analysis and statement of the facts and forces in an organization which affect the relations between employees and management, and between employees and their work, followed by recommendations as to ways of making the organization more socially and humanly productive and solvent.*

The word "audit" itself suggests the ends in view. Just as the sales audit and the financial audit render a report indicating the degree to which the organization's policy and practice in those fields are sound and solvent, so, in the field of personnel, the labor audit evaluates policies and procedures. Managers are familiar with various types of accurate current reports regarding different phases of operating activity. There are elaborate balance-of-stores records, production records, and analyses of selling conditions. But as yet most managements have not developed well-organized methods for analyzing and recording the elements which go to make up what is in many businesses one of the largest classes of expense, namely, the labor costs.

Purpose of a Labor Audit.—The purpose which a labor audit serves in an organization which has no modern personnel department will differ from its purpose where many modern practices obtain. Where personnel work is as yet largely undeveloped, the purpose may be to secure the facts to determine whether there is need of a more progressive policy. Where a progressive policy is already in operation, the audit will serve to check up its effectiveness and to indicate needed changes and improvements.

In general, an audit can be made to great advantage in cases where poor morale, low productivity, or high labor costs are in evidence.

The audit may be used to inquire into the causes of strikes or into reasons for the absence of corporate loyalty in working groups. It may be used to inquire into the causes of that elusive uneasiness usually spoken of as labor unrest or to ascertain the causes of labor turnover, or some friction or specific maladjustments within the organization.

The objection has been urged that in any given situation the causes of difficulty usually may be found in one definite set of facts or records without studying exhaustively into the entire personnel problem. In any given case this *may* be true, although the ramifications of a difficulty are usually numerous. Hence, the purpose of the labor audit is to set forth items and causes *in an inclusive way and in their proper perspective*. Over-worked executives are peculiarly disposed to attribute labor difficulties to causes which are too simple. The labor audit therefore attempts to show both the subtleties and the complexities of the causes underlying a company's labor difficulties. It attempts to "see the problem steady and see it whole."

It is valuable to have a method of checking up *all the potentially relevant items*, even though some of them may not be in active force at the moment. Just as a doctor insists upon a comprehensive examination of the patient to be certain that all factors possibly contributing to disease have been considered, so a comprehensive labor audit traces all possible clues.

It has, also, become a psychological truism that people see only what they have been taught to see or have been told to look for. For this reason, if for no other, an itemized check-list stimulates observational power. A schematic arrangement of topics makes it easier for the investigator to remember what he is to look for and what he has seen. In other words, a standardized

outline provides a convenient peg on which to hang facts, impressions, and ideas for subsequent record.

Moreover, the use of the same topical arrangement, which becomes reasonably standardized in one's mind and records, serves to make comparison of records and facts easier and more rapid. Several companies make labor audits annually in order to get an idea of the progress that is being made.

The value of a standard procedure for comparative purposes is particularly great for a holding corporation or the central service organization of a large corporation with scattered plants. The problem of obtaining and comparing necessary information on labor matters in its various plants has become a grave one for the large corporation. The labor audit can help materially to overcome this difficulty.

Since the purpose of the audit is to discover all the existing facts independently of anyone's opinion as to whether they exist or not, the more objective these facts can be the less is the chance that personal prejudice and bias will figure in the report of conditions. The aim is to have evidence which is beyond dispute; and the more the evidence is of a character that any impartial person must accept, the stronger will be the case for adoption of the recommendations based upon it.

Yet there are two reasons why this point should not be pressed too far. In the first place one of the most important elements in every labor situation is what the *people affected think*—the people on both sides. An investigation was made in a concern where the workers believed that the overhead cost of the planning department was excessive. It happened in this case that the proportion of this expense would not have seemed comparatively excessive to anyone familiar with the process of reorganizing methods of production control. It was the fact that the workers *thought* it was too expensive which caused difficulty.

In the second place, because of the nature of the facts covered by a labor audit, it will probably never be possible to submit all its items to accurate measurement and to statistical record. An intelligent use and interpretation of the statistical records can throw important light upon the personnel problem. But it would be absurd to believe that all the subtle influences at work in the labor situation can ever be recorded in graphs or figures. The demand is rather for a reasonably exhaustive audit check-list

which keeps the investigator's eyes on specific problems, most of which are objective. The practical result will then be that the investigator's opinions and conclusions are kept in close relation to a defined group of facts.

A fundamental purpose of the labor audit is to provide the management with a form of provocative report on a corporation's labor conditions which will supply a wealth of unanswerable arguments in behalf of needed changes. Corporation heads who do not often see the inside of the factory sometimes need a disinterested picture of the personnel facts. And the information which the audit affords can, if it is well set forth, supply this in a way that impels to remedial action.

In this connection it is useful to distinguish between facts which show that an accepted policy is not being carried out and facts which point to the need of a change in policy. In the former case the audit often works almost automatically to bring necessary corrections. It is not an uncommon experience for the investigator to go through a plant with a superintendent and, for example, ask such a question as, "How often are the windows washed?" or "Who is in charge of shop housekeeping?" and return to the plant in a few days and find that the windows have been washed or the shop cleaned up. So many companies are defective in their follow-up work regarding personnel activities that an audit is often justified simply by reason of the deficiencies in the execution of policy which it reveals.

There are cases, however, where the facts indicate the need of a different policy, and where it is necessary to do more than make a bare statement of fact. The experience of other plants should then be pointed to, and the effort made, both in the written audit and in conferences, to direct the argument in such a way that there is no escape from the conclusion that a change in policy is necessary.

In almost every one of several audits in plants that were without personnel departments it was possible to convince those at the top that enough problems vital to sound management were being ignored to make it a wise precaution for them to secure a special executive on labor relations. Indeed, when an audit puts on record exhaustively the vital points at which the company's efficiency is obviously impaired if the management has no explicit personnel policy, it can become a powerful brief for the adoption of one.

Finally, it should be clear from this statement of the purposes of the labor audit that it is much more than a report of facts based on a systematized check-list. The constructive part of the report is its distinctive feature. Of course, it is essential to keep facts, opinions, and recommendations clearly distinct; but assuming this is done, the recommendations are the unique asset here, and their value depends on the competence of the auditor.

Prerequisites to Making a Labor Audit.—There are at least four essential prerequisites to the making of a labor audit. There must be:

(a) A readiness on the part of the management, and preferably of the workers also, to put all relevant facts and records at the disposal of the investigator.

(b) A properly qualified auditor or investigator.

(c) A method of conducting the audit and of reaching all the sources of information.

(d) A standard, exhaustive, and logically ordered check-list of items (see the next chapter).

It is important to understand how indispensable these prerequisites are. Regarding the first there are usually two different possible situations. Either the management calls in an outside consultant to make the study, because it believes certain benefits can be derived, or the top management decides that a labor audit can be profitably made by the personnel manager.

In the first case, since the company is calling in the consultant, the presumption is that it will put at his disposal such information as will make it possible for him to draw his conclusions effectively and quickly. As a part of the education of the management, the consultant may indicate that he desires no information which he cannot convince the company is relevant to its labor problem; but usually firms which are willing to have an audit made are eager to proffer all the necessary information.

The situation is somewhat modified where the consultant is sent by the central management to one of its subsidiary plants. Unless the labor auditor's presence is explained with care and tact both by the head management and by himself, there is danger that a feeling of suspicion may arise in the minds of the local managers. They should not be allowed to feel that their work is in any way being pried into in an unfriendly spirit. The fact that the labor auditor is present in the role of counselor and helper should be stressed to the maximum.

There is a strong case to be made for the occasional employment of an independent outside consultant with a fresh point of view, wide experience, and strong personality, as a father confessor. The internal politics, complacencies, and routines which almost unconsciously develop are best laid bare and brought to the point of elimination by a wholly disinterested expert. This means that the value of the consultant is in proportion to his professional courage and insight.

Usually, executives are eager to discuss their problems once they are assured a sympathetic audience. It is the experience of all consultants that many members of executive organizations want nothing so much as an opportunity to pour out their troubles. The labor auditor can be of great service to the organization in being the discreet listener to trials and tribulations. His service as a confessor may be a by-product of the audit, but it is one of its most valuable by-products.

Under the second situation, an able personnel manager can from his position in the organization make a labor audit in the course of his own work that will be surprisingly complete.¹ Wise managers are making it a definite part of the personnel manager's duties to prepare such an audit annually.

Obviously, a spirit of cooperation and helpfulness toward the investigation must extend throughout the management down to the lower executives. Much valuable information about the concrete application of the labor policy is in the minds and experience of the foremen, and, unless they have been explicitly assured that they can safely be free with their information, this important source of experience and facts may remain virtually untapped.

Thorough analysis of the industrial relations problem requires also a direct contact with workers as to their particular problems, points of view, and difficulties. Audits have been made under different conditions: in plants where the management felt that it was inadvisable to interview the workers directly; in plants where the management was indifferent as to whether the workers were consulted or not; and in plants where the workers were instrumental in having the study made and were deeply interested in seeing to it that all the facts were made available. It

¹ For valuable suggestions on this topic, see BOWERS, G. A., Procedure for Making an Industrial Relations Subject Study within a Single Company, in "Handbook of Business Administration," pp. 1044-1050.

can be said definitely that the most satisfactory results are obtainable under the last of these three conditions.

It is worthwhile, however, to mention further the situation in which it is not deemed desirable by the management for the consultant to have direct contact with the workers. This limitation has not proved as serious as might be supposed. It is usual to find among the foremen and other executives one or more who through long acquaintance with the company can tell a graphic story of its successes and shortcomings on the labor side. In almost any corporation if one were simply engaged to make an audit of the executive organization including foremen, one could lay bare many of the difficulties which are hampering right personnel relations; but to limit the study in this way is to lose one of the conspicuous educational values of the audit.

Among the employees there are always information and a point of view, toward matters under examination, which are illuminating and suggestive of needed changes. Since they are the ones chiefly affected by the employer's policies, workers are clearly those who should be questioned and consulted. The objection made by employers who do not want their workers interviewed is that it may stir up trouble. This fear proves ungrounded if the auditor is a person with reasonable tact, and if the existing conditions are not already so aggravated that open trouble is inevitable.

Recently, also, there have been developed methods more or less formal for directly canvassing employee sentiment toward the company. This is usually done by individual interviews which cover the ground set forth in a prepared questionnaire. It is significant of a broadening executive attitude that this type of inquiry is now being encouraged in companies where formerly an outside consultant would have been warned not to make too many contacts with the rank and file.

Manifestly, the most satisfactory results are to be had where the workers are a party to the audit. One of the most informing and practically useful studies which we ever made was in an organized plant where representatives of the trade unions were instrumental in having the study made because of the dissatisfaction of their members with the conditions of employment. The auditor met with a representative committee from the whole plant on the first evening and got a general sense of the difficulties. Each subsequent evening was spent in conferring with a delega-

tion from each department and the days between were spent in the respective departments, checking up with the foremen and other executives the testimony obtained on the previous evening. At the end of the study, the auditor presented his general conclusions to the whole group verbally and talked them over informally with the management. He then wrote the final report, which was instrumental in ironing out the acute troubles.

In any company with an employee organization it is advisable that the auditor be allowed at the outset to indicate to the employees' group the purpose and method of his inquiry. In this way he can at once set at rest any question about his constant presence in the plant, or suspicion as to his reason for being there.

Useful as the labor audit check-list is as an instrument of diagnosis, it achieves maximum usefulness only in the hands of a qualified auditor. *The labor audit will be no better than the auditor.* Everything will depend upon his qualifications. First in importance should be placed his ability to elicit and respect the confidences of the people with whom he confers. In other words, he must be a person of agreeable personality; he should be patient, accurate, dispassionate, sympathetic, tactful. He should be discriminating and discreet in revealing what he knows; he should be preeminently gifted with a teaching sense that will enable him to draw people out and inculcate his own ideas only as fast as the individuals and the organization can absorb them. In addition to these more personal qualities, certain definitely intellectual qualifications are necessary.

It seems reasonable to assume that when a concern makes a labor audit it does so because of an appreciation of the importance of right industrial relations; it does so because it recognizes the need of correction or improvement. But correction and improvement can take place only if a comparison is constantly being made between what is and what ought to be. In other words, the labor audit will serve its purpose only if it is in the hands of an auditor who comes to his work in a liberal, progressive, and well-informed spirit. An effective labor audit cannot be made by a person of reactionary temperament and ideas. For the auditor has to see each organization's problem, not as an isolated phenomenon, but as part of a world movement of liberalizing and humanizing influences. He must, in short, have a reasonably clear conception of how the industrial relations of the company could be run with greater and greater success and felicity, if his

recommendations were allowed gradually to have effect. If the audit is to exercise a constructive influence—and this is its only excuse for being—it must be made by a person who is a practical idealist, who keeps himself informed upon all developments and experiments in the field of industrial relations, and who is able by the weight of facts to win others to his way of thinking.

Methods of Conducting the Labor Audit.—The following statement of the methods to be employed in conducting the labor audit is made from the point of view of the outside consultant. Some problems of contact which are serious for him will never arise when the study is made by those within the organization. Yet up to a certain point the personnel manager can profitably follow much the same procedure as the one here indicated.

In the present writers' experience in no two organizations has the analysis been pursued in identical ways. The approach to each new corporation is a journey of discovery on an uncharted sea, and the auditor must be prepared to watch for every clue and be exceedingly flexible in his methods. It will be valuable, however, for him to have two or three general points in mind.

He should, for example, be sure to talk with those executives who "have ideas" on the labor problem of the company, even though, as is sometimes the case, they are quite outside the personnel field. In the second place, the auditor will take pains to plan his campaign of interrogation and conference in such a way as to get the maximum educational results. His temptation will be to adopt the attitude that he is there simply to get the facts. This is the subtlest danger to which the auditor may become a victim. It will be the line of least resistance for him simply to draw out information as quickly as possible, draw conclusions in his own mind, write as effective a report as possible, setting forth the facts and his recommendations, and consider that his work is then ended. The trouble with this method is that it is likely to lead to the futile consequence that his report is simply read and filed away without action being taken, or without enough action being taken to constitute a real change in policy. Emphatically the process of making an audit is *not* simply the writing of a report. *It is a process of constant education through personal contact, conference, discussion, question, and answer.* Half the educational value is on this personal side; and to ignore it is to miss the real opportunity for most rapid advance.

In short, the auditor must sell his ideas as he goes along, both by the way in which he asks his questions and by the way in which their assent to the facts brings the executives naturally to an acceptance of the auditor's conclusions.

The first interview will naturally be with the highest executive, with whom the auditor takes up especially problems of the determination of personnel policy and the nature of the policy under which the company at present operates. It will be important to get from him as clear a picture as possible of the division of responsibility and of authority in the organization. In this connection it will be helpful to secure, or to have made, an organization chart of the executive organization as a whole. It cannot be too greatly stressed that at the bottom of many personnel problems is the fact that responsibility is vaguely assigned, and that authority is not clearly designated on important matters. Indeed, the auditor's efforts in the direction of clarifying function and duties are one of his invaluable services.

The labor auditor will indicate his method of procedure to the chief executive and will ask to be introduced to the lesser executives with whom he can talk to advantage; he will also see that the top executive instructs the other officials to put necessary data and records at his disposal. Whether or not all such tabulated matter should be studied next by the auditor, he will have to decide on the merits of the individual case. Usually, however, he will carry on his interviews and observations with greater point if he has that grasp of the outstanding problems which a preliminary study of the records may reveal.

Available Records.—Turning, therefore, to a consideration of the records and printed material on personnel matters which the auditor should examine, the following data will be of service:

- (a) The number, causes, and cost of accidents.
- (b) The amounts, causes, and cost of sickness.
- (c) The amounts, causes, and cost of occupational disease.
- (d) Figures showing the relation between wages and output, between hours and output, between labor turnover and output.

This correlation of data is highly significant. It may not always be possible to secure it; but there is unquestionably one of the most fertile fields for statistical refinement in this problem of correlating the figures of production or operation with personnel facts, and the human side of business.

- (e) Length of employment of workers and of leavers.

It is important to know what percentage of workers has been at work for specified lengths of time.

(f) Wage groupings by (1) amounts both in terms of weekly and yearly income, (2) sex, (3) age, (4) length of service, (5) degree of skill.

This arrangement of wage statistics will almost invariably throw light upon the efficiency of the company's payment methods and upon any serious discrepancies and shortcomings in amounts of pay. Companies do not usually compile their figures in this way; but if when the labor auditor commences his work he can call for a certain amount of clerical assistance, a good deal of this data may be collected during his visit—usually enough to make it possible for him to have a fact basis for his discussion.

(g) Records of labor turnover, lay-offs, and discharges.

To be significant these records should be itemized in various ways, but especially by departments, sex, length of service, amounts of pay, causes, etc.

(h) Records of quality of work, amount of waste, number of seconds, or defective goods.

(i) Absence and lateness records.

(j) Medical division reports.

(k) Safety division reports.

(l) Training division reports.

(m) Service work reports.

The adequate compilation of records is one of the immediate ends for which the consultant will have to strive with some pains. Many plants do not permanently keep records of the above character and have no idea what the situation is regarding these personnel facts. It is not until the significance of more adequate control over these important items is understood that a proper interest in this type of statistical work arises. It should be clear to the executive who has seen the beneficial results of a more careful control of production costs that a certain minimum of personnel record figures will be immensely valuable.

In addition to the existing statistical data there will be, of course, a certain amount of documentary material which the auditor will examine with profit before he goes into the plant. He will familiarize himself, for example, with profit-sharing arrangements, constitutions of mutual benefit societies and employees' representation plans, minutes of meetings of executives' groups, foremen's clubs, and employees' organizations, the files of the company paper, and similar sources of information about all the different personnel activities.

Interviews with Executives.—The wise auditor will usually conduct his personal interviews with the executives from the top down in the order of the authority of the lesser executives. In these interviews he will in many cases repeat the same questions—questions having to do with the responsibility and authority of

the individual, those aiming to make clear his conception of the labor policy under which the company operates, those aiming to secure his evaluation of the success of that policy. The auditor will save himself considerable misunderstanding if he says specifically to executives who are outside the field of personnel administration that he is not talking to them as an expert in their field, but *that he is speaking to them only in his capacity as a personnel expert anxious to understand how their activities relate to and influence personnel policies and methods.*

In the course of such interviews he will necessarily have to go through a good deal of chaff to get the wheat, since every specialist is eager to describe the technical work in which he excels; and it is only with difficulty, and often incidentally, that he will let fall information which throws light on the personnel aspects of his technical problem. For this reason the method of direct questioning must occasionally give way to patient waiting for an executive to tell his own story in his own way.

With the general knowledge of organization policy and practice, which the interviews with executives afford, the auditor will then confer individually with each department head or foreman. In this way he will get a valuable corroboration or denial of the statements which the higher executives have made. He is frequently astonished to see the wide discrepancies between the stories which the higher and lower executives tell, as to the definition of responsibility and the character of the policy under which the company is operating. The labor auditor has a major task in helping to clarify this situation and remove misunderstandings.

In the interviews with the foremen he will concern himself with the detail of the individual foreman's methods of running his department. It is one of the substantial by-products of the auditor's work that he comes to have a fairly good estimate of the competence of the various executives for their jobs, and he will discover which executives are most successful in carrying on their work as it affects the personnel problem.

Attendance at Meetings.—The auditor will also get much light upon the practical working of the company's human relations work if he attends executives' and workers' conferences or committee meetings which take place during his stay in the plant. Not infrequently an operating committee of the executive staff has daily meetings. Attendance at these meetings usually brings out suggestive information, even though many of the

problems treated have no direct bearing upon the labor question. The same will be true of foremen's meetings, councils, and conferences held either for business or for social purposes. If there are meetings of employees' organizations of any sort, which the auditor may attend without being too conspicuously out of place, this also will be valuable.

Finally, of course, there is the method of direct observation of conditions and procedure. The auditor's eyes are always open not alone to matters of physical arrangement and convenience but to the going methods and to sensing that indefinable thing, the atmosphere of the organization, which, subtle as it is, frequently tells much about the workers' attitude and the success of the personnel policy.

In short, the auditor must have his wits about him at every moment of the day to discover ways and means of acquainting himself with the effects of the current labor policy of the concern on the attitude and efficiency of its personnel.

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CHAPTER XXI

THE LABOR AUDIT CHECK LIST

The check-list which outlines for the investigator the subjects to be covered in the labor audit might conceivably be created afresh by each investigator in the light of the problem he is about to confront. Naturally some modification in subject-matter is necessary in every situation, but there is much value in a master check-list which will be reasonably definite, standardized, and exhaustive in character. The form of check-list here discussed is not necessarily the best that can be devised, and the present arrangement of topics is not defended. It is simply illustrative and suggestive of one possible way of developing a method for systematized personnel study. At the moment it is less important what standard form of procedure is agreed to than that the value of some standard form is recognized.

No one familiar with the extraordinary inter-relation of subjects in this field will deny that any grouping of headings is at best arbitrary. Therefore, only an attempt to explain briefly why subjects are grouped as they are will be made. It is impossible in a chapter of reasonable length to state exhaustively what questions should be asked under each of the main headings, so the treatment throughout is primarily suggestive of a method of procedure.

Acknowledgment is here made of the value of the work of the late Robert G. Valentine, who probably was more instrumental than any other person in giving practical form to the idea of a labor audit. However, the arrangement of topics which he evolved, and which was set forth in the first edition of this book, is modified here in the light of additional experience. The general set-up of topics here employed rather follows the sequence of development used throughout this book, namely, a discussion of the work of each of the operating divisions of the personnel department, and of all of the personnel activities.

Outline of Labor Audit Check-list.—The topics of the labor audit may conveniently be grouped as follows:

I. Employment:

- Sources of labor supply.
- Selection.
- Placement at work.
- Following up new workers.
- Transfer.
- Promotion.
- Discharge.
- Employment records.
- Labor turnover records.

II. Terms of employment:

- Amounts and methods of payment.
- Hours.
- Indirect compensations.
- Group life insurance.
- Health insurance.
- Unemployment insurance.
- Stock purchase plans.
- Profit-sharing plans.
- Pensions.
- Production standards.

III. Health:

- Medical department organization.
- Medical records.
- Fire hazards.
- Accident hazards.
- Ventilation and heating.
- Lighting.
- Cleaning.
- Drinking water.
- Sanitary equipment.
- Seating and rest rooms.
- Dressing rooms.
- Noise and vibration.
- Factory exterior.

IV. Safety:

- Safety department organization.
- Safety records.

V. Training:

- Executives' instruction.
- Foreman instruction.
- Job instruction.
- Naturalization.
- Training for promotion.
- Inspection.
- Suggestion systems.
- Company house organ.

VI. Service work:

- Restaurant and lunch rooms.
- Saving facilities.

- Housing.
- Recreational activities.
- Cooperative purchasing.
- VII. Research:
 - Job analysis.
 - Job specifications.
 - Labor audit.
 - Medical research.
- VIII. Negotiation and adjustment:
 - Conference methods.
 - Employee representation plans.
 - Collective agreements with trade unions.
- IX. Managerial policies, methods, and opinions (as bearing on personnel policies):
 - Production organization.
 - Sales organization.
 - Financial organization.
 - Personnel organization.
 - Coordination of staff and line departments.
 - Outstanding economic beliefs of owners and executives.
- X. Outside relations:
 - Employers' associations.
 - Trade unions.
 - Labor legislation.
 - Labor law enforcement.
 - Transportation.
 - Public education.
 - Public health.

In using the above outline, the point of view of the survey is *to discuss in relation to each of the items named, and to all the sub-items which would naturally occur in connection with them, the way in which they affect the relations of the employees to the company.* The question always is: Does a given procedure, or the absence of a given procedure, influence the employees' relations beneficially or adversely?

The Mechanics of Presentation.—It is important to consider how the finished labor audit may be most effectively presented to those for whom it is being prepared.

There should be a good index at the beginning of the report. There should be at the outset a concise summary, a few pages in length, indicating the high lights of the report and its recommendations.

Experience shows that the finished report will constitute a typewritten document anywhere from fifty to two hundred pages long. Executives should be strongly urged first *to read the*

report as a whole and in so far as possible at one sitting. It is extremely important for executives to *see all around* the problem at once; and this end can be most readily achieved if the audit is read through at one time. The executive can then go back at his leisure and study particular sections.

Two contingencies frequently arise. In the first place, there are companies where two or three problems are found to be so outstanding in their influence that, until they are stated and understood, nothing else about the organization can be understood. In cases of this sort it is good strategy to preface the audit by an analysis of these major problems, and then to follow it with the usual treatment of the other topics. This method has the value of greater emphasis and directness of treatment of the salient difficulties.

In the second place, many executives are poor readers. They feel that they have not the time and therefore they have not the patience to absorb in detail an elaborate document. To be sure, they are mistaken; they are usually trying to see in unduly simplified terms a problem which is inherently the most complex of all the problems of the organization—the problem of human relations. But such men have to be reached and influenced.

Several different methods have been employed to cope with this difficulty. For example, the report may be read aloud to the executive; or it may be reported to him orally in a series of conferences; or a special abstract of the whole may have to be prepared to supplement the conferences which the auditor has with the executive.

Another possible alternative is that the auditor should work in such close connection with the head executives, while the study is in progress, that by the time his formal report is finished he has already imparted informally, through conversation, the gist of his facts and recommendations. In this way the executive should find that a great deal of the report helpfully duplicates and records for subsequent reference information he already has. All of these, however, are unsatisfactory alternatives to having the executive devote the time and the thought necessary to a serious study of the entire report, which would then be followed by conferences with the auditor.

It is important to have the objective facts distinguished sharply and clearly from the auditor's opinions and from his recommendations. Throughout the report this distinction should be observed

rigorously, and facts and recommendations kept always under two distinct captions. Whether or not the recommendations in connection with each topic shall follow immediately after the fact discussion of that topic is a matter of opinion, although there is much to be said for this arrangement. Then, for purposes of reference, the important recommendations may all be brought together again in a conclusion.

In this summary of the recommendations it will usually be valuable to suggest the order in which the auditor believes the recommendations may be carried out most satisfactorily.

Uses of the Labor Audit.—The practical uses of the labor audit should be summarily considered from four points of view: the uses to the general management, to the personnel manager, to the workers, and to the community.

Uses to the Management.—The audit is useful to the top management as a method of standard record, careful analysis, and comparative check-up of standards in effect. But the material incorporated in its individual sections, together with the recommendations, also may profitably be made the topic for discussion and for educational work in executives', foremen's, and workers' conferences. In a company already well functionalized, the different sections of the report naturally would be turned over for action to the executive charged with the responsibility for the function under consideration; but more than this is necessary. The audit has been made from the point of view of assessing the all-round human and social solvency of the organization. To the extent that this all-round point of view may be imparted to all members of the executive staff by reading and discussing certain portions if not all of the audit, to that extent the broadest educational purpose will be served.

The audit should also give the management a good estimate of the personnel department's working efficiency. But it is more than simply a statement of conditions. It should be definitely a working manual, which in the hands of the personnel executive may be used as suggestive of a point of view and of new methods.

A further use of this check-list method is for purposes of re-examination at periodic intervals and evaluation of results achieved and progress made from year to year. The use of a standard form of a report annually remade can be of great value in checking the whole progress of the company's labor policy.

Where new executives are being introduced both into general executive work and into the personnel department, it is convenient to have available in report form a statement that makes clear to them how the company's labor policy is operating. If a labor audit is turned over to such new executives to read, they can be quickly instructed in these policies and methods. As a document for the instruction of new executives the audit has significant values.

Again, the conscientious and enlightened employer, who is appreciative of his social responsibility, should be able to find in the audit an appraisal of the social solvency of his business. He should be able to get a clear picture of the problems which remain to be solved, of the immediate steps he should take toward their solution, and of the larger problems he should have in mind to work on over a period of years.

Finally, this entire technique of survey is readily adaptable to an office, a city department, a railroad, mine, hospital, or any other institution where there is a relation of employer and employed. As a manual of procedure and a critique of standards, it can prove immensely helpful in many types of organization.

Uses to the Personnel Manager.—From the point of view of the personnel manager, the labor audit has certain values which are to be obtained in no other way. It enables him to visualize all the elements of his problem. This knowledge of all aspects of the situation with which he is dealing is indispensable to the forming of a right and adequate policy. Also, it can help him to sell his policy to the organization with maximum effectiveness.

Another use of a different kind should also be mentioned. The personnel manager, if he is casting about for a *method of filing* the flood of pamphlets and clippings on personnel which pour in upon him, may find that the topical arrangement of the audit with its sub-topics affords a convenient method of filing.

Uses to the Workers.—The time has now come to meet one possible objection which may arise to the labor audit from the workers' point of view. It may be said that the audit is simply a device to inquire into the workers' grievances before they have reached substantial proportions and to forestall by preventive measures any vigorous or direct action on their part. In other words, it may be objected that the labor audit is being used to

maintain the employer securely and with a better conscience in the control of a situation which, from the broadest point of view, may require that control be shared. From this point of view, the audit is being used to salve the employer's conscience and equip him with methods of administration which enable him to maintain himself more securely in a basically autocratic position.

The answer to this objection is clear. The labor audit is primarily an instrument of inquiry. It is an instrument used to discover unscientific, inhuman, and socially inexpedient policies and methods in the labor relations of an organization. In so far as it is an instrument of precise analysis, it stands on its own feet and is of use to anyone who will utilize a method of exhaustive study. The fact that a weapon of any sort is capable of dangerous misuse is not an argument against its use. It is simply an argument for its use *in the right hands and with the right purposes.*

As a matter of fact, as a result of investigative work done both in union shop plants and in public utilities, it is clear that there are substantial values to be derived from the use of labor audits by the organized workers and by public regulative bodies. The time may be looked forward to when the organized workers will on their own behalf (or jointly with the employers) undertake just such systematic analysis as is here recommended, of the conditions and terms of employment under which their members work. Increasingly, as the unions see themselves in need of accurate facts, both for the protection of the health of their members, for their instruction, and for the information of the public, they will see the need of a method of inquiry which will at least approximate that of the labor audit.

As to the objection that the audit may result in the adoption of procedures which will make the workers content with a relationship which is fundamentally inequitable, the answer is that much depends upon the point of view of the auditor. His recommendations may be farsighted or they may be of only temporarily alleviative value; but whoever owns the shop and whoever controls the shop, the problem of maintaining a cordial relationship between manager and managed persists. In the administration of that relationship, as well as in the administration of the correlation of the different departments of the organization, there is under any ownership the necessity for as scientific and precise a method of analysis and survey as can be devised. If in the

mind of the auditor the present relationship of the capitalist or manager to the workers in a particular company has in it inherent elements of unfairness or injustice, there is no reason why the auditor should not point that out in his audit.

In short, these objections to the use of the audit, while they should be borne in mind as warnings, are not really serious; and it is to be hoped that organizations of the workers and of the public, as well as managers, will resort to the use of this method of fundamental analysis for their own purposes.

Uses to the Community.—As the public responsibility for the proper conduct of the public utilities is more and more stressed, and to the extent that assertion is made that the “interest of the public is paramount,” it will be a public obligation to have the facts about the operation of the labor policy of public utilities constantly at the disposal of the public. Most of the material that a labor audit contains should not be simply a matter of public record where public service corporations are involved; it should be a matter for deliberate publicity in published reports, pamphlets, bulletins, etc.

In some of the most critical strikes in street railway transportation, for example, if the public had known accurately what the facts were, in advance of the interruption of work, it would have brought pressure to bear on both sides to effect a modification of policy and practice which would have made a strike altogether unlikely.

We stress the value of the labor audit in the public utility field because of the importance of assuring that there is no interruption of service because of labor controversies. But obviously the community is, or should be, concerned to minimize unfavorable policies and conditions in the relations of all employers with their workers. A comprehensive technique of investigation can be of great public service in this connection, both for independent agencies of socially minded people and for governmental bodies of inquiry or regulation.

This suggests a wide field for the audit's usefulness. It is increasingly recognized that state industrial commissions have not simply a regulative but a preventive and constructive function. In order successfully to perform that function for all industry they need more information about every company. The time may not be far off when state labor commissions and the United States Department of Labor will institute what in effect

will be bureaus of labor audit and research to study companies especially in need of new policies.

Results of the Labor Audit.—The results of the labor audit hinge largely on two factors: on the character, capacity, and conviction which the auditor himself carries, and on the inclination of the interested parties to act upon the recommendations which are made. Assuming that these two conditions have been met, it is possible to indicate several tangible and beneficial results.

In the first place, the audit should increase the ability of those who determine personnel policy to see that policy as a rounded whole, to see that there are no panaceas in this field, and to see that a great variety of problems must be attacked, if conditions are to be bettered and more just relationships established. This is a most valuable result, since it will check the tendency of executives to pursue hobbies and panaceas as solutions.

Another value should be as an aid in laying out a long-time plan of personnel activities on which a company can work soundly for some years to come. In other words, there results from the audit a new sense of *significance* and *direction* in personnel policy.

From the point of view of labor organizations, the results of the labor audit will look in the direction of getting both the working conditions and the government of industry upon a fairer and more equitable basis. The immediate result will be to inform organized workers in a concrete way as to the practical success, from their point of view, of the existing structure of government.

Finally, as soon as the labor audit is used as an instrument of public investigation and oversight in industry, it will bring to light a vast number of discrepancies and inadequacies in the administration of industrial personnel work, which will be almost automatically corrected once the light of day is let in upon them.

Robert F. Hoxie well characterized the existing condition which the labor audit is calculated to correct, when he said:

In labor contests no foreknowledge exists; there is no machinery for getting it, no enlightened public opinion; there is arbitrary disregard of public rights, false claims, and a helpless public.

We must have means for developing a body of exact and truthful information, developing common standards of right and justice (maxima and minima or rules of the game), developing a real public opinion back of them, developing a constructive social program, getting centralized, strong, able, elastic administration and enforcement of laws, with a

view to the whole situation; getting and applying knowledge and standards to control, and in the settlement of contests, creating to this end social interactions. This understanding and knowledge can be secured only by the closest first-hand study in the field. It is all a matter of doing the work in a calm, orderly, large-minded and farsighted, constructive and scientific manner.¹

Professor Hoxie has well expressed the larger function of the labor audit. It is to supply knowledge, discuss method, and evaluate personnel policies in a temper which is large minded and farsighted. It is to inject into the discussion of proposed constructive policies for industry a realism and concreteness which will keep everyone's feet planted firmly on the ground. It is to create a sensitive regard for practical and helpful suggestions which are of permanent value, because they are elaborated in the light of a clearly defined and socially wise purpose of industrial growth and service.

The problem of control and of authority is indeed basic in modern industry. Progress will be halting and subject to violent transitions, unless all parties to our economic life address themselves in a public spirit to the task of applying knowledge and standards in the field of control. The labor audit's justification is the aid it can bring in this discovery of fact and standard, and the dispassionate spirit which it can help to cultivate for the discussion of sound methods of government and administration in economic organizations and other types of institutional organization.

Conclusion.—In relation to the development and maintenance of progressive personnel policies, managements need two things. They need the occasional stimulus of a professional outside appraisal of going policies. And they need a systematic method of evaluating for themselves the success of these policies.

For the latter purpose a procedure which is the equivalent of a labor audit has proved useful. For the former an audit is helpful to the extent that the auditor himself is a man of courage, economic vision, and psychological insight.

Selected References

See end of previous chapter.

¹ HOXIE, R. F., "Trade Unionism in the United States," pp. 374-375.

CHAPTER XXII

PAYMENT PRINCIPLES AND METHODS

The problem of payment occupies a position of central interest in the industrial world. "How much do you pay?" "What is a fair day's wage?" These two questions are immediately put by workers on the one side and employers on the other. Over wages, piece prices, and payment plans controversy seems endless; the differences seem often insurmountable.

The need is clearly for a fresh approach to the problem; for an attempt to see if any standards exist or might be established, if any broad principles may be agreed upon which tend to narrow wage discussions within reasonable limits. It is the purpose of this and the next chapter to consider the present attitudes and standards of managers and workers toward payment, and to see if current experience with newer payment methods suggests the underlying principles which a good plan should aim to incorporate. It will not be attempted, however, to cover ground already covered by other writers¹ in description of the great variety of incentive payment plans. The purpose here is rather to see what outstanding tendencies are being reflected in the best current payment practices, since a survey of existing methods indicates a clearly defined group of principles which underlie the minor differences in prevailing plans.

The Employer's Point of View.—Three distinct points of view about payment are distinguishable among employers. They may be characterized as (1) paying the going market rate, (2) paying enough more than the market rate to buy greater interest and create an incentive, (3) paying in relation to several specified factors—*e.g.*, cost of living, years of service, profits of the business.

Undoubtedly, the first of these points of view is still prevalent. This is the theory which squares with the so-called "fundamental

¹ For expositions of existing payment plans, see LITTLE, C. W., "Wage Incentive Methods"; JONES, E. D., "Administration of Industrial Enterprises," Chaps. XX, XXI.

law of supply and demand" on which the older managers have been brought up. It implies that the market rate is set as a function of the relation between the supply of workers and the demand for them. Labor in this view is implicitly a commodity, the value of which rises and falls with the availability of the supply. Asked what determines the amount of wages, the manager who holds this view will answer: "It depends on how much we can get workers for. If there is a crowd around the gate, we can offer less; if we need more workers than there are in sight, we must offer more." This notion gives rise to the attitude that "we pay as little as necessary and then do all we can to get as much work as possible."

This frequently met but surely over-simple analysis of the wage problem is now superseded, in the thinking of those managers who make any claim to enlightened self-interest, by another point of view. They have in numerous instances proved to themselves that not low wages but high wages bring low costs. It is desirable, in this view, not merely to buy so many foot-pounds of a worker's energy, but to create some incentive. Piece rates are offered with this idea in mind; all the numerous differential payment and bonus schemes work from this basis; and many of the so-called "profit-sharing" plans and methods of easy purchase of company stock have this end in view. If the worker realizes that the amount of wage is conditioned by his own effort, his efforts will presumably be more sustained and the production greater.

It is definitely a part of this whole idea that whereas wages will be a little higher than under the market-rate theory, they will not by any means be high enough to absorb the whole, or even any large proportion, of the saving in costs which results as soon as the number of units of output per hour or day is largely increased. Fundamentally, this point of view is closely related to the market-rate theory, since here also the effort is in the direction of paying as little as necessary (although it is seen that more than the market rate is necessary) to get as much work as possible.

In companies where either of these two points of view is held, the simplicity of the case may be destroyed by the entrance of collective bargaining or even of negotiations with employee representatives, under which the workers aim by their organized power to get a base rate which seems to them more equitable than that

based on supply and demand. However, to the extent that the employer finds that the scale jointly agreed to does buy a reasonable interest and incentive, collective negotiations need not conflict with his policy or the security of his rate of profit.

There are, finally, an increasing number of companies which desire to get a more "sound" and ethically defensible basis of payment. The usual tendency in the plans of these employers may be briefly outlined as follows: They set minimum base rates in some explicit relation to the cost of living; they attempt to evaluate a number of measurable elements in determining pay. They may also attempt to make some permanent, regular, and stipulated distribution of some share in profits after agreed deductions for a specified dividend and other usual charges. The motive here is to afford the workers a share in the ultimate success of the enterprise as a whole; and various profit sharing and stock ownership plans are therefore tried (see next chapter).

The point of view from which we approach payment methods is basically in line with this third outlook. And the subsequent discussion develops a general procedure. We appreciate that this point of view is as yet not typical. Yet there is already so much experimentation with incentive and "profit-sharing" methods of compensation that the principles which might wisely underlie them deserve careful statement.

The Employees' Point of View.—Of importance also in an understanding of the issues here is a recognition of the typical employees' attitude. Here, again, there are three fairly distinct points of view; and they parallel in a significant way the various attitudes of employers.

There is, first, the "get away with it" attitude, the point of view that the worker will do as little as necessary and get as much pay as possible—the direct and inevitable response to the employer's similar attitude. Although widely held, this view is always susceptible to modification in one of several ways.

There is, in consequence, a second, less simple view that, if more than the market rate can be obtained, more work will be done. Normally, the worker whose vitality is not impaired will want to earn as much as possible and will respond to financial incentives. He often desires promotion and he realizes that this only comes as he makes a good showing at his present job. Finally, the instinctive desire to contrive—the creative tendency

—is not wholly dormant, and it demands some expression through the outlet of “doing a good job.”

This second, more complex, motivation is likely to be further complicated by certain reservations which at least the more intelligent workers can be counted on to make. They realize that under most incentive payment plans the company not only gets much greater output, but it gets it at a progressively less cost per unit, the bonuses rarely absorbing as much as 50 per cent of the saving in costs when production is increased.

They find also that such plans are usually offered for individual or gang effort under a *régime* of individual bargaining, with the consequent danger that if certain individuals do “too much” the rate will be cut, and the less skilled workers be forced out of a job or over-speeded. Also, under these conditions, base rates may be kept at a point so low that, even with the incentive payment, little if any more than the market rate is received.

Again, where the incentive is in terms of profit-sharing or stock participation, workers tend to be suspicious unless the basis of the plan is clearly understood by them, unless it is in the form of a definite binding commitment in advance by the company, and unless they have some share in its administration.

There is, finally, an attitude not so frequently met among workers because the conditions are not often such as to bring it into prominence—that the worker expects to realize the greatest satisfaction through and out of his job. This means that the job is not only to give as large a return in cash as possible, but also that the conditions surrounding the work are to be right, and the job itself is to offer a genuine medium of expression for the individual's talents and desires. In other words, this attitude is the truly cooperative one of a sense of genuine partnership, induced by a knowledge that the worker's financial relation to the company is on a plane of stability, reduction of inevitable hazards, and participation in ultimate successful results of the business as a whole. This outlook, relatively rare though it is, is the one found in companies where the entire compensation plan has been thought through with the aim of acknowledging and building up a partnership relation.

A Basis for Common Action.—The foregoing *résumé* describes a clash in points of view which is acute today. There is felt to be a divergence of interests regarding payment; and there is too often inadequate chance to discuss that divergence and secure

a common basis of understanding and action. In consequence, there are ill will, suspicion, and distrust on both sides; and a disposition to regard any scientific and equitable adjustment of the problem as difficult to achieve.

It seems, therefore, that if some common basis in knowledge can be reached, if some common meeting ground for discussion can be obtained, if some decision can be reached on agreed principles of compensation, and if some temporary adjustments are possible on a basis of an application of the principles to the agreed facts—then, and only then, can managers hope for some relief from destructive conflict and perpetual bickering. These four points deserve careful examination: Can there be common *knowledge* about payment factors, a common *meeting*, certain common *principles*, and *agreement* on actual adjustments? The place of knowledge of facts in the payment problem will be considered next.

The Fact Element in Payment.—There is a growing disposition to evaluate a number of factors in determining pay. At any one job it will be necessary to *make a selection* of the factors which it is agreed shall have weight, but in the following list will be found a number of items from which such a discriminating selection as the character of the job warrants may be made.¹ It is *not* claimed that all these items necessarily require consideration in relation to *every* job.

First in importance stands the *cost of living*. More and more, companies are coming to realize that wages which bear a close relation to the cost of living are a necessary charge upon the business. They realize that, if machine maintenance is important, the adequate maintenance of the really active and sentient factor in production is doubly necessary. It would seem hardly a matter for dispute that, if people are needed at all in industry, they must be paid enough to preserve health, vigor, and strength—enough to maintain their productive power. One reason why this has not become a truism is that this country has been able to rely upon a constant inflow of foreign workers who either were able to get along on low wages because of a simple standard of living or who did not stay long enough on a job to feel to the full its ill effects. Now that this inflow is restricted and the extension of an American standard of living to all workers is spreading, the

¹ See Lorr, M. R., "Wage Scales and Job Evaluation," Chap. VI.

use of cost-of-living data to help determine minimum rates of pay will inevitably spread.

We are not at this point concerned with discussing how the facts about living costs should be applied specifically; we realize what a thorny problem this is. We realize also how far short many companies still fall of having wage rates at a point where an amount usually regarded as meeting the living costs of an adult married man with a family, is paid. But we are equally clear that setting less than this requirement is socially unsound, and gradually but inevitably these industries which are on a low wage rate basis have got to alter their operating conditions to meet a higher wage level. The principle is sound *that the basic annual income should as a minimum be sufficient to meet the worker's cost of living.*

Amount of output is now widely acknowledged as a valid factor in helping to determine pay. The measurement of production, the deriving of acceptable minimum standards and maximum limits—these subjects we have discussed in Chap. XX.

Quality of output is a factor. At those jobs where quality is definitely determinable, there is every reason why it should figure in determining a worker's pay.

Material cost is another item to be correlated in deciding upon a worker's competence. Under this term may be included several elements, some or all of which may be measurable at any one job; for example, amount of power consumed, cost of machine maintenance, amount of waste, spoilage of work or equipment.

Time factors would be a further element in making up a worker's rate. Regularity of attendance and lateness would be especially considered here.

Previous education necessary will vary with the job; and naturally the job for which one can qualify with no schooling will pay less than the one requiring a grammar or high school education.

The amount of job instruction necessary also helps to gauge the degree of skill required. The trade which it takes four years to master normally will command more than the job which is learned in two weeks.

Length of service is in some positions an important determining factor. This is especially true of work where the obvious technique is easily learned, but where the worker's value increases with the years because of his reliability, more perfect command

of the job, and the more complete confidence which it is possible to repose in him.

Hazards of the job sometimes affect the pay favorably to the workers; sometimes they do not. It certainly seems, however, to be a plausible conclusion that where there is an increased risk of sickness, accident, or even death constantly present, the necessity for the worker's making exceptional insurance provisions justifies higher pay. Moreover, as workers come to discriminate, it will be necessary to pay a differential to induce them to engage on more hazardous jobs.

The disagreeable character of work will tend to play a larger and larger part in determining pay. It is one of the anomalies of an over-supplied labor market that those who do the most disagreeable work receive the least pay; but as the supply of illiterate labor is reduced, a premium may be placed upon that work which is carried on under unpleasant conditions.

Possibilities of advancement in some cases affect the amount of pay. Where these possibilities are good, that often has the effect of keeping down the rates at the lower grade job, as the increase in pay comes with the promotion to the higher job.

Wages in the local community will usually be an influential factor. Especially will it be useful to know the rates paid at jobs of a character comparable with those under consideration.

Wages in the industry afford important data. The wage-rate figures of competitors are at best misleading, however, since what is really significant is the *amount of product per dollar of payroll*, and the amount of workers' *yearly* incomes rather than their hourly rates. Wage rates are only loosely comparable; unit labor costs if compiled by different shops in identical ways give a more accurate basis for comparative study.

The extent of demand for the product will in the long run exercise an influence over pay. An industry with a falling market is never in the same position regarding wages as is an industry with a rising market.

The amount of profits of the business is admittedly a factor in determining pay in many cases. Where wage rates are on a sliding scale fixed with relation to prices, wherever in addition to wages an annual bonus is given out of profits based on a percentage of wages paid, wherever monopoly conditions have given rise to large profits and higher than current wage rates are paid—in all these cases the amount of profit is a factor in the

determination of wages. And it is certainly further true that the company or industry which is known to be profitable is more likely than the less prosperous one to be pressed with demands for larger pay (which cannot justifiably be withheld).

Ultimately, *methods of financing* the company will have an effect on the payment situation. Policy as to the amount of outstanding interest or dividend bearing securities in relation to real assets, amounts set aside for depreciation, for reserves, for surplus and extensions, for speculation in raw materials, will influence the finances of a corporation appreciably. The eventual connection between decisions on all these matters and wage determination may become very close.

Finally, the policy regarding the *relation between wages and salaries* will be a factor. If the company has an established procedure regarding minimum wages, that sets one definite bottom limit to pay. If it also has a scheme of a salary maximum in each classification and of a specified range of salaries in each grade of executive position, that further defines the salary obligations to be met. But where high executive salaries are kept secret because they represent in effect a disguising of profits, a most unsound financial influence may be at work.

Sources of the Facts.—Without entering into particulars about ways and means of compiling the fact data necessary to afford an adequate basis for determining pay at any position, it is worthwhile to note that the personnel department should usually be charged with the initial assembly of these fact data. Most of it is available in the records of the organization or can be derived from those records. Data about outside conditions are more and more available through trade associations and local chambers of commerce.

Cost of living data is available in the monthly reports of the United States Bureau of Labor Statistics and from a number of private sources such as the National Industrial Conference Board. But all such figures have to be related to local conditions and to special local factors such as rents, food, and clothing costs. Also many companies will want to know not merely the figures for the theoretical family of man, wife, and three young children, but also for single men and women and for minors living at home.¹

¹ See in this connection an interesting analysis of actual wage figures paid in one company in LEEDS, M. E., and BALDERSTON, C. C., "Wages: a

It is assumed, of course, that in respect to all these data the company has reached the point in its thinking on personnel matters where it realizes the inevitability and the desirability of making financial facts public—at least to its own workers. Already a great change has come in this direction and many companies which formerly feared to disclose such facts now realize that—if their policies are defensible—the more accurate knowledge their employees have about fiscal matters the better. All the evidence supports the contention that dealings with employees on wage issues are facilitated in a reasonable direction only when the workers are put in possession of the relevant financial facts.

Although the initiative in wage research should fall to the personnel department, the relation of the employees to this effort should be carefully considered. We have already urged several reasons why employees should participate in the supervision of making and using job analyses. Briefly these were that:

Employees have to be informed about the meaning and significance of the making and using of job analysis.

They have information about the work which it is essential to secure.

Their interest is aroused by the process of studying for improvement.

They will agree to findings and recommendations only as they have a hand in their acceptance.

They know that all elements in the analysis are not matters for objective measurement; that on matters of opinion or desire their opinion and their desire are as important as anybody's.

When now we come to ask who is to supervise the collection of facts and their use in deciding wage amounts, we are forced to ask whether *the same arguments which point toward jointly controlled job determination do not point with equal force toward jointly controlled pay determination*. Each of these four reasons for joint action on work, we believe, may be sensibly applied in relation to pay.

This brings us, therefore, to the second aspect of our problem—the possibilities of supplying a *common meeting* for consideration of payment issues.

Means of Testing Their Adequacy." See also DOUGLAS, P. H., "Wages and the Family," Chap. III, for a study of the "typical family."

Reasons for Joint Pay Determination.—The reasons why a common, joint pursuit of wage studies and determination of wage rates is sound follow closely the reasons just summarized in relation to the job analysis procedure.

The entire process here is one on which the employees have facts and opinions which it is poor business to ignore. On all of the relevant factors listed above their testimony should be fully taken account of. Regarding living costs and family budgets, for example, there are important reasons for going beyond published figures and into the local situation of habits of consumption and standards of livelihood. Employees' testimony on these facts is significant.

Furthermore, only the workers themselves can speak for themselves, not merely as to what they need but as to what they want. What they want may seem unreasonable—under certain conditions it may be unreasonable—but the air is kept clearer and action takes place in closer relation to knowledge if what the workers want is openly known and jointly considered.

We need to remember here, as was brought out about work, that what constitutes a "fair day's wage" is *not* an absolute fact. *There are no absolutes here to fall back upon.* "A fair day's pay," "a just wage," "equitable distribution"—*these are all relative terms.* They always have been; they always must be. They mean one thing today and another tomorrow. Once managers realize that there are no absolutes in the solution of the payment problem, much impatience about taking time to secure wage adjustments will tend to disappear. For it will be realized that each wage problem has to be faced afresh and discussed coolly in the light of the then contemporary facts and forces.

A fair wage is that wage arrived at by the interested parties in conference under conditions of approximately equal bargaining power, where the rate has been fixed in relation to all the admittedly relevant factors and is thus agreed by all to be reasonable, possible, and expedient.

Also, in the long run workers will acquiesce affirmatively in a wage scale only when they have had a hand in framing it, or in proposing it. The experience of recent years with shop committees which have shared with management the determination of wage rates is conclusive evidence of the benefits of this. Both in a period of falling wages and in a more prosperous era, these committees have in case after case shown their willingness to

collect, weigh, and reckon with facts about competitive wages, company financial conditions, market prospects, and the like. The fact of their participation in reaching the decision has assured their good faith in holding to a revised scale until some element in the whole situation changes.

Again, the principle of representation of interests is gaining such headway in industrial organization that it is not surprising to see it being applied to the critical matter of wages. The protection which employees want in payment matters *they can ultimately best secure by organized effort of their own*. If the management wants to cut costs, the temptation is to start with the reduction of wages. If it wants to cut production, the first impulse is to cut the payroll. If the workers have any voice at all, it is easier for them to forestall resort to those two paths of least resistance; and *this is really a good thing for the management*. It is thus checked from a course of action which is often shortsighted and is turned to other measures of economy which are usually more effective because more fundamental.

In short, it is even truer of pay than of work that the elements of opinion and desire are important. The discussion of pay can profitably be narrowed by a knowledge of the facts so as to be carried on in relation to the possibilities, reasonableness, and expediencies of the situation. But within those limits the determining considerations are not only facts but also relative persuasiveness and bargaining power.

As long as preponderance in bargaining power remains with the management, as it does under individual bargaining, wages can be arbitrarily set, and many of the factors above discussed remain temporarily ignored. But with the extension of shop committee plans or under collective bargaining, the situations in which such arbitrary action may safely take place become progressively fewer.

In short, *it is shortsighted business policy to reckon without the desires and aspirations of the employees*. Perhaps the small employer who thinks he can make his pile in ten years and then retire can afford to be thus shortsighted. But certainly no corporation to which a continuing good will in the manual-working-class community is an asset can ignore employee sentiment in this vital matter of payment.

Possible Objections to Joint Determination.—There are objections to making payment a matter for joint determination. The

chief one is fear that employees will seek to raise wages so as eventually to reduce profits. There is but one answer to this. Wherever employees, either in shop committees or under collective bargains, have conferred with management on wages, there has been little evidence of a desire to be extortionate when all the facts are known. The workers in a given situation are usually among the first to understand that the terms of employment must be such as to allow the firm to remain in business and retain them securely in their jobs. Indeed, only by joint conference can employees learn those facts which they must have if they are to agree to intelligent decisions about payment.

Another objection is that such conferences and haggling take time. This is true. So do strikes and lockouts take time and money and generate ill will. Happily, the time spent in adjusting pay questions is usually of great educational value to both sides. Conference that is to the point, as well as frank and exhaustive in analysis and agreement upon facts, is always educational. It is one of the best possible tangible evidences to the workers of the good will of the management. It shows the management the point of view and desires of the workers, and such *personal encounter by each side with those on the other is an invaluable aid to cordial working relations*. Some concerns believe that such personal contact may be secured through parties, picnics, social and athletic events which the executives attend. These may be of some supplementary value, but the personal contacts which are truly valuable are those involved in furthering by intelligent corporation the work of production. For these contacts are more likely to be natural and sincere because directly bearing on matters of common interest.

The time spent in conference in individual plants is reduced to a minimum, however, wherever a district-wide collective bargain exists. Indeed, where such bargaining prevails on a district scale, the application to the district under the direction of a representative district board of these same principles of *jointly controlled job analysis plus joint pay determination based on that analysis* should be favored. There is sufficient successful experience with this method to demonstrate its great practical value. In these cases the work of pay adjustment in each shop is reduced to an interpretation of the application of the agreed rates to the individual operation, to consideration of the possible local variations in job content, etc.

Methods of Joint Conference.—Our conclusion is unequivocally in favor of the business value of supplying some joint machinery for the negotiation of pay rates. The principle here is of greater importance than the method, if we may assume that in the negotiative process a condition of approximately equal bargaining power is a fact. (It is impossible to expand this thought here. It is treated at length in Chap. XXVII.) In other words, negotiation might take place through an employee representation plan or through collective bargaining with a labor union.

In the composition of the group to be charged with this responsibility, the different interests at stake should usually be definitely recognized. The responsible head management, the treasurer, the particular department head, the personnel department, the employees both as a whole and from the particular type of work—these each represent a vital interest involved in reaching a satisfactory wage settlement. The situation where a labor union is involved will be presently considered.

When a group or a wage committee composed along such lines as this meets, it will presumably have in hand working data supplied by the job analyses and by the position classification, already discussed. Its next duty will be to reach agreement about which of the factors listed above should have weight in arriving at the pay rates—either for a job or for a class of jobs. With this step taken it is then possible to evaluate the agreed items in relation to the new rates to be fixed.

Let us assume that a company has agreed to classify its work under six groups, and that by prior study and conference a job falls into a specific class. The maximum and the minimum rates for that class as a whole have first to be decided; the place of the job in that class has to be decided; and the rates of pay for that job then fixed. This may involve a starting rate for the job, amounts of progressive increase by successive steps, and finally the maximum amount which the job can pay. What the progressive step-ups in hourly rate should be is a matter for negotiation; but it is usually thought that to have these less than three cents an hour is to have them not appreciable enough to have incentive value.

The variations in the details of payment methods devised to supply an incentive to greater production are many. But they most, if not all, require that some such steps as those just outlined have to be taken. We should make clear that the production

standard idea does not of itself suggest whether the payment is based on week work, straight piece rates, or differential piece rates. There are good arguments for and against each of these under varying circumstances. Our emphasis is rather *on the principle of jointly establishing a criterion of minimum and maximum performance in terms of quantity and other factors, irrespective of the particular payment plan used.* If, for example, the standard is set in terms of a week's output and a minimum weekly wage is guaranteed to all who do at least the minimum weekly quota, a modified week-work payment basis is still in effect. And this idea has much to commend it. Indeed, in any system of payment definite provision should be made *to guarantee the basic rate of pay* during times when management is able to supply no measured work, owing to lack of material, machine breakdown, etc.

Production Standards at Non-repetitive Work.—Furthermore, although we have stressed the production standard idea as implying measurement of *amounts* of work, it can *with the use of a rating plan* be applied to positions where quantity of output cannot be measured—such as for “indirect labor” and jobs where quantity is determined largely by the speed of the machinery—and other factors then become important in evaluating of working attitudes and capacity. From the factors in payment mentioned above can be drawn the most relevant items and each of them can be evaluated for each worker in a half yearly rating to determine into what payment grouping at that job he will fall for the ensuing period. The important feature here is that the employee shall know what the items in the rating are and shall in some way be brought to agree that his own rating in terms of those items is a fair appraisal of his accomplishment in the previous six months' period.

Production Standards for a Whole Organization.¹—It is interesting to mention that at least one company in England has applied the idea of output measurement with related incentive reward to a factory as a whole. Here a month's output is compared with a pre-determined standard average (reduced to a figure of “standard points per man hour”), and a flexible bonus figured as a percentage of each worker's wages is paid to all direct and indirect labor (excluding superiors) if the month's

¹ See ATKINSON, HENRY, “Cooperative Production—The Priestman-Atkinson System.”

output exceeds the standard. On behalf of this method are enthusiastically claimed a number of benefits: more and better work with less supervision and better cooperative working spirit, removal of inter-departmental jealousies, reduced costs, elimination of slackers, protection from rate-cutting, encouragement of employees' suggestions, and much greater interest in work.

Production Standards for Group Work.—A number of *group bonus payment plans* are now used in many companies where the nature of the work requires a group of five to ten men to work closely together on a process. All of these require some procedure for setting the basic amount of output and agreeing on the amount of pay increases or bonuses above the base pay rates. And the fundamental principle of jointly controlled supervision is readily applicable to these variations. The recent rapid extension of group incentive plans argues that they have in action shown a number of definite benefits. Some of these are:¹

It is a spur to cooperative effort rather than individual self-interest.

It is argued that the social pressure within the group encourages slackers to increase output, whereas individual incentives exert pressure upon the rapid workers to "peg" their production.

It offers an inducement for employees to utilize their spare time on another operation performed by the team. When the jobs are arranged progressively along a conveyor, the use of spare moments to help out those who are behind tends to keep the operations in balance even when the rate of production varies.

It stimulates the training of new employees by their fellow workers and the exchange of trade knowledge.

In order to increase the group efficiency, operators assist in planning and supervising their own work.

Where the flow of work is not controlled mechanically, it is speeded up because the output must pass the "payment point" to be counted.

It reduces the clerical costs incident to the payment of incentives by simplifying the counting of the work and the computing of the payroll.

Payment Methods under Collective Agreements.—It is not our purpose here to elaborate on the experience of various payment plans in use under collective agreements, but rather to center attention on the special features of such plans where they are related to efforts to measure and standardize output. As we have seen in Chap. XVIII, there are a number of significant

¹ Quoted in "Handbook of Business Administration," p. 1182, from BALDERSTON, C. C., "Group Incentives." See also National Metal Trade Association, "Methods of Wage Payment," Chicago, 1928.

instances where under joint supervision of the labor union and the employer (or local group of employers) basic amounts of production have been agreed to and related to the hourly or weekly scale of wages stipulated in the collective agreement. A wholesome tendency is noted in these cases to keep the unit of figuring in terms of week work and week pay, even though this may for convenience in figuring be reduced by division to an hourly basis. The collective agreement in these cases usually specifies the weekly wage rates for each type of work and leaves to a specially appointed technical staff the details of setting the standards of output, subject to control by a specified joint committee of union and management. Also, as previously noted, these plans have gradually built up about them a number of supplementary features to protect the workers' interests. These include guarantees against rate-cutting, guarantees of greater security of work, unemployment compensation (see Chap. XXIV), or dismissal wages if machinery supersedes the workers.

It is often offered by executives as one objection to collective bargaining that unionized employees resist efforts to introduce financial incentives and improved production methods. There has no doubt been a measure of truth in this accusation. But it has also been true in recent years that, *where employers have shown readiness to go halfway with the unions in introducing such procedures under joint control, they have met with intelligent and sustained cooperation.* Failure to make progress in this direction has proved to be due as much to employer inertia, indifference, timidity, and backwardness in production management, as to aggressive labor union resistance. For even where a union stands ready to cooperate in increasing output and lowering costs, the degree of initiative, leadership, and technical competence which must be displayed by any management is substantial—and is a necessary condition of successful progress.

Principles Underlying Use of Payment Incentives.—It will now be valuable to summarize the position we have elaborated regarding an approach to payment plans:

The supervision of wage study and pay rate determination should be jointly undertaken by management and men—or management and the labor union where collective bargaining exists.

Basic pay rates should as a minimum approximate as nearly as possible to the cost of living, with differentials above that based on evaluation of a number of agreed factors.

Basic pay rates should as far as possible be guaranteed on a *weekly* basis, with differentials above the minimum.

By relating pay to effort—either in quantity of work or by a more general rating estimate—incentives should be offered the worker or the group to exceed an agreed minimum standard of performance.

Workers should be guaranteed against rate-cutting and be offered some reasonable and fair protection against loss of employment growing out of technological improvements. And they should be guaranteed pay when they are at work but no production is possible owing to lack of materials, etc.

Successful wage negotiations will depend more and more on the possession by the employees of all facts about a company's financial position and prospects.

Successful use of payment for measured production requires a sound organization of production control methods by the management.

In relation to the many special incentive payment plans in use, an excellent statement of the principles which should control the choice of any one is as follows:¹

There should be reliable and precise measures of individual effort and great care in applying these as a basis for payment.

Rates should be set in careful relation to possible and sustained performance.

The method of payment should be simple enough to be readily understood by the workers.

The method should not cost more to administer than it is worth in improved output.

The method should not ignore the importance of non-financial incentives or assume that every factor in developing employee interest and cooperation can be taken account of in the payment plan.

Other Phases of Payment.—Before proceeding in the next chapter to consider those less direct methods of compensation to workers growing out of the results of the business as a whole, it is important to call attention to the payment procedure, to special problems of women's wages, and to payment of fore-

¹ Adapted from SMITH, E. D., *Wages As Incentives*, in "Handbook of Business Administration," pp. 1165-1168. This whole article merits most careful study in this connection.

men (excluding executive payment which is treated at the end of the next chapter).

Payment Procedure.—There are a number of details about the procedure of “paying off” to which attention should be called, since this procedure can occasion a good deal of petty irritation unless it is wisely handled. What experience has usually shown to be best practice on these matters is stated below:

It is desirable to pay off on company time.

It is desirable to pay off as rapidly as possible. This may be accomplished in various ways; as, *e.g.*, by having different pay days for different departments, or by taking the pay envelopes directly to each department.

It is desirable to pay up to as near the day of payment as book-keeping arrangements permit. It should usually be possible to pay, for example, on Saturday up to the previous Wednesday. The practice of withholding a full week’s pay is unnecessarily rigorous. Some states have laws governing the amount of pay which may be withheld, and the frequency of payment. Usually a weekly settlement is to be preferred.

It is essential to provide a place and person to whom the workers may go to secure adjustments of pay errors. Foreign workers have been seen to come to the grated pay window to get a payment trouble straightened out and receive the most brusque, abrupt, and inconsiderate treatment at the hands of a young clerk. This sort of occurrence is unnecessary; yet it contributes not a little to a natural feeling of resentment on the part of every self-respecting worker. It must be remembered that pay errors are often the company’s mistakes; but whether they are or not, they may occasion annoyance out of all proportion to their seriousness; hence, the importance of an *attitude of courteous, quick, and willing attention* on the part of the pay adjuster. Indeed, in large corporations these mistakes and misunderstandings become so numerous with the similarity and confusion of foreign names, and with foreign workers coming and going, that the pay adjuster either should have some facility in the necessary foreign languages or have access to sympathetic interpreters.

There should also be a well-understood procedure as to paying off those who are absent on pay day. Regular hours of the pay adjuster’s time should be available for this necessary service throughout the week.

It is now necessary to keep a record of workers’ yearly earnings for income tax purposes. This information is also valuable to

the personnel department—for it has more real significance than hourly or weekly rates in showing the actual earnings of each worker. For this reason, posting wage totals quarterly on the employees' record card which contains the other facts about his history, progress, etc., is recommended. In this way the employment manager can readily tell amounts of yearly income.

If the company pays by check, it is desirable to provide a place where these checks may be cashed. On the whole, it is probably better to pay the rank and file in cash.

Arrangements under which charges for certain working tools or materials, supplies from a company store, loans, rentals for company houses, etc., are deducted before wages are paid, are likely to have a poor psychological effect on the worker in making him fail to realize how much he is actually being paid. Also there is less chance for dishonesty and over-charging when he is paid in full. There are important values in *having the employee handle his own financial affairs*, even if this means that he draws money out at one window and at once pays it in at another. Where, however, the worker has affirmatively agreed to a regular deduction from pay, as in the case of a group insurance premium, stock purchase installment, or the collection of union dues under a collective agreement, the situation is altered and this objection would cease to have force.

It is sometimes desirable to make provisions for advancing a few days' wages to new employees who are at the end of their resources when they are taken on. Not a few workers, especially those of the more itinerant type, may leave after a couple of days in order to get cash enough in hand to keep them going. If an advance on wages were given, their stay would be more permanent. Some companies have arrangements with boarding houses to accommodate such new workers on the company's credit for the first week.

It is desirable to pay off discharged employees as promptly as possible. Frequently this cannot be arranged for on the day of discharge, but it can be arranged for on the following day. It is unduly arbitrary and often very inconvenient to the discharged worker to have his payment delayed until the next pay day.

It is important to protect employees against loan sharks and assignment of wages. The company or the employees' association should have a loan fund, and upon receipt of notice of wage assignment see the assignor, make an immediate adjustment

(on the threat, if necessary, of legal proceedings if a settlement is not made), and make arrangements with the employee to carry the obligation as a direct loan to be repaid in installments. Or this problem can be handled through a credit union.

It is important to have a definite policy about payment for absences when they are due to sickness, and for vacations. Often on both items companies have one policy for the office force and another for the factory force. But there are good reasons for adhering to a single standard for payment—a standard approximating the present usual practice with office employees, namely, continued regular payment during sickness (or accident) of a few days' duration after which provision is made for compensation out of a benefit or compensation fund, and payment for a two-weeks vacation for every employee who has been with the company one year. From the point of view of good hygiene and mutual good will, the provision of an annual vacation with pay promises to pay for itself many times over.

Policies about overtime, Sunday, and holiday pay should also be clearly established. Since the usually accredited theory has been to pay for extra work in a way that will induce employers to keep it at a minimum, adherence to the standard now fairly well established where organized labor is recognized, is favored. This standard calls for time-and-a-half pay for overtime work and usually double pay for Sunday and holiday work.

The practices regarding differentials in pay for night work vary from payment of a bonus of a certain percentage of the day rate to no differential at all.

Women's Wages.—The United States Government during the war and organized labor for some time past have favored the principle of "equal pay for equal work." Definition of the principle and its precise application are, however, a difficult matter.

It is, therefore, useful to examine this idea and see what it may mean. "Equal pay" may mean equal piece rates, in which case, if women's hours are legally shorter than men's, they earn less. It may mean equal hourly rates, in which case, if their hours are less, they also earn less. It may mean equal weekly wages or monthly salaries, *i.e.*, equal income.

Several different conditions have grown up as to women's pay. There are jobs, such as cotton weaving, where men and women are employed interchangeably. In these cases, whether a piece-

rate system or a flat weekly rate obtains, it is usually felt that a condition of equality exists.

There are other jobs which have customarily been done by women. Certain work in box and candy factories, garment shops, telephone exchanges, etc., has always been done by girls and women and paid for at a rate that no man would think of working for. It is for the aid of women in such trades that minimum-wage legislation is designed. It may fairly be said that the concept of equal pay has never been applied in these cases. The tacit assumption here is that the adult woman is single and without dependents, and the pay, even when fixed under minimum-wage laws, is fixed accordingly.

Finally, there is the work formerly done by men for which women are now employed. When taken on for such work as operating elevators, feeding and operating machines, inspection work, and hotel dining-room service, women are usually paid less per hour than the men whose places they have taken.

It is always said, of course, that the women do not do the same work; that modifications have to be made on the job to make it possible to use them. Yet if, for example, a woman only feeds a machine, whereas the man at the job used also to bring and remove his materials, the important fact to determine is the unit costs under the two different methods. The woman who only feeds the machine may (and probably does) turn out many more units of output, and the wage of a male helper or trucker who supplies not only her but a number of other women with material is likely to be much more than compensated for by the total increase of output. But there will be cases where the women's work is not the same; and determination of pay will in these cases have to be made accordingly.

It seems, therefore, that, if interpreted according to the spirit and not the letter, equal pay for equal work means *that the fact that adult women are doing the work is not to alter in any way the basis on which pay shall be determined.*

The argument for equal pay assumes that adult women have dependents no less than adult men. And recent studies indicate this to be true of a majority of women over twenty-four or twenty-five years old. The wage problem is, of course, different with both boys and girls until their twenty-first year. Wages for the worker up to that age may be safely set on the assumption that the worker is a single person with no dependents.

The fact is, however, that even the spirit of the equal pay idea as just defined is not widely adhered to; and the indications are that it would take strong unions of organized women workers to exert sufficient pressure to translate it into practice. Nevertheless, a sound personnel policy would come closer to meeting the specification of equal pay than is now usually the case. For the old assumption that all men and only men are the breadwinners for family units is now no longer tenable. And, whether one likes it or not, the tendency is undoubtedly on the increase for women with dependents to enter many employments now preempted by men.

Foremen's Salaries.—Efforts to determine foremen's salaries give rise to further practical questions. First, shall the foreman get more income than the most highly paid piece worker in the department? No categorical answer to this is possible; but our own position is that the foreman should be one (or if he is not, he should be educated so that he is one) whose value to the company as an executive, as a leader and dynamic force in his department, is large enough to assure that he earns more than the best man under him.

Corporations demur at paying foremen well, because they fail to see their importance and because they do not recognize that ability for foremanship is different and more rare than ability for manual work. Once the thought that foremen are executives gains currency, any doubts about paying them more adequately are likely to be less frequently raised.

Whether or not it is good practice to pay a foreman a bonus for high production, lowered costs, regular attendance among his working force, or other special items in his department, is still a debated question. Such bonuses prevail in many companies, especially as a supplement to incentive payment plans for the rank and file. And it is argued on their behalf that they stimulate greater effort and application, help to create inter-department cooperation, and center the foreman's attention on his major problems of coordination and leadership. On the other hand, however, to get an accurate measure of comparative performance is usually difficult; the payroll computations become elaborate; as between foremen jealousies may naturally arise if respective earnings get far out of line; and these may develop a sense of drive and speeding up by the foreman which has bad effects on the workers.

On the whole, our own view is that the best results are usually to be obtained where the foreman is paid an adequate salary, where a sustained program of foreman training is helping each foreman to develop at his job, and where there is a well-administered plan of periodic rating which takes account of all the salient factors in relation to annual salary adjustments. Here again the need is for careful job analysis of each foreman's work and a classifying of it in relation to a minimum and maximum salary scale.

The sale of stock to foremen or the inclusion of them in a profit-sharing plan is quite another matter. Yet under the safeguards set forth in the next chapter, provisions of this kind may have substantial value. But that value will usually appear in the foreman's general attitude toward the company rather than as a direct incentive to departmental productivity.

Conclusion.—Our effort in this chapter has been to go behind the confusing details of numerous incentive payment plans to discover what general principles underlie a sound approach to the determination of payment. It is the principles that need to be grasped and applied. For all the studies of payment plans in operation which are available indicate that the differences between amounts of wages paid, where incentive payment plans exist and where they do not, are very slight. If, under incentive plans the income differentials are negligible, it would seem to argue that the incentive principle is typically being applied in an inadequate or timid way.

Fundamentally, of course, it is related to the wider and highly important problem of *the effective distribution of purchasing power throughout the community*. And there has been a growing disposition among executives in larger corporations to see the payment issues in this larger relation. This means, and will increasingly mean in the future, a tendency toward higher wage rates and higher and more stable employee incomes. But it is naturally difficult for this tendency to work in a big way without the pressure of self-interest which the employees themselves can exercise by organized efforts. This supplies an added argument for the wisdom of joint participation in wage determination.

We venture to prophesy that broad economic influences will in the next two decades work for a somewhat greater equalization in the distribution of income (which is purchasing power) throughout the community. To this end our income and inheritance

taxes will work; a general shortening of hours of labor will work; and higher wages will work. To this end also there will be introduced more widely public and private systems of unemployment compensation, as well as other forms of social insurance. So that it promises to be true that the approach of managers to the payment problem will have to rest on newer and more socialized assumptions. The sound economics of high wages has only begun to be understood and the effects of this theory in operation have hardly begun to be felt. Wages and salaries, in this larger view, are not merely methods of rewarding people for a social service. They are also the direct method of distributing to them the purchasing power which they should have to make their desires for goods and services effective in the market-place. And from this latter point of view, the community as a whole has an interest in the highest possible wages, as great as if not greater than its interest in high profits for individual corporations.

This newer approach to the economics of the distribution of purchasing power gives added significance to the efforts of some companies to share with employees a portion of net profits over and above wages and salaries, and to the provisions of even more corporations to help employees meet the inevitable hazards of sickness, old age, death, and unemployment. In the next chapter we shall examine the experience with profit-sharing and employee stock ownership. And in the following chapter we discuss the provisions being made to protect employees from the risks of industry and life itself.

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CHAPTER XXIII

PROFIT-SHARING AND EMPLOYEE STOCK OWNERSHIP

Reverting to our discussion of current employer and employee points of view toward payment, it will be recalled that we suggest that the effort to create a sense of greater partnership and cooperation among employees has led some companies to experiment with measures that allow workers to participate in the ultimate profits of the business.

We should make clear at the outset that our own approach to this aspect of payment is one of extreme caution. We are evaluating as best we may an active and growing tendency. The motives animating it have undoubtedly been mixed. And many corporations have embarked on experiments here without a clear realization of the difficulties and dangers, and with mistaken ideas of the benefits which may accrue from such efforts. In general, all such methods of supplementary reward as profit-sharing and employee stock ownership are *not* the first, most immediate, or most direct phases of a personnel policy which should be inaugurated. They are the last. They stand near the peak of the pyramid and are perhaps the culminating achievement of an already carefully matured and rounded development of personnel activities. Certainly they are no panacea for indifferent workmanship, uncooperative employee attitudes, or sluggish morale.

First things must be done first. There must be effective management of all details of production control, careful analyses of individual jobs, a fair system of reward in relation to the value of individual effort, a reasonable opportunity for joint negotiation of men with management on all controversial issues, efforts to minimize the exposure of employees to the familiar risks of life. Then—and only then—will it be desirable from a business or an ethical point of view to consider the advisability of instituting some measures to allow workers to share in ultimate net profits. For most of the objectives which any such measures con-

template in most managements' thinking can be better realized in ways nearer to the direct relation of the worker to his work. There are, however, two remaining objectives which such measures under proper safeguards can presumably be made to forward. There is the objective of *sincerely desiring to share profits with all those who have helped to create them*—an ethical realization of the presumed rightness of such an effort. And there is the objective of *wanting to round out an already broadly conceived personnel program with this final effort to give concrete expression to a genuine sense of partnership and unity among all workers of an enterprise*—a desire by sharing profits with employees to integrate and harmonize more completely the economic interests of employees and of the other owners of the business.

Our own view, for reasons about to be given, is that the first of these objectives may readily be satisfied by a well-conceived plan of profit-sharing; but that most typical stock ownership plans for employees are too indirect a method to serve this end. The second objective, the one which seems to have the more obvious and direct business justification in relation to the economic system in which we all operate, is perhaps better served by the use of stock sale to workers, or some closely related plan.

It is necessary, therefore, to examine more closely into these two procedures.

Profit-sharing.—Profit-sharing is usually defined as *an arrangement under which a company agrees with its employees in advance to distribute to them a stipulated proportion of net profits for a given period*, the method of computing the payment to each worker being also stated.

The extension of genuine profit-sharing plans has not been marked in recent years but there are somewhere around two hundred companies, usually those of medium size, which have a plan which satisfies this definition reasonably well. It will be seen, of course, that Christmas bonuses of uncertain amount, "economy dividends," etc., are not being considered in this connection.

As suggested above, the chief and the most justifiable motive for introducing profit-sharing is simply a sincere desire to share profits because it is believed to be the right thing to do. Even so, however, our view is that it is a pity not to derive from such

a plan the attendant values to be gained, if a plan is developed and operated in the right way. Any procedure relating to personnel policy would seem of greatest value to the extent that it *brings the employees into closer working knowledge and genuine sense of working unity with the whole enterprise*. This sense is not achieved quickly or easily. It is a psychological growth fostered by a sharing of knowledge and responsibility no less than of ultimate returns. Merely to share the net income is likely either to build up the idea of a "handout," or to develop a sense that the extra compensation is a right. And the profit-sharing comes to be thought of, therefore, as a rightful part of the worker's annual income, the reduction of which entails a breach of faith on the company's part. Either of these results seems unfortunate because both are obviously of doubtful economic value.

But a plan of profit-sharing which in the process of installation and operation *brings the employees in an organized way into a sharing of the administration can become fundamentally educational*. And we advocate strongly that, where profit-sharing is contemplated, this educational value should be assured by joint cooperative action. This can help both to minimize any sense of arbitrary philanthropy and to maximize the beneficent effects on the employees' attitude toward the company. Experience shows that *by itself* the cash payment of annual profit-sharing amounts *may or may not* influence morale favorably. And as a salve to an employer's conscience without more direct attendant results, *profit-sharing would certainly have slight justification*.

Indeed, at the risk of seeming dogmatic, we repeat that the wise place to start with profit-sharing is to start further back than that—to start with joint determination of amounts of work and related amounts of pay. The start should be made with problems surrounding the conduct and improvement of each job; and the attempt should be to build the worker's interest, the worker's knowledge, the worker's sense of responsibility, and the worker's reward up from the place, the outlook, and the reward which he now has.

In carrying forward this process of joint negotiation, it will be perfectly natural and normal, especially if that is the company's wish, to bring up for joint consideration the financial policies which help to determine the available "wage fund," and

to discuss all other relevant factors. In this way, employees will get a knowledge about the financial situation which will show whether the proposed profit-sharing is merely a quixotic venture or whether it is developing out of sound beginnings.

It will be objected that this much is not profit-sharing. No; it is only the beginning of a joint control over process and over workers' earnings. It may be objected that such control may eventually lead the workers to demand higher wages, which might begin to encroach upon profits. This is not only conceivable but possible. Yet it should be remembered that the management, under the terms of our discussion, has decided that it wants sincerely to share profits. And *if the necessary safeguards are thrown about the procedure of joint conference*, management should logically have no objection if some small part of what might otherwise become net income goes in higher employee drawing accounts rather than in profit distribution. These safeguards should be substantial, and they should be kept always to the fore. The fullest possible knowledge about financial affairs must be available as affording a basis for intelligent action. The relation of profits to credits, to extension of plant, to taxes, to wise advance purchases of raw materials should all be taken account of. The effects of getting wages too far out of line with wage rates in other firms would also have to be taken into account.

The value of a plan of this sort is that it develops, and uses as fast as it develops, the interest of each worker in the conduct and prosperity of the enterprise. If joint action commences on problems of work and of pay, it can and will, under stimulation from the management, grow into joint action on larger issues. In this way, as in no other, the worker's relation to production and to a sense of partnership in the whole enterprise becomes closer and closer; his knowledge constantly increases to match his increasing participation in responsibility; and his opportunity to share in the exercise of control and responsibility increases as fast as his desire (and in the experience of most concerns usually faster). He is thus by way of becoming, in actual fact, a partner in the enterprise; and if *under these conditions* he seeks to increase his weekly drawing account, that would probably in many cases be a desirable step.

There would still be, of course, a possibility that workers might desire to increase wages at the expense of reserves and surpluses necessary for use in profitless periods and for extensions

of plant. This danger must not be minimized, but it must be remembered that under the conditions assumed the employees *know* that bad years do occur, and that money borrowed of banks usually costs more than funds drawn from accumulated surplus. It is inherent in this educational value of joint conference that workers come to all this knowledge; and their own native shrewdness is to be counted on quite as much as anyone's.

If the business is a prosperous one, there will still be a residuum, an ultimate surplus, after reasonable weekly drawing accounts are agreed upon and after the necessary reserves are set up. The company which then desires to divide the whole or a part of this residuum on some mutually satisfactory basis will be advancing to what seems to be, as nearly as it can be under existing arrangements, a "sound" policy of profit-sharing.

It will then be necessary to be clear as to how this residuum is reached. For brevity's sake, therefore, conclusions as to the principles underlying this relatively sound profit-sharing plan under existing corporate conditions will be stated categorically.

Principles Underlying Profit-sharing.—It is a desirable prerequisite that there be prior joint determination of amounts of work and of related amounts of pay.

These amounts of pay might well be considered as drawing accounts throughout the organization.

There should be definite assurances of the continuance of the plan independent of the earnings of a particular year.

There should be joint agreement to the terms of the profit-sharing, joint administration of its provisions, and joint consent to changes.

The company finances should be in a sound condition; that is,

(a) There should exist a safe and conservative relation between amounts of outstanding securities and physical assets, assuming a basis of actual prudent investment in property directly used in production.

(b) Too much money should not be tied up in raw stock, in goods in warehouse, or in undivided surplus.

(c) Good-will and patent rights should be carried on the books on an ultra-conservative basis.

(d) Short-time financing, if needed, should be done as cheaply as possible. If the company can use some of its undivided surplus in this way more cheaply than it can borrow, this is often a wise practice.

(e) Plant should be kept in first-class shape as part of current expense. Charges for obsolescence and depreciation should not exceed those typical under conservative accounting practice.

There should be agreement upon a stipulated and limited rate of dividend. This should be high enough to compensate stockholders so they will have no further claim on profits.¹

There might well be agreement as to the setting up of proper reserves to pay dividends in dull years and to pay compensation to workers temporarily laid off on account of lack of work. Careful financing of many companies would unquestionably make it possible to provide reserves to help support all the active agents in the business in depressed times.

There should be agreement as to a minimum wage, as to the maximum salary, and as to salaries for various grades of executives.

There should be annual accounting of the company's finances by an agreed accountant, and access to the books by an accredited representative of the workers.

Any residuum—ultimate surplus—left after meeting all the above charges in the manner specified might then be divided in whole or in part among the *active agents* in the business.

The basis on which this division takes place is wholly relative. No absolute principles can be laid down, much depends upon the generosity and social outlook of management and stockholders. Many different methods are in use, but perhaps the most common is to divide the agreed sum in proportion to the earnings of each employee. Some plans first divide the residual profits, half to stockholders and half to employees. Others allocate part to managerial workers and the balance to the rank and file.

Payments of profit shares when made in cash should be kept clearly and completely separate from wages so that everyone recognizes their source as a contingent one, dependent on the company's success in a given period. Usually it would be legitimate and useful to offer to give advice to employees as to savings or investment channels for such lump sums.

¹ In the Zeiss Optical Works it is provided that there is a premium to invested capital in payment for the risk, corresponding in amount to the average loss of capital in the industry as a whole over some prescribed period.

These specifications as to a sound basis for profit-sharing may seem too stringent and sweeping. And admittedly they are not proposed because we believe they can necessarily be accorded a wide acceptance and adoption. They are rather stated to supply an approach to this procedure for those companies which are, for whatever reason, disposed to believe in the wisdom of a profit-sharing plan for themselves. There has been so much disappointment with the results of profit-sharing that it becomes specially important to try to clarify its proper objectives, values, and difficulties. And it is our earnest belief that only as the principles and methods set forth above are given effect will the results be permanently satisfactory to anyone.¹

Limitations upon Profit-sharing.—In addition to those qualifications already stated, a number of other factors deserve consideration. Theoretically, a question arises as to who may be the rightful claimants of the profits from an individual company. A good case could be made out for allowing customers a share (provided for in one or two plans); for allowing the community to share through lowered prices; for allowing the community to share through excess profits taxes. (In a communist system like Russia's, profits in all large industries revert to the central government.) As a matter of economics or of ethics, this problem cannot be solved by formula. Much depends on the expediencies of the moment and upon the prevailing ethical sentiment of the community. One advanced ethical view of this point is expressed as follows:

"We cannot believe that either the proprietors or the workers are entitled to the whole of the surplus profits of the business, though they might reasonably ask for such a share as would give them an interest in its financial prosperity . . . We believe that in equity the community may claim the greater part of surplus profits . . ."²

The National Association of Manufacturers on the other hand states a more conventional and conservative view in the following terms:³

¹ The most recent, thorough evaluation of the numerous existing profit-sharing plans will be found in JAMES, GORTON and others, "Profit Sharing and Stock Ownership for Employees."

² Industrial Relations Report of the English Friends, *The Survey*, vol. 41, supplement, Nov. 23, 1918.

³ From letter from the Employment Relations Committee to the membership, Mar. 20, 1926.

There are three parties at interest in profits:

First, the owner whose capital is invested in, and at the risk of, the business. His rightful share of profits is represented by a rate of dividend proportionate to the risk involved and such reserves as experience has shown must be provided against a rainy day, and for a reasonable expansion of the business.

Second, the employee whose rightful share of profits is represented by a basic wage equal to the prevailing rate and in addition thereto, special compensation scientifically determined and immediately paid for attainment above the average, in the form either of increased production, improved quality, or definite economy.

Third, the consumer whose rightful share of profits is represented by reduced prices which tend to stabilize the business, protect it against undue competition, and provide security to the employer and employee alike.

For the average plant a plan designed to direct the efforts of the workers along lines which will result in definite economies, and therefore increased profits, and then divide with the workers the profit accruing directly from such efforts is, it seems, a safer, more constructive, and in every way a more scientific method than the method of profit-sharing.

Again, there is the important limitation that many companies have little, if any, profit to divide. The profitable companies constitute only a small fraction of all the companies doing business. The so-called "marginal plant" which is just able to carry on and balance its books would only in the peak years of prosperity show a profit; and for such companies profit-sharing is wholly unavailable. Also, in the long view and from the fundamental economic standpoint, it seems probably that of necessity we shall eventually come to think not in terms of the profits of one company, but of the profits of an industry as a whole, both in relation to matters of cost, of price and of employee earnings. Under present conditions each industry has its "high-cost" and its "low-cost" units. Employee effort in the former units may equal or exceed that in the latter; yet in high-cost companies profits may be negligible (and even employee stock holdings in such companies would have little value to them or little, if any, favorable influence on morale).

In short, we are implying that the situations under which substantial profits arise today are highly fortuitous. Factors of natural or artificial monopoly, favorable location, fads in demand, management skill—all these help to determine profits; and all are largely beyond the control of the employees of individual com-

panies. In any conception of ultimate social justice, profit-sharing, bearing these economic elements in mind, is under present conditions a highly variable, capricious, and arbitrary procedure. Indeed, this same conclusion must also be reached regarding employee stock ownership, when it is examined from a long-range, social point of view. Nevertheless, as an immediate expedient in companies that do enjoy fairly stable profits, there seems to be no overwhelming reason why efforts of this sort to enlist employee cooperation may not advantageously be utilized. We are definitely not trying to discouragè such measures but rather to present both the immediate and the ultimate considerations so that managements will proceed with their eyes open.

Employee Stock Ownership.—The development of plans for employee ownership of securities over the last ten years has been remarkable.¹ There are today over four hundred companies employing some such plan and it is estimated that over a million employees are stockholders. Among these companies are many of the largest corporations in the country. Naturally a prolonged period of depression like that beginning in 1929 has put these plans to a severe test. Some have been discontinued; many have, of course, suspended dividend payments; some have allowed employees to cancel outstanding subscriptions; a few have bought back stock at the employees' purchase price.² But the testimony is general that, while recent experience has counseled far greater caution in the devising of such plans, the essential idea has become a permanent feature of personnel policy and one that will develop as times improve.

The objectives which may reasonably be held in view and the contemplated benefits of employee stock ownership should first be considered. For here, as with profit-sharing, it may often prove true that certain desired gains may be better provided in other and simpler ways than by this rather elaborate provision. The benefits which are usually claimed for stock ownership to the rank and file are as follows: (1) it encourages employee thrift;

¹ See BOWERS, G. A., *Employee Investments in Company Securities*, in "Handbook of Business Administration," pp. 1385-1399.

² See, in connection with this whole discussion, National Industrial Conference Board, "Employee Stock Purchase Plans and the Stock Market Crisis of 1929," New York, 1930, and "Service Letter on Industrial Relations," Dec. 30, 1931; Industrial Relations Section, "Statistical Analysis of Twenty Employee Stock Purchase Plans: 1925-1932," Princeton, N. J., 1932.

(2) it increases employees' income; (3) it reduces labor turnover and increases stability of working force; (4) it affords occasion for employees' education in matters of finance and investment; (5) it fosters a spirit of loyalty and partnership which reflects in greater interest in work and in economical operation; (6) it supplies a source of new capital; (7) it may tend to keep control in the hands of the *active* agents in the business; (8) it gives employees a *legal* and *economic* right to a share in profits.

Over against these claimed advantages and benefits should be put the opposed considerations: (1) Thrift can be encouraged and even assisted financially by the corporation by a number of plans which are less speculative than stock purchase. Common stock, even in the best companies, is admittedly less an investment than a speculation, especially since the ordinary employee stock purchase plan provides no diversification of risk—which is an elementary principle in investment. (2) Employee income may be increased by dividends in prosperous years, but this fact may lead to a diminished employee effort to obtain higher wages which may be a sounder economic procedure. And the curtailment of dividends in bad times may therefore constitute a serious loss and hardship. (3) Undoubtedly the ownership of stock has a tendency to stabilize the working force, but whether this is a benefit where workers are under the compulsion of still paying installments on greatly depreciated securities is a question. Also other procedures, such as group insurance, old age annuities, and unemployment compensation, may supply an equally, if not more, effective influence for stability. (4) Employee education in company finances and in investment methods is highly desirable. But it can and does proceed in many companies independently of the precarious feature of common stock ownership. (5) The gain in sense of morale and partnership is one to be highly valued. But it will be a permanent gain only if employees can feel that their principal is safe and their yield reasonably assured—both of which conditions it is difficult to satisfy when the usual common stock offerings are made. (6) As a source of new capital, employee savings are a doubtful expedient. Broadly speaking, employees have not a sufficient margin of savings *to make it safe for them to assume the risks* where new capital expenditure is taking place even in the extension of highly stable and profitable companies. The function of risk-bearing under present economic arrangements is one that has to be provided and

rewarded; but it is not a function that most employees have any right or reason to try to assume. (7) There is much to be said for keeping the control of many corporations more closely in the hands of the resident workers. In only a few corporations, however, is the amount of employee stock sufficient to exercise any great influence in stockholders' meetings; and in only a few cases also are employees encouraged to vote their stock in one block. It is our belief, however, that, as time goes on, this condition may change in the direction of more active, organized employee participation. (8) As compared with profit-sharing where no legal right exists, it does seem to us true that stock ownership has a distinct advantage from this point of view. The relationship of the stockholder to the corporation entails explicit legal and economic obligations which are inescapable and independent of the personal generosity of managers and other stockholders, once stock has been sold.

A number of other limitations¹ upon the use of this procedure should also be recognized. (1) It may be impractical to buy or issue stock for sale to employees. (2) The nature of the business may be so hazardous that violent fluctuations in stock prices are unavoidable. This makes the stock essentially speculative and therefore a poor investment for workers. (3) In companies where stock is closely held by a family or a few insiders it is usually not possible to offer stock for sale. (4) In companies where employees shift rapidly (as in construction companies) this plan would be largely inapplicable. (5) The cost of carrying out this plan might be greater than any possible benefits.

Types of Plan.—Before proceeding to a final evaluation, we should at least suggest the wide diversity of plans already in use. A convenient grouping, under (1) structural forms and (2) forms of financial aid furnished to the company, has been made and the summary view it supplies gives an excellent picture of the variety of existing methods.²

The most common structural forms are:

1. Convertible savings plans, in which the funds deposited by employees by methods similar to those of ordinary savings plans are later employed for the purchase of stock.

¹ See "Handbook of Business Administration," p. 1390.

² See "Handbook of Business Administration," p. 1386.

2. Plans under which employees subscribe to consolidated funds, later receiving allotments of stock in accordance with their credits in the funds.

3. Plans under which employees complete their payments in one year or less.

4. Plans in which the payments are extended over periods greater than one year.

5. Plans based upon the principle of investment trusts.

Financial aid rendered by employers takes the following principal forms:

1. Concession in price at which stock is sold to employees.

2. Direct contributions added to employees' subscriptions. These contributions usually are a certain percentage of the amount paid by employees.

3. Interest payment on savings later to be used in the purchase of stock.

4. Outright gifts of stock; also arrangements by which stock is paid for by dividends without any actual expenditure by the employee.

5. Additional dividends or bonuses to employee stockholders.

6. Arrangements under which employees who complete payments for stock are allowed to share in funds credited by the company to the account of employees who cancel their subscriptions.

7. Profit-sharing features. These are of great variety. Most of them are based upon the general principle of distributing fixed shares of company profits among employee stockholders in proportion to their ownership of stock.

Elements of Sound Procedure.—In the light of all the claimed benefits and opposed dangers and difficulties, it may now be useful to suggest how this general idea might be adapted under the right conditions to safe and beneficial use as part of a company's personnel policy. Especially since there is every indication that this idea will grow in favor, it is worthwhile to indicate what seems to us a relatively sound approach.

1. The first consideration should be that the potential employee investor have available *prior to any commitment for company securities* a permanent, substantial, liquid fund of savings (in a savings bank, building and loan association, or credit union), a respectable life insurance policy and, if possible, provisions looking toward an old age annuity. Until such provisions are made, the purchase of the employing company's stock, or even bonds, should not be encouraged or allowed. The view should also be kept clearly and consistently to the fore that savings of all sorts should take place only after adequate provision for all living

expenses. The possible success of all such plans is thus conditional upon the existence of a high wage scale.

2. Only companies whose securities have an established, "seasoned" value, with normally a relatively small price fluctuation, should offer stock to employees. And there should be no possible suspicion that top executives are sharing in stock market pools or that boards of directors are using their advance knowledge in buying and selling securities for their own personal gain.

3. On the whole, common stock should probably not be offered to employees. Preferred stock, other things being equal, is better because more stable in value and yield. Our own preference leans toward the creation of an investment trust for employee investment, thus securing some diversification of risk.¹ The success of this, however, depends largely on the ability with which the investments of the trust are handled; and when there are fairly large sums available, it will usually not be possible to find (except in the large companies) individual executives who can administer a trust competently. In such cases the services of a reliable firm of investment counselors might well be drawn upon, on a fee basis.

We appreciate that an investment trust, even where it buys a large block of the company's stock, as well as other conservative securities, is not psychologically the same as ownership of the company's own stock. Yet it is probably wiser, at least for some years to come, to try to realize the objective of a partnership sense in less hazardous ways; and let the objective of security of employees' savings remain the more controlling one in the devising of methods of selling securities to them.

4. Under no circumstances should employees be over-persuaded or coerced into the purchase of securities. And no effort should be spared to have them understand the nature of the risks they are assuming.²

¹ The General Electric Company and the Dodge Manufacturing Company have instituted what are in effect such trusts in recent years with apparently highly satisfactory results. The details of these plans merit careful study by any company contemplating efforts to sell stock to workers.

² One company's announcement of a stock offering to employees recently included this excellent paragraph:

"Each employee should realize that investment in any stock should be a second step in his savings and only done when the employee has a savings bank account which is instantly available in case of unforeseen emergency. No employee should feel under obligation to purchase stock and neither the

5. Whether or not employees should be required to sell securities when leaving a company's employ depends on the objectives of the plan as a whole. If, for example, the effort is being made to bring control into the hands of resident workers, obviously fair provisions of resale should be included. If, on the other hand, the employees own shares which are listed on the various stock markets or have otherwise a ready market, there would seem to be good reason for having the sale unconditional.

6. Provisions which encourage employees to retain securities over a long period and discourage speculative selling are usually a sound feature. These may take the form of added dividends for stock held for a definite period or of a preferred option in buying subsequent issues.

7. Price concessions for employee securities and installment methods of payment over several years are usually sound, if employees' principal funds are always available with interest when the worker wishes to resign. A provision for cancellation of purchase by employees at any time up to the delivery of the stock has proved a wise measure which has saved some of the best conceived plans from employee criticism in times of falling security prices.

8. Guarantees against loss are exceedingly difficult to arrange, and it is probably sounder from every point of view to administer the plan with utmost conservatism, while making it clear to employees that in the purchase of any securities the element of risk cannot be completely removed.

9. Even with all the protective provisions already suggested, it will probably still be useful to provide means (or explain to employees the methods) by which, in cases of extreme emergency, money can be borrowed on the collateral of securities owned outright.

Employee Control through Progressive Stock Purchase.—While we recognize fully that one swallow does not make a summer, we believe there is sufficient public interest in the special features of the employee stock purchase plan of the Columbia Conserve Company in Indianapolis to merit particular mention

employee's present standing nor future transactions with the company will be affected in the slightest degree by his decision to purchase or not to purchase."

Quoted from National Industrial Conference Board, "The Service Letter," Dec. 30, 1931.

of it.¹ The objective in this instance has definitely been to sell to the employee group a controlling interest in the company so that it will gradually become employee-owned and managed. Admittedly the conditions are not typical. The former owners volunteered to sell their stock to be paid for out of surplus profits as fast as possible over a period of years. The stock ownership as acquired vests in a trust administered by three elected employees, so that no individual worker owns shares. Under this plan the controlling interest, 51 per cent of the stock, passed to the employee group in 1930. The hazards of such a venture are readily seen. The whole transaction has depended on the generosity of the original owning family. The executive leadership has been of a most devoted and sacrificial character. The concern has less than four hundred workers and engages in a highly competitive business. Whether the present broad and high-minded objectives and motives will continue to animate the business over the next quarter century remains to be seen. It might readily become a business run by a small and selfish hierarchy for its own ends.

The important feature here is, however, that it does suggest the development of a situation which may in the next ten or fifteen years come about in the natural course of events in a number of other companies, namely, one where the employees' stock holdings will be the largest single block of shares. When such situations materialize more generally, new and interesting problems will arise. We do not view this likely eventuality with alarm. There are good reasons to think that in well-managed companies this new status of the employee group may be conducive to a greatly heightened morale, a genuine experience of partnership, and a sobering development of a sense of corporate responsibility by the employee *bloc*. Where this situation develops in companies that have strong employee representation plans, a logical and informed basis of closer joint action between company and employees is already present which can be used as the basis for more responsible dealings. And unquestionably such a condition in a well-managed and prosperous company will tend to harmonize and unify the sense of conflicting economic interests which typically prevails today.

¹ For details, see HARGOOD, W. P., "An Experiment in Industrial Democracy" (pamphlet), Indianapolis, Ind., 1930.

In any case, the development of stock purchase plans in this direction of employee ownership of a larger and larger minority interest will constitute a highly significant experiment deserving of thorough trial. Indeed, were this (as it is not) the acknowledged objective of more employee stock purchase plans, there might be more to be said for them. For this, after all, is a rational objective which seemingly will tend to harmonize aims and unify more completely the purposes of all working in a corporation. Whereas the other benefits claimed above for this procedure are many of them better striven for in other directions. It is not without significance in this connection that Owen D. Young, Chairman of the Board of the General Electric Company, said in a now famous address of dedication (1927) of the buildings of the Harvard Graduate School of Business Administration:

Perhaps some day we may be able to organize the human beings engaged in a particular undertaking so that they truly will be the employer buying capital as a commodity in the market at the lowest price. It will be necessary for them to provide an adequate guaranty fund in order to buy their capital at all. If that is realized, the human beings will then be entitled to all the profits over the cost of capital. I hope the day may come when these great business organizations will truly belong to the men who are giving their lives and their efforts to them. I care not in what capacity. Then they will use capital truly as a tool and they will be all interested in working it to the highest economic advantage.

Summary Estimate.—Our position regarding profit-sharing is characterized by numerous reservations as to its value from a business or even ethical point of view. Our position regarding employee stock ownership is less simply stated. Here is a development which promises to extend, yet it presents serious hazards from the point of view of employee financial safety and investment soundness—except in the largest and most stable corporations. Many of the benefits which it is calculated to yield can unquestionably be secured by more direct methods. As a measure for increasing morale, cooperation, and a genuine sense of partnership, there should in theory be much to be said for it. But unless the employee ownership is hedged about by numerous protective features, like those suggested above, the risks tend to be as great as the possible gains. The movement for the broadening of security ownership throughout the community is a pronounced one; but to be sound it should be accompanied by a much higher sense of ethical integrity on the part of managers,

investment bankers, and stock brokers than was in evidence in our last prosperity era. Employee ownership as part of this broad movement is exposed, directly or indirectly, to all the risks of questionable (if not downright dishonest) practices of stock manipulation with which we are now all too familiar.

For many companies we believe the investment trust idea may be a practical modification which avoids some of the dangers yet yields some of the benefits of outright company stock holding. Such an investment trust, by placing perhaps 50 or 60 per cent of its resources in the stock of its own company and the balance in conservative investments, might reduce risks, assure reasonable stability of dividends, and also give the employees a sense of participation in company profits.

On the other hand, where the present owners are prepared to contemplate a gradual selling out of substantial equities, or a shift of their own status from stockholder to bondholder, it *may* be that employee stock ownership will eventually provide a more democratic and more integrated method of ownership. Yet it should always be remembered that from any fundamental, long-time point of view *it is the industry as well as the single company in an industry which must be the unit of effective economic administration, social regulation, or employee participation in control.* We are rapidly moving away from the individualistic and *laissez faire* view which sees each corporation's welfare as unrelated to that of its competitors or of its customers. And employee stock ownership which would merely leave a large body of acquisitive employee stockholders in control of a number of competitive producing units would advance us hardly at all beyond the present unorganized and chaotic situation which most of our competitive industries face today.

Again we must repeat that all this is said not necessarily to discourage companies from trying to make their employees part-owners of the business. But they should proceed with caution. Their objectives should be clear and justifiable. And they should realize that this is certainly no panacea or substitute for a well-conceived body of other supporting personnel policies.

From the broad economic standpoint the fact is, of course, that we have in this country developed no consistent or considered body of thought on this vital question of where the title to the ownership of property utilized for production and public service should be vested. As a relatively pioneer country we have

grown up by allowing whoever had the initiative, and would take the risk, to buy and develop whatever producing equipment they could acquire. The race was to the swift and the reward was to the strong. Today the picture is different. The pioneering and foundation-building era is over. And by the device of corporate shares we have nominally split up and sold to thousands certificates of partial ownership in our industrial equipment. Now manual workers are being given the chance to participate in this distribution and in the resulting claims to income. What will be the next step? For that we are in the midst of a transition period as respects this matter of ownership and reward to ownership seems to us clearly apparent. Even the idea of ownership as supplying *per se* any sensible claim to income is under fire. And employee stock owning represents but one phase of a wider problem, the answer to which lies wholly in the future. Meanwhile our experiments in this direction may offer clues as to better methods which can be extended as their social validity is demonstrated. Or, on the contrary, these experiments may show us what to avoid.

Profit-sharing for Management.—A more limited application of profit-sharing or stock ownership, which has gained wide currency in recent years, is the use of one or both of these methods as an incentive to executives. This growth has naturally been fostered by the increasing separation of ownership from management, under which salaried managers may not necessarily have any marked incentive to make the corporation as profitable as possible.

The variations in the forms devised for managerial participation are great and the whole development is much more extensive than is usually realized because many secret and unannounced arrangements exist. The popularity of this type of extra compensation seems to argue in its favor. But there are certain conditions which experience shows should be met if any method is to give satisfactory results. There must be affirmative leadership in the organization; there must be definite responsibilities for each executive; there must be adequate recorded knowledge of results achieved; there must be pre-established standards of accomplishment.¹

¹ See the two valuable discussions in the "Handbook of Business Administration:" DENNISON, H. S., *Incentives for Executives*; JORDAN, J. P., *Principles of Incentives for Executives and Key Men*, pp. 1633-1654.

Experience also favors a publicly known plan; one where reward is related to individual or group effort as far as possible; one where, if profits are distributed as company stock, there are as few strings attached to the gift as possible. Whether or not the use of company stock as the method of reward is sound and effective as an incentive will depend of course on the intrinsic, stable value of the stock—which will argue that certain companies should elect to pay these rewards in cash. There is probably also something to be said for differentiating between the profit distribution to head executives and the extra compensation to lesser executives which might take the form of a bonus on savings or economies obtained by improved performance. As to the amount of profits to be allocated for this use, it is an agreed percentage of profits left after the regular dividends have been paid—usually varying from 5 to 10 per cent—and it may be on a sliding scale increasing as profits increase.

Extra financial incentives for executives undoubtedly embody a sound principle, but we are clear that they have their dangers and are capable of abuse. If, under specially favorable circumstances, the profit-sharing runs into very large figures, it may turn out to be an incentive to take it easy thereafter. It may also foster too narrow and selfish a view of what is in the long run sound for the corporation, by leading those in control to sacrifice everything to immediate profits. It may accelerate the creation of a group of high executives who enjoy a standard of life and become imbued with a set of values which make them unsympathetic and aloof in dealings with the rank and file. These are subtle dangers not readily detected at a glance and not always evidenced at the outset. But there is ample evidence that they are real dangers—that the creation of a definite *class consciousness* of a bad sort has to be guarded against. Again, any method which tends to lead to a marked shift in executives' attention from their work to the fluctuations in the value of their company's stock on the stock market is in a wrong direction. Efforts to manipulate stock prices by managerial groups have not been unknown and in a bull market they can become a most distracting and unwholesome influence.

Conclusion.—The business and economic justification for providing payments to all the active workers in a business, over and above their stated salaries and wages, seems to be well established. This realization, that some extra compensation,

related more or less directly to the net returns of the business, is both psychologically and economically wise, is in general a sound development. It will undoubtedly extend in the future until we may see a quite general acknowledgment of the view that after borrowed capital has been paid its fair rental value the residual profits of an enterprise shall more largely than ever be shared among the active workers. Also by higher income taxes on corporations and individuals and by lowered prices if profits tend to increase, there will tend to come about a somewhat more equalized distribution of the annual national income.

From the standpoint of the individual corporation it is proper that the effort in providing extra compensation shall be to increase incentives to individual effort, to assure stability and security of income, to increase individual income to a reasonable extent. These are objectives which should in part control the formulation of specific plans. The lessons of the depression which began in 1929 will undoubtedly prove salutary in helping to re-shape plans of employee and managerial stock ownership in these more conservative directions. *The speculative factors in all such plans should be removed as far as possible.*

Finally, from the social point of view, we must all come to appreciate that wage and salary payments constitute one of the chief ways by which purchasing power is distributed in the community. The proportion of the national income devoted to this use (together with the proportion devoted to payment for agricultural services) will and should unquestionably show a beneficial tendency to increase as time goes on. And the individual corporation or industry which, within the limits of its own possibilities, is striving to assure larger annual incomes to the generality of its workers, is working in a direction at once economically sound and socially desirable.

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CHAPTER XXIV

MEETING THE INDUSTRIAL RISKS

One of the gratifying changes in managerial thinking in the last ten years has been the new stress placed upon making organized provision against the recognized hazards of life and of industry. While admittedly measures to provide against the risks of sickness, disability, death, old age, and unemployment are far from universal in their coverage, the growth of such measures instituted by corporations themselves has been little short of phenomenal. In part, this may have been due to fear of the possible introduction of public social insurance provisions. But by far the greater influence has been the growing conviction that *the removal of the workers' fear and anxiety over possible exposure to these hazards is a wise business procedure.* Indeed, the objective of making assured provisions for security against the calculable risks has now become firmly established as of major importance in the thinking of all progressive executives. And it is widely realized that better and far cheaper facilities can be assured today to offer protection against these risks *by pooling the risks*, rather than by assuming that each individual can and will himself provide the protection he needs.

Moreover, no argument, whether of the extreme individualist or of the extreme socialist, that the better way is to give every worker enough income so that he can himself meet his own hazards, can alter the patent fact that where such universal contingencies as these are faced it is a more enlightened policy to face them in an organized and inclusive way. It may, indeed, prove eventually to be wiser to administer these protective measures in a still more completely inclusive public way. That possibility we shall consider at the end of this chapter. But meanwhile the steps being taken by industry itself require description and evaluation.

It is beyond the possible scope of our discussion to elaborate details about existent plans. There is a large body of experience

and in the main it conforms to a number of principles which can be readily set forth. One primary consideration is that any effort to try to set up procedures to compensate for sickness, death, and old age should be shared in by an experienced, independent, consulting actuary. The accepted method of sharing risks, pooling contributions, and stipulating benefits to be received is the method of insurance. And it is folly to embark on measures which should receive careful technical calculation as to relative costs and benefits without such actuarial advice—especially since in all these fields, except unemployment, there exists so much tested experience.

Accident Insurance.—Unlike the other measures to be discussed, insurance against industrial accidents is now required by law in forty-two states, including practically all the larger industrial communities.

Methods of administration vary considerably and the legal standards of compensation are usually minimum ones, so that some companies choose to make added payments. Also, there is a marked tendency to widen the conception of an accident to include disease directly traceable to occupational causes and compensate therefor. Prompt payment of claims and assurance that proper medical treatment is given are both important to a company. And where there is long delay in deciding a claim and authorizing payment, special care should be taken that hardship does not result. It may even be well to have the company advance payments temporarily which will later be collected from the state fund or the insurance company. In all such cases, too, employees should be made to realize that recourse to a lawyer is usually unnecessary.

Companies in states where no law yet exists would find it good business to adopt voluntarily the standards of compensation and service provided in the more advanced states.

Mutual Benefit Associations.—Over four hundred companies have some form of mutual benefit association to which a total of nearly a million employees belong. And it is interesting to observe that the more recent development of group insurance has not tended to displace these associations, but rather to supplement their efforts. Weekly dues are collected and payments made for sickness for a stipulated number of weeks a year and often also a lump sum payment of a few hundred dollars at

death.¹ Medical service is also included in some cases. Company contributions on some agreed basis are made in about one plan in four and the number seems to be increasing. Originally these associations were largely voluntary, controlled by employees, without requirement of physical examination. But the present trend is clearly in the direction of a modification of these provisions. Obviously as complete a coverage as possible is in the employees' interests and, unless 75 per cent of those eligible join, the risk is not adequately distributed. With good salesmanship, however, many companies have obtained practically a 100 per cent enrollment. Even so, more and more plans are requiring membership, where that is not illegal.

Also, as larger sums are involved, as the size of companies increases, and as companies make contributions, there has been a natural tendency for company executives to join in the administration of the association. Again, the requirement of physical examinations is increasing both as a preventive measure and to discover cases where the associations' liability might fairly be limited or waived altogether.

In Massachusetts where the state provides a "savings bank life insurance" plan, about sixty mutual benefit societies, covering about sixteen thousand employees, reinsure in the state fund at very moderate cost.

In general, the mutual health association can maintain itself in a strong financial position only in companies where there are over a thousand workers. And in such cases it is probable that benefits in relation to costs can be higher than where a group insurance policy is bought from a commercial company. But there are certain advantages of expert administration and more widely pooled risks in a group policy and the present tendency to offer a number of benefits under such a group policy makes it a highly convenient and increasingly attractive proposition.

Group Insurance.—Group insurance supplies a blanket policy for all employees of a company under which each employee is entitled without physical examination to certain stated benefits. These may include sickness benefits, a lump sum at death, disability payments, and annuities for old age. The cost of this

¹See National Industrial Conference Board, "A Manual for Mutual Benefit Associations," New York, 1924; also, from the same source, "The Present Status of Mutual Benefit Associations," New York, 1931; also "Handbook of Business Administration," pp. 1280-1294.

policy may be met by the corporation or it may be shared by the employees, although up until recently the majority of policies were non-contributory.

The extent of this development in recent years is indicated by the fact that over ten million workers in some thirty thousand establishments are insured for a total of over ten billion dollars. And the average death benefit now being paid is around \$1500.¹ Originally group policies were primarily to pay death benefits. But in the last few years the coverage has been broadened and the best policies today include payment for illness, disability, death, and old age. In order to afford these wider provisions the contributory idea is increasingly employed; and, in general, the joint payments mean that the total cost of premiums is a little over 4 per cent of payroll. In order to introduce a contributory plan it is required that at least 75 per cent of employees signify their willingness to contribute, and that there be a total of at least fifty employees to be insured.

It will be seen that group policies of this inclusive type, the so-called "package insurance," represent an effective method of meeting the risks they seek to cover. However, for such a policy to be appreciated at its full value by employees requires definite salesmanship. It is our own conclusion that many companies do not begin to secure the possible good will value of these provisions just because enough thought is not taken to have employees realize the scope of the benefits available, and the comparatively small cost to them. Often this could be brought home more adequately if the insurance company cooperated more closely with the management in its educational and preventive program in matters of health. Since the experience of each company in rates of sickness, disability, mortality, etc., may affect the premium rates it pays, there would be this additional value of closer contact between the insurance company and the insured in the carrying on of an affirmative health program.

Pensions.—It has come to be generally agreed that the provision of old age pensions by corporations has thoroughly sound business justifications.² It provides a dignified and merciful

¹ See GRAHAM, W. J., "Group Insurance," in *Annals*, American Academy of Political and Social Science, Philadelphia, May, 1932; also Industrial Relations Section, "Group Insurance," Princeton, N. J., 1931.

² See COWDRICK, E. S., *Industrial Pension Plans*, in "Handbook of Business Administration," pp. 1336-1345.

means for removing superannuated workers from the active payroll; it helps the morale of older workers by freeing their minds of worry about old age; it meets the current demands of community and employee sense of fair play and human decency regarding the retirement of aging workers; it gives greater opportunity for promotion of younger workers; it may well increase the level of efficiency of the entire organization.

There are also the additional cogent facts that the average length of human life in this country has increased rapidly in the last score of years, that more and more companies now have a history which runs back more than a generation, and that the number of years of each employee's service with companies is tending definitely to increase. And to complicate the social aspects of this situation is the increasing disposition of companies in general to prefer to hire younger workers for reasons of operating efficiency and savings in immediate group insurance or annuity costs.

Despite the widely acknowledged value of pensions to help meet these conditions, the practical problems incident to administering a formal pension plan have always been baffling; and until the annuity idea was developed they seemed all but unsolvable for most companies. For the older plans were typically non-contributory; eligibility was left quite arbitrarily in the company's hands; the employee had no contractual rights to a pension. There was always the danger that older employees might be laid off before the time was reached when a pension was payable under the terms of the plan. There was too often a condition that the pension reserve was not proving sufficiently large to meet the increasing claims upon it. There was frequently the difficulty that the majority of employees did not remain with one company long enough to become eligible for a pension. Yet in spite of these difficulties there have developed over four hundred formal plans including over three and a half million workers under their provisions.¹

The last few years have brought the group annuity plan into use, and this promises to meet some of the most serious objections to the older pension plans. The essence of the annuity idea is that the insured buys today the right to receive annual income

¹ See National Industrial Conference Board, "Industrial Pensions in the United States," New York, 1925.

at some agreed time in the future. And the theory in a group annuity is that the average total contributions should build up (subject to some exceptions) a trustee reserve fund, out of which a yearly income of a certain percentage of wages or salary can be paid until death. The group annuity is usually contributory. Each year's contributions yield a definite annuity value for which an individual annuity certificate having permanent value may be issued to each employee yearly. Or the employee contributions with specified interest may be returned to him when he leaves. Under such plans, of which over two hundred have been instituted in the last two years, the so-called "accrued liability" is not usually fully paid up at once (*i.e.*, the amounts of reserves necessary to have accumulated to meet the claims of older workers which will fall due in the near future). These are often calculated and then payment is pro-rated over a twenty-year period.

One important value of the annuity idea is that it does not tie the worker unwarrantedly to one company, since his contribution is always available for withdrawal; or if it is in the form of annuity certificates (as in the plan of the Westinghouse Electric and Manufacturing Co.), these are underwritten by the insurance company and when the worker reaches the retirement age, even though no longer with the company, his certificates have a specified value in securing him a partial annuity.¹ Where the package insurance mentioned above is in use, the value of the annuity portion of the total employee contribution is estimated at about three-fourths of the total, if it has to be repaid because he leaves.

Another value of the annuity idea is that it becomes a contractual obligation with the worker during the years when the policy remains in force; and even if the company should abandon the plan, the accumulated claims can be honored out of the independent reserve set up, usually with the insurance company or some bank.

The larger problem of the aged worker is not solved as matters stand today, however, even by the admirable and generous provisions of the annuity feature of the package insurance plan. If we could assume that all companies had such annuities and that a worker when shifting could continue to build up his claim

¹ See JACKSON, H. E., "The Trustee Annuity Plan at Work," in *Nation's Business*, November, 1930.

to a retirement income while retaining also his claim to some employer's share in contributions, the situation would be more satisfactory. But only the more prosperous companies can afford voluntarily to institute such provisions; and there will for some time to come be thousands of workers whose tenure of employment will not be sufficient to qualify them for adequate pensions. Also the difficulty of workers over forty-five years of age in getting jobs restricts the opportunity to qualify of those who need it most. Fundamentally, it would seem, old age is not an industrial risk; it is a universal human contingency. And if, as seems to be the case, the facts are that the current income of several millions does not admit of their making provision against old age dependency, the problem would seem to require to be met in some more inclusive manner.

In fact, already there are several states that have on a public basis inaugurated pensions for the aged. But their provisions in terms of amounts of income and methods of administration are as yet hardly adequate to be considered as more than disguised poor relief. And it may well prove to be true in this country, as it has been in Europe, that any provisions in the direction of social insurance can advantageously be supplemented by the operation of company plans which can afford to increase the benefits above the rather meager legal provisions.

Savings Provisions.—The social and individual value of encouraging personal thrift and the building up of savings funds for emergencies and specific capital expenditures needs little arguing today. And there is every good reason why companies should do all they can to make the building up of a cash reserve fund just as easy as possible for employees. This assumes, however, that it is paying wages and salaries high enough so that savings can be made without inroads on a minimum decent standard of living. The objective should be to make regular saving as easy as possible, to assure safety of principal, to provide relatively easy means for the withdrawal of funds.¹

The simplest and usually safest measure is to organize methods for the weekly collection of specified amounts to be paid into a *reliable savings bank*. If this is collected by pay envelope deduc-

¹See FRANCKE, H. G., *Savings and Thrift Plans by Employees*, in "Handbook of Business Administration," pp. 1399-1404; also Industrial Relations Section, "Employee Savings Plans," Princeton, N. J., 1929.

tions, it is a good practice to insert a slip stating the amount of the weekly deposit and the total savings to date. Some large companies create their own company *savings account*, pay an interest rate a little higher than the savings bank rate, and even, in some cases, add to the employees' deposits in some agreed way. Some companies also create a *trust fund* of employee savings which is invested in their own securities—a practice not usually to be recommended.

*Credit unions*¹ are in increasing favor since they provide both for regular savings of fixed small amounts and for an economical method of borrowing in emergencies. Their growth in recent years has been large.

Building and loan associations (or cooperative banks), if wisely administered, provide an excellent method for saving larger sums over a long period of time. Whether or not the employee contemplates the buying or building of a house, this plan enforces regular thrift and pays a relatively high rate of interest.

Sale of company stock on the installment plan as a *thrift* device seems to us in most cases an awkward and doubtful expedient for reasons stated in the last chapter. However, where a situation has developed that a large number of workers have accumulated sums beyond the amounts which savings banks will usually carry, there is undoubtedly room for the offering of helpful advice on investment matters. Since disinterested and sound investment advice is notoriously hard to get, particularly for manual workers, some definite assistance may well be arranged for. Perhaps the investment trust idea already mentioned will help substantially here.

Indeed, under any and all thrift plans, the great importance and value of an *educational campaign in thrift habits and methods* will remain. Most people need to have it explained to them that they can make even a modest capital fund yield them a return in interest and in a sense of security which becomes progressively valuable.² Also, educational work may be undertaken profitably to assure that, where money accumulates into sums much larger than those which workers are accustomed to handling, they do not dissipate these amounts in foolish ways. This problem

¹ For details see BERENGREN, R. F., "Credit Unions."

² See in this connection the comprehensive and effective methods employed by the Western Electric Company as set forth by SCHNEDLER, W. A., "How to Get Ahead Financially."

arises, for example, with Christmas Clubs and at the end of a period of installment paying for securities, the market value of which may have increased substantially since the employee started to buy.

Dismissal Wages.—Organized provisions to meet the risk of unemployment are far more difficult to make in accordance with any strict insurance methods because of the uncertain elements in calculating the risk. While there is a considerable body of data as to irregularity of employment over a period of years in numerous companies, and while the history of cyclical depressions has been clearly charted, the incalculable factors of the future are always present to disturb actuarial computations. This is, however, only one reason why more widespread efforts have not been made by corporations to compensate for involuntary idleness. The chief reason has undoubtedly been that until recently managers have not recognized that there might be definite business no less than ethical justification for efforts to provide income for temporarily unemployed workers.

Increasing acknowledgment of the wisdom of making provisions to provide work, or failing that to provide partial compensation, has come in the last ten years. Efforts at regularization of employment received wide attention even before the depression of 1929; and these are considered in a later chapter. Methods to assure steady compensation include three procedures which we shall now describe. These are dismissal wages, employment guarantees, and unemployment compensation. None of these has yet received wide adoption but the underlying idea is in each case a significant and suggestive one.

A *dismissal wage* may be defined as a payment of salary or wages to an employee, at the time of the permanent severance of his connection with a company, of amounts in addition to those already earned. It is variously spoken of, also, as "dismissal compensation," "termination allowance," "separation bonus," "permanent lay-off compensation."¹

A little over fifty companies are thus far known to have made some provision of this sort. And the extensive recent experience

¹ For details see Industrial Relations Section, "Dismissal Compensation," Princeton, N. J., 1931; LITTLE, E. H., Principles Involved in the Payment of Dismissal Wages; in "Handbook of Business Administration," pp. 1117-1120; The National Industrial Conference Board, "Service Letter," Oct. 30, 1931.

in Europe, usually enforced by legislative enactment, indicates a wide acceptance of this new feature there.¹

The reasons usually urged for paying a dismissal wage are: (1) recognition of the difficulty of older employees' quickly finding new employment, (2) desire to offset possible bad effect on the morale of remaining employees of abrupt discharge or lay-off, (3) desire to prevent possible adverse criticism in the local community of ruthless dismissal of long-service workers, (4) desire to make some equivalent compensation for pension expectations.

Impetus has been given to this growing movement by the increase of mergers and consolidations in recent years which entail the closing down of whole plants or departments, by the rapidity with which machinery is being substituted for manual work or new processes are introduced, by the need of providing for disabled employees who do not qualify for a disability pension, by shifts in demand or other factors which cause curtailed production.

In theory, therefore, the aim should be to relate this form of compensation both to age and to length of service. Yet the majority of present plans merely give a uniform amount to those eligible which is usually the equivalent of several weeks' pay. It seems likely that with increasing experience the age and length of service factors will be given more weight so that somewhat larger payments can be made. Whether or not such payments shall be pro-rated or in lump sum is a problem which is today largely settled in favor of a lump sum payment. Although this may be unwisely dissipated by the worker, it is felt by managers that the separation should be complete when it occurs. Usually, also, payment is made only when dismissal takes place through no fault of the worker. It is significant to note that in several cases where dismissal wages have been agreed to under collective bargaining conditions, where a group of skilled workers were being superseded by machinery, the amount of payment was more substantial, namely, \$300 and \$500.

Finally, it should be recognized that, from the point of view of general application, this plan presents the difficulty of being quite unpredictable as to the costs it might entail. It unques-

¹ See SCHWENNING, G. T., "Protection of Employees against Abrupt Discharge," in *Michigan Law Review*, March, 1932. A proposed state law for this country is discussed by DRAPER, E., in *The Survey*, Jan. 15, 1931.

tionably creates a favorable sentiment among employees and in the community, and with generous provisions it lessens the hardships incident to searching for a new job. But how far individual companies will feel they can afford to go voluntarily in this direction is problematical. The most sanguine estimate of possibilities would not bring about any complete coverage of this kind of hazard—one which, we believe, is destined to be greater in the future than in the past because of the rapidity of technological changes.

Employment Guarantees.—A few companies have for a number of years been experimenting with a procedure which guarantees regular employees full pay for a stipulated number of weeks a year.¹ Such guarantees may prove difficult to live up to as far as providing actual full-time employment is concerned; but if a corporation is prepared to defray the expense involved, such a plan can *stimulate the management to the utmost efforts in regularizing work*. In general, however, it is doubtful if this type of guarantee will prove popular because of the uncertainties inevitably incident to trying to fulfill it.

Unemployment Compensation.—There are now about fifteen company plans which offer to pay unemployment benefits for temporary involuntary idleness, two of which plans include a total of twenty-four cooperating firms. There are around twenty-five plans operating under joint agreements of employers and labor unions. There are four labor union plans covering the entire membership, and thirty-seven operated by local unions. And, finally, the state of Wisconsin has recently passed a law requiring companies or groups of companies to institute certain benefit plans before the middle of 1933 or else at that time to set up an unemployment reserve in a state fund. In other words, the idea of unemployment benefits is rapidly gaining headway; and the severity of the 1929 depression has had a notable effect in educating executives and public opinion generally to the practical possibilities in this direction.

It cannot be said that as yet there has crystalized any clearly defined body of agreed practices regarding unemployment benefit plans. Whether or not a contributory method shall be used is one

¹ For example, Procter & Gamble, Columbia Conserve Co., Swift & Co., Crocker-McElwain Co. See National Metal Trades Association, "Unemployment Benefit Plans," Chicago, 1932.

important moot point. The factors here are well summarized as follows:¹

While the trend in the plans set up by joint agreement seems to be toward placing the entire burden upon the employers, the decision ultimately rests on such considerations as the amount required to give adequate protection; the financial ability of the management to make the whole provision and certain factors of managerial policy; the employees' ability to pay, their attitude toward participation and the extent of their control of the market; and the relative effects of contribution or non-contribution on malingering.

It is significant, however, that the Wisconsin law does *not* embody the contributory principle but works on the assumption that unemployment like accidents is a risk of industry and that its human costs should therefore be a direct charge on industry, just as workmen's compensation is.² It seems likely that some companies even under legislation of this kind may institute their own plans which will add the contributory feature and thus make possible the payment of higher benefits than the rather small amounts required by the law (namely, 50 per cent of wages up to a maximum of \$10 a week). This supplementing of the legal provisions by independent voluntary provisions has already occurred abroad in countries where compulsory benefits are required.

In general, it is important that any plan be worked out so as to offer the greatest possible incentive to companies to supply regular work. Compensation during idleness is at best an unsatisfactory expedient for all concerned, although it is undoubtedly an essential one in an economic system as unstable as ours. Great emphasis should be placed, therefore, on measures (such as those outlined in a later chapter) which do encourage managers to regularize employment and which penalize those who do not. Other important points are that: (1) there should be a clear and acceptable definition of what constitutes unemployment; (2) there should be available information about other openings in the labor market through an efficient scheme of employment

¹ STEWART, BRYCE M., Unemployment Benefit and Employment Guarantee Plans, in "Handbook of Business Administration," p. 1300.

² A comprehensive and admirable discussion of this question appears in the "Report of the Ohio Commission on Unemployment Insurance," Columbus, 1932. The Ohio recommendations differ in important ways from the provisions of the Wisconsin law and present urgent arguments for the policies advocated.

exchanges; (3) there should be complete protection of the reserves set up; (4) there should be careful computation of probable costs in relation to the number of weeks benefit and the amount of weekly benefit to be paid, and an adequate reserve established.

It seems probable that the lessons of the last depression will lead to a great increase in private unemployment benefit plans in the next few years. And if a prolonged period of prosperity is experienced, reserves can be set up which might be a substantial meliorating force in another depression. Yet it has to be pointed out here again, as with health insurance and old age, that the most optimistic view of possible voluntary coverage of the workers exposed to the risk of unemployment *will protect nowhere near all that need protection*. Those employed in marginal companies, in small companies, in companies still unconvinced of the soundness of making provisions for unemployment benefits of any sort would still remain outside any plan; and their number will in the total run into the millions. In all honesty, *the need for some more complete coverage has to be acknowledged*. Meanwhile, all the experience of private plans is excellent and they should be encouraged and extended as much as possible. And, as already suggested, many of them would undoubtedly be retained even where some public provision were made obligatory.

Public Provisions for Meeting the Industrial Risks.—Theoretically and ideally it may be true that industry on its own initiative could be brought eventually to provide adequately for the sickness, old age, death, and unemployment of the great majority of wage earners. Also, economically speaking, it will always be true that it is out of the proceeds of industrial (and agricultural) activity that *all* such provision will be paid for anyway. The economic problem is to assure that the sick, incapacitated, aged, involuntarily idle, and widows with dependent children are provided with sufficient purchasing power to obtain adequate sustenance. And that purchasing power has—by either direct or indirect appropriation—to be taken out of the current national income for any year.

But practically speaking, the likelihood in a reasonably short future period of all companies and employers making these provisions is exceedingly remote. And all the protestations of the value of "individualism" and of personal thrift and foresight cannot alter the fact of the widespread urgency of the need for coping with these risks. The drag of inertia, cupidity, or relative

impoverishment will continue to prevent thousands of employers from making organized provisions to help their workers to meet them.

We are by no means unappreciative of the progress which industry has by itself made in recent years. It is astonishing and unprecedented, especially in the field of group insurance. There are good reasons for believing that such provisions will be extended even more rapidly in the next decade than in the last. The danger is that the good will be allowed to stand in the way of that which is better because more inclusive. We know already from experience—in matters of accident compensation, safety provisions, fire protection, minimum wages to women, maximum working hours for women and children, etc.—*that the standards among corporations and individual employers can only by compulsory legislation be brought up to anywhere near the humane standards which the progressive companies may already have instituted voluntarily.* Organized employers have opposed all of these regulative measures and then in the main have gradually come to accept them as sound and wise when they were made obligatory. Social insurance for sickness and unemployment is now going through the same struggle and encountering the same shortsighted opposition. And progressive corporation executives should be able to see that the effectiveness of their own autonomous provisions to meet industrial risks is in no way jeopardized by compulsory provisions applicable to every employer. And the fact that they have their own provisions constitutes no good argument why social insurance should be opposed. Indeed, from the point of view of competitive labor costs, there is much to be said for closer equalization of the insurance charges against all industry.

Social insurance does, to be sure, present problems. The American method of having to secure social legislation state by state means that temporarily in certain matters one state may have more costly requirements than another. Also, numerous administrative details will have to be worked out. Unquestionably the experience of European countries with varying social insurance laws can help us to avoid mistakes and adapt measures more readily to our own needs.

But one fact stands out sharply as a result of the most recent depression. *Industry has to foot the bill indirectly if it does not do so directly.* Philanthropy which endows hospitals and supports

clinics, community chests which contribute to relieve unemployed and destitute families, charity societies which support the aged, taxes appropriated for public relief uses—all of these resources come out of industry, as a result of values created, measured, and handed about in money terms, out of the industrial and agricultural activity of the nation. There is, of course, a pooling and re-allocation of funds brought about by philanthropy and tax appropriations, and in consequence the amounts available for needed relief may at present often come tardily and in too small amounts. But come out of current industrial income they must, since there is no other possible source for them. And if by the further use of the method of taxation and by requiring the creation of certain reserves as a first cost on industry, we as citizens elect to make the process of supplying relief more direct, more prompt, more assured, and therefore more self-respecting, we are in essence only revising and simplifying a method of distributing compensation and purchasing power which is now unreliable, irregular, and tainted with a false sense of charity.

It is our contention, therefore, that generous though the efforts of some corporations may be in providing against the risks of life, *the time is ripe to acknowledge the universal, public, and social responsibility of industry to supply more directly and inclusively under legal enactment the compensation which all workers should receive if they are to face these several risks with a reasonable sense of security.*

Already the momentum is considerable. Public pensions are a fact in half a dozen states. Health insurance has been studied by state commissions in a number of states and it is the organized doctors who have provided the most formidable opposition to it. Unemployment insurance is in operation in Wisconsin and a number of other industrial states are actively (1933) considering similar measures. And it will be unfortunate if these movements which represent an economically sound and socially beneficent development are obstructed by employer groups which refuse to see the good they might derive from it in terms of less worried employees and of an enlarged consumer purchasing power distributed throughout the manual working community—especially in periods of depression. Also, if employers would take a more constructive attitude toward this body of impending legislation, they could help to formulate its details in ways that would undoubtedly improve and simplify its operation.

Conclusion.—Efforts to provide in advance for meeting the major risks of life are greatly on the increase. The wisdom of trying to remove fear and anxiety from the minds of the rank and file of employees is now generally established. Everything that can be done by encouragement to individual thrift to provide a cushion against these contingencies is all to the good. But the method of insurance also commends itself because it is relatively cheap and because wages are not usually high enough to make substantial saving possible. At best under corporation plans, however, there will remain literally millions of worthy employees unprovided for. And from a strictly business standpoint there is much to be said for organizing a more universal coverage by state legislation which places the same responsibilities of risk bearing on every employer. Also, from the social standpoint, a direct charge is set up for a social hazard by this means, more adequate and less precarious than voluntary measures can ever provide.

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CHAPTER XXV

COORDINATION OF STAFF AND LINE DEPARTMENTS

It is the purpose of this chapter to consider how managerial policies and procedures are best adopted, transmitted, interpreted, and executed. By "policy" in this connection is meant a defined plan of future action for an organization, or for any part of it, which implies the initiation of certain procedures or methods to give it effect. Especially are we concerned to see how personnel policies and procedures, or the policies and procedures of other departments as these are affected with a human interest, are put into operation.

The problem is to assure the readiest and most enthusiastic support for sound policies within staff departments, within line departments, and between staff and line units. Staff experts have to make their services intelligibly and agreeably available to line executives. Line executives have to acquaint the staff with their peculiar problems. Line executives have also to work in harmony to assure the proper execution of planned performance. And, finally, in the origination and promulgation of major policies for the entire organization, the top management has to bring the balance of the working force into full understanding of aims and ready cooperation in achieving them.

In order to make this entire discussion as clear as possible, we shall first define a number of widely used terms which necessarily recur in this chapter.

A *function* is a nucleus of activities, responsibilities, or duties so homogeneous in character as to fall logically into a unit for purposes of execution.

A *staff department* is a unit division of an organization of either major or minor executive rank which advises and aids by specialized services the work of the operating or line departments which are directly forwarding the main objectives of an organization.

A *staff function* is a group of homogeneous, related activities valuable in facilitating the work of an organization but not

directly performing the activities which the organization is designed to serve.

A *line department* is a unit division of an organization occupying its specified place in the direct hierarchy of operating departments with authority and responsibility for carrying out its specific activities in forwarding the ends of the organization.

A *staff and line organization* is one which operates through a definite hierarchy of line departments while simultaneously making use of the advisory or facilitating services of staff departments.

The *managerial staff* is the name usually given to the group of top staff and line executives.

Executive coordination may be defined, therefore, as *the process by which advance agreement is secured upon policies and the general methods of their execution from the several special groups involved in carrying them out, and by which also it is assured that agreed policies will be carried out intelligently, willingly, and effectively.*

Or, coordination is the process of assuring in the most effective possible way the *adoption, transmission, interpretation, and execution of policies.*

What, more precisely, is the nature of the problem which coordination seeks to solve? As organizations increase in size there are five distinct groups participating in their activities; and the need grows with the size that the necessary inter-relationship shall be satisfactorily established *both laterally, or horizontally, among those on the same executive level and vertically among those from one operating level up and down to all others—from the board of directors to the rank and file.*

These five groups are, typically, the board of directors, the top administrative group (*i.e.*, the major staff department heads and the general managers), the heads of line departments and of lesser staff divisions, the technicians within each special staff division, and the workers in all the line departments (the rank and file).

And a question of first importance for the smooth and harmonious operation of any organization is: How is policy best coordinated from one executive level to another and within each operating level?

The objective which management should have in mind is two-fold: First, to provide organized structures of conference or communication in and through which interchange of ideas takes

place—the *organizational* aspect of the problem; and, second, to vitalize the operation of this machinery of interchange so that a real meeting of minds, harmonizing of desires, and integrating of objectives does in fact take place in advance of action to the utmost extent possible—the *psychological* aspect of the problem. These aspects although separable are, of course, closely interdependent. The right psychological conditions and influences cannot for long exist in the absence of structural forms which enable them to find expression. And the right structural arrangements are of little value without the animating breath of devoted leadership which helps give direction to the content of common deliberations and helps sustain a desire for achieving a unity of aim and method. Mechanisms and structures for coordination and representative conference are the outward evidence of an inner disposition to coordinate in effective ways; or they quickly become paper plans which are inoperative.

But why this assumption that the aims of different groups in an organization are not naturally in harmony and therefore require special efforts to create a more workable unity of aim?¹ Briefly, the functional duties of each group tend to make it feel that its point of view on the problems of the organization and its conception of the organization's objectives are the most important. The selling end, the buying end, the financing end, the producing end, the personnel end, the employees' end—each tends to bring forward claims and points of view so divergent that it would indeed be a generous assumption to say that all are spontaneously working for the same ends. Even within the executive organization one is frequently confronted by a condition of hidden personal conflict which may be serious. Concretely, one discovers on occasion that executives are primarily interested in satisfying personal vanity, in saving their faces, in advancing their position at the expense of others, in getting back at other executives of whom they are jealous, in compensating for grievances which they have against the company. Similar influences are sometimes found at work among foremen and salesmen. In short, on economic and on more purely personal grounds one sees conflicts of interest at work which require deliberate effort to surmount and leadership to counteract.

¹ This question is more fully considered in TEAD, O., "Human Nature and Management," Chaps. X, XI.

We are here concerned primarily with the structural or organizational aspects of coordination both because of limits of space and because the psychological aspects have been elaborated elsewhere.¹ And to simplify the discussion of the procedures of coordination we shall use for illustration a relatively simple type of executive organization.

Conceivable policies might be given effect in one of three ways: by fiat; by announcement after taking advice; by conference, agreement, and announcement.

The trouble with the first method is that it is psychologically defective. It fails to understand the causal connection between an individual's willing cooperation and his knowledge of "reasons why." And it fails to secure any possible benefits from obtaining the ideas of other minds.

The second method has the advantage of arousing thought by raising questions and seeking opinions, but there is then no assurance that advice will be taken or even taken account of. Psychologically, however, it is a step in advance of issuing fiats, because those who are ordered are, in part at least, forewarned as to policies which are probably to take effect.

The third method squares most fully with what is known about the way to get action and cooperation from people. Human beings work most determinedly and effectively on behalf of an objective when they know what they are after, why they are after it, and how they are working to achieve it. Knowledge is a positive stimulant to applied action and the process of participating in the shaping of policies assures that the participants are usually becoming convinced of the policies they are helping to shape.

The Principle Underlying Sound Coordination.—This conclusion has already been affirmed in earlier chapters as the principle of the *representation of interests*. It is not a new principle, but up to the present its fullest exemplification has been seen in the field of political organization. It states that *every special group affected by a policy should be a party to its formulation and adoption and to the acceptance of the general methods of its execution*. The reasons for this statement and for insisting that it may soundly be applied in the field of industrial organiza-

¹ See TEAD, O., "The Leader as Coordinator," in METCALF, H. C., Editor, "Business Leadership," Chap. XIII.

tion are: (1) that a new policy is likely to be permanently wise and reasonable if those whom it affects help to shape it; (2) that the transmission of policy to the affected groups takes place most naturally when delegates from these groups are present when the policy is adopted, know its implications and the reasons for its adoption, and hence can interpret it to their fellows; (3) that the policy when so adopted, transmitted, and interpreted has a much better chance of intelligent, willing, and thorough execution than if it is handed down as a fiat from the management.

Convinced that experience has shown the validity of the conclusion that group interests require representation in order to assure sound industrial executive action, we shall here indicate how that principle might be applied. Those who feel that, in the structural plan of coordination about to be outlined, the foremen and the manual workers are given too prominent a place should remember what has already been said about the psychologically close relations between knowledge, willing consent, desire, and action. They should also remember that some over-organization may at times be necessary in order to assure the explicit recognition of functions and relationships.

Any one plan of assuring coordination, however, is emphatically less important than acceptance of the principle as sound; and there is undoubtedly wide room for experiment in its application. The fact remains that in its essential outline the following structural scheme has evolved because of a need recognized in both factories and stores. Nevertheless, the rapidity with which it may be advisable to extend the representative efforts of foremen and manual workers depends upon the individual case. An objective, and not necessarily the speed of the process of reaching it, is being discussed.

The Determination of General Policy.—We are assuming that the board of directors is not directly active in determining any but the most general policies. For example, it would usually pass upon such matters as the institution of a personnel department, the establishment of a shop committee plan, the acceptance of collective bargaining, and the like. Where the directors are really in close touch with operating conditions, there is warrant for taking even lesser policy issues to it. Otherwise on all lesser matters a sounder decision is generally reached if action is taken by the group presently described as the operating committee.

It is further assumed that the president of the corporation is at the same time a member *ex officio* of the board of directors and the executive chief of the factory or store organization. Immediately associated with him there will be four major staff executives—the personnel manager, production manager, sales manager, and financial executive. For the determination of general operating policy, this group of five would constitute the nucleus of an *operating committee*.

The extent to which additions to this group would be advisable depends on the size of the plant, the character of the product, and the desire of the management to perfect its managerial technique in the direction of that representation of interests which is the really scientific method of organization. In fulfillment of this principle of representation, it seems to us essential, however, that there be added to the membership of this committee representation from the foremen and from the manual working group. The operating committee is to consider, it should be remembered, all questions of a general nature, especially issues which affect the relation of one staff department to another, and of the staff to the line departments. In other words, it is making decisions that affect all five of the groups involved. Since this is the case, the reasons for representing all five groups are apparent. All learn of contemplated general policies before they are adopted; all have a chance to express an opinion about them in advance; all help to decide upon their adoption; and all must cooperate in giving them effect. By securing a representation of the several groups in the body of major policy determination, the best possible coordination is likely to result. For this body not alone decides policy; its members transmit it to their respective groups and secure assent to it. The execution of general policies which are favorably received is then entrusted, of course, to the appropriate executive department and official.

The operating committee would meet at least weekly; indeed in some companies it has a daily morning conference. Usually a careful record of its deliberations should be kept and notice of its decisions would advantageously be delivered *in writing* to all members after the meeting.

The Personnel Committee.—Because of our major interest in the personnel implications of the process of coordination, it is important next to stress the value of providing a committee usually called the *personnel committee*.

Beyond deciding on major issues of basic policy in personnel affairs, the board of directors usually allows considerable latitude to the operating committee in the determining of ordinary questions. The initiation of changes and the injection of new ideas in this field are, however, in a number of well-managed plants and stores, the responsibility of this personnel committee. Its function is to propose policies and to advise with the personnel executive about ways and means of giving them effect. Its work is wholly consultative and advisory; responsibility for execution remains with the usual line or staff officials.

The composition of this personnel committee might typically include the personnel executive as chairman, the general manager, the second in command in personnel and in production, and representation from the foremen and the rank and file.

The value of this committee as a "selling" medium has been found to be substantial. The entire content of personnel work is peculiarly in need of sympathetic understanding by foremen and manual workers if its efforts are to bear real fruit. This committee constitutes a *liaison* body where all matters of personnel procedure may be taken up *in advance* of installation and in anticipation of operating difficulties. Thus the importance of having this group as widely representative as possible cannot be too strongly urged.

Personnel Department Conferences.—Among the important members of each staff department lies a further field for common understanding and agreement upon policy and procedure. In the personnel department the need for a united stand and a consistent point of view is clear. For this reason, it has been found useful in personnel departments comprising more than two or three workers to provide definite and regular departmental conferences. This brings together in an educational way the personnel chief and his assistants on employment, health, safety, training, research, service, and joint relations and secures the benefit of the interchange of technical ideas and of the wholesome expert criticism of department colleagues.

Some personnel managers carry this idea of departmental organization one step further and have a monthly meeting of the entire personnel staff, including stenographers and messenger boys, with the aim of assuring that everyone in the personnel department is thoroughly imbued with its point of view.

Foremen's Council.—The work of executing personnel policy devolves only in part upon the staff of the personnel department. Many personnel policies and procedures closely affect the foremen or other line department heads and depend primarily upon them for successful execution. This is one vital reason why we urge a representation of the foremen on the operating and the personnel committees. In their relation to the production department there will be other bodies on which the foremen may profitably be represented. There is for all of these purposes need of a foremen's group which can focus the opinion of these executives and delegate individual members to the various requisite committees. All the foremen of line departments constitute in many plants a *foremen's council*; or, if this involves the creation of an unwieldy body, the foremen of each administrative division of related departments should compose a number of such councils.

This organization has as one of its major functions to consider new projects which the operating committee or some one of the staff departments is proposing for adoption. Where policies have already been adopted, its work would lie in the field of transmission and interpretation. Where they are pending it would play a consultative and on occasion a legislative role.

Employee Groups.—It is vital that the rank and file of employees be parties in some organized way to the formulation of policies that affect their relation to the organization. In recognition of this need we have recommended their representation on the operating and personnel committees. And already in a few companies the soundness of the idea of having them represented on the board of directors is recognized. But there should be some organized medium through which such representatives are selected and through which also opinion is formulated and registered.

All this argues the indispensable value of some form of employee representation plan. And in the absence of such provisions the process of successful coordination will be weakened at a basic point. It seems to us inescapable that there must be such a body in order to facilitate and assure the transmitting, interpreting, and carrying out policies as they affect the rank and file. In so far as any matters of policy under advisement relate to work or pay, earlier chapters have suggested representative procedures through which their consideration would advantageously proceed. And later chapters discuss employee representation intensively.

Management should, however, be constantly alive to the serious danger of a gulf developing between employee delegates and the workers themselves. The delegates, in consequence of the educational influences of their committee work and because of the closer touch with all the facts which their participation in conferences brings, almost unconsciously come to take a more responsible and thus often a different view of problems from the rank and file.

Recognizing the seriousness of this problem, a number of companies undertake a definite educational "drive" addressed to all the rank and file on important questions which arise. They utilize various media, including department meetings, mass meetings, bulletins, pay envelope notices, house organs, etc. Occasionally to get a complete expression of employee opinion on some issue where their cooperation is especially sought, a secret ballot referendum is found to be a useful method.

Summary.—The foregoing discussion may now be summarized as follows: We suggest that, in the adoption, transmission, interpretation, and execution of policy, five groups must be taken into account—boards of directors, major staff and operating executives, the members of the staff departments, the foremen, the rank and file. There should be an inter-group conference organization of a representative character at each of these levels, and there should be a group organization within each level. Only thus is it assured that a new policy never comes to any group as a surprise. It is first proposed, then discussed, then adopted by the inter-group conferences; and thus at every stage the affected groups are brought into council. The adopted policy is then interpreted to each group organization.

This general principle has its valuable application, of course, not only in relation to the initiation of personnel policies but in relation to production, fiscal, and sales policies. And it is worthwhile to make brief mention of how policies in these other fields may come home closely to personnel issues. For managers often fail to realize that many matters which they have always set apart in a separate compartment of their thinking *do in fact have repercussions on relations with employees*. Take, for example, in the field of production management the staff service of planning, routing, and scheduling work.

Relating Production and Personnel Policies.—This work of planning will benefit by the advice and suggestions of the fore-

men, of the personnel department, and of the workers to be affected by proposed methods. None of the planning department's important proposals should be adopted before these three groups have considered and approved them. Since these several groups should be represented on a committee supervising production, headed by the general manager or plant superintendent, it will be desirable to have this committee pass on the planning department's really significant proposals. Indeed, more than that is needed.

Experience with the difficulties that planning department work has encountered in the past leads us to urge that any important and basic change in working procedures or methods which affects most of the organization should be laid by the planning department first before the operating committee and, if endorsed by it, before the foremen's council and the shop committee of the workers.

There should be, in short, an organized basis for agreement on basic changes in method (whether they proceed from the planning department or from any other source) between staff and line departments, among line departments, and with workers. Any organization which slights this effort at the necessary correlation of authority, knowledge, and action is bound to encounter obstacles to new ideas which could have been removed in advance.

Relating Sales and Personnel Policies.—In the type of organization which this chapter assumes, general sales policies and plans would be decided in the operating committee. How drastic a proposal that is may not be at first appreciated, for many firms are still unconscious of the extent to which they allow the sales organization to dictate to the rest of the management. If the salesman can get the orders, it formerly has been true that the shop will be turned on end, if necessary, to fill them. If he cannot get them, the rest of the organization sits by paralyzed.

The point of view about the selling policy which is increasingly recognized as sound is at almost the other extreme from this. Market research, sales quotas, and budget forecasts supply fact knowledge which assures better coordination of production and marketing.

The aim, then, is to get executive agreement in advance through the operating committee on the sales forecast which will control production. The ideal is that no one staff department

should be in supreme control, but that all should agree on general policies in the entire field of operation.

The personnel manager will naturally use his influence and knowledge in the operating committee to oppose a sales policy which spells irregular work, rush orders, overtime work, small-lot orders, etc. He should be the leading supporter of a policy of regularization of work and do everything possible to win the sales manager's support to efforts to supply regular work to a stable force.

Relation of Financial to Personnel Policies.—Until recently it has usually been considered that the financial end of the business was justifiably a law unto itself, answerable for its decisions only to those "on the inside." A change in this attitude has been brought about, however, by the inevitably greater publicity required by income tax laws, stock exchange requirements, and investment bankers' stock floating efforts. Also, the increasing use of shop committees, of profit-sharing, and of plans for sale of stock to employees and customers almost inevitably entails some consideration of fiscal policies with these groups.

Companies should realize, therefore, how intimately connected with personnel policies their financial policies are. Indeed, many managers have already derived benefit from increased employees' confidence and sense of security which their greater knowledge of financial policy brings. They have deliberately popularized their annual reports and financial statements and done everything possible to visualize to employees the essential facts of their financial position. Instead of assuming, as in the old days, that the amount of profits was only the concern of a few stockholders, many of the larger companies are realizing that it is related to the problem of the employees' attitude, interest, and loyalty.

Employee stock ownership has helped substantially to bring about the changed managerial attitude in this matter. And this experience has proved conclusively to many corporations that employees will take a far more responsible attitude when they are clearly and fully informed on questions of costs, competitive conditions, market trends, new capital requirements, reasons for reserves and surplus, the meaning of "overhead," etc. And the time has come when it is good business policy to have all financial and accounting practices handled in a way that can be justified to workers and stockholders. Especially as the inevitable hour arrives when there are demands for pay increases or

the need for pay cuts, it will prove valuable (as it already has in many companies) for managers to have built up in advance a sense of confidence among the men due to their being kept currently informed about the financial situation.

It is a great mistake to think that executive problems can be neatly divided into those questions which concern workers and those which concern management. No absolute line of demarcation exists. The price of raw material and its quality, the amount of it which shall be carried in stock, advertising and selling policies, and the volume of finished goods to be carried in stock—these matters not only affect the ultimate outcome of the year's profits, but they may mean the difference between ability to pay dividends and the opposite, between a regular flow of work and constant interruptions, between a condition where the material is easily worked and where the amount of "botheration" is annoying and fatiguing to the worker. Clear as all this seems, the implications of it have come more slowly. Now, however, an increasing number of managers appreciate that *employees' interest in financial policies is not something to be feared but something to be welcomed because of the better coordination in all the above directions which it promises.*

The Case for Over-organization.—It is important to meet the possible objection to such inter-group organization as is here recommended that it contemplates an unnecessary over-organization of the factory or store.

Those who have known of the methods employed in installing adequate production control systems will realize that there occurs an introductory period in which a large force of planning and clerical workers is needed. Once methods, standard practices, and records are worked out and the mechanism is operating smoothly, the staff required is much smaller. However, the introduction of the system and its adequate comprehension by all in the organization are made easier at the outset by having almost every function assumed by a separate person. As soon as the number and nature of the functions are recognized, it is easy to consolidate them.

This analogy has force when applied to this objection to the initial over-organization of group relationships. The first condition of successful coordination is to see distinctly all the groups to be coordinated—all the points of view which have to be brought into working harmony. The second condition is to

assure in some way that those groups inter-act consciously and deliberately. There is, of course, no virtue in committees as such. Indeed, the several coordinating bodies here proposed are not necessarily the best possible nor composed necessarily of the right functionaries. But if any organization desires to provide the machinery under which proper coordination will be more nearly assured, it will be led eventually to create and utilize conference bodies the composition of which is governed by the principle advanced in this chapter.

This basic principle is clear. Essential in every organization is a definitely organized understanding between those who plan, those who oversee, and those who do the actual work. Each group—if the organization is to operate smoothly—must act with the full knowledge and agreement of every other group. Intelligent application of this principle in any given case may not be easy. A degree of organization which, for example, is imperative in a plant of over one thousand employees may be cumbersome in a smaller organization.

Even in relatively small companies, however, the fault with executive procedure is frequently a conspicuous *under-organization*. That is, the relation of the several executive functions to each other is not recognized, and the reason for having representative consideration of executive decisions is not appreciated.

Moreover, the value of *formal conference*, even with other executives with whom one may be in constant contact, is not to be ignored. Formal conference, properly conducted, gives a definiteness and sharpness of outline to agreed policies attainable in no other way.

Again, this objection often results from lack of clearness as to the purpose of the conferences and inter-group meetings here recommended. These groups are *not* executive in character in the sense of being responsible for direction of work. They may be executive in so far as they are empowered to reach executive decisions, but the carrying out of these decisions remains for individuals to do. The rightful scope and function of committee activity are not understood if their operation gives executives an excuse for "passing the buck."

The inherent desirability of representative conference comes, let us repeat, from the fact that to get the widest possible agreement to a course of action from a larger number of people it has proved best to have them informed and convinced in advance. If it

seems to require over-organization to achieve this, then that is not an unreasonable price to pay for this essential objective. Inter-departmental coordination is in its simplest terms merely the effort of all concerned to agree in advance upon a goal and upon the road to be taken to reach it. It is often true that what may seem to be the longest way to this desired end is in reality the shortest way there.

On the other hand, it is true that unconvinced groups and individuals may never be brought to positive assent to a course of action until they have been embarked upon it *and found it possible and desirable by virtue of experiencing it*. The practical implication of this vital truth is that it is not always wise to insist upon *complete* prior harmony before making changes.

But there remains a wide difference between railroading policies into effect and requiring that those unconvinced of their wisdom, after they really understand them, *shall be open-minded enough to give them a trial in action*. The former method, still all too prevalent, works against a maximum of resistance. The latter method has the advantage of applying a sound principle as to one way in which learning takes place, namely, by the impact of experience found to yield a satisfactory outcome.

One further truth about the efficacy of the process of coordination as here defined is that it gives tangible recognition to the psychological fact that *an organization can be something different in its essence from the mere sum of the separate efforts of its individual members*. Where people are associated under adequate leadership and with proper structural arrangements with help to release creative power and assure the interpretation of mind with mind, the yield is inevitably greater than where the association is perfunctory or casual. The process of creating ideas, generating enthusiasms, and evolving unified purposes is far more fruitful when it is shared in an organized way, among those who feel themselves equals in deliberation, than when it is left to a few individuals who have the power to impose their wishes. In other words, the effort toward coordination based on the principle of representation of interests can be an energy-releasing, team-work achieving, and enthusiasm-building project of unequalled value.

Finally, coordination will bring it to pass, as in no other way, that policies and methods in all the major staff functions will be considered in relation to their effect on the personnel policy of the organization. This would be a great gain in many companies

where matters of production, sales, and finance are rarely thought of as having definite effects on the workers' attitudes.

Principles of Executive Effectiveness.—The effort to coordinate can be helped if a few fundamental rules about executive conduct are adhered to. For only as all executives at each level function effectively at their own tasks can the process of interrelating and unifying their labors be readily forwarded. We therefore suggest briefly the following propositions about sound executive conduct.

The work of each executive will be clearly set forth in writing—an executive's job analysis. This statement will make plain the limits of his authority, his specific duties, and to whom he is responsible.

The work of the executive is to *plan, organize, delegate, and supervise*. He is responsible for seeing that all the details of the work for which he is responsible are delegated to some one.

The executive is in touch with the work of those under him through the use of those summarized records which are necessary to give him a grasp of the crucial problems and large results. He will decide which records it is important for him to see and will keep these at a minimum. He will be presented with full details only when these are necessary to help him in forming decisions. He will also keep a permanent record of his own important decisions.

Records of executive policy and executive accomplishment should be currently available. Too much time is spent in every organization by executives in "picking up the threads," in explaining to subordinate executives policies which have presumably been in force for some time, in experimenting with methods previously tried and found to fail.

The executive in delegating responsibility will make as specific a statement as possible of the work to be done. *He will also delegate all the authority necessary for the proper performance of the work.*

The executive will have the duties of his subordinates clearly set forth in writing. Each one will be responsible for certain specific duties. Every duty will then surely have some one person who is responsible for it.

The executive will see to it that no man is indispensable to the organization. This is meant in the sense that each executive position should be adequately understudied.

The executive will see that each individual is allowed to function as far as possible in the field where he is qualified and interested. It is less important to have a neat and logical organization chart in the office than to have all the necessary functions distributed so that they may be performed effectively.

The executive will allow understudies sufficient chance to exercise responsibility and make decisions to be sure that when the time comes they can "take the reins" and do so wisely.

The executive will see to it that no man is expected to do more in a day or a week than can reasonably be done.

The executive will give full credit to others for results achieved by them. He will lead and not drive; he will challenge and stimulate ability by *giving it a chance*; he will foster it by giving it recognition when it is displayed.

Executive procedure is good, it has been wisely summarized:

. . . when the proper tests are prescribed for the qualifications of officers, the proper rules for their promotion; when the business is conveniently distributed among those who are to transact it, a convenient and methodical order established for its transaction, a correct and intelligible record kept of it after being transacted; when each individual knows for what he is responsible and is known to others as responsible for it; when the best-contrived checks are provided against negligence, favoritism, or jobbery in any of the acts of the department.¹

Charts of Coordination.—Organization charts can serve a useful purpose in keeping everyone's thinking straight about the correlation of functions. Confusion will be avoided if it is recognized that charts are of three distinct types to convey three different kinds of information; and until all three are understood, the whole story of the distribution of executive work and authority is not apparent.

There is, first, the *authority* chart, which shows the line of authority, of policy determination, and execution.

There is, second, the chart of *functions*, which shows what functions and duties each position or department is supposed to be responsible for.

And, third, there is the *personnel* chart, which shows how the several functions are distributed among the executives. Usually, the first chart may be combined with the third to show the line of authority in terms of those who exercise it.

¹ MILL, J. S., "Considerations on Representative Government," Chap. II.

To help make graphic the proposals of this chapter, Chart IV has been included as a suggestion of the interrelation of the different functional groups of the personnel and production

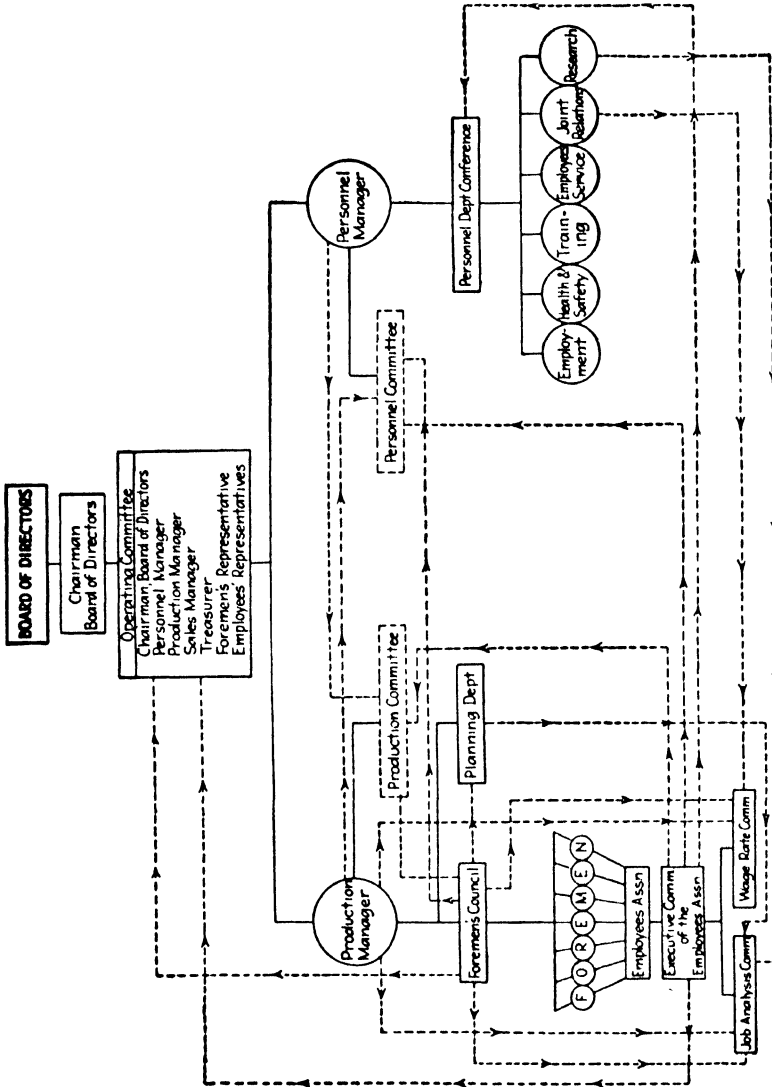


CHART IV.—Functional Chart Showing Coordination of Personnel and Production Management. (Solid lines are lines of authority. Dotted lines signify representation for improved coordination.)

departments. To keep the chart simple, how these two departments should be coordinated with sales and finance is not shown. Nor is there suggested any relationship to outside bodies, such as

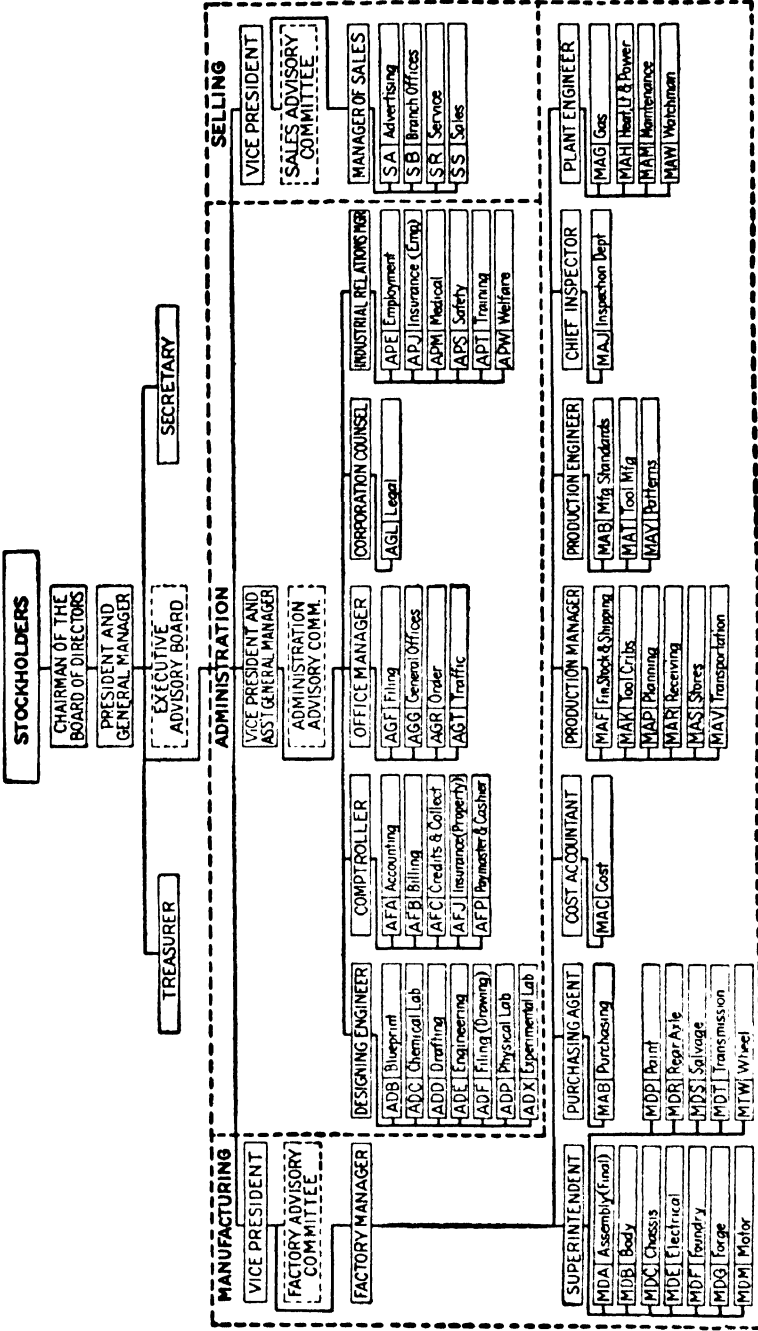


CHART V.—Organization Chart for Automobile Plant. (Reproduced by permission from Administration, March, 1923.)

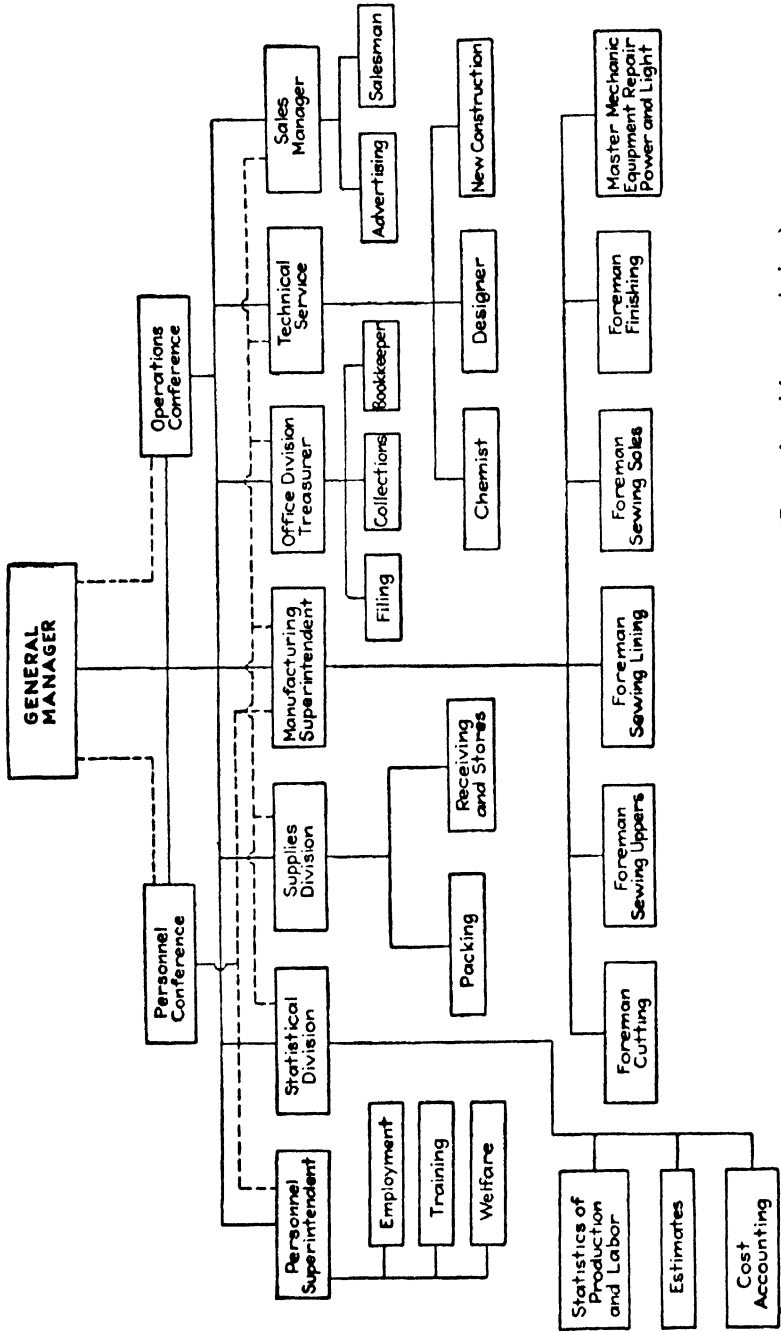


CHART VI.—Organization Chart of a Shoe Factory. (Reproduced by permission.)

would be entailed if a collective agreement existed with a labor union.

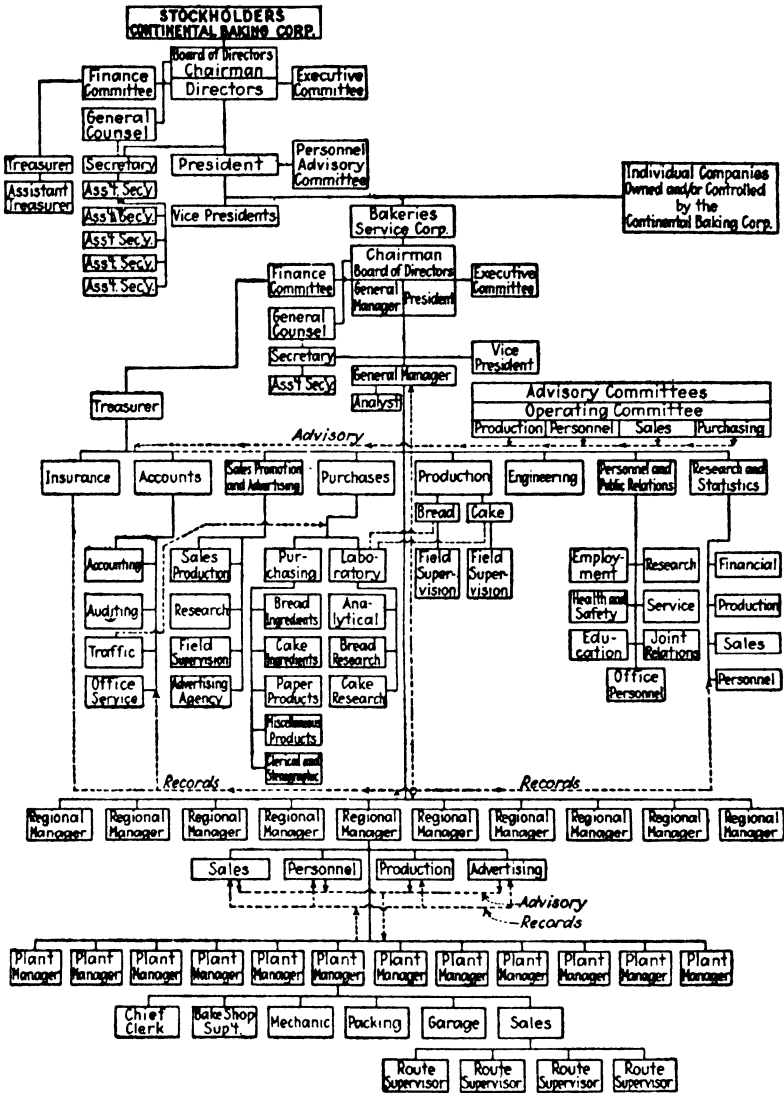


CHART VII.—Composite Organization Chart, Continental Baking Corporation, Bakeries' Service Corporation, and Local Bakery. (Reproduced by permission of the Continental Baking Corporation.)

Charts V and VI are good samples of authority and function charts for executive organizations as a whole.

Chart VII is a good example of the organized relationships between a holding company (the Continental Baking Corporation), a central staff service company (the Bakeries Service Corporation), its ten regional managers, and its numerous local plants. Of special interest in relation to personnel management is the set-up of the staff advisory and operating committees in the personnel field and the Personnel and Public Relations Department of the parent company. Each regional manager through cooperation with the personnel division keeps in close touch with the personnel problems of the plants under his charge. It will be seen that the type of interrelation provided for in this chart, both as between central and local executives and as between one staff department and another, conforms to the organization plan advocated in this chapter.

Administrative Problems of Companies with Scattered Units.—The importance of striving for effective coordination in holding companies and corporations with numerous units is especially great because of complications of size and geographical distribution. And since multi-plant corporations are on the increase, it is necessary to particularize briefly about the ways and means necessary in such cases to get policies, personnel and others, translated into action.¹

The general tendency is in favor of the maximum possible *decentralization of authority from the central office to the local operating executives*. The function of the central office, whether of a holding company controlling relatively independent companies or of a corporation working through a number of scattered units, is usually conceived to be a *staff service function*. There may be central staff executive experts on numerous matters, such as research, accounting, statistics, design, sales, personnel. And one problem is to secure the best use of this expert knowledge in the respective local units. Another problem, especially in personnel matters, is to achieve a reasonable uniformity and consistency of policy and procedures from unit to unit. These are precisely the same problems projected on a larger scale as those of inter-department relation in an organization under one

¹ Since we first discussed this problem in the original edition of this book there have been much experience and study, most of it corroborative, about the administration of companies with a number of units. See MOONEY, J. D., and REILEY, A. C., "Onward Industry!"; also "Handbook of Business Administration," pp. 1465-1509.

roof. And the process of coordination seemingly therefore will require application of the same principle we have already elaborated.

First, as to the adoption of major policies, it is clear that their introduction by fiat will be peculiarly weak and inconsistent if authority is to be decentralized to the local plant and its head is to be accountable for results. The need is for regular meetings of the heads of the units with the central office heads and staff experts to confer and agree in advance on major issues.

On the other problem, the question arises—in the personnel field, for example—what shall be the relation of the central staff personnel executive to the personnel executive in the individual units? Should the local man be responsible to the general manager of his plant or to the central office personnel head? The answer, generally speaking, is that he should be responsible to the local general manager; and it should be a matter of suggestion, education, and persuasion as to how far the procedures recommended by the central personnel office are adopted. If the operating line managers of the several units have agreed as a matter of policy to standardize and make uniform certain personnel forms and records, terms of employment, employee representation plans, etc., it will then, of course, be the responsibility of the central personnel executive to help the local personnel men to put them into effect. On all important issues it will be important for successful action that the staff experts are acting as salesmen and as teachers. For obviously the responsible local executives can work well in accordance with policies only if they know why they are in effect, agree as to how to give them effect, are anxious to see them succeed, and are therefore trying to apply them to local conditions as intelligently as possible.

The ideal objective to strive to realize is a reasonable balancing of freedom of initiative and decision for local groups with that necessary degree of uniformity which is clearly required by demands of efficiency and economy in the operation of the entire organization.

It should not be concluded that this principle in action nullifies the value of a staff personnel department. On the contrary, experience in numerous large corporations proves that a higher level of effectiveness in personnel work can be attained and a broader group of policies pursued where there are able central leadership and a strong teaching motive than where smaller

companies, employing less able executives, each try to work out problems independently.

Two of the foremost students of government in the last century have analyzed the problem of centralization in terms which are so completely applicable to the relation of a parent company to its constituent plants that they merit thoughtful study. Indeed, they give classic expression to the fundamentals of this subject.

Centralization easily succeeds, indeed, in subjecting the external actions of men to a certain uniformity, which we come at last to love for its own sake, independently of the objects to which it is applied, like those devotees who worship the statue and forget the deity it represents. Centralization imparts without difficulty an admirable regularity to the routine of business; provides skillfully for the details of the social police; represses small disorders and petty misdemeanors; maintains society in a *status quo* alike secure from improvement and decline; and perpetuates a drowsy regularity in the conduct of affairs, which the heads of the administration are wont to call good order and public tranquillity; in short, it excels in prevention, but not in action. Its force deserts it, when society is to be profoundly moved, or accelerated in its course; and if once the cooperation of private citizens is necessary to the furtherance of its measures, the secret of its impotence is disclosed. Even whilst the centralized power, in its despair, invokes the assistance of the citizens, it says to them: "You shall act as I please, as much as I please, and in the direction which I please. You are to take charge of the details, without aspiring to guide the system; you are to work in darkness; and afterwards you may judge my work by its results." These are not the conditions on which the alliance of the human will is to be obtained; it must be free in its gait, and responsible for its acts, or (such is the constitution of man) the citizen had rather remain a passive spectator, than a dependent actor, in schemes with which he is unacquainted.¹

John Stuart Mill supplements this observation with the following statement of a positive principle:

The authority which is most conversant with principles should be supreme over principles, while that which is most competent in details should have the details left to it. The principal business of the central authority should be to give instruction, of the local authority to apply it. Power may be localized, but knowledge, to be most useful, must be centralized; there must be somewhere a focus at which all its scattered

¹ TOCQUEVILLE, ALEXIS DE, "Democracy in America," vol. 1, pp. 113-114. Boston, ed., 1876.

rays are collected, that the broken and coloured lights which exist elsewhere may find what is necessary to complete and purify them. To every branch of local administration which affects the general interest, there should be a corresponding central organ, either a minister, or some specially appointed functionary under him; even if that functionary does no more than collect information from all quarters, and bring the experience acquired in one locality to the knowledge of another where it is wanted. But there is also something more than this for the central authority to do. It ought to keep open a perpetual communication with the localities—informing itself by their experience, and them by its own; giving advice freely when asked, volunteering it when seen to be required; compelling publicity and recordation of proceedings, and enforcing obedience to every general law which the legislature has laid down on the subject of local management.¹

The phrase, "power may be localized," might well become the slogan of central staff officials of large companies. And the phrase "knowledge must be centralized" should be continually impressed upon all local managers. With this interaction of forces, results promise to be the best.

Yet the problem is, after all, more complex than we have yet intimated. It is not really faced in any corporation till the executives soberly ask themselves how many plants and what number of employees can be effectively brought under one directive organization. The question arises as to whether there is an "optimum size" which will assure best results in output and in supervision and leadership. There is room for significant experiment on this vital point. For certainly the conclusion seems inescapable today that some plants are too large for proper management and that some companies have too many units to assure the fullest effective service from the central staff to each local plant. That there is a right size for plants and corporations in each industry seems a probable hypothesis. And in organizations which have grown without giving any thought to what is for them the efficient size, administrative coordination has become one of their most pressing problems.

Conclusion.—It is clearly necessary to provide in each organization that the several staff departments, in relation to each other and to the line departments, supplement and support each other rather than work at cross-purposes. Only so can intelligent, unified, and balanced executive action be secured.

¹ "Considerations on Representative Government," Chap. XV.

Personnel and other staff managers are looking at the same problem of applying labor to material to transform it into useful products or services from different but equally indispensable points of view. Successful management means that, at all times and on all significant executive decisions, these points of view have been harmonized or at least brought to a cooperative working adjustment. What special steps in the coordinating effort should be taken, in order to secure a regularized production and steady work, will be considered in the next chapter.

Following that, we shall consider in greater detail the provisions which are being made by plans of representative action to bring the employees as a whole more closely into participation in the process of coordination.

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CHAPTER XXVI

HOW TO ASSURE STEADY WORK

It is a familiar truth that the cure for unemployment is work. But to be able to apply that cure is not always simple or even possible. Yet so important in the thinking of modern management has it become to try to provide regular work, and thus give employees a greater assured sense of security of employment, that it will be valuable to cite briefly the measures now utilized to this end.

The recent depression has helped the entire community to realize that whereas *property can outlast the suspension of payment for its use, human beings cannot outlive suspension of their income beyond a very limited period.* And our industrial system breaks down in a crucial way when no income for some millions of those who desire work is forthcoming. The whole integrity and *rationale* of any economic system stand or fall on its evident ability to support continuously all the members of the community. We have already argued the social necessity for some universal coverage of this risk on a compulsory basis. Yet to minimize the compensation necessary to those involuntarily idle, it is urgently necessary that industrial operations be planned and arranged to make work income rather than unemployment benefit income the preponderant provision. This implies that the task of planning and forwarding work must be solved in relation to the several causes of irregularity of production.

These causes are now usually agreed to be the following: (1) personal maladjustments, (2) poor management planning within the individual corporation, (3) seasonality of operation, (4) technological unemployment, (5) cyclical depressions.

It is not our contention that the individual company, or even all individual companies together, could, under the existing system, remove all these causes. Obviously, the first responsibility of management is within its own walls upon phases of operation which it can directly control. The larger issues cannot be ignored by executives, but we shall defer consideration of them till the end of the chapter. The first requirement is that

executives should accept as a working basis all the implications of the axiom that *no organization can really solve its problem of securing interest, loyalty, and enthusiastic cooperation from its members until it is assuring them in a definite way work the year round (or some compensation in its absence).*

Personal Maladjustments.—Irregularities of work which are due to the individual occur both when the worker is normal and when he is deficient. It is a primary task of every company's personnel department to secure the proper selection and adaptation to the organization of normal individuals. There is no denying that lack of such proper adjustment has contributed to making shifts of employment more numerous and frequent than they need to be.

When, however, the worker is definitely suffering from mental or physical affliction, the remedy beyond the initial detection of an abnormal condition is not always within the means of individual companies. By improved selection methods it will be possible and essential to identify those applicants so physically or mentally handicapped that they are unsuited to employment. *But the social problem of providing for such individuals remains.* This group, often referred to as "the unemployable," includes the feebleminded, epileptic, physically handicapped, mentally abnormal, those too old to be hired, those with chronic wanderlust, those so demoralized physically or mentally by prolonged enforced idleness that they have lost the ability or power of sustained application. In the aggregate these unfortunate individuals constitute a serious total number; and in honesty it should be recognized that they are as often the victims of industrial and economic disorganization as of inherent personal deficiencies.

At present, efforts to place and utilize members of this larger group consume the time of all personnel departments. And both sound business judgment and the prompting of a decent sense of community responsibility and conscience should lead at once to more enlightened and permanent efforts to identify and care for these unfortunates by community provisions of outdoor relief, institutional care where necessary, and self-sustaining farm or other work colonies where rehabilitation could be aimed at where possible.

To remove this group from the severity of the industrial conflict would greatly simplify the problem of assuring regular work to the normal and competent, unemployed individual.

Poor Company Management.—It is not always easy to distinguish when irregularity of operation is caused by poor management, and when it might be lessened by intelligent efforts in the field of marketing. Without trying to draw such a line, therefore, we shall discuss measures of regularization from the point of view of the several major departments of a business.¹ And because our emphasis is upon the personnel department we start with its special problems.

Personnel Efforts at Regularization.—The first duty of the personnel executive is to help make the entire management staff *regularization conscious*. The *will to regularize* is the first requirement; for experience is clear that, where that will exists among all the responsible heads, marked improvements can be made.

A definite policy of *transfer* of workers from idle to busy departments can be extended. And to facilitate this attention should be paid to systematic re-training.

Some companies provide that the *number of working hours per week will be curtailed* for all, depending on the volume of work. Under the extremities of a depression this may result in a cut to two or three days a week. Or work may be "staggered," *i.e.*, offered one week to one group of regular employees and the next week to the rest. Where there is the expectation of making use in the future of an entire working group, these expedients evidence the company's desire to keep them all on the payroll. But where there is no such expectation and the likelihood is that the required work force is being permanently reduced, there is a limit to the advisability of holding workers on the payroll for such fractional employment. Under these last conditions the

¹ The current interest and activity in this field are reflected in the abundance of published material descriptive of a wide variety of regularization measures. The material in this chapter reviews an experience more fully set forth in FELDMAN, H., "Regularization of Employment"; LEWISOHN, COMMONS, DRAPER, LESCOHIER. "Can Business Prevent Unemployment?" EDIE, L. D., Editor, "The Stabilization of Business," Chaps. V, IX; National Bureau of Economic Research, "Seasonal Construction in the Building Industries"; "Business Cycles and Unemployment," Part III; Metropolitan Life Insurance Company, Policy Holders' Service Bureau, "Steadying Business," (pamphlets); Chamber of Commerce of the United States, "Balancing Production and Employment through Management Control" (pamphlet) Washington, 1930; Governor's Commission on Unemployment Problems for the State of New York, "Less Unemployment," Albany, N. Y., 1931; Industrial Relations Section, "Selected Bibliography on Industrial Plans for the Regularization of Employment," Princeton, N. J., 1931.

arrangement becomes a relief expedient which should stop as soon as employment elsewhere becomes a possibility. For permanent *under-employment* may have almost as unfortunate human consequences as unemployment itself.

Finally, where lay-off becomes essential, it has proved good policy to give advance notice to workers, to try to select those for lay-off who have fewest dependents or have been most recently employed, to try to place those to be laid off with other companies by close cooperation among local personnel executives, to try to provide some dismissal wage which can help ease the strain of seeking another job. All of these measures have proved to have definite good-will value with employees and in the local community.

Regularizing Sales.—Under present conditions success in stabilizing production depends in the first instance upon ability to get orders for a regular output, or to know enough about markets to be able to make to stock economically. To know approximately how much of the plant's possible production can be disposed of at more than the cost of manufacture is essential to steady operation. Superficially, this is each company's sales problem. Fundamentally, it is a problem that ramifies into the whole of each industry and involves an answer to those formidable questions: What do people want? How much of it do they want? And what proportion of that market can any one company secure? This larger problem we shall consider presently as *the organization of demand*.

Fundamental to a more regularized sales policy is clear agreement at the outset that: (1) production will be planned in relation to a conservative market forecast and sales budget; (2) orders beyond the budget will be accepted only as production can be obtained without excessive additions to plant and staff; (3) regular business from regular customers is preferred; (4) sales outlets are to be cultivated which will aid in regularizing consumers' demand.

Detailed methods which have been found helpful in realizing these objectives are:

(a) Offering special inducements to buyers in off-season or dull periods either by discounts or by promises of prompt delivery or storage at the plant until the goods are wanted.

(b) Offering inducements to salesmen to sell in off-season or dull periods. These may take the form of bonuses on sales.

(c) Selling direct to retailers through the company's own sales organization, where wholesalers and commission houses tend to do little or nothing to push sales.

(d) Carrying on a special advertising campaign when business is slack but might reasonably be expected to respond to more aggressive appeals.

(e) Inducing salesmen on the road to study and report constantly on changes in the trend of demand. To this policy some firms which produce articles in which style is a factor have added another. They find that, if salesmen visit customers more frequently, they get a closer correspondence between orders and acceptance of the finished goods.

(f) Selling in markets whose dull seasons dovetail. In a large country like the United States or in foreign trade, such different climatic conditions are found simultaneously that sales can often be secured on certain seasonal products the year round.

(g) Selling and advertising an article with a trade name and a standard quality for which a regular demand can be built up on the merits of the article.

(h) Providing a subsidiary line of goods for sale which can be used as a "filler." Much has been done in this way by firms in a variety of industries. This policy depends on discovering new products for which a demand can be developed, on ability to use existing plant without extensive alterations, on retraining workers, etc.

(i) Planning for expansion over a long enough period to assure that unnecessary plant equipment and staff are not unwarrantedly provided for temporary spurts in orders.

Regularizing Production.—Once the requirements of the selling end of the business are established, it is imperative that the actual production be planned and scheduled to assure regular work. This usually requires the effective operation of a system of production control along lines now well understood by progressive managers. It means concretely that the flow of work is arranged so that machinery, materials, and workers are all available as needed to assure continuous operation.

Other special methods of tested values are:

(a) Coping with uncertain weather influences by artificial humidifying, refrigeration, special shelters for outdoor work and workers, etc.

(b) Manufacturing to stock where regular stock items are made or where a surplus supply can safely be piled up. This may often require special warehousing facilities.

(c) Introducing manufacture of new lines of product which are in demand at other seasons than the main line.

(d) Using slack periods for repair and alteration work, or for a vacation period for the entire plant. (Such vacations should include pay or they become temporary, enforced lay-off.)

Larger Problems of Seasonality.—It should be recognized that beyond the measures just discussed which may help the individual company to minimize the effects of seasonality of demand, there arise problems of inevitable seasonality which must be met in other ways. The larger seasonal movements of labor such as those of harvest and lumber workers, seamen, hotel resort employees, are unavoidable; and the individual employer often cannot provide more than temporary employment for part of the year.

In these cases, as well as for the more constant demand of all industrial workers for information about employment openings, the need is for a public employment service, organized on lines that assure a national interchange of facts about jobs. We have already dwelt upon the importance of this provision; and the fact of seasonality in certain industries merely supplies one more urgent argument.

Technological Unemployment.—A further factor in causing irregularity of work, which has recently assumed serious proportions, is technological unemployment—or the dismissal of workers because new machinery or new processes supersede them. This factor, too, beyond certain ameliorative aids, is not one that the individual company is wholly responsible for or can independently cope with. As already suggested in Chap. XXIV, the payment of dismissal wages can do something to soften the blow of such lay-offs; but to be of real assistance (especially in other than very prosperous periods) they would have to be of larger amounts than are now usually paid in the few companies which have adopted this plan. It may be that such compensation should be looked upon as a rightful payment by society as a whole to help defray the costs of cheaper production methods which will presumably result from new machinery. In this case legislation to require dismissal payments following the European experience may prove to be helpful and wise.

It seems to us true that the present severity and probable increasing extent of this displacement of workers argue for a general shortening of the hours of labor. The argument sometimes advanced that "in the long run" such displaced workers tend to get placed, because of the economic assumption of a certain inevitable and eventual balance between production and consumption, is much too bland and unrealistic a view of the problem. If by the progressive introduction of machinery fewer and fewer workers are needed (including of course those, also fewer, needed to produce the machinery), we are faced *at any one moment* with the alternatives of (1) keeping present working forces busy at present hour schedules and supporting those displaced in other indirect ways, (2) creating employment publicly for those displaced, (3) reducing general hours of labor to a point where many more workers are needed. And under present conditions of technological advance and managerial ingenuity it is exceedingly doubtful if such reduction of hours would increase unit costs—it might even tend to reduce them. But even if costs remain constant, the economic and social gain of having income and purchasing power distributed for work instead of for a demoralizing idleness would be substantial.

Cyclical Depressions.—The depression which began in 1929 has by its length and unusual severity helped everyone to realize that since the Industrial Revolution cycles of prosperity and depression have recurred at seven to ten years' intervals. To discuss the reasons for this would carry us afield into areas of economic analysis where controversy is still acute as to the relative merits of financial, industrial, or psychological explanations. But whatever the fundamental causes, the fact is that, as a period of prosperity gets under way, a condition of confidence and optimism is widely generated in the business community. And this tends progressively to manifest itself in less caution in production and in the extension of new capital equipment for more production, until a point is eventually reached where the relation of available goods to *effective* demand (*i.e.*, demand at a profitable price to the producer) is quite out of balance. Goods are on the shelves but enough purchasing power is not at the moment in the hands of the generality of consumers to buy them. For our purpose here, it does not matter whether this lack of balance is a fact only in certain industries or throughout industry. There is a theoretical contention that general over-production is

impossible. But it is a practical fact that, however it occurs, the cumulative lack of balance as a period of business prosperity reaches its peak reveals a quantity of unsold but desired goods and a vast majority of people with purchasing power nowhere near sufficient to satisfy their desires.

How this basic problem of assuring a more effective regular and universal distribution of purchasing power throughout the entire consuming community can be made to take place is perhaps the outstanding challenge to the so-called "capitalist system." There is wide disagreement as to what the solution may be. *But the likelihood of reducing the recurrence and lessening the severity of business cycles is tied up with the answer to this larger economic problem of a better distribution of purchasing power.*

There does remain, however, within the more direct control of industry as now organized the matter of *organizing more effectively the knowledge of demand* and endeavoring to see that the total production of an industry is not allowed in any one year to get too far out of line with the probable effective demand for its output.

The Organization of Demand.—This problem deserves mention here because its practical implications come closely home to personnel executives as well as to all executives who are striving to regularize production.

There exists a problem at all largely because of the unregulated, *competitive* character of our industry. And the problem tends to continue in its present acute form because the social and economic benefits of uncontrolled competition are generally believed to be so great that the preservation of "lawful" competition has been made obligatory by anti-trust legislation nationally and in certain states. This belief grows out of a conviction that the free initiative of all should be cherished so that anyone may embark upon any business, that competition is the most effective controller of price, that the competitive struggle assures that the efficient survive, that under the incentives of a private competitive *régime* it will be to some one's self-interest to see that all the goods and services in demand will be supplied. Admittedly as long as this conviction is widely held in the community, little basic relief is in sight.

An important step, however, could be taken to alleviate the worst effects of competition as it contributes to over-production if more could legally be done in an *organized way* to relate pro-

duction to demand. What each separate company can do by market surveys, sales forecasts, and the like, is all to the good. But in the last analysis such efforts have their value lessened by the incalculable activities of competitors who may be able by one strategy or another to increase from one year to the next the relative proportion of an industry's total business which they can capture. Also there is at present no widely acceptable way by which new corporations can be kept from entering an industry, no matter how many companies and how much capital over-equipment may already exist there.

Certain conceivable measures which might help in this whole direction are now illegal. Producers might, for example, divide up selling areas geographically. They might in some cases divert rush business or excess business to competitors when they themselves are working to capacity. They might require membership in a trade association which would be obligated to publicize certain facts from the entire industry about total advance orders, goods in process, unfinished orders, goods in warehouse, wholesalers' and retailers' stocks on hand, etc. Helpful as measures of this kind might be, there is a natural fear of proceeding with any of them because of the dangers of legal prosecution. And just how far the cooperative assembly and distribution of trade information can now legally go is still in doubt. However, the following statement is encouraging in this direction:

The recent decisions of the Supreme Court, legalizing the collection and dissemination of business statistics by trade organizations, have freed business from the fear of prosecution, and at least made possible the existence of an intelligent, fully informed, as well as an unrestricted market. If the leaders of American business can convince their less progressive competitors of the value of business statistics, a new, steady-ing factor will have been injected into the competitive system.

Some of the forms of statistics which, if they are available to all buyers and sellers within a market, have a tendency to stabilize market conditions may be summarized as follows:

First: annual statistics which show the productive capacity and the production of every important industry would be helpful. Such data could be best compiled by the government and the expense should not be prohibitive. If information of this character received wide publicity among business men, bankers, and investors, it might tend to retard the construction of plants far in excess of those needed to supply the demand.

Second: statistics showing the current conditions of supply and demand are of great value. A number of industries are already successfully compiling such information. Such data, if compiled daily, weekly, or monthly, in every case as quickly as the particular conditions of each industry will warrant, probably reflect actual market conditions with reasonable accuracy. . . .

Third: widespread knowledge as to costs among manufacturers in an industry, secured by a confidential exchange of cost data through some agency such as their trade association, likewise has a steady influence.¹

The upshot of this discussion is that the organizing of knowledge of demand must proceed *with each industry as the unit of computation*. And for this purpose an inclusive trade association is the logical agency to render service. Even this industry-wide agency will, however, have to reckon with the factor of *competition among industries* which is one of the relatively recent complicating elements. It has to be admitted that *one of the prices society at present pays for a highly individualistic and competitive economy is the extreme difficulty of computing the demand for the product of any one company or industry*. In the absence of that knowledge, production tends to an excess and this condition brings with it a periodic curtailment of manufacture and a laying off of workers.

Conclusion.—The last depression has left managers somewhat discouraged about the efficacy of internal measures of regularization. As far as they go, and in periods of normally prosperous business, they can be of some value. The objective of regular and stable employment is sound and essential to good personnel results.

But we all know today that the forces which disrupt industry and employment most severely *are beyond the control of single corporations or even of single industries*. Indeed, many students are not sure but what these forces are beyond any control. We do not share this pessimistic view. But we would agree that the extent of social control and planning over the industrial process as a whole, which would be required to make the offering of regular work really a fact, is probably far more complete than business men generally are yet prepared to acknowledge. And it may be that business men as such will not in any immediate

¹ JONES, FRANKLIN D., "Business Statistics as a Means of Stabilizing Business," *Proceedings*, Academy of Political Science, pp. 49-50, 53, January, 1926.

future come to acknowledge this, however evident it may become; and legal and other changes which might result in a less wasteful and more rationally planned economy may have to be impressed on industry by working-class and general public opinion.¹

Ideally, the greater autonomy there can be in the governance of industry, provided it is controlled by social purposes, the better. Practically, if more selfish purposes are to continue in the ascendant, the interference and regulation of uneconomic practices by an aroused public conscience will be inevitable. And it will be desirable. For society as a whole will not stand by through many more periods of depressed economic activity in the belief that they are acts of God. It will assert itself yet more affirmatively in behalf of the traditional American faith that the government must help to serve all the people in the realizing of conditions where, for some millions of wage earners, life, liberty, and the pursuit of happiness are not recurrently jeopardized.

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¹ See in this connection such books as SOULE, G., "A Planned Society"; CHASE, S., "A New Deal."

CHAPTER XXVII

PRINCIPLES OF EMPLOYEE REPRESENTATION

We are now ready to catch up the threads of the proposal already advanced in several connections as to *the value and desirability of instituting some organized group procedure for conference and negotiation with employees*. The terms of employment—amounts of work and wages, hours, and working conditions—constitute the most urgent issues upon which the need for conference becomes apparent. Beyond that point is the need for methods which foster group participation in effecting *the development of corporate or organization unity of aim* which we believe should be increasingly stressed.

We propose, therefore, to review the reasons why the method of deciding terms of employment by managerial fiat is unsound and then to consider, first, employee representation plans (in the next three chapters) and, second, collective bargaining with labor unions (in two subsequent chapters) as methods of organized dealing with workers.

Difficulties with Management Determination of Employment Terms.—So prevalent has been the practice of the employer offering terms of employment which workers might either accept or reject, that we believe it important to elaborate on the basic reasons why we are sure this is a temporary, unsound, uneconomic, and undemocratic method. And by so doing we clarify the case for the application of the principle of the representation of interests to this problem of agreeing on terms of the labor contract and bringing greater unity of purpose into an organization.

Managerial decree in these matters at bottom assumes that four conditions are being satisfied: (1) that the management *can* know what terms are best for workers in all particulars; (2) that management *will* fulfill the responsibility of protecting employee interests when it knows them; (3) that management will proceed most soundly in these directions when there exists no approximation of equality of negotiative power on the work-

ers' side; and (4) that a sound psychological basis for full and willing cooperation is laid when the workers submit completely to the master-and-servant relationship which is still quite typical.

1. As to the first of these tacit assumptions, the implication is that, by close and continuous contact with all workers or by intuition, the management can find out what the workers should have and what they want, when minor maladjustments arise. This would require that management have a competent agent present at every time and place of possible friction; or, failing this, that the management is sure that each employee will find it possible and will dare to voice to management any difficulties which he has.

Logically, this type of dealing should for safety's sake imply omnipresence and omniscience on the part of the managers regarding workers' interests, maladjustments, and difficulties. And it implies that others can know one's own interests and desires better than the individual himself. Stated in this way, this fiat method is seen to place a responsibility upon management for a knowledge of what workers want and of the "rightness" of the terms and conditions of employment, which is not only too heavy; it is impossible. When thus set forth, the assumption is psychologically absurd.

2. The second assumption of management's willingness to do certain things raises again the point touched upon before in several chapters, namely, that on some issues there are, as industry now operates, genuine differences of economic interest among the parties to industry. These differences center largely around the income distributive process; namely, how much the worker shall get for his labor (hours and amounts of work being in essence a part of this contract). And on occasion these differences may come to hold the center of the stage and a real clash of desires take place. When such acute divergence does arise, it is unreasonable to expect the management to be willing to espouse employee interests, when the interests of management and of ownership have to be served.

It is a fundamental and never-to-be-forgotten principle of human association, already well recognized in political affairs, but still far too little applied in matters economic, that "*the rights and interests of each or any person are only secure from*

being disregarded when the person interested is himself able and habitually disposed to stand up for them."¹

And so completely at odds with this sound pronouncement is the assumption of management's ability and willingness to serve the divergent interests of employees at the same time that it must necessarily serve its own, that it seems hopelessly outmoded from the point of view of any sensible understanding of human motives and typical actions of response. We can even go further and say that *it is in the interests of good management* that it provide an explicit opportunity for the effective voicing of employee interests by themselves. For thus, and thus only, are all the factors in the situation in the open and capable of being dealt with in ways that promise amicable settlement.

We should make clear that this analysis does not seek to encourage conflict; it merely acknowledges its presence in all honesty. And it points to the value of two eventualities which we shall presently discuss, namely, the necessity of providing that conflicts of interest be fully aired and be reconciled by conference so far as possible; and, second, that efforts be made as fast as possible to lessen the acuteness of this conflict by trying to create a more complete identity and harmony of interests. Moreover, we are not implying either that there is not already a large area of common interests. The provision of safe and wholesome work places, the assurance of proper supervision, of orderly conduct, of good discipline (as defined in Chap. XVI), of competent production control methods—on these and numerous other matters there should be every emphasis upon the immediate identity of interest of management and men. Acknowledgment of a conflict of interests does *not* imply an atmosphere of continual strife. It implies rather that, *in order to focus and reduce the area of conflict, specific agencies are provided to which by common consent discussion of divergences is relegated.* And once a temporarily agreeable adjustment of interests has occurred, *it then becomes a matter of common interest and benefit that a cooperative sentiment be fostered to the utmost.*

3. The requirement of some approximate equality of negotiative power, which we hold to be essential and sound to the attainment of truly cooperative relationships, is one already widely acknowledged in other commercial relationships. Most people are

¹ MILL, JOHN STUART, "Considerations on Representative Government," Chap. III.

prepared to agree that, in general, the relation of buyer and seller should be on such a parity that both parties can afford either to accept or decline the terms of the transaction, and that both believe that a fair interchange of value has occurred.

We do not mean to imply, however, that the relation of corporation to worker is necessarily limited in character and attitude to that of a buyer and seller relationship. *But certainly it does start from there*; and a more genuine sense of membership or partnership can only be built up *after* the worker feels that he accepts the terms of the labor contract willingly and as embodying fair and satisfactory terms.

The fundamental reason why a sense of genuine equality is to be striven for is that only so is there provided the psychological soil in which the right kind of attitudes can flourish. *Only among equals can there permanently exist a self-respecting relationship of loyalty, of mutual confidence, of cooperation.* Only thus can a sense that justice is being done be permanently fostered. A group's conception of what constitutes justice will admittedly change; but that does not alter the fact that what it now regards as justice is vastly precious in its eyes; and nothing so contributes to a deep-seated unrest as the feeling that the terms and conditions under which people work are unjust.

All of our political and legal institutions operate on the assumption of the equal status and equal dignity of each individual. This underlying conception is not felt to be any longer open to argument. Fortunately, it is now beginning to be recognized in the business world that this same attitude regarding the relative status of the manual worker and his employer must be appreciated if the self-respect of all individuals is to be recognized and if any other condition than one of suspicion, distrust, and a sense of injustice is to be perpetuated. It is true that equality alone cannot create understanding, confidence, and good will. There must be other deliberate and conscious efforts to supply a basis of common knowledge, common sharing of the results, etc. But in the absence of a sense of equality, these other efforts cannot be productive of truly right relations and right attitudes.

This is one reason why some of the personnel work being done today proves less beneficial than managers anticipate. For the virtues fostered in a situation where this equality of status is absent are what the philosophers have called the slave virtues—

submissiveness, gratitude, docility with occasional outbreaks of protest, irresponsibility, and a perfunctory performance of duties except under constant supervision. The continuance of the present master-and-servant relationship in industry cannot on either economic or psychological grounds be expected to yield the kind of results which secure the harmonious operation of our corporate life. To a certain extent, it is for managers to choose whether or not they will deliberately cultivate the conditions of a more equalized status, under which a more self-respecting and more responsible employee attitude toward production can successfully be stimulated. And our conclusion is clear that one condition essential to bringing about this sense of equal status *is the conduct of the process of negotiation on a basis which is felt to be one of equal power by all concerned.*

What methods of group association and interrelation will bring about equality of negotiative power is not at the moment under consideration (see Chap. XXIX). But a great step forward will have been taken in the thinking of many managers when the desirability of establishing this equality is admitted. Perhaps one reason for the slowness with which this idea gains acceptance is that it is mistakenly supposed to involve certain other ideas not felt to be sound or desirable. The idea of equality of pay, for example, the idea of direct election of supervisory officials, the danger of a greatly relaxed discipline, are often falsely tied up in managers' minds with the idea of equality. There is, of course, no such inevitable relation. In fact, the equalizing of power among groups in industry has little to do with these other ideas. As will be shown, there exist arrangements under which equality is felt to exist where these undesired attendant conditions show few, if any, signs of developing.

4. The objective of building up a truly cooperative attitude among all workers in an organization seems to us definitely unattainable under the master-and-servant relationship, under conditions of marked inequality, and where there is no representation of interests. All of these imply the efficacy of what has been called a "power over" relationship rather than a "power with" relationship. Cooperation implies a voluntary, informed eagerness to forward common ends. And the ultimate function of negotiation is to create all the supporting conditions which can enable cooperation to develop once leadership shows the way. One thoughtful writer has coined the phrase *func-*

tional unity, to suggest the end result desired in administering any organization and in order to place special emphasis on the idea of building for corporate harmony. If, in reading the following quotation, the reader will realize that the author is taking it for granted that the company is committed to objectives that the employees can wisely espouse, he will find the emphasis on the cooperative principle sound. But the author is definitely envisaging a situation of broad corporate purposes, which is hardly a fact as yet in any but a few companies.

My reason for very strong advocacy of employee association is not chiefly to bring about equal power, but because this helps us to approach functional unity. I should want to make a "side," not for a fair fight, not for fighting at all, but in order that it shall enrich the whole. If I were a manufacturer I should want to consolidate my workers, not in order to give them greater strength in a fight, but in order that they should, by conscious unity, be a stronger part of my plant and thus strengthen my whole organization. . . . I differ, therefore, from those people who say that the greatest fairness to the worker is to give him equal power in the bargaining process. . . . I think we owe both the worker and ourselves more than that.

I trust that the difference between this "equal power," so much talked of, and the power-with we have been considering, is evident. Equal power means the stage set for a fair fight, power-with is a jointly developing power, the aim, a unifying which, while allowing for infinite differing, does away with fighting . . .

Yet, I do not want to be misunderstood on the matter of collective bargaining. It is of course necessary at present; without it both wages and working conditions would fall below even minimum standards, and, of course, if we do have bargaining we should give the two sides equal advantage as far as possible. I am trying to say merely that I think it is wise to decide, before we begin on any reorganization of our business, whether we believe in collective bargaining as an *ultimate* aim, or whether we accept it for the moment and surround it with the fairest conditions we are able to, at the same time trying to make our reorganization plan look toward a functional unity which, if it does not abolish collective bargaining (it may not) still will give to it a different meaning from that which it has at present. The best point about collective bargaining is that it rests on conference and agreement (there are methods of adjustment, as arbitration, which do not), but I believe in conference not as an episode of war, but as one of the necessary activities in the process I have called a functional unifying. Would not the unqualified acceptance of collective bargaining as now generally understood commit us to the view that industry must remain at the mercy of shifts in "power"

from employer to workman, from workman to employer? And is there any hope for a steady and wholesome progress with that condition of things?¹

In short, our contention is that, when we try to look beyond the negotiative process to the aim of real cooperation, we have also to go beyond the methods of managerial fiat. And all four of these assumptions we have been discussing seem completely inadequate as a basis for management's policy of employee relations. They run counter to all psychological knowledge about effective ways of influencing action; they run counter to the general premises of *democratic* organization and policy; they run counter to the dictates of good managerial strategy.

What, then, are the possible alternatives? It is these which we shall now consider.

Definition.—The phrase "employee representation" is here used to signify *any organized method of joint dealing between the management of an organization and representatives elected from among its own employees*. Such phrases as work councils, shop committees, employee associations, company unions, or brotherhoods are sometimes used synonymously or to refer to some special type of organized relation. In any case employee representation plans are distinguished by two characteristics. *They are almost always initiated by management. They are always confined in membership to the employees of one corporation.* It is these two characteristics which distinguish them from labor or trade unions which take the initiative in seeking collective agreements and include in their membership employees of numerous corporations throughout the same industry or trade.

The introduction of employee representation has been one of the most impressive personnel developments of the last fifteen years. No complete current census is available but it may be estimated that there are at least two hundred corporations now operating such plans in over eight hundred units and including a million employees.² There has been some abandonment of plans due to poor leadership, indifferent results, or exaggerated expectations. But, in general, where methods were carefully thought through, purposes clear and definite, and supervision

¹ See FOLLETT, M. P., in "Scientific Foundations of Business Administration," pp. 188-189, edited by METCALF, H. C.

² See BURTON, E. R., "Employee Representation," for a thorough discussion of this whole subject, to which we gladly acknowledge indebtedness.

capable, plans have flourished and their scope, powers, and value have constantly increased.

It is helpful in attempting to evaluate this development to distinguish between the *motives* which may have occasioned the introduction of employee representation and the *function* which it serves when in operation. We shall, therefore, next consider these two aspects.

Motives.—The motives of corporations in introducing representation have undoubtedly been mixed. Some are positive; some negative. The principal negative motive has been fear of labor unions and a desire to anticipate and “make unnecessary” their organizing efforts. Many managers have felt they could provide terms of employment equally good as if not better than collective bargaining might yield, while keeping all organized dealings within their own walls and without “outside interference.”

A more positive motive is to “learn what the employees think” and “to listen to their opinion or comment on matters affecting them.” The idea of having a “safety valve” is frequently stated. If grievances are aired, their importance is minimized and their removal simplified. “To get production on a better basis” is a further aim, the thought being that management’s efforts at production control and improved efficiency will be helpfully supplemented by group action among employees.

The motive of supplying employees with relevant information about corporate policies and methods in an organized way is also influential. More profound, far-reaching, and sound from the business standpoint is *the motive of supplying a procedure of actual negotiation on all matters of common interest*. Because there are acknowledged to be divergent interests which affect dealings, the need is seen by more progressive managers for a conference method which tries to compose differences and integrate aims. The value of personal, face-to-face dealing is great. It helps cultivate good will and understanding. And it gives living evidence of the fact that *such conflicts as arise are largely impersonal in nature, and they can be kept on an impersonal level if the parties at interest can be kept constantly close enough together to be friendly in personal contacts*.

Finally, in some few organizations the more long-range motive is at work of trying to make the representation plan a cradle of industrial democracy, as the town meeting was of political

democracy. The scope of dealings, in these cases, is increasingly broad and the responsibilities placed on the employee group are substantial.

Functions of Representation Plans.—How far employee representation can in action measure up to management's expectations depends on many factors and each plan has to be separately appraised. But experience does show that there are certain functions which these plans can fulfill—certain objectives they measurably well realize. These are:

1. To provide a double-track, two-way channel of communication between management and men.
2. To provide procedures for the prompt handling of grievances.
3. To provide a method of collective negotiation on all the terms of employment.
4. To provide an educational medium for both sides to help foster better understanding of their respective problems, desires, and purposes.
5. To provide a conference medium for the fullest possible cooperation, for fostering a sense of corporate unity and for developing creative group power.¹

The first four of these objectives are self-explanatory and the way in which they work out in action should appear as our discussion continues. But the psychological emphasis and implications of the last objective merit amplification; and we shall not try to improve upon the following thoughtful statement, supplied by a keen student of business, which seems to us to dwell upon the possibilities of creating and using the untapped resources of organized group power.

Functional authority, pluralistic responsibility, requires conference as its method; and genuine conference requires on the part of management very different qualities from those demanded by bargaining, with its concealments, its use of economic power, its aim of compromise. Here in the joint committees executives and workers meet, or should meet, to get from each other the special knowledge and experience each has; also to get to know each other's points of view, desires, aims. More than this, they should meet to pool their knowledge and experience, to unite their desires and aims. For this are needed the kind of men who are able to make vital contacts, able both to give themselves and to learn from others . . .

Secondly, the conference method demands from managers the ability to *explain*; and I mean by this not merely or chiefly the ability to state a

¹ See also the useful summary by COWDRICK, E. S., on Employee Representation, in "Handbook of Business Administration," pp. 1438-1454.

case, although that also is valuable; but even more than that, the power to analyze a situation. Of course, the man who does the analyzing reaps as great an advantage as his hearers. The fact that managers have to explain to employee representatives a good deal about the running of the business makes them look at some of their problems a little differently. If they cannot make out a good case, they see that there are things to be changed or greater efforts to be made. At any rate, they see their problems more clearly when they have to meet employee representatives and place certain situations before them. In a study on employee representation, it is stated that it is coming to be the practice in many manufacturing companies for the chief executive of the plant to report regularly, usually at the monthly meeting attended by the employee representatives, on the conduct of the business—new orders, trend of manufacturing costs, etc. We cannot doubt that this makes a new demand on the chief executive far beyond that of merely presenting his case.

In the third place, the conference method demands from managers the ability to make differences a unifying not a disruptive factor, to make them constructive rather than destructive, to unite all the different points of view not only in order to have a more contented personnel, but in order to get incorporated into the service of the company all that everyone has to contribute. There are only two things to do with the energy, the inventiveness of your workers—let it gather force against you or for you. It seems more sensible to make use of it; and in the conference committees you have your chance. . . .

I think, therefore, we may say that whereas the employee representation movement began partly as a concession, partly to make things go more smoothly, partly to counter trade unions, today it is considered by many men as an asset, as an essential part of sound organization; but it needs a certain type of manager to make it an asset. The fact that employee representation and the study and development of business management are two parallel movements seems to me very significant. At the same time that a share in management is being given to workers, we find that there is a rapidly increasing sense of the need of executives with a training which shall enable them to turn to account labor's possible contribution to management. And what I want to emphasize particularly is that the willingness to do this, the clearness of vision which makes a manager see the advantage of doing this, is not enough. He must be expert in the methods which will enable him to deal with case after case as they arise in labor-management cooperation. The primary thing he has to learn about his dealings with labor is not how to "treat" with labor, but how to use labor's ability, yes, even labor's aspirations, as some one has pointed out, as an asset to the enterprise. . . .

The chief interest to me in the acceptance of the fact that labor can make constructive contributions to management is the principle at

its very heart and core that management is not a fixed quantity. When we used to talk of "sharing" management, it was because we tended to think then of management as a fixed quantity. We thought that if some one was given a little, that amount had to be taken from some one else. Whereas the successful business is that one which is always increasing management throughout the whole enterprise in the sense of developing initiative, invention. Any manager who is looking with farseeing eyes to the progress of his business, wants not so much to locate authority as to increase capacity. The aim of employee representation, because it should be the aim of every form of organization, should be not to share power but to increase power, to seek the methods by which power can be increased in all.¹

Types of Representation Plans.—From the point of view of structure there are two distinct types of employee representation plans which are in use.

1. The plans of joint action of managements and employees in councils, committees, conferences, assemblies, etc. We group the plan based on the United States Government, the so-called "federal plan" under their general designation.

2. The plan of an employees' association, cooperative association, or brotherhood, in which all employees are usually included.²

The functions and purposes served by these two seem to us substantially identical; but some slight differences in the machinery employed are discussed in the next chapter.

General Principles Underlying the Introduction of a Plan.—Since the management, usually with the special assistance of the personnel manager, initiates the representation plan, it is of utmost importance to pay attention to the manner of its introduction.

The first principle here is that the *management must evidently be animated by a sincere, genuine, and liberal intention of fair dealing and of joint dealing.* The motive has proved far more important than the machinery in producing beneficial results. Matthew

¹ FOLLETT, M. P., in "Business Management as a Profession," edited by METCALF, H. C., Chap. XX.

² In order that there may be no confusion, examples of each type are cited below:

1. International Harvester Company, Chicago, Ill.
General Electric Company, Lynn and Pittsfield, Mass.
Commonwealth Edison Company, Chicago, Ill.
2. William Filene Sons Company, Boston, Mass.
Philadelphia Rapid Transit Company, Philadelphia, Pa.
Leeds and Northrup Company, Philadelphia, Pa.

Arnold well said "that which attaches people to us is the spirit we are of and not the machinery we employ." Similarly, a present-day student of industry well says:

I believe that the application of right principles never fails to effect right relations; that the letter killeth but the spirit giveth life; that forms are wholly secondary, while attitude and spirit are all-important; and that only as the parties in industry are animated by the spirit of fair play, justice to all and brotherhood, will any plan which they mutually work out succeed.¹

In other words, while there are, of course, better and worse features to be decided between, the first thing to do is to convince employees that management really wants to meet them halfway.

Perhaps the surest way to evidence this right spirit is to have it clearly understood from the start, implicitly and explicitly, that this is not a trade union defeatist move.

A clause in the plan along the following lines is valuable in this connection, to just the extent that the company's actions do nothing to belie it:

The Employees' Cooperative Plan shall not interfere with existing or future agreements between trade organizations and the Company, nor abridge the right of any trade organization to deal separately with the Company.²

From an English source comes also the same warning:

In an industry where the workpeople are unorganized, there is a danger that works committees may be used, or thought to be used, in opposition to trade unionism. It is important that such fears should be guarded against in the initiation of any scheme. We look upon successful works committees as the broad base of the industrial structure which we have recommended, and as the means of enlisting the interest of the workers in the success both of the industry to which they are attached and of the workshop or factory where so much of their life is spent. These committees should not, in constitution or methods of working, discourage trade organizations.³

A second essential step in giving evidence of the right spirit is to have the employees *consider with the management from the start, what the details of the plan shall be.* Their interest, their

¹ ROCKEFELLER, JOHN D., JR., "Representation in Industry," Address at Atlantic City, Dec. 5, 1918.

² BURTON, E. R., "Employee Representation," p. 67.

³ "The Industrial Council Plan of Great Britain," *Whitley Report*.

belief in the management's good intention, their sense of the effectiveness of the finished plan—will all be greatly enhanced if the management takes the problem to them before any plan is put on paper. In an address concerning the adoption of the Harvester Industrial Council, Cyrus McCormick, Jr., said on this point:

So pleased are we with the operation of this plan that the only thing I can say about it is that if we had to do it all over again—and I advise those who follow to take this lesson from us—we would not devise a plan and then ask a workingman if he desired to accept it, but we would begin by asking him if he wanted a plan of "industrial democracy," and if he replied affirmatively, we would ask him to come in and help devise a plan with us.

Similarly, another firm faced with the question of how to "put it up to the men" tells of the following conclusion voiced by an influential executive:

Why not be frank? Why not call a mass meeting of the employees, for example, half an hour before closing time, and place the whole matter before them just as it is? . . . Tell them that you do not want to "put anything over," and that you want them to select a committee in their own way to discuss it with you, a union or non-union committee—any kind of committee so long as it is fairly representative. Put all your cards on the table. Ask them to put theirs down, too.

Well, the directors took my advice, and I am glad to report that it succeeded.¹

We agree with these conclusions except for the important qualification that there will be companies where, usually because of long traditions of managerial autocracy, the employees may not initially show much desire for or interest in the installation of any representative machinery. In such cases the complacency, or rather abnormal submissiveness of the workers, will have to be modified before any plan will succeed.

John Stuart Mill, whose essay "On Representative Government" should be read by every manager who has anything to do with employee representation, says relevantly to such a situation of passive acquiescence:

It is also to be borne in mind that political machinery does not act of itself. As it is first made, so it has to be worked, by men, and even by ordinary men . . . It needs, not their simple acquiescence, but their

¹ STODDARD, W. L., "Installing a Shop Committee System," in *The Survey*, July 12, 1919, New York.

active participation; and must be adjusted to the capacities and qualities of such men as are available. This implies three conditions. The people for whom the form of government is intended must be willing to accept it; or at least not so unwilling, as to oppose an insurmountable obstacle to its establishment. They must be willing and able to do what is necessary to keep it standing; and they must be willing and able to do what it requires of them to enable it to fulfill its purposes.

Preliminary educational work of a personal sort among the employees or the leaders of employees is indispensable to a sound beginning of shop committees. "A people," says Mill later in the same essay, "*may be unprepared for good institutions; but to kindle a desire for them is a necessary part of the preparation.*" Discussion among workers may be started profitably as to the need for a plan, the best procedure, ways, and means of securing an understanding adoption of it. Among personnel managers agreement upon the following point is general: There must be painstaking, personal educational work prior to proposing the idea of employee representation and prior to the adoption of the proposed plan. Such personal conference takes time. Hence, the next principle, which relates to the administrative oversight of employee organizations.

The administration of all work incident to the adoption of employee representation should be placed *with the personnel executive*; and he and his staff should take time enough to do the necessary follow-up work at every point. Moreover, after the plan is in operation, there is imperative need for constant managerial leadership; and this is usually supplied by the personnel executive.

The plan should be put into writing for final action; and this written plan should include provisions to cover the items of procedure discussed in the next chapter. After it has been favorably acted upon by management and men, it then takes effect as the constitution and by-laws of the joint relationship. Matters likely to require frequent change, such as hours, rates of pay, and other details of terms of employment, should preferably not be included in the constitution. Of course, they should be definitely formulated and agreed to by some specified procedure; but they correspond more to statutes and ordinances than to organic law.

The permanence of employees' interest in the plan has been clearly shown to be in proportion to the degree of responsibility

exercised by them and in proportion to the amount of authority vested in the representative bodies created. This fact argues unequivocally *for providing that the plan grant to certain joint bodies actual powers of negotiation over terms of employment.* Fortunately an increasing number of managers have taken the view that employee representation is not worth bothering to introduce unless a genuine grant of authority over these matters is made. Yet managers who do not yet subscribe to this view can profitably introduce a plan which is only advisory in power and then decide upon a further grant of power when experience proves that it will be responsibly exercised by employees. This has been the history of the development of many plans. In either case the important thing is *to have the extent of joint responsibility defined as clearly as possible.*

Some of the best plans provide that "all matters of mutual interest" may properly be considered by the employees' bodies. And, in general, it has proved true that employees ask only for consideration of problems which they think affect them. And usually they seek to exercise authority only when they are at the point where they are competent to exercise it wisely. This last statement is open to exceptions; but the history of the rise of all groups to self-government tends to bear it out.

There is another point upon which a word of caution should be offered. Representative bodies, by the nature of their structure and their function, should *not* be executive bodies in the sense of being charged as a group with the direct supervision or carrying out of agreed policies. Indeed, the following legend might well be written in letters of gold on the walls of every room where shop committees meet:

The proper duty of a representative assembly in regard to matters of administration is not to decide them by its own vote, but to take care that the persons who have to decide them shall be the proper persons. Instead of the function of governing, for which it is radically unfit, the proper office of a representative assembly is to watch and control the government, to throw the light of publicity on its acts; to compel a full exposition and justification of all of them which anyone considers questionable.¹

There is always a danger that the policy-deciding and the policy-carrying-out phases of the work of employee representation

¹ See MILL, J. S., "Considerations on Representative Government," Chap. V.

will be confused. Shop committees or the executive committee of an employees' association may have certain executive responsibilities of policy formulation and choice with which they are specifically charged; and to this extent a representative body does become executive. But when it comes to carrying out policies, there must be explicit delegation of work to individuals. *The executive task which a committee can effectively exercise is the choice of the individuals who are to do a job and the check-up of their success in doing it.* People are in the habit of lamenting over the inefficiency of representative institutions, and of attributing their inefficiency to the fact of representation. More accurately, the inefficiency is frequently due to applying the principle of representation *in relation to the wrong kind of activity.* Mill's further caution is thus in special need of emphasis:

Nothing but the restriction of the function of representative bodies within these rational limits will enable the benefits of popular control to be enjoyed in conjunction with the no less important requisite (growing ever more important as human affairs increase in scale and in complexity) of skilled legislation and administration.

Even within its proper sphere, however, committee work can become ineffectual without proper leadership. No group of people unless organized under some direction and with clear objectives is able to act effectively. Indeed, as we shall see in the next chapter, attention should specifically be paid to having leaders utilize a sound technique of conference method.

A further important prerequisite to a successful employee representation plan is that the majority of the foremen shall be fully persuaded of its soundness and be prepared to cooperate in its operation before it is introduced. This may be facilitated both by having the personnel executive discuss the matter with the foremen individually and in their foremen's council and by having it clearly set forth that the foremen may function in the operation of the plan as management representatives.

Finally, the company which starts employee representation should be prepared to go whither the way leads. The management of every corporation venturing into this field should first ask itself: "Are we prepared to relinquish any of our control and authority in any direction?"

Employers should realize that they are calling into consciousness forces which will gather power with time and experience.

The new power created may be used constructively or in the opposite way, depending on the direction in which it is led and the extent to which cooperative understanding is developed. *But there will come a new sense of power; and it will be exercised.* Nor will its exercise cease at some point the employer may have arbitrarily set in his own mind. This is not said in any spirit of discouragement, but rather the contrary. The whole experience of recent years has been that this new power and new mobilized interest and enthusiasm have been positive forces of tremendous value to corporations. But to have that value best realized there must be intelligent, sympathetic, and constant leadership on the part of the management and the encouragement of able leadership among the employees.

Having now stressed the factors surrounding the successful setting up of a representation plan, it will be important to say something about the administrative provisions it might include. For despite a wide variety of constitutional details, some consensus of good practice does stand out.

Selected References

See end of Chap. XXIX.

CHAPTER XXVIII

THE PROCEDURE OF EMPLOYEE REPRESENTATION

In considering a plan for employee representation, there are always two distinct, although not inseparable, aspects to be held in view—the aspect of using the representation plan as an *educational medium*, and of using it as an *administrative arrangement* for conducting the “collective affairs of the community in the state of education in which they already are.” Unless both are borne in mind and both used as the basis for specific activities, employees’ organizations will not make the advances or show the results which are rightly to be expected of them.

That is one reason why a consideration of detailed method is valuable even if no provisions can be laid down as final or universally applicable. The items discussed in this chapter are typical of those found in the best plans of joint organization now in operation. Not all of them are necessary in every plan, perhaps, but as they stand they form a fairly complete list from which a choice, governed by local conditions, may be made. This will then be followed by a discussion of the employee association type of organization.

Provisions of a Good Plan. (a) *Purpose.*—The preambles of a number of the plans furnish a statement of purpose of which the following are typical:

The Employees and Management . . . undertake by the adoption of this plan of an Industrial Council to establish these relations upon a definite and durable basis of mutual understanding and confidence.¹

We, the employees, the management, and the directors, of the Commonwealth Edison Company, realizing that in a large organization it becomes increasingly difficult to maintain the close personal contact between the employees and the management which was possible in our organization when it was smaller, and desiring to continue and develop the mutual understanding and harmonious relations which have prevailed in the past, do hereby jointly adopt the Employees Representation Plan provided for in this Constitution.²

¹ Harvester Industrial Council (pamphlet), Mar. 10, 1919.

² Employee Representation Plan (pamphlet), of the Commonwealth Edison Company, Chicago, Mar. 22, 1921.

(b) *Definition of Employee.*—This section defines who can vote and hold office; usually it confines this privilege to those *below* the rank of assistant foreman.

(c) *Right to Vote.*—Only employees as defined in (b) may vote; with provisions in some cases for a minimum age limit, and minimum length of service (usually two or three months).

(d) *Right to Hold Office.*—The right to hold office is usually limited by requiring a previous period of employment (a year is used in some of the best plans); by requiring a minimum age (of twenty years). In some cases there is the further requirement of American citizenship, or at least of literacy in the English language.

(e) *Basis of Representation.*—Practically all plans provide for districting the organization either by departments, or by crafts, or by geographical divisions. In a single plant a departmental basis is used unless each department comprises more than one hundred workers. The number of delegates from each department depends on the size of the department, the nature of the plan, the number of departments, and the total number of employees. In a plant with one thousand employees, fairly equally distributed among the departments, it would seem that one representative per department usually would assure adequate representation. The idea of having one delegate to every one hundred employees or major fraction thereof may, however, be usefully applied in a large department and in large plants.

The important end to achieve under any condition is that one delegate speaks for only as many people as he can have convenient access to and know the sentiment of. If the number of this constituency goes over one hundred (which is too many in small plants), his voice is in danger of not being truly representative. An offsetting consideration is, however, that the *central* committee should be kept as small in size as is consistent with adequate representation. This body should not have more than forty; and the smaller it is, the more effective will be its deliberations.

Where, as is sometimes the case, there are several crafts in the shop, whose members belong to craft unions and desire representation on a craft as well as a departmental basis, there is much to be said for electing at large one or more delegates from each unionized group. For example, in a cotton mill in which the weavers and loom-fixers were strongly organized there might be nominated from these two union groups candidates for each

union to be voted on either at large or by the affected craft itself. In this way there would be on the committee one delegate expressly representing each organized craft.

In some plants even in the absence of unions, a craft basis of representation may be more equitable than a departmental basis. Or a combination of both may be used.

Where women predominate in a department, it will usually be well for a woman to represent the department, although if this can be achieved without special statutory provision it is more desirable. If women are in a minority in several departments, it may be well to have a number of women delegates, elected by the women at large.

In addition to each local works committee, there are certain advantages in a company council in all large corporations which have several plants. This should bring together representatives from the entire corporation at stated intervals, annually, or oftener. On such a council there should be at least two employee delegates from each plant, although a representation based on the number in the plant (one delegate to a given number of workers) may also be used.

(f) *Representation of Management.*—The management should appoint a number of executives to represent it, equal in number or voting strength to the workers' group. At least a fourth of the management delegates might well be foremen in order to assure them an active place on the representative body. As far as possible, the head executive himself should participate as a representative.

(g) *Method of Nomination.*—The important thing here is to make everyone feel that nomination is easily available for any candidate desired by any group, however small. Nominations should be held at least a week before the election. A blank ballot is used and the voter writes the names of his nominees. The number of nominees declared nominated may be several times the number to be elected.

The officials who are to supervise the balloting for both nominations and elections should be a joint committee equally representing management and men.

(h) *Method of Election.*—This joint committee should work out definite rules and procedure with reference to the following steps:

1. Posting on bulletin boards the names of all eligible voters, indicating which are also eligible for nomination.
2. Posting notices announcing time and place of primary elections (or rules regarding filing of nominations), and of final elections, describing proper use of ballots.
3. Preparation of ballots, tally sheets, ballot boxes, voting booths, etc.
4. Appointment of election clerks, tellers, and judges.
5. Counting ballots and announcing results.

Nominations should be posted for several days before elections. If there are more than two or three nominees for a position, there is much to be said for the preferential method of voting.

A place should be provided for the election which is convenient and free from "undue influence"; a definite time during which all can have access to the polls; and a secret ballot. An election held inside the plant generally results in getting out a larger vote.

Results of elections should be posted promptly and the names of the elected delegates should be permanently posted in the department, so that all new employees will know through whom to act if difficulties occur. In case of a tie vote the employee with the longest period of continuous service is usually declared elected, unless a new election is provided for.

(i) *Term of Office.*—The term of office should be preferably a year. The elections of the several departments are sometimes so arranged that half the representatives retire at one election and half at the next. The value of this continuity of experienced membership is great.

There should be no restriction against re-election of the same individual, provided he satisfactorily represents his constituents.

Provision should be made for a special election in the event of an employee representative leaving the employ of the company.

(j) *Recall.*—It should be possible to recall an undesirable representative without too great effort. A good provision is to require a petition of recall from a third of the voters of a department, and a majority vote on the recall itself.

(k) *Composition of Committees.*—The company council, works committees, and standing committees should, as already suggested, be equally representative of both sides; but there should be no restriction upon separate meetings of employees alone.

It will often be found efficient in large plants to have an executive committee of the works committee, which shall really be the steering committee.

Much of the actual work of shop committees will be done more thoroughly if there are subsidiary standing committees. These either may be named in the plan or preferably be created from time to time as the need arises. To list at the start a number of special committees over matters in which little interest exists at the time is to pile up too cumbersome a structure. These committees from the nature of their work should be joint committees appointed by the works committee, but it will be well to make membership on them possible for others than members of the works committee. The job analysis supervision committee and the wage rate committee fit into the committee scheme at this point.¹

It is important to have the terms of reference of matters to special committees clear—and a time limit set in which they must report back. Especially where grievances are under consideration, time is the essence of the difficulty and prompt action should be assured.

(l) *The Conduct of Meetings.*—Meetings of works committees should be held at least monthly, and provision should exist for the calling of special meetings in the interval if the occasion demands.

Meetings of the central works council should be regularly held at monthly, bi-monthly, or quarterly intervals and be attended by the chief plant executive or the local factory manager, as the case may be. A recent practice that is becoming customary in several large corporations is to hold also an annual conference to be attended by the operating executives and the general officers of the corporation.

Meetings should be held on company time, preferably in the late afternoon. Employees should be reimbursed at their usual rate for time lost from work.

The costs incident to meetings may well be met by the company, which should also provide a place for holding the meetings.

The chairman of the works committee should be selected by that committee. The device of having each side choose a chairman and having them preside at alternate meetings is sometimes used. The use of the personnel manager of the company as committee chairman seems to be desirable only if this is definitely urged by the employees. He doubtless can perform a greater service to all parties by simply being an *ex officio* management representative.

¹ See Chaps. XVIII and XXIII.

At separate meetings of the employee members of joint committees an employee chairman should, of course, preside.

In the case of a company council composed from several plants, the chairman may without impropriety be the president of the corporation.

(m) *Methods of Voting*.—Two broadly different methods of voting on committees are in use: The majority vote of each side taken in separate caucus recorded either as one vote or as the actual number of votes; and the majority vote of the whole committee, each member voting individually. The reasons urged for the second method seem conclusively to outweigh those against it.

Many of the questions which shop committees act upon do not raise sharply issues concerning the divergent interests of management and men. Even when those divergent interests are receiving attention, proper committee procedure will assure their fair consideration, especially if the chance for appeal exists. In other words, it is desirable to get a final judgment based on the sum of convictions of all committee members, on the assumption that every committee member is anxious to see a reasonable agreement reached. A simple majority vote, however, will not be of greatest value, since on all shop questions it is desirable to establish in advance an approximate unanimity of opinion. A two-thirds or even, if possible, a three-fourths vote is favored here as necessary to pass any decision. In this way prior agreement upon a course of action by a large margin helps to assure its faithful carrying out by all.

(n) *Referendum*.—Some more or less organized method is needed to assure that workers are endorsing, supporting, and aware of the activities of their delegates. Nothing will be more fatal to a plan of representation than to have the workers continually repudiating the decisions of their representatives.

The minutes and decisions of the meetings of the works committee should be printed or mimeographed and made available for all employees. If minutes are posted on the bulletin boards or printed in the company magazine, it is important that they be properly signed by the secretary and one or more others in order to indicate indorsement by both management and employee representatives. On matters of special urgency, a referendum might well be taken at the discretion of a two-thirds vote of the works committee. Delegates should also be urged to

report back to the workers at informal noon departmental meetings and thus to get their expression on matters still pending. In the same way they may profitably confer with their own department foremen about pending issues.

(o) *Arbitration*.—There should be a defined line of appeal for all controversial matters which cannot be satisfactorily settled in the works committee. *This line of appeal should not end with any official of the company.* It should end with arbitration, which can usually be arranged by providing an arbitration committee of three; one from the management, one from the men, these two to pick a third, outside individual. Some plans specify that such an arbitrator shall be a person who holds a certain position of a public or semi-public character. Provision for the payment of arbitrators is usually included.

(p) *Discharge*.—Between the Scylla of no arbitration and the Charybdis of non-agreement on causes for discharge, certain employee representation plans are in a precarious position.

Resort to an outside arbitrator and a clearly defined list of jointly agreed causes for discharge are essential conditions of a plan which is safe and fair to both sides. Some of the plans have such a list of causes of discharge, but it is generally linked to a provision restricting the foreman from discharging for other reasons without first obtaining definite approval from the head of the personnel department. Such a list may, therefore, imply that the burden of proof is upon the foreman and consequently may encourage the employees to appeal. The better way is to provide in the plan that a number of causes, for which discharge without notice will be held to be fair, will be decided on subsequently by the works committee. Even so, however, the stipulated line of appeal should be available for the discharged worker who believes he is aggrieved.

In order to give committee members every assurance against discrimination because of their activities on committees, most plans provide an appeal directly to the president of the company if a representative feels himself unjustly dealt with on any issues which arise. This is an excellent provision, since by virtue of its explicit statement in the constitution of the plan, it reduces the likelihood of such discrimination taking place.

(q) *Adoption*.—The plan as finally intended for operation should be submitted in writing to the employees. It should be accepted by at least a two-thirds vote of the employees, taken

not less than a week after the plan is submitted for their consideration.

(r) *Amendment.*—Provision for amendment of the plan should not be too rigid. It is preferable to make arrangements for joint consideration and determination. A two-thirds vote of the works committee at the first meeting after an amendment has been proposed and posted on the department bulletin boards is a reasonable condition.

(s) *Termination.*—It should be provided that the plan is terminable only after extended notice—usually not less than six months—by a majority vote of the employees of the company or of the Board of Directors.

(t) *Enabling Clause.*—It should be clearly understood, once a course of action is decided upon, where the responsibility rests for its execution. Unless such responsibility is specifically delegated to some special group, it would usually devolve upon the management to carry out the decisions. It is, therefore, desirable to insert in the plan a clause to the effect that:

The works committee shall be concerned primarily with the shaping of policies. When the policy of the company as to any of these matters has been determined upon, its execution shall remain with the management, but the manner of that execution may at any time be a subject for the consideration of the works committee.

(u) *The Right to Facts.*—Provision should also be clearly made that, when the works committee is asked to deliberate and decide upon a matter, *it shall have access to the facts necessary to an intelligent decision.* Unless there is such a provision, it may be difficult to persuade certain executives that they should make information available. One of the first conditions of successful employee representation is that committees shall have access to existing facts on relevant matters. Unless special joint fact-finding sub-committees are created, there is obvious need of an agency for procuring data and thoroughly investigating moot problems. The research division of the personnel department may well be this agency.

The Technique of Committee Action.—To assure successful operation of employee representation it is necessary that all committee action proceed in an effective way. The importance of understanding the technique of committee work, therefore, warrants laying down a few simple rules born of experience.

Indeed, any executive who is to discuss committee activity should realize that there is an increasing body of experience about the correct technique of conference methods which he should study in order to assure the economical use of time in joint conference.¹

A cardinal principle in group action is to have the size of the group adapted to the function which it is to perform. The usual function of committees is deliberation in common, with the object of deciding upon some policy or course of action to be pursued. A meeting of minds must, in order to result in action, become a reasonable harmony of minds on the matter in hand. This desirable end argues for having deliberative bodies small, twenty at the most and preferably six to ten people.

Though they be small, committees should give voice to the different interests involved. The case for joint committees on matters of any importance is a strong one, since it provides at every step for a hearing from those who have different points of view about a problem of mutual concern. These points of view must be reconciled if mutually satisfactory action is to take place.

In addition to being small and representative, committees should be informed. Members should be selected because of their interest in and special knowledge of the subject in hand; and committees should have access to the data needed to assure wise decision.

This need of data points to the need of leadership and oversight over committee work. The personnel department should perform this necessary supervisory labor. This supervision involves several things.

Meetings, for example, should be called often enough to keep members interested. Joint conferences should be frequent and regular.

Meetings, however, should not be called unless there is some business to transact. (This does not apply to works committees which should meet monthly and consider matters which frequently will come up at the meeting itself.)

Meetings should be planned by making out the agenda of topics in advance, and supplying members in advance with the agenda.

¹ Of value in this connection will be a reading of HUNT, E. E., "Conferences, Committees, Conventions; and How to Run Them"; and SHEFFIELD, A. D., "Joining in Public Discussion"; TEAD, O., "Human Nature and Management," Chap. XIV.

Chairmen should be coached in ways of drawing out the different points of view and of shutting off discussion which wanders too far afield.

As said above, work assigned to committees should be clearly specified and a time limit set for reporting back.

Also, it should always be remembered that if a committee is made responsible for the execution of anything (operating a lunch room, running a dance or a suggestion system, etc.), the work of execution has to be done by some specified individual.

Finally, there is a tendency to put upon committees tasks which require elaborate study—such as a survey of the local cost of living, comparative wage rates, etc. If committees are to be asked to do such work, they should be provided with the time and the necessary expert assistance to do their work properly.

Values of an Employees' Association.—We prefaced our discussion of employee representation by asserting that the form of organization was secondary in importance to the spirit animating its operation. It is nevertheless true that there are better and worse forms for facilitating the expression of a right spirit.

One objection which may reasonably be urged to the joint committee is that it provides only a representative machinery. It does little to create a formal, organized body politic as the corporate group which is to be represented. There is simply the committee or committees, elected out of the departments or divisions of the shop. There is *no organization of the whole*, of all the employees of the plant. If it is borne in mind that organizations of different size are needed to perform different kinds of functions successfully, it will be realized that the function of generating and sustaining enthusiasm, of creating morale, of determining *to act* in specified ways, may be the function of a relatively large body. The employees as a whole, in their organized capacity, can perform this function better than any lesser group. They can become the will-organization of the employees, *i.e.*, the body expressing the will and desires of the workers.

Structure of the Employees' Association.—There is, in short, this real psychological value in an employees' association or cooperative association in organizations of a thousand or less. To this association every employee should belong, either by virtue of the fact of his employment in the plant or automatically after he has been employed a given number of months. This association would then become the agent of the workers in all joint deal-

ings and in all employee activities. Its constitution and by-laws, as with shop committees, would be a matter for discussion and adoption by the employees themselves, and obviously many of the specific provisions would be the same in both cases.

Several practical points of difference deserve mention, however. Shall the employees' association include foremen, office workers, and executives? In practice the answer to this question has been in the affirmative. It has been found that there is great value in having *all* head and hand workers in the employee organization, that it creates a spirit and a sense of working partnership which are beneficial. However, it will be wise to provide either in writing or in the unwritten understanding of the plan, that the number of foremen and other executives who can hold office at any one time is narrowly limited, or that foremen and other executives are not eligible at all for the higher offices of the association, and that the idea of joint representation of managerial and employee interests is adhered to for all committees dealing with controversial problems.

Practically, of course, the work of the employees' association will be largely done by its executive committee. This committee (usually corresponding in structure, function, and method of election to the shop committee) should be representative of departments and of management in such a way as to embody the principle of equal and joint representation. When, however, it is decided to have the association conduct various employee activities—benefit society, athletics, educational work, lunch room, etc.—the principle of equal, joint composition is less vital.

In fact, it is valuable to encourage the employees' organization to administer these activities. The desirability of many service features is to be measured not only by their intrinsic merit but by the extent to which employees are willing to support and help administer them as parts of the employees' association. For example, as between a ball field for the workers bought and laid out by the company and one bought by the employees' association with money of its own, to which the company may have added a contribution, the preference is in our view strongly in favor of the latter method.

It remains true, however, of all forms of employee representation, that the true source of their power and significance lies in the closeness of their relation to the production process.

The cautions laid down regarding shop committees apply with equal force to employees' associations. Such an association will not run itself successfully. It will not spontaneously develop the vitality or the reality to make anyone in the organization take it seriously. It needs leadership. It needs executive supervision and oversight. It needs a full recognition by the management that it is an educational venture. This means that not only a personnel executive should watch over the work of the association, but that, in a company where the number of activities warrant it, an executive secretary should also be employed by the association to direct its work. Preferably this secretary will be wholly or in part in the pay of the association and will be selected by it.

There should be an outright grant by the management to the association of a given sum annually, which should be written off to educational work. The salary of this secretary might be paid in part out of that grant. Whether or not the members of the association should pay dues is a matter for decision in each individual case, although there is much to be said in favor of this.

In conclusion, a combination of an employees' association and committee groupings is useful for many medium-sized stores and factories. The association organizes the workers and gives them a sense of unity and cohesion. The committees represent the different functional groupings of the workers and speak for them in discussions about specific issues. The one serves the corporate enterprise as a body of will; the others are bodies for thought. Both are needed; both already exist in many plants in fact, if not in name. Together they create the basic organization on which may be safely reared the more elaborate developments of a fully representative industrial structure.

Difference between Shop Committees and Employees' Associations.—It may be said that an employees' association really comes to the same thing in practice as a shop committee—especially if the executive committee of the association is the active body and if actual meetings of the whole association are infrequent and confined mostly to "occasions" rather than business meetings. In a sense this is true; the nominal differences appear greater than the practical. Yet the experience of well-run employees' associations substantiates the conclusion that there is a subtle difference in attitude and in morale which is significant and worth preserving. The existence of an

employees' organization capitalizes the fact that *there is some organized group to which every worker belongs*. He belongs not merely to a department, but to an association inclusive of all active workers in the business. And he thus can have direct relationship not only to his foreman or his departmental delegate but to *a whole group unit* which has its own coherence, life, and purpose in which he has a share.

The large corporation with a purely committee plan of joint dealing misses a real psychological asset, we believe, in that usually there is no organized group of which each worker feels himself an explicit member. It may be said that the corporation itself is this group. And it may well be that it can become so. But in fact and in law—where employees own little or no stock, exercise little real control, and have no representative on the directorate—the corporation still remains typically an entity separate and distinct from the employees and from their major interests. Our point is not that the employee representation idea is normally ineffectual in large companies, but rather that fundamentally *it has got to go further*. The ultimate need is that employees can and will develop a rightful and psychologically exhilarating sense that they are genuine members of something—something more than of a departmental working group. Employee representation as at present evolved does not, in short, create any organic unit into which the worker feels himself caught up. There is a vast difference between working for a company and being a member of a company. And it is this latter sense which forward-looking managers are more and more coming to see is the one that evokes the profoundly cooperative attitude which every organization needs from those working within it.

What the detailed arrangements are, which will change the status of employee to one nearer the status of member or partner, may not yet be wholly clear for all companies. Stock ownership by employees, employee representation on the directorate—these may help in many cases. But the first step will be for managers more generally to realize that *they believe it to be good business that the relationship of all the workers of a company shall not be the tenuous master-and-servant one but one of genuine membership*. Once this principle receives acknowledgment, we look for various experiments with the corporate form to give it concrete embodiment.

Making Employee Representation Successful.—Where employee representation has yielded the most satisfactory and productive results, this has been due to management's determination to take the mystery out of business and to seek employee good will in a collective way by sharing knowledge and some measure of control over matters affecting the workers.

It has come to be the practice in many companies for the chief executive to report regularly, usually at the monthly meeting attended by all the employee representatives, concerning the condition of the business. Information is given out regarding new orders, changes in methods or equipment, the trend of manufacturing costs, and other similar matters having bearing upon the likelihood of continuous employment, a matter of vital interest and concern to the employees. In many cases these matters are discussed in some detail.

Other subjects discussed from time to time by plant officials with employee representatives have been

. . . reasons for making time studies, method of procedure in task setting, various systems of wage payment, quality inspection slips, the company's lay-off and employment policy, the state compensation law, and what determines citizenship status. All such topics are of direct interest to employees. The function of the management representatives in these discussions is largely to inform the employees regarding company policy or governmental regulations.

Some companies also review the financial condition of the concern, discuss the annual balance sheet or the annual company report, and, in some instances, post blueprints charting the financial status of the corporation.

The kind of testimony offered in the following paragraphs is by no means untypical:

During that time of business depression and within the space of 20 months our company was compelled to cut wages, once 20 per cent, then again 12½ per cent, and then, when the cost of living momentarily rose again, increased them 10 per cent—all without any disturbance whatsoever. Of course, the employee representatives of that period regretted their action in voting for wage decreases; of course, they would not have agreed had it not been for the decree of a destiny and of economic laws stronger than any one of us. They agreed because they understood. They had learned economic laws and facts.¹

¹ McCORMICK, CYRUS, JR., Vice-president of Manufacturing, International Harvester Company, "Employee Representation as Affecting the Attitude

It is important to develop a consistent interpretation of company policies and vitality in the conduct of joint conferences. A large public service corporation undertakes to provide a program at successive committee meetings with these ends in view. Such a program may properly contain:

1. Something about wages and working conditions and the economic considerations upon which they must be based, and this subject should be brought up on the initiative of management representatives.
2. Some operating objectives and some operating results.
3. Some phase of public relations endeavor.
4. Some of the miscellaneous instrumentalities and services which directly influence individual and group morale, such as the benefit plan, thrift plan, stock-purchase plan, accident prevention, health promotion, awards.

Another effective means for developing capable management representatives is for the administrative executives to bring up for joint discussion from time to time all the important problems regarding which the attitude of employees may be significant.

Another aid is in having supplementary meetings between foremen and the employee representatives of their respective departments. Where such meetings are not held, the practice of the foreman's consulting individual employee representatives on the attitude of employees toward prospective new arrangements is encouraged.

Employee representatives frequently stand in need of "coaching" with regard to getting the most out of the representation plan from the standpoint of production no less than of coping with specific grievances. Of representative institutions, it has been wisely said:

In themselves they no more insure real self-government than the setting up of a works committee of employees in a factory would mean that the employees ran the factory. The distinction between representation and effective responsibility is constantly ignored.

In some concerns employee representatives are prepared for their duties by being furnished with a set of small pamphlets whose titles indicate the nature of their contents:

1. "What It Means to Be an Employee Representative."
2. "How an Employee Representative Serves on a Committee."
3. "How an Employee Representative Handles a Grievance."

of Labor and Business," address presented at the American Management Association Kansas City Conference, Nov. 30, 1925, reprinted by American Management Association, p. 3, New York, 1926.

4. "How the Employee Representative Takes Part in Meetings of the Assembly."

5. "How the Employee Representative Can Know the Views of Those Whom He Represents."¹

One progressive eastern manufacturing corporation took a further step in this direction by instituting a definite training program for new employee representatives.

The program recommended was as follows:

As soon as possible after the works committee election have the divisional representative call a division meeting of the representatives elected for the coming year, both new and old. At this meeting he should go over the important points in the works committee constitution, works committee maxims and the employees' industrial partnership plan covering particularly the following:

1. The general purpose of the works committee.
2. The type of matters which should be brought up in the works committee, and those which should be brought up to the division.
3. The attitude which representatives should have in conference committees for working out jointly with the management the right solution of a problem.
4. The relationship of the E.I.P. plan to the works committee and to the employee.
5. The relationship of the works committee representative to the employee in the department.
6. The part taken by the works committee representative in time studies and rate setting.
7. The duties of the works committee representative to the new employee, the notices which should be given on leaving a department, etc.
8. The proper method of handling grievances.
9. The distinction between works committee functions and management functions.

A few days after this meeting there should be a joint meeting of the members of the management of the division and the works committee representatives. At this meeting the principal points of the relationship of the works committee representative to the department should be fully discussed from the joint angle of the management and the works committee. In addition to the material mentioned above, the importance of having the foreman and other members of the management keep the representatives in touch with the developments that are taking place in the department, so that they may be able to answer

¹ These pamphlets have been reprinted in Appendix III of Mr. Calder's book "Capital's Duty to the Wage-earner," pp. 308-320.

questions and have an understanding of the underlying conditions, should be emphasized and a brief survey should be given by the division manager of the major developments expected in the coming year.

If less than one-third of the representatives of the previous year have been re-elected, we recommend that the outgoing representatives be invited to attend these meetings in order that they may bring out questions from their experience.

Before either of these meetings, we recommend that the divisional representative and the division manager together go over the points that are to be brought out so as to be sure they have a common understanding.¹

This concrete program testifies to the serious purpose and sense of obligation in the employee representatives themselves.

The procedure necessary to maintain the confidence of the rank and file in the plan entails careful use of publicity. Committee meetings and their results should be adequately reported. Where possible, both oral and written reports are desirable as each may supplement the other. Published minutes should bear the signed endorsements of both management and employee representatives. A complete record of cases considered by joint committees and documents pertaining thereto should be kept on file in the personnel department. This file should be accessible to all employee representatives. Reports of all meetings should appear in the company magazine.

Confidence among the rank and file should also be maintained by avoiding any possible misinterpretation of promotions of employee representatives. The danger here is that employees will feel that employee representatives are being promoted to executive posts to remove them from effective work as employee spokesmen. This can be guarded against if there is a definite promotion policy which clearly rates and rewards those who seem qualified for advancement. For it has proved to be a by-product of real value to discover through workers' activity on committees that they have unrealized powers of leadership or executive capacity which warrant their promotion. And this benefit should not be lost by possible charges of favoritism.

It is inevitable and desirable that able workers should be advanced but that makes it all the more important that, as this process goes on, new employee representatives *should be trained to become truly effective spokesmen of the interests of their fellows.*

¹ See BURTON, E. R., "Employee Representation," p. 212.

It cannot be too often insisted that *it is in management's own interest that those who speak for the workers shall do so vigorously and independently* if it be agreed that the end result is to have decisions reached with due regard to the ideas and wishes of the rank and file.

One further way to defeat the success of employee representation in action is to *seem* to bring matters up for joint decision on which management's mind is already made up and it therefore is determined to have its own prior decision accepted. This, of course, may be typically the case where only advisory powers are granted under the constitution of the plan. But where the plan contemplates truly negotiative action, *the process of negotiation should be genuine*. We have observed instances where prolonged conference was allowed to take place on issues regarding which management's mind was closed and on which it had already reached a decision in executive sessions. This may be tolerable in rare instances. But it will not take workers long to sense the fact that the joint conference is only nominal if such instances become at all frequent. And the plan soon loses its vitality and value when the workers suspect they are not being treated in a straightforward way. Of course, management must eventually decide what stand it can wisely take. But the whole purpose of joint conference is ultimately to effect an integrating of aims and desires in the light of all the factors in a problem. And the process of integration, as we have already suggested, implies that in advance of formulating a policy the effort is to get a basis for action which does as far as possible take account of and reconcile interests which were originally at variance.

Measuring Progress.—A final step in assuring good results from employee representation is to provide for a periodic check-up of results. An occasional audit or survey of the achievements of the plan has been shown in a number of companies to yield substantial value. What, then, are the questions which an analysis of the progress of employee representation should indicate? E. R. Burton's careful study of this subject leads to the proposal that such a periodic audit should include four cardinal points: There should be an appraisal made of (1) the degree of conformity to the plan, (2) the adequacy of its prescribed procedure, (3) the attitude toward the plan, and (4) the results of the plan. And Mr. Burton has suggested that the following ground should be covered:

1. *Degree of Conformity to the Plan.*—To what extent the plan is being properly carried out. This part of the audit consists of a series of questions, answers to which will throw light upon elections, meetings, procedure, discriminations, etc.

2. *Adequacy of Prescribed Procedure.*—Wherein this procedure is proving inadequate, cumbersome, or in any respect requiring modification.

3. *Attitude toward the Plan.*—Whether both employees and management are making full use of the plan. Under this would occur the following questions:

(a) Do executives consult the employees' committee regarding changes likely to affect employees before putting them into effect, or take action independently and await results?

(b) Do manager representatives attend meetings of joint conferences regularly and promptly?

(c) Do manager representatives in joint conferences enter freely into discussions as individuals or let one of their number serve as the spokesman, committing the rest to whatever opinion he expresses?

(d) Do management representatives who are not authorized to commit the management undertake to obtain promptly the authority of the decisions from their superiors?

(e) Does the management facilitate prompt and satisfactory settlement of questions by making accessible all pertinent information or by helping to obtain it from outside sources when necessary?

(f) Are decisions when reached promptly and effectively executed by the management?

4. *Results of Plan.*—Is the plan's operation promoting more harmonious relations between management and employees or is it becoming a cause of discontent or a possible burden?¹

Such an inquiry may be made in several ways. Sometimes outside consultants are asked to make a report; the personnel executive may conduct the study; or a special joint committee of the employee representative group itself may submit a report. The important aim is to be sure that the plan is functioning smoothly and that, as the capacity of employees develops, the plan is being broadened in scope and effectiveness to enlist the growing creative and cooperative powers of the employee group.

The Benefit from Shop Committees.—Clearly the educational value for all concerned in any scheme of employee representation is one of its primary benefits. Representation is useful because it acquaints both sides with the facts, with the problems which confront the other side, with the point of view, purposes, and intentions of the other side. In all of this there is a distinct

¹ BURTON, E. R., *op. cit.*, Chap. XII.

gain. Mr. McCormick cites, for example, the case of the interest in overhead costs aroused by conference methods:

Naturally, we all are concerning ourselves deeply with the complex subject of overhead expense. An official of the manufacturing department, specializing in this subject, prepared some figures explaining overhead and what caused it, and how it might be controlled, and these were laid before one of the works councils. The employee representatives were so interested that they asked for copies of his statement. Within a few weeks all the works councils had taken up the cry. It is remarkable enough to have a foreman interest himself in overhead sufficiently to quarrel with a plant auditor over his departmental costs; it is far more remarkable to have the workmen in that department urge the foreman to shut off its unnecessary expenses.¹

Because all such activities are educational, they provide also a training ground for leadership and responsibility among the workers. The evidence indicates conclusively that, if employees know the true facts, they will usually be as responsible in their decisions as could be desired. Numerous instances could be cited of companies which, when faced with a grave slump in demand, called in their workers and gave them a careful statement of the whole market situation. The workers were asked what their suggestions would be and definitely helpful and valuable suggestions resulted.

Responsibility is traditionally sobering; and the fear that "agitators" and hot-heads will stampede the workers into indiscreet decisions has not at all been justified by experience. Indeed, if anything, the danger is the other way—that workers will assume responsibility for correcting conditions which should really be laid at the door of inefficient management.

Moreover, the value of employee representation as a stimulus to production is widely testified to. The following citations are typical of much favorable testimony:

The unexpected and indirect results of our labor policy in increasing efficiency . . . have been as profitable and satisfactory as the direct result.²

¹ McCORMICK, CYRUS, JR., Vice-president of Manufacturing, International Harvester Company, "Employee Representation as Affecting the Attitude of Labor and Business," address before the American Management Association Kansas City Conference, Nov. 30, 1925, reprinted by American Management Association, p. 4, New York, 1926.

² Hart, Schaffner & Marx, quoted in WOLFE, A. B., "Works Committees and Joint Industrial Councils," p. 137. This plant, however, combines shop committees with collective bargaining.

Since the introduction of this plan, we have by request of the workers themselves reduced the working hours from 53 to 50 per week, with an increased production and increased earnings as the result. . . .¹

You may ask why I say that employee representation increases the efficiency of a business. Well, I can't give you statistics, but we see the steady rise of the efficiency of each and every one of our departments.²

These citations tend to confirm our conclusion that employees' efficiency is determined by their interest, and that interest is secured by conditions which assure some approximation to self-determination in work, chance for the approval of one's fellows, chance for the conscious exercise of fellowship, chance to see some significance in one's labors. Employee representation contributes to all of these ends in one way or another and thus has shown itself unmistakably to be one essential step in procuring an efficient operating organization.

Joint committee action tends also to relieve the management of the consideration of relatively minor maladjustments, grievances, and complaints which should be handled promptly, at first hand, by those actually implicated. The boast of some executives that "my door is always open to anyone who wants to see me" is well meant. But it points, as we have suggested, to two real defects. First, it assumes that individual workers will have the initiative and take the risk of "coming out front to raise a row." Second, it indicates that provision has not been made for handling at the proper place and in a democratic way complaints that may arise.

Again, it is probably true that employee representation reduces strikes. That conclusion is inevitable as we look back over the last fifteen years and compare the record of companies which have joint conference with those which do not. Here is a positive gain of great worth to all concerned if one important condition has been fulfilled. This condition is that in the absence of strikes or serious threats to strike the employees have still found that the terms and conditions of employment as jointly arrived at *compare favorably* with those in other companies in the locality and in the industry; and in addition that those terms with which comparison is being made are not themselves at a

¹ William Demuth & Co., quoted in WOLFE, A. B., *op. cit.*, p. 228.

² International Harvester Company. See *Proceedings*, National Association of Employment Managers, p. 138, 1919.

poverty level. In other words, if the whole level of wage income of a corporation, a locality, or an industry is on what is essentially a "sweated" level, then—however the terms of employment are arrived at—a day of reckoning will come. And it may be ushered in by a strike. Joint negotiation, which may temporarily accept sub-standard conditions of the labor contract, is merely laying up trouble for the future, since higher wage levels are in such cases inevitable sooner or later.

There is another value in employee organization in relation to *esprit de corps*, morale, and loyalty, which needs discriminating understanding. Each of these words connotes something which is essential in every enterprise if it is to operate harmoniously and productively. Yet each word is often used in a loose way to indicate a desire for the uncritical, passive, and complete submission of workers to the desires of management. If such submission is loyalty, it is clear that industry does not really want it. That kind of abject obedience is no longer desirable or possible. Committee action of all kinds emphasizes the simple truth that *satisfactory relations involve reciprocal obligations*. In its essence, *joint conference assumes and requires reciprocal responsibilities*—which is, indeed, one of the chief reasons why we advocate it. Joint conference has in it the possibility of creating a consciousness in the management of its responsibilities—which is the necessary condition of securing true "company loyalty." An *esprit de corps* which is to have any permanency must in this day make a sincere appeal to self-respect and personal dignity. On both sides that sense of self-respect, dignity and reciprocal obligation is fostered by employee participation in numerous decisions on issues relating to the workers.

This idea is well emphasized by two pertinent statements by a careful student of industry. "Industrial good will is not necessarily a virtuous will or a loving will; it is a beneficial reciprocity of wills." And company loyalty is not "gratitude for past favors nor a sense of obligation, but an expectation of reciprocity."¹

A successful personnel manager has said further to the same effect: "There is a conception going the rounds of industry today that morale is something that can be bought, that it can be picked up from the shelf somewhere and placed where it is desired.

¹ COMMONS, J. R., "Industrial Goodwill," p. 150.

. . . But morale is always a result of right thoughts, right actions, and wholesome environments."¹

Robert G. Valentine put the matter plainly but truthfully when he said: "Employers should stop talking about the loyalty of their employees until they are ready to make an equal noise talking about their loyalty to employees."

Another value of shop committees, less directly economic but destined to carry more and more weight, is the value of experience in political activity which any genuine employee representation scheme affords. In this connection Mr. Valentine made the further wise observation that "no concern can be allowed to take a worker's time for eight or nine hours a day without providing opportunity for him to practice actual methods of government."

We live in a political democracy; yet that democracy can only be made actual if its citizens have the competence and the experience in deciding public issues which come with practice. Employee representation does provide a certain amount of experience in group activity which has its value for America's political, no less than for its industrial, future.

Finally, it should be understood that the personal contacts between executives and workers, built up in the joint groups, may count for much in helping the company both to settle internal issues amicably and also to ride more smoothly into negotiations with labor unions whenever such collective dealings become likely. It is always conceivable that the time may arrive for any company when collective bargaining can no longer be staved off. And when that moment comes, it is a mistake to incur ill will and an alienation of personal understandings with employees by obstinate resistance. Rather it is policy to utilize to the full the cordiality which already exists, to make the transition as amicable, reasonable, and mutually satisfactory as possible.

There is a further important consideration in this connection. The activities of a union's business agent in intra-plant affairs are likely to be in proportion to the amount of outside protection which the employees find that they need. If, within the plant, agencies exist which reduce friction and minor grievances to a minimum, there is little point in the constant presence of the business agent. In the long run he has found this freedom from

¹ GRIEVES, W. A., *Proceedings*, National Association of Employment Managers, p. 84, 1919.

shop quarrels to be as much to his advantage as to the company's, since there are many extra-plant affairs to which he can better afford to devote his time.

Employers' Objections.—The objections to employee representation which were current before the war have lost much of their force in the light of recent experience. The objection, for example, that they tend to reduce output is completely contradicted by the facts. The objection that they force up wages has certainly not proved true to any unreasonable degree.

Consideration of the wage rates, of course, occupies an important, but by no means a preponderant, place in committee discussions. Far from evidencing a tendency to demand unreasonable increases, all the facts show a disposition on the workers' part to act responsibly *once the financial condition of the company is fully appreciated.*

The objection is also advanced that the employee delegates selected by their fellows are irresponsible—are the “loud-talkers” and “agitators.” Here again, experience does not bear out the contention. Often the “radical” representative has proved to be a conscientious and effective spokesman when given a real chance. Even where delegates have proved to be either “irreconcilables,” incompetents, or “company yes-men,” employees have quickly discovered this and replaced them by representatives who can and will speak affirmatively and courageously for the employees' rights and interests. On this point the Harvester Company testifies to

. . . what a fine type of men the employees have elected as their representatives . . . the men were of an average age of thirty-seven years, three-quarters of the representatives married, the average employment with the company is over seven years, and a large number of them own their own home or stock in the company.

Similar in character is the objection that employees will not take any responsibility seriously. The evidence already cited would seem to be sufficient proof that this generalization is overdrawn; and that, where it is true, the management has not properly reciprocated by assuming its own responsibilities. Macaulay has pertinently said:

Many politicians are in the habit of laying it down as a self-evident proposition that no people ought to be free till they are fit to use their freedom. The maxim is worthy of the fool in the story, who resolved

not to go into the water till he had learned to swim. If men are to wait for liberty till they become wise and good in slavery, they may indeed wait forever.¹

The objection that the committee interferes with the management's prerogative to run every detail of the business the way it wants to is a valid one. We have no desire to deny this contention. Rather, we believe that it is good business for management on certain matters *to be interfered with*. The manager who holds that "this is my business, to run as I see fit" had best approach employee representation with caution. But when, after experiencing the workers' decreasing interest in "my business," such a manager concludes that "something must be done" to build up morale, he will do well to consider what employee representation has helped to do in changing workers' attitudes in other companies.

The argument that shop committees are subversive of discipline has certainly not been borne out in practice. The following evidence on this point is interesting:

Do not let anyone argue that employee representation is subversive of shop discipline. I have seen times when the council proved to the factory management that a man had been unfairly dismissed and, because it was the fair thing to do, secured his re-instatement. I have seen times when an employee representative was dismissed for cause, and, because of the justice of the discipline, his colleagues in the council approved. In none of these cases was shop discipline injured, but rather in every such case it was helped. Workmen do not know whether or not the superintendent knows how. When they respect him, the council becomes a help; when they fear or scorn him, the absence of a council will only make his failure less apparent, not less real.²

Finally, there is the objection that "all this committee business means too much talk and takes too much time." Committee action *does* take talk and time. All education takes talk and in this connection the following paragraph from John Stuart Mill's already quoted essay, "Considerations on Representative Government" is too pertinent to exclude:

¹ LORD MACAULAY, "Essay on Milton."

² McCORMICK, CYRUS, JR., Vice-president of Manufacturing, International Harvester Company, "Employee Representation as Affecting the Attitude of Labor and Business," address reprinted by the American Management Association, p. 4, New York, 1926.

Representative assemblies are often taunted by their enemies with being places of mere talk. . . . There has seldom been more misplaced derision. I know not how a representative assembly can more usefully employ itself than in talk, when the subject to talk is the great public interests of the country, and every sentence of it represents the opinion either of some important body of persons or of an individual in whom some such body have reposed their confidence. . . . Such "talking" would never be looked upon with disparagement if it were not allowed to stop "doing"; which it never would, if assemblies knew and acknowledged that talking and discussion are their proper business, while *doing*, as the result of discussion, is the task not of a miscellaneous body, but of individuals specially trained to it; that the fit office of an assembly is to see that those individuals are honestly and intelligently chosen, and to interfere no further with them, except by unlimited latitude of suggestion and criticism, and by applying or withholding the final seal of national assent.

There are, of course, degrees of efficiency in committee work, but at best it does involve some real cost of time and money. The question is: Is it *more* expensive than the alternatives of employees' apathy, lack of interest, and indifferent morale? To this the answer which experience gives is a decisive negative. And that negative is likely to become even more pronounced, as soon as managers plan educational and joint administrative work on a basis of reasonably long-time units. The cry for quick results in matters involving the leveling-up of the competency of a large group of people is born of a failure to face the facts. Corporate administration makes headway in the direction of an effective and smooth-running productive organism only as every individual involved is functioning fully and happily. To bring this about is not the work of a day or even a year. An English statesman whose life was filled with the toilsome effort of leading representative bodies observed, "If you would love mankind, you must not expect too much from them."

Moreover, there is the further need of time to remove natural employee suspicion. There is much force in the opinion of Henry S. Dennison that in many companies ". . . there will be an underlying suspicion for one full generation after employers, for the most part, have been square and wise. The tales today's workmen heard their fathers tell at the supper table set their subconscious attitude."

Summary.—There are thus sound reasons why the use of employee representation will prove a permanent asset in securing

sound corporate organization. If only at every step managers will hold before themselves the educational motive and the principle of functional organization, progress will be assured. The shop committee has an indispensable function. It opens up channels of direct, personal communication between managers and managed. A personal, human contact is established. A vivid sense of participation in a common and socially valuable enterprise is realized. An atmosphere of good will and workmanship may be created which is the atmosphere needed to assure true efficiency. There is valuable training in common action and decentralized responsibility.

In short, employee representation promises to become a permanent feature of industrial organization because *it is functionally a logical and essential element in the plan of organization which industry is slowly developing—a plan in which in each administrative area and at each administrative level the process of executive direction and control is tempered by representative deliberation and consent.*

But just because employee representation is functionally justified, it is also functionally limited. Other areas and other functions than those of one company have to be considered. We have repeatedly called attention to the fact that there are economic and business influences playing upon any one company which it cannot by itself control and which may seriously affect its internal operations. This truth applies among other matters to its relations with its own employees. And any far-seeing view of the probable development of the structure of industrial government must acknowledge that the purely company plan of representative conference has necessary and inevitable functional limitations. These are discussed in the next chapter.

Selected References

See end of Chap. XXIX.

CHAPTER XXIX

LIMITATIONS UPON EMPLOYEE REPRESENTATION

In analyzing the limitations of employee representation plans we should make clear that we are not discussing their deficiencies. They are not to be criticized for not doing something which by their nature they are not designed to do. Our basic contention is a more fundamental and long-time one, having to do with the problem of representation of interests and effective means of building up a sentiment of cooperation—*as these matters are complicated by forces that operate determinatively throughout an industry and require industry-wide action to control.* And, in the main, the analysis of this chapter argues for the strengthening of representative machinery on a company basis as the necessary prior condition of the eventual growth of such larger agencies as time may bring to deal with the somewhat different problems and functions of a whole industry.

In the first place, the view should be stressed again that *functionally* company plans for employee representation are not a substitute for collective agreements with nationally organized unions. Essentially the *functions of the two are complementary.* It is as reasonable to say that a city government is a substitute for a state or a national government, as it is to insist that a company plan precludes the need (sooner or later) for an industry-wide plan of representative structure.

Like the city, the industrial corporation has its own area of effective jurisdiction. But it recognizes also in many cases its organic relation to larger but still relevant issues by its membership in a trade association. Admittedly it finds in the association activities many important functions affecting a wider area, but also working back upon internal affairs with direct consequences. Nor are the personnel policies of any company exempted from these consequences.

Examples of such industry-wide issues, most of which have direct bearing upon employee relations, are: (a) competition with companies in states with backward labor standards and no regulation of hours of labor of women and children, no minimum wage

laws, etc., (b) competition with companies in parts of the country where living standards are low, (c) competition with companies which keep no adequate cost records, (d) competition with companies which misbrand, adulterate, or cheapen their product unfairly, (e) competition with big and wealthy companies which buy raw material at special prices, (f) competition with companies which have a better location in relation to costs of marketing.

It is our contention that as these issues affect the whole level of prosperity of an entire industry—and thus influence and limit closely the terms of employment which any company can offer—it is impossible to exempt them ultimately from representative consideration on an industry-wide basis. If the principle of joint conference yields closer understanding and more amicable relations within one company in relation to company problems, it is reasonable to expect that *the same principle has to be evoked as between managers and workers in relation to the broader problems of the industry as a whole*. We are not at the moment discussing the type of organization called for on the employees' side. We are merely affirming that a few isolated employee representation plans in a highly competitive industry, each acting merely within the walls of its own company, *can never come to grips with many problems which condition the success of that company and of its dealings with its workers*. And the fact that this truth is as yet hardly acknowledged by either executives or workers, in the absence of collective bargaining with national labor unions, only means that the representative structure of our industrial government is still immature, timidly conceived, and inadequately understood.

In a word, there are important problems affecting the joint relations of individual companies which cannot be handled by intra-mural plans. Some comprehensive industry-wide federation of employee representative groups seems to us as inevitable, as structurally and functionally desirable, as a trade association—the value of which is today uncontested. How this will come about or how it may or may not be different in essence from representation out of a national union of the workers of an industry—these are not questions that need detain us. At the moment we are only concerned to establish the point that there is a case to be made, as a matter of sound management strategy, for representation and voicing of an industry's employees' interests

nationally on urgent industry-wide issues, just as there is on employers' interests.

Will the Plan Be Maintained?—A second limitation upon employee representation is the precarious character of its existence, due to its being initiated by the corporation. If at any time the directors of any company felt that they no longer cared to attend to or bother with the workers' thoughts, demands, or desires, they could, under certain restrictions stated in the constitution of their plan, withdraw it altogether. This would usually be bad business, a display of serious managerial incompetence. Taking account of the workers' point of view is an important management duty at all times. Nevertheless, cases are not unknown where a management has changed its policy from one of cordial dealings to one of arbitrary exercise of authority. If the workers do not have an organization which is self-initiated, self-perpetuating, and in receipt of outside support and counsel, there is at hand no group capable of preventing the employer from trying to do away with the agency of joint conference and capable of protecting the employees from such ill-advised and arbitrary action.

"The employer's good will," it has been well said, "is no sound basis for collective action." In one large plant, for example, where a shop committee had worked satisfactorily and the management was pursuing a progressive labor policy, the workers began to seek membership in labor unions as soon as a son of the head of the company appeared in the business. The workers said definitely that they feared that the son would soon change the management policy unless there was some independent and autonomous employees' organization to withstand any reversion to a less liberal administration.

In the third place, the shop organization is *not* a body which can deal with the employer on a basis that approaches equal bargaining power. The importance of such a sense of equal competence we have already dwelt upon. It requires no elaborate argument to show that the modern corporation has at all times advantages in financial resources, executive leadership, association with other employers in the industry, and permanency of life through a waiting period, all of which the employees of that corporation *do not by themselves possess*.

A further serious drawback is the fact that leadership in the workers' organization is too likely not to prove a match for the

ability of the executives against which it is pitted. So accustomed is the management to "playing the game" that it is hard for it to realize that there is a point beyond which it is poor business to "play the game" on the workers. For example, it may be possible to argue a shop committee into acceptance of a wage scale which is lower than the management ought to pay in order to get the kind of work it wants. But the manager who is always "playing the game" tends to get so interested in "putting it over" on the committee that he fails to realize that he is in such a case also putting it over on himself.

Hence, to prevent management from over-reaching itself as well as to assure adequate protection to the workers, *there is need for a leadership and a spokesmanship from among the employees which can meet the management competently on its own ground.* Such leadership, in order to be upon a parity with the negotiative skill it may confront in the management, requires knowledge of the shop and of the industry, knowledge of local and general labor conditions, ability to present and argue a case effectively, ability to address the management with no fear of possible prejudice to one's job.

Only rarely will such a combination of requirements exist together in the employee representatives. The case for the use of the business agent of the union rests in part upon this patent fact: *that the person who is to possess the combination of talents needed to meet business managers effectively on their own ground must be specially trained for the job and must be in a position where he is not directly dependent upon the management for his support.*

We recognize and have repeatedly urged that there are many important matters which are much better handled wholly inside the shop, directly with the workers or their delegates rather than with anyone outside. But if one admits also the desirability of equal bargaining power, he must be prepared to accept *those attendant conditions which really create equality.* A dispassionate examination seems to indicate that the employment of an outside spokesman for the workers in relation to matters like wages and hours, which help to determine the level of an industry's labor standards, is an essential element in bringing an approximate equality of bargaining power into being, as well as in assisting the process of leveling up labor standards in competing companies.

A further element in this direction of equality should also be recognized as absent under employee representation. Under

collective bargaining with a nationally organized union, when the agreement has to be renewed at periodic intervals, the threat of a strike is a real one if a satisfactory adjustment is not eventually reached. And if the threat is realized and a strike occurs, strike benefits are usually paid to the workers by the union so that they will not starve while continuing to press for what they regard as an equitable settlement. In such a situation, obviously, equality of bargaining power is much more nearly approximated than under conditions where a group of employees should decide to strike in protest at the proposed terms of employment and meanwhile receive no support or revenue from any larger group. Strikes, of course, are not pleasant to contemplate and to suggest that on occasion they may become essential in seeking to enforce demands on a corporation will not be a welcome thought to many managers. But the fact remains that, in the search for a desirable equal status in negotiating terms of employment, this is one of the possible attendant conditions which must be reckoned with. And in all honesty we have to admit that an unsupported employee body on strike presents a picture of relative impotence.

A final shortcoming of shop organizations is that they are not in touch with other groups and forces in the industry which are helping to determine the terms of employment under which the employees in any one corporation can secure work. The shop group cannot act most wisely until it can act in the light of knowledge about the state of demand for the product, for labor, etc. Conceivably, much of this knowledge could be assembled by the workers in each company, but to secure it would require a degree of advisory conference with widely acquainted experts and with those in other companies in the industry, which would in the end come to much the same thing as now exists in the organization and activity of the national union in any industry.

Workers' Attitude toward Representation.—Objection may be raised that these several limitations upon employee representation are academic in character and do not appear to have force in the practical operation of current plans—however theoretically valid they may sound. There are two answers to this point. In the first place, in one instance or another every one of the above points has been raised in recent years. And wherever it has arisen the weakness of company plans, from this standpoint of truly effective and resolute employee action, has been

clearly disclosed. And, in the second place, the organized workers, already trained by experience with collective bargaining, have again and again pronounced against the essential narrowness of function and lack of power evidenced by employee representation in action. Criticism from this quarter is natural and in a sense inevitable, nor should it be taken as the final word. It is rather that it is symptomatic of the likely reaction of workers when they have had negotiative experience of a broader kind.

As President of the American Federation of Labor, Mr. William Green has had the following to say about this movement, which is typical of organized labor's attitude:

It seems to me pretty evident that employee representation plans are consciously or unconsciously substitutes for trade unions and are intended to prevent the development of the organized labor movement as developed by the workers themselves. Just because the movement is not a development growing out of the experiences of those most vitally concerned, it does not seem to me that it possibly can be a permanent development but must inevitably give way to the trade union movement.

There is nothing that can be accomplished by company unions that cannot be accomplished through the trade union. Trade unions have not had the opportunity to develop their full constructive service because they have been frequently opposed by employers. If employers instead of fighting the trade unions will follow a policy of cooperating with them, the constructive results will be infinite. . . .

The number of wage earners concerned and affected by company unions is confined to some transportation lines, some public utilities companies, and in some private manufacturing industries. It is necessary for us to know how these company unions are operating so we may plan the best way of dealing with them. We know that company unions deny their members the advantages of national organization and the benefit of representative officials of that training which develops independent experts. The union has its origin in the needs and aspiration of workers and is necessary to enable them to render their full function service. It became necessary when management was divorced from the production side of industry—when machines replaced hand production. Some managements and employers resent unions as an invasion of the authority of management. From such has come support of employee representation plans or company unions with the hope of crushing unions by this method, a method which is more insidious than the old union-smashing tactics. Labor needs to study ways of meeting this problem to determine whether it cannot find more effective methods. If the

representatives of the union control any employee representation plan offered by employers, it ceases to be a menace.¹

It is further true that in order to reckon with some of these limitations a few employee representation plans make attempts to offset them in a partial way. In a few companies there is a paid secretary who works exclusively for the organized employee group. As yet his salary is not fully met by the employees themselves; but the idea of such an independent special agent is there in embryo.²

In a few companies, also, where there are numerous scattered operating units throughout the country, the plan is adopted of having an annual gathering of the representatives of management and men from the entire company. This is done to help familiarize all units with problems of the company as a whole and to help to make uniform the labor policies and methods throughout the corporation. On the other hand, some companies have vigorously resisted the request of different local units for such an occasional company-wide deliberative meeting. Nevertheless, the fact remains that the idea of the value of conference and association extending beyond the confines of one plant has been recognized and applied.

Employee Representation and Industrial Democracy.—One further misconception of employee representation remains to be considered. There has been a good deal of loose application of the phrase "industrial democracy" as a synonym for employee representation. Any use of terms is, of course, permissible if a careful definition is adhered to. But the word "democracy" has certain historic and traditional implications growing out of its political usage, which make it misleading to apply it too readily to the present plans of company employee association or representation.

The practical reason for dwelling on this matter of words is that there is real danger that words can readily mislead managers into thinking that they have in operation a form of control which in reality is not present. A company, for example, which sincerely believed that its employee representation plan did embody

¹ Quoted in BURTON, E. R., "Employee Representation," pp. 65-66. The second half of the quotation is from the 1925 annual report of the A. F. of L.

² BURTON, E. R., "Employee Representation," p. 127.

a genuine situation of industrial democracy, would naturally oppose as a wholly unnecessary effort any demand for dealings with some larger, nation-wide body of workers in its industry. Yet, as we pointed out at the beginning of the chapter, no one company can really act independently of other companies in its industry in any fundamental way or for very long—especially in relation to the terms and conditions of employment. Labor standards have necessarily to be quite uniform throughout an industry as a matter of competitive pressure. And, translated into terms of this discussion, this fact means that ultimately and basically agencies of governance and control have also to be on an industry-wide basis. And if any agencies of a negotiation are for good reasons to be representative or democratic in character, this clearly implies that the agencies presiding over an entire industry should also be representative of all parties at interest.

It may be conceivable that town meetings such as still operate in New England could exist under an absolute monarchy. But we know from our American history that when an autocratic national power tries to impose taxes on these autonomous local units the cry of "taxation without representation" arises. And sooner or later the form of national government and the forms of local government have to preserve a certain consistency of purpose and method.

In precisely the same way, if industrial democracy were a matter of individual companies each operating in isolation, it would stand impotent before many uncontrolled and influential forces. The employer will plead his helplessness; the facts will show his ineffectuality. Self-government in industry is fundamentally a matter of wider scope and content. There has eventually to be democratic control over every area where conditioning and determining influences are at work—if industrial democracy is to have any serious meaning. This does not detract from the value of steps already taken. It merely suggests that others are ahead. The fact that we have not yet achieved political democracy in any international way does not blind any thoughtful person to the need for some such international agency as the League of Nations may gradually develop into.

Similarly in industry, democracy necessarily implies—because of the world-wide ramifications and interdependence of economic effort—an informed control in the public interest not merely

within each corporation but over each industry as a unit, each nation and eventually internationally. Already problems of access to raw materials, tariff rates, and efforts to establish international credits are seen to work back with direct effect upon the success of operation of individual industries and corporations in our own country.

We are not, however, trying to complicate the personnel problem by projecting it upon too wide a screen. It is, in fact, so projected already—as the unemployment today prevailing throughout the industrial nations demonstrates. We are rather making the point that managers cannot much longer remain content in thinking of the conduct of employee representation as a purely company matter. The company committee is competent to deal with company problems. But other vital factors are at work over each industry as a whole and the principle of representation will gradually have to be extended to cope with them if democratic control is to become a fact. The extent to which dealings with national unions may supply an agent for wider democratic negotiation is therefore considered in the next several chapters.

Conclusion.—Our conclusion is favorable to the instituting of employee representation. It can provide a training school and object-lesson in democratic conference procedure. It can be the means of enfranchising workers and developing their comprehension of the economic issues which affect them. It can lead to more amicable and informed settlement of local differences. It can become a stepping stone to the inevitable transition to dealings on an industrial basis with an industrial association of employers.

Essentially, employee representation in some effectual form is an integral part of the structure of that representative industrial government which some time in the not distant future will begin to develop in this country—and which promises to parallel in a general way the hierarchy of democratic political institutions which we all not only accept but traditionally have been prepared to defend against all opposition.

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CHAPTER XXX

THE BUSINESS VALUE OF THE COLLECTIVE AGREEMENT

We labor under no illusions as to the present urgency of the issues surrounding the introduction of collective bargaining with labor unions. The forces of unparalleled economic prosperity in the last boom period, followed by the prolonged depression since 1929, combined in quite opposite ways to contribute to the same result, namely, a marked weakening of the organized labor movement. The aggressive extension of collective bargaining in the manufacturing industries does not promise to be a pressing and exigent issue in the immediate future.

But, whether it is or not, the fact remains that, from the point of view of an analysis and evaluation of all the elements in personnel policy and procedure, collective bargaining is a going method of joint dealing. It is therefore a necessary part of our inquiry to consider its value to management as an instrument of negotiation, to ask how its business value may be increased and what the limits upon its business value are.

Probably upon no other question of labor policy does executive thinking and feeling become so intense and executive action reflect such divergent opinions. For, on the one hand, are many managers and corporations which in a wholly irrational way oppose unionism of any sort both in theory and in practice and have by their conduct shown that they believe that any means are justified which obstruct its growth. Not only are their minds completely closed as to actual dealings with unions, but they cannot see that, *functionally viewed*, there is a legitimate function which unions have or can serve. And, on the other hand, there are corporations—as in the railroads, building trades, hard coal mining, garment trades, printing—which have for years dealt with the unions in their industries and found it possible to develop a basis of joint dealing which is reasonable, amicable, and conducive to an orderly, constitutional conduct of affairs of common concern.

Moreover, so varied are the types of labor unions, so varied their constitutions, their policies, and the agreements they have made, that generalizations of a favorable character may easily be refuted by citing specific instances of a wholly contrary experience. Indeed, every point in an argument either for or against the collective agreement could be countered by one or more illustrations to show that the point was not wholly true. In the face of such a wealth of contradictory testimony, the effort must be to go below the surface and analyze the more permanently true facts and tendencies in the relations of employers and labor unions. And while it is true that the actual extension of collective bargaining has not taken place as a result of the employer's calculating by a cool logic its advantages to him, it remains a fact that this type of agreement would not have extended or persisted as it has, if certain definite business and social advantages had not clearly accrued.

For up to a point the managing world does face a condition and not a theory in the extent and activity of labor organizations. Unions have already achieved a place in industrial life which entitles them at the least to an intelligent understanding by employers who have not thus far dealt with them. There are today something over two million organized workers in this country. And they are working under several thousand collective agreements. And even though the immediate prospects of an extension of labor organization may not be bright, we cannot escape the conclusion that in the long run some equivalent of present-day industrial unionism is bound to become a really potent factor in our economic life. This conclusion, moreover, as we shall try to show, is in no sense a partisan one but is the result of extensive study of the economic and spiritual forces at work in our country today.

Managers in general and personnel managers in particular will, therefore, we believe, be derelict to their duty as professional experts if they do not at least acknowledge that they do have to work in eventual harmony with what we may call "the temper of the times." And in respect to this at present highly controversial issue we find the temper of the times to be in transition. Executives out of deference to public opinion are more and more sensitive to the sentiments and opinions of employees and of the wider consuming community. And the right to organize and to deal collectively through a self-constituted agency of negotiation is a

right now more generally conceded to the workers than ever before.

The duty of being informed about the meaning and significance of collective bargaining is, of course, a passive one. Sooner or later individual managers will have to make decisions as to whether they will or will not deal with unions, if and when any considerable fraction of their workers become unionized. And when that point is reached, they should be in possession of something more than their prejudices and preconceptions. They should be familiar with the business values which collective bargaining has in practice exemplified. These we propose to analyze after clarifying our use of terms.

Definition.—"Collective bargaining" as used in this volume (following the common usage of economic students) refers to dealings regarding the terms and conditions of employment under written or oral agreements with labor organizations in which are banded together the workers of a trade or industry in a given geographical area. A collective agreement thus may be made by a labor union with one plant, with one corporation covering a number of its plants, with an employers' association of a city, district, or state, or with a national trade association.

The phrase "collective bargaining" has, however, recently been applied to a type of transaction which differs in a fundamental respect from the above definition. Some employers now speak of negotiations with their own employees exclusively through the medium of shop committees, factory councils, company unions, etc., as collective bargaining. Of course, this usage is warranted if the definition is widely understood and accepted. But to apply a term, which has been used for decades to connote dealings with an inclusive body of craft or industrial workers having outside affiliations, to dealings which are completely confined to one plant or company not only is confusing but readily leads to a deception of both workers and managers as to the basic difference between the two types of negotiation. Employers may honestly believe that there is no inherent and fundamental difference between negotiations which are limited to the employees of one shop and those carried on with unions. But that such difference exists we have already made clear. And to apply the phrase "collective bargaining" to both types of transaction is to confuse the issues.

Various Methods of Negotiation.—The shortcomings of individual bargaining and of employee representation, as complete and ultimate methods of negotiating terms of employment and affording adequate conference machinery, have now been set forth. Neither offers all that is needed, although both provide some necessary features in supplying a functionally and administratively rounded structure of control. The same is true of the collective agreement with labor unions. It is now essential to see just what are its economic values as well as its limitations. These will be stated briefly and categorically and then discussed. From the point of view of good industrial management, the business values of collective bargaining are:

1. The value of equalizing bargaining power.
2. The value of assuring adequate self-protection to the employees' interests.
3. The value of conducting negotiative dealings with one responsible organization.
4. The value of protecting employers from their natural tendency to economize in the easiest but not necessarily best way.
5. The value of uniformity in the terms of employment over adjacent competitive areas.
6. The value of defined and classified job and craft standards and titles.
7. The value of creating conditions under which employee interest in production and in incentive payment may safely manifest itself.

1. *The Value of Equalizing Bargaining Power.*—We have in previous chapters discussed why we believe that equal status is desirable even from the managerial point of view. Only among equals are mutual confidence and mutual self-respect possible. Only among equals can there develop any real sense of cooperation and partnership.

We appreciate fully, however, that the bargaining attitude and relationship are not the final or the only basis of contact between managers and men. We are as anxious as anyone to see a point reached beyond the bargaining and haggling stage where there is common concern for the best way in which all can contribute to the common corporate enterprise. But a realistic view of present-day industry requires understanding of the fact that the attitude which is beyond bargaining and

truly cooperative can come only when there is confidence on all sides that basic rights and interests are adequately secure so that attention can be turned safely to corporate aims of a constructive and productive character. Hence, when the benefits to be derived from fostering corporate unity by attempting to integrate conflicting interests are urged, we are clear that this must *presuppose* that a sense of dealing on an equal footing has already been established among the affected groups. From this point of view, collective bargaining may become *one of the most important prior conditions of building up a productive morale in industry*. The approximation of equality which it achieves between managers and men has shown itself to be close enough to supply a basis for further constructive activities between them.

2. *The Value of Self-protection*.—From the management point of view, to assure that people are able to take care of themselves and of their interests is not to abdicate responsibility for good management but to create conditions in which a sense of self-respect and self-choice of loyalties and enthusiasms becomes possible. Since such a sense of self-respect and self-choice among the personnel of a corporate group is vital to sound morale, the conditions that induce it are also vital. Among these, collective agreements hold an important place by bringing into action the autonomous manual workers' group which will represent their interests.

We have already stressed the necessity for self-protection of vital interests. But in relation to policies of industrial government the idea is still so uncongenial to managers as to need further underscoring. For this reason we draw again upon the astute comments of John Stuart Mill in the previously quoted essay where he says:

Human beings are only secure from evil at the hands of others, in proportion as they have the power of being, and are, self-protecting; and they only achieve a high degree of success . . . in proportion as they are self-dependent, relying on what they themselves can do, either separately or in concert, rather than on what others do for them.¹

Mill goes on to say that many dislike to admit this truth and are fond of holding it up to obloquy as a doctrine of universal

¹ MILL, J. S., "Considerations on Representative Government," Chap. III.

selfishness. Which is certainly a common reaction. But in reality it is not so much that one group or class is knowingly and deliberately ignoring or trespassing upon the rights of others. "It suffices that, in the absence of its natural defenders, the interest of the excluded is always in danger of being overlooked; and, when looked at, is seen with very different eyes from those of the persons whom it directly concerns."

Indeed, to construe this argument for the organization and protection of the manual workers' self-interests as an encouragement to working-class selfishness would be wholly to misunderstand the present economic situation and the possible ways out of it. Under present conditions the employee's first solicitude is inevitably and properly for his own survival. Until he has assurance of the initial needs of life for himself and his family, it is humanly impossible to enlist his interest in wider purposes. Far from characterizing anxiety for self-protection and efforts for an assured basis of livelihood as promptings of selfishness, wise managers are seeking in one way or another to establish precisely this adequate and assured basis of livelihood for their employees. For the attitude in which work is done most efficiently is one where there is reasonable freedom from worry about making both ends meet.

Also, managers should recognize that, in their desire to protect their own larger interests, they have in most industries themselves combined with other companies to deal more effectively with numerous issues.

A related objection of employers to the implications of collective dealing is that it stresses the conflict as against the cooperative aims of the respective groups. Employers are likely to feel that the labor union philosophy dwells upon the divergent interests of owners and workers rather than upon those that are common. It is true that unions usually are more willing to admit the existence of a conflict of interests than employers are. But it is also true that some unions today are prepared to emphasize what may truly be called the creative values in conflict, where employers will meet them halfway in collective dealings.

Our point here is that conflict of itself is not bad or harmful. It depends upon the use which is made of it. When and if recognition of the existence of a conflict of interests or purposes leads to definite efforts to arrive at a new common basis in which

conflicting aims are reconciled or harmonized, a creative use has been made of the situation. And out of conflict properly and fully confronted, a newly invented basis agreeable to all may conceivably be hit upon and applied.

In short, it is true that it must be a primary concern of any group to watch over the essential conditions of its survival. An inviolable pre-condition of any group's adopting generous and outreaching purposes is the protection of its own integrity. This is the first point at which self-interest and social interest usually intersect. It is only when any group's purposes are wholly selfish and out of harmony with the trend of the times that its primary self-interest may be irreconcilable with the social interest.

A group's integrity in the long run is assured only by its own efforts. It is the first, if not necessarily the best, judge of the essential conditions of its survival. It can and must learn how to succeed only by its own actual experimentation. Because this is true, there has arisen the political principle, which is now being slowly but surely read into the theory of sound industrial government, that *in carrying on an enterprise every participating group which is affected by decisions concerning the operating of the enterprise should be a party to the making of those decisions.*

In pursuance of a discreet but inevitable application of this principle to industrial administration, the use of some form of collective bargaining deserves careful consideration as a practical, educational, and administratively logical method of conference and joint action in certain areas of action.

3. *The Value of Responsible and Unified Negotiation.*—Under collective bargaining there is one agreement and one period of negotiation annually or biennially with each important craft or with the workers as a whole in an industrial union. And usually the union stands ready to enforce upon its own members responsible adherence to the agreement during its life.

The business values of thus consolidating negotiations at stipulated periods, and conducting them with an organization which is anxious to honor its agreements, are real. It means that individual employees are hired on terms clearly known in advance. It means that these terms embody what the recognized spokesmen of the workers have agreed to. It enables the attention of all, *once the terms are agreed upon*, to be turned to other matters.

Moreover, the task of fulfilling the workers' side of the agreement devolves upon a national organization whose power and prestige depend increasingly upon its ability to fulfill its agreements. That this is a practical consideration will be realized if the alternative situation is imagined. If, for example, a company were to make through its shop committee a definite agreement for a term of months on a wage-and-hour scale, and if the workers were to break the agreement and strike, there would be no outside influence to help effect a resumption of work. Such a situation in a union shop is usually met by definite and effective discipline from the national union headquarters, in terms of charter suspension and non-payment of strike benefits.

Two objections, however, will properly be raised in this connection. First, that when there are several craft unions in a plant, it is sometimes necessary to enter into several agreements; and, second, that even with the disciplinary activities of the national union, agreements are sometimes repudiated by the workers.

It is, of course, true that where members of several organized crafts work in one shop, they may not have reached a point of sufficient federation to act together in the making of a single joint agreement. The federating principle is strongly at work however; and such strong groups as the building, printing, railroad, needle, textile, shipbuilding, leather-working, mining, and metal trades all work in some federation in the drawing of joint agreements far more than formerly.

Indeed, the objection that there is a variety of crafts (except where they create delay and irritation by jurisdictional disputes) is not always a sincere objection. For the employer has frequently found that he prefers to have different agreements with different craft bodies, which terminate at different times and thus prevent the likelihood of a simultaneous walk-out.

As to jurisdictional disputes, they are without question a source of real and justified annoyance to the employer. He finds himself helpless before a controversy which he is powerless to settle, and the merits of which are often of no special interest to him. He is confronted with a condition with which the unions themselves are profoundly concerned, since it hurts them no less than him. Meanwhile, managers have no alternative but patient tolerance plus an effort to bring the disputing crafts together *before* methods or materials of work are adopted which may be

potential sources of inter-craft controversy.¹ Indeed, it may be safely affirmed that objection to one agreement with a federation of crafts is not usually raised by the crafts involved. The employer who wants to include all negotiations in one agreement increasingly finds the unions ready to meet him on this point.

A further value in having a single agreement—or a single agreement for all workers in a given craft or a branch of a trade—is that it fixes labor costs at a definite figure during the life of the agreement.

The Violation of Collective Agreements.—It is, of course, true that unions sometimes break their agreements. It is important to consider this difficulty as thoroughly as space will permit, since much opposition to unionism focuses at this point. The problem has two aspects: First, the aspect of the breaking of agreements—why are they broken? Second, the aspect of the accountability of the unions for keeping agreements—how can accountability be assured with due consideration for all?

There are three typical causes of the violation of joint agreements by unions:

(a) *The Sympathetic Strike.*—The sympathetic strike to aid the cause of fellow-workers in another craft or locality will always seem to the employer to be a dubious, if not indefensible, practice. Indeed, union leaders themselves increasingly share this view, since the tendency is strongly in the direction of taking away from local bodies the power of calling a strike, and vesting it in the executive committee of the national union; or of requiring a secret ballot referendum of the membership of the local union. Statistical study of the causes of strikes shows that these changes are having a decided effect—that there are fewer and fewer strikes of sympathetic origin. This objection, in short, has much less force than it had a few years ago.

It is useful to understand, however, why the sympathetic strike is used. It rests upon a premise which the employer cannot ignore, since much sentiment and policy among organized workers are based upon it—the premise of the solidarity of all manual workers' interests. The cause of one worker, in this view,

¹ There exists now a National Board of Trade Claims in the building industry, consisting of the Executive Council of the Building Trades Department of the American Federation of Labor and an equal number from the National Association of Building Trades Employers.

is the cause of all; all rise together and advance only as fast as the rear guard advances. This belief has its negative and its positive manifestations; *i.e.*, it is used for purposes of defence and offense. The sympathetic strike, as a defensive weapon, is used by workers to assist their fellows in preserving or improving their status as wage earners. It seems reasonably clear that its use for this purpose will decrease as soon as the workers find that with stronger organizations they can utilize better ways of bargaining.

(b) *The Unforeseen Contingency*.—One of the most frequent causes of broken agreements has been the entrance, after the signing, of some unforeseen contingency from which the agreement appears to offer no relief. Examples of this are rapid increases (or decreases) in living costs, new machinery or new processes with the problem of re-setting rates, providing for displaced workers, and changes in the state of demand for the product. The difficulty in the majority of such cases is usually that *the agreement has not provided adequately for dealing jointly with them*.

In the remaining cases it is probably true that one side or the other had made the appearance of new conditions the excuse for increasing the strength of its defenses. If, for example, after an agreement is made, the workers find that the demand for the product is peculiarly brisk, they may decide to take advantage of the situation to press for higher wages. There is, from the employer's point of view, little justification for such tactics; and in the stronger unions little support probably could be rallied now to such practices among the workers themselves. But no understanding of union tactics is possible, if one does not bear in mind that the first concern of the working-class organization is to bring itself to a point of strength where it is able to do its defensive work adequately. This is not said by way of palliation of any union tactics; it is said only by way of explanation. The labor union, one has always to remember, is historically *a defensive body*. Its original reason for being is to protect the minimum standards of living and working which the workers have already attained.

In short, the best remedy for a situation where agreements are broken because of some unforeseen contingency is to see to it that in the future the agreement is sufficiently explicit and flexible to cope with all possible developments. It will, therefore,

be advisable to consider presently what the form and content of the collective agreement itself should be.

(c) *Prior Breach of Agreement by the Employer.*—Instances are at hand where workers feel that the collective agreement is already broken by some failure of the employer to fulfill his obligations; and this then becomes their excuse for breaking it, or for presenting new demands. Obviously, the employer's dereliction does not excuse the workers. It only shows that where a breach of agreement is claimed against a union by the employer, it is important not to jump too hastily to the conclusion that the workers alone are in the wrong. It would be extraordinary, of course, if with the thousands of agreements which are entered into yearly, there were not some in which the breach was on the management side. In other words, it is necessary to judge each case on its own merits.

But it may be said, a collective agreement is a contract; and there should be some means of redress, some accountability of the union today for its actions in breach of agreement. If the union chooses to indulge in arbitrary methods of defense, it should realize how truly expensive, hazardous and illegal they are. This view is so frequently urged that it requires careful scrutiny.

The first point to be clearly established is the extent to which the collective agreement is a contract. An authoritative opinion on this question is extensively quoted here not because it argues any the less for having unions feel accountable and responsible for living up to agreements, but rather because it makes clear the present legal status of the union as compared to that of the corporation and is explicit on the point that a collective agreement is *not* a contract.

The difference between a labor union and a business organization and between a trade agreement and an ordinary contract is well expressed in a recent decision of the Supreme Court of Kentucky: "A labor union, as such, engages in no business enterprise. It has not the power, and does not undertake, to supply employers with workmen. It does not, and cannot, bind its members to a service for a definite, or any period of time, or even to accept the wages and regulations which it might have induced an employer to adopt in the conduct of his business. Its function is to induce employers to establish usages in respect to wages and working conditions which are fair, reasonable, and humane, leaving to its members each to determine for himself whether or not and for what length of time he will contract with reference to such usages.

. . . It [the trade agreement] is just what it, on its face, purports to be and nothing more. It is merely a memorandum of the rates of pay and regulations governing, for the period designated, enginemen employed on the Chattanooga division of the company's railway. Having been signed by the appellee, it is evidence of its intention, in the conduct of its business with enginemen on said division, to be governed by the wages and rules, and for the time therein stipulated. Enginemen in, or entering, its service during the time limit contract with reference to it. There is on its face no consideration for its execution. It is therefore not a contract. It is not an offer, for none of its terms can be construed as a proposal. It comes squarely within the definition of usage as defined in *Byrd v. Beall*, 150 Ala. 122, 43 So. 749. There the court, in defining usage, said "usage" refers to "an established method of dealing, adopted in a particular place, or by those engaged in a particular vocation or trade, which acquires legal force, because people make contracts with reference to it."

The so-called "contract" which a trade union makes with an employer or an employers' association is merely a "gentlemen's agreement," a mutual understanding, not enforceable against anybody. It is an understanding that, when the real labor contract is made between the individual employer and the individual employee, it shall be made according to the terms previously agreed upon. But there is no legal penalty if the individual contract is made differently. To enforce the collective contract would be to deny the individual's liberty to make his own contract.¹

In some cases the placing of a bond by both sides as a guarantee of fulfillment of the agreement has been used with a measure of success. But the usual counter-proposal of employers has been to incorporate the unions, in order that they may thus be made subject to suit if "breach of contract" or any illegal act occurs. Indeed, some employers have claimed that, if the unions were only "responsible organizations," they would be willing to deal with them. This sounds eminently reasonable. Logically and abstractly, there would seem to be no serious objection to incorporation of unions. But we are here not dealing in abstractions or in matters where legal consistency is the only criterion. When the present strength of trade unions and their primary purpose are examined, difficulties begin to appear.

Unions exist to protect by group action the fundamental interests of employees; to assure in the first instance earnings and conditions of work sufficiently adequate to preserve a

¹ COMMONS, J. R., and ANDREWS, J. A., "Principles of Labor Legislation," pp. 117-118.

healthy standard of living. Under present circumstances organized workers receive amounts too close to the minimum of subsistence to make it possible for them to lose money entrusted to their labor organization without such loss jeopardizing their very livelihood. *Property can stand loss by financial penalty legally imposed; life at or near the margin of subsistence cannot.*

Moreover, until the law more clearly and affirmatively recognizes the right to organize in protection of one's livelihood as being at least equal to the right to protect property, the incorporation of unions would mean the legal recognition of bodies which must resort to methods which are now held illegal, in order to carry out their fundamental purposes. It is still not completely agreed among the various courts as to what the legal position of the trade union is. Court decisions have in recent years construed trade union activity as being a conspiracy in restraint of trade, as an effort to deprive employers of property without due process of law, and as an impairment of the right of freedom of contract. In other words, to incorporate unions would make it easier than it now is to penalize those bodies for acts which are or might be declared "illegal," however humanly justifiable they may be.

The strike, clumsy and costly a weapon as it may be, is the organized workers' most powerful instrument of self-protection. Yet, if in conducting a strike unions were held to be conspiracies in restraint of trade, agents depriving employers of property without due process of law, or agents causing workers to break individual contracts, they are to be sued to the limit, their effectiveness and even existence is thereby nullified. It should be axiomatic that if a body becomes legal, as the union would if incorporated, the only methods which it can pursue to fulfill its legally defined purpose would be legal also. This is *not* saying that all its acts are therefore legal. Legality, however, would have to be interpreted, not as it so often is today in terms of abstract concepts of "property rights," "freedom of contract," "equality," etc., but in terms of the *raison d'être* of the organization and of the *human* context and social consequences of the particular acts in question.

The means are already at hand to prosecute union leaders for criminal acts. Damage suits may be used to meet definite offenses. Indeed, so formidable might their use become that Commons and Andrews are led to say:

The menace of the damage suit is best brought out in the contrast between the position of the members of labor unions and that of stockholders in corporations. It is evident that labor unions are very much looser organizations than are corporations. Unions must entrust their officers with great power; the rank and file of the members know little about what the officers are doing. Even when members disapprove of the actions of the officers, they can ill afford to get out of the union, as they would lose their insurance benefits and in many industries would find it difficult to get a job. These are reasons why the members of labor unions should not be held to the same accountability for acts done in their behalf as are stockholders in corporations; but in the United States the members of labor unions have the greater liability. For a tort committed in behalf of a corporation, the stockholders can be held only to the extent of their stock subscription, or double the amount, under certain laws regulating banks. The members of labor unions are responsible without limit for tortious acts done in their behalf.¹

It cannot be repeated too emphatically that it is essential to create conditions under which both corporations and labor unions will feel and act as responsibly as possible. Indeed, such a conscious assumption of responsibility for operating each industry as a public service is basic to ultimate industrial amity; but this sense of responsibility cannot ordinarily be secured by legal enactment. Its cultivation is not to be achieved in a hurry. The attitude of workers and employers alike has not been one which stressed their common obligation to the community. This sense of responsibility can rather be fostered by assuring to all parties the fullest protection to organize and deal together in open and honorable ways, by urging throughout the community an attitude which sees in industry a public trust and a public service, and by recognizing that there has as soon as possible to be built up in industry a structure of representative government which admits the workers to a genuine share in the control of their economic destinies.

Incorporation of unions under present legal conditions would have, in short, a tendency to defeat the very features in them which it is advantageous to preserve, namely, the assured, effective and continuous protection of the workers' rights by their own self-constituted organizations. This brings us to the statement of a further value in the collective bargain.

Selected References

See end of next chapter.

¹ COMMONS, J. R., and ANDREWS, J. A., *op. cit.* pp. 121-122.

CHAPTER XXXI

THE BUSINESS VALUE OF THE COLLECTIVE AGREEMENT (*Continued*)

4. *The Value of Delaying the Resort to Easy Economies.*—It will seem strange to some that we should seriously urge upon managers the value of a procedure which delays their resorting to the easiest and most obvious economies. Yet the pressure of competition, on the one hand, and the pressure of stockholders for dividends, on the other, do mean that during less prosperous periods the search for immediate and drastic opportunities for retrenchment does tend to hit first upon the wages item. Wage rates are one of the few elements in cost most completely within the employer's immediate control. The price of raw material is relatively fixed; machinery costs are given; selling costs are only slightly flexible; prices are set within narrow limits. Economy, the obvious and superficial economy, seems to lie in keeping the wage bill low. Even when managements understand the sources of real economy in better equipment, better routing of work, more economical methods of purchase and distribution, and better selection and training of workers, these may require initial expense and effort from which it will apparently take some time to benefit.

More often inertia and ignorance of the science of management prevent corporations from attacking the big sources of leakage. Careless planning of work within the shop or in relation to sales, with resulting congestion in one department and idleness in another, poor handling of materials, insufficient light or air, inadequate training of workers—to eliminate all these possible wastes for which the management is responsible is certainly not an easy way out.

Moreover, it is hard for managers to believe in advance that the same group of men can in all probability do as much in seven hours as they can in eight or perhaps do more or better work on \$30 a week than they did on \$25. Evidence exists to prove that such things have happened; but each employer's contention that

his business is different can be convincingly met only by insisting that such new terms and policies be given a trial. And this is precisely what a collective agreement can often assure.

The employer, in short, needs constant and effective protection from the temptation to shortsighted economy in his wage bill and prolonged hours of labor. He needs (and in the past has benefited from) the urgent pressure of unions to improve those terms of employment. The collective bargain assures the worker reasonable stability of living and working standards already gained and holds clearly before the management the useful idea that those standards cannot be molested without endangering the energy and vitality of the workers and their families.

5. *The Value of Uniformity in Terms of Employment over Competitive Areas.*—There is another more obvious value in the collective bargain in those cases where the same agreement applies over a district, or where practically uniform terms are included in several agreements in any industry in different localities. This is the value of enforcing by collective agreement uniform labor standards below which no competitor is allowed to offer employment. Every manufacturer is familiar with the condition which W. L. Mackenzie-King has called the "law of competing standards,"¹ which states that there is a tendency for the terms and conditions of employment to fall to the level of the lowest terms and worst conditions which are offered in the industry.

This tendency is active despite the desires and efforts of the more intelligent managers in an industry; *i.e.*, it is active unless there is an industry-wide organization of the workers to enforce upon all employers similar, decent, minimum standards. The activity of such a workers' organization tends, as is seen, for example, in the garment and boot and shoe trades, to discourage the small-scale family shop and the marginal shop, and to offer encouragement to those better managed units which have capital enough to provide adequate working accommodations and reasonable permanency of employment.

One important qualification, however, does have to be made regarding this claim. It is fatal to the permanent success of collective agreements if one competitive producing area remains constantly unorganized and is for any reason able to offer the product at a price below that possible in the remaining organized areas. The outcome in such situations has inevitably to be

¹ MACKENZIE-KING, W. L., "Industry and Humanity," p. 67.

sooner or later in one direction or the other, either all organized or all unorganized.

Cases have not infrequently arisen where employers have in effect said to the unions: "We cannot grant your demands and stay in business, as long as the employers in the other manufacturing centers in this industry do not have to deal with unions and live up to these terms and conditions which you demand. Go to those cities; organize the plants there and get them on an approximately equal competitive basis; then come back and we'll consider the demands."

In such a situation workers come to realize the extent of their community of interest with those of management. They come to realize the number and intricacy of the factors involved in effecting wage and hour settlements. They come to know that there has to be a fact basis for reaching those important decisions which concern them. This knowledge among the workers tends eventually to increase the stability and uniformity of the labor standards of an entire industry; for it means that the union usually does all it can to bring effective pressure upon the wayward and backward employers in a way that the other employers never can.

6. *The Value of Defined and Standardized Occupations.*—A further value of collective dealing is the impetus it gives to the standardizing of occupation titles and definition of standards of job competency throughout a trade or industry. Where membership in a workers' organization can be assumed to mean that the member is a *bona fide* and competent craftsman of his trade or industry, there is a real gain for all. It is, for example, important to have some agreement as to the meaning of such words as "machinist," "carpenter," or "plumber," and to have defined standards of workmanship which can be taken for granted when workers call themselves by such occupational titles. The name "boilermaker" when attached to a worker should mean a man who has passed through a certain period of apprenticeship or training at certain kinds of work, and who, by virtue of his title, is qualified to perform a certain range of jobs. Manifestly, it is almost impossible to apply titles and craft standards over wide geographic areas in the absence of some fairly inclusive organization of the workers which would help to maintain both titles and standards.

There is, however, at present a practical difficulty in the way of realizing this value. Under the constant pressure to secure

"100 per cent organization" the standards of craftsmanship are too often not strictly maintained by the union if the applicant can satisfy his fellows that he will make a "good member." The bars thus tend to be let down more frequently than is wholesome for the maintenance of careful classification of skill, and of the prestige of the craft. This is only another instance of how, as long as the union's attention has to be centered on self-preservation, it cannot simultaneously stand firmly for standards of craft skill among its members—or indeed interest itself in other production problems.

7. *The Value of Creating Employee Interest in Production.*—It is, finally, important to consider a value in collective agreements which has not yet been realized except in a relatively few cases, namely, securing the affirmative interest of the union leaders and members in matters of economy in production. We have repeatedly pointed out that workers do not become genuinely interested in the production process in the absence of certain guarantees. These guarantees in practice include assurance of regular work or, failing that, some form of unemployment compensation, fair wages, agreement not to cut piece rates, prompt handling of grievances, healthy working conditions, protection against unfair discharge. There are a few farsighted corporations not dealing with labor unions which provide these guarantees and do secure from their workers that attitude of interest and loyalty which is desired. Other companies are sure to follow suit and, by these and various other devices, endeavor to secure that sense of partnership from the workers under which they become really interested in quantity and quality production at low unit costs.

Taking industry as a whole, however, it seems to be true that the guarantees which the workers must have, in order to create the proper psychological setting in which interest can arise, will probably come also and eventually through the pressure which unions can exert in collective negotiation. The evidence from the men's and women's clothing industries in this country, from certain notable experiments on the railroads with the shop craft unions, and from isolated cases in the paper-making industry, mirror and hosiery manufacturing, and a number of other industries, increasingly substantiates this conclusion. Collective bargaining promises to be that form of joint negotiation for many corporations and industries which simultaneously protects the

workers' vital interests and frees their minds from anxiety to such a degree that real cooperation in forwarding the productivity and welfare of the industry may reasonably be expected.

Collective bargaining in these so-called "union-management cooperation" agreements promises also to allow the use of legitimate incentive methods of work and pay, which the unions have often opposed up to the present. The use of measured production standards and guaranteed minimum weekly rates and extra payment for production above the standard has now been successfully applied under enough collective bargaining arrangements to make it possible to say that, *given management cooperation*, unions usually show themselves willing and ready to concern themselves with reductions of operating costs, incentives to greater individual output, and technological improvements in process. This is a genuine step in advance both as a matter of union policy and of internal operating efficiency. But it is a step only taken, we repeat, *where the management takes the aggressive in assuring supporting conditions and terms that bid fair to release the workers' interest in production.*

Content of the Collective Agreement.¹—It is obvious from what has preceded that, in addition to a really cooperative attitude on the part of management, collective bargaining requires for its success that the memorandum of the agreement be carefully drawn to anticipate and provide for all the situations which are likely to arise. Our next question therefore is: What should be the content of the collective agreement if it is to be the most effective possible working instrument?

In general, agreements should be as broad and simple as possible, leaving wide latitude to the joint, deliberative, and adjudicative body to deal with matters of interpretation, enforcement, and unspecified contingencies. Experience shows, however, that there should usually be some specific provision on the following matters:

(a) *Hours.*—This should include a statement of hours per day and per week, opening and closing times, vacation provisions, agreed holidays, rest periods, etc. There should also be agreed restrictions on the amount of overtime per day and per week, night work, and Sunday work.

¹ See in this connection the more detailed discussion by SILCOX, F. A., *Collective Bargaining with Unions*, in "Handbook of Business Administration," pp. 1428-1431.

(b) *Amounts of Work.*—Provision should be made for setting up jointly supervised machinery for defining fair amounts of work, classifying and grading jobs, stating minimum, average, and maximum production amounts at repetitive jobs, etc. The body which supervises these job studies may also be called upon to translate agreed hourly wage rates into equitable piece prices where piece-work payment prevails.

(c) *Pay.*—The agreement should state either the weekly or hourly rates agreed upon, or it should define how the rates of pay are to be arrived at. There should also be a stipulation, especially where the agreement does not expire at a fixed date, that rates of pay may be further negotiated after specific notice (say of ninety days) if some good reason for reconsidering wage amounts (such as an increased cost of living) arises during the life of the agreement.

(d) Methods of assuring safe and healthy physical working conditions.

(e) Provision for joint machinery, first within the plant, then with agreed outside persons as arbitrators for the purpose of:

1. Administration and enforcement of the agreement.
2. Consideration of grievances.
3. Interpretation of the agreement.
4. Amendment of agreement.
5. Renewal of agreement.
6. Terms of admission of new workers.
7. Terms of discharge.
8. Terms of promotion.
9. Terms of introduction of new machinery and changes in process.
10. Study to determine production standards.

(f) Definition of the scope of joint dealing.

(g) Date of expiration of agreement (unless it is *in perpetuo*).

Careful study of this list will suggest why it is that collective agreements in the past have not always been as mutually satisfactory as they might have been. Some omissions in the past have been due to careless and unbusinesslike procedure, some to lack of vision on one side or the other, some to an unduly narrow conception of the purpose or scope of collective bargaining. In so far as the fault is a matter of an inadequate instrument of agreement, it is easily repaired. But there are real

shortcomings in the nature of collective bargaining as it is typically experienced which should be definitely acknowledged.

Getting the Best Results with Collective Agreements.—First, however, the importance of management's attitude toward dealing with unions needs to be emphasized as crucial. For it is significant to note that the success and smooth working of collective agreements are in direct proportion to the management's confidence in the union and its officials. Where managers regard unions as a necessary evil and grudgingly deal with them under compulsion, the results are never impressive. Collective dealing is naturally most successful where on both sides there are mutual confidence, good faith, and eagerness to maintain a constitutional method of joint dealing.

Certainly, in the personal dealings with union representatives everything depends upon the kind of welcome they get at the hands of the managers with whom they deal. Like everyone else, union agents who find managers cooperative, open, and direct are much more amenable to work with and the agreement, in all its phases, works much more harmoniously than otherwise.

Managers, in short, must be convinced of the value of joint dealings if they are to conduct them to best effect. They must be willing and able to meet the workers' delegates in a friendly way. Agreements which are satisfactory on paper will frequently go wrong in action if managers and union leaders cannot personally work together in an amicable fashion.

This is especially true where the aim is to involve the union in concern over problems of the industry's welfare and productivity—as is the case under "union-management cooperation." In every such instance the union officials, far from being regarded as "outsiders" or "agitators," are recognized as having as deep a concern for the industry's success as any of the employers. And they meet with the employers on a footing of practical equality and of serious responsibility for helping to solve the industry's problems. This, of course, is the ultimately sound and desirable attitude for the union leaders to take. But they can only take it and give it any fruitful effect *if management goes halfway to meet them and reposes confidence in them.*

Shortcomings of Collective Bargaining.—The most fundamental shortcoming of the average collective agreement of today is that *it concerns itself primarily with the distribution of a portion of the income from the business.* We have explained why this

concern for security of livelihood has had to be the first concern of the unions. As long as they are fighting for their lives and as long as they are dealing with managers who do so reluctantly, this aim will necessarily remain in the foreground. The key to an understanding of past and present union policies is a realization that *unions have been bodies of workers acting together to forward their interests as consumers*. They have been primarily concerned with the protection and advancement of a standard of life. This has been not only defensible but essential; but it has meant that the interest of the union members was less in production than in their own incomes.

This is one important reason why we have so stressed the idea of joint conference on work as well as pay as a necessary integral part of collective bargaining. *The joint use of job analysis and the use of measured production is the bedrock on which the entire process of collective bargaining should be based*. This new subject of conference has the incalculable value of gradually shifting the emphasis and point of view from issues centering solely around workers' rewards to those concerned with increasing the amount of income there is to distribute. Not that this means the workers are to get any less of the total income. It means rather that they will have become as assuredly and avowedly partners in the determination of wages and other rewards that this can be taken for granted; and the combined abilities of management and men can be directed to increasing output and lowering costs.

In the second place, collective bargaining confined to one plant, or even to one district, may give temporary advantage in the selling market to those plants where union conditions are not enforced. This is not always true, since the union conditions may increase production and lower costs; but where the differences in terms are extreme, the isolated unionized plant may be at a temporary disadvantage. It is manifestly a hardship for such a shop to be pitted against the efforts of the shop of unscrupulous and selfish non-union employers. There is no relief of permanent value for this situation short of having these other plants brought under similar conditions of collective dealing. In short, this is not so much a shortcoming of collective bargaining as it is a result of its slow extension. What is increasingly needed is joint action not confined only to single plants

or localities and not restricted merely to consideration of the immediate terms of employment.

The probable next step in the extension of industrial government will be considered presently. For there is clearly developing a need, from the point of view of effective business organization, for a basis of common action between the organized employers and the organized workers of an industry on a district and on a national scale—bodies which shall be influential in determining common policies on those fundamental matters where competition has thus far proved destructive, demoralizing, and hurtful to all.

In short, the shortcomings of collective bargaining are not inherent. They are due to youth, to present weakness, to an inevitable defensive policy of unions thus far. Where unionism is more solidly established, is accepted by employers as a matter of course, and its leaders are enjoying amicable personal relations with managers, its policies and aims show a pronounced tendency to broaden. And under these more favorable conditions the unions tend to become—what some body of employees has eventually to become in every industry if production is to be soundly organized under democratic control—the responsible, organized body of workers of an industry representing them in the joint control of that industry's affairs.

Objections to Collective Bargaining.—Already in assessing the business values of joint bargaining some of the familiar objections have been considered. It will now be useful to summarize these and to complete the list of objections which deserve serious consideration. These objections are stated in the terms most usually employed.

(a) Workers do not want collective bargaining; they prefer the liberty of individual contract.

In so far as this objection is not one which the legally minded employer has put into the mouths of the workers, it is on a par with the citizen's objection that he does not want to send his son to school or does not want to pay taxes to provide improvements on his neighbor's street. The occasional worker's indifference to participating in the support of unions and collective agreements is, in short, due to a failure to understand that under present conditions of corporate business his own real freedom and integrity are assured only where he becomes part of an organized group and where by the surrender of a superficial freedom of action he

participates in the benefits obtained by the group for all its members. There is a profound truth in the statement of a great English authority on industrial relations that "the illusory freedom of the individual bargain must give way to the compulsory freedom of the collective bargain." There will always be workers, of course, who are acutely individualistic and reluctant to align themselves with labor organizations because of fear, indifference, inertia, pride, stubbornness, or other causes. But their attitude offers no more valid objection to the claims in behalf of joint dealing than the selfish father's or taxpayer's objections offer to education or taxes.

The objection arises out of a conception of individual freedom and of the ways it may be secured which does not hold true and sound under twentieth century economic conditions. Liberty is increasingly being seen as a state of affairs in which some moderate restraints upon individual whim are a necessary condition of the true freedom of large numbers of people.

(b) If the employer treats his workers fairly, there is no need for a labor union.

This is today perhaps the most frequently met objection among the more enlightened managers. They believe honestly that they can give the workers almost everything essential which collective bargaining might also bring. And many have proceeded to do so by supplying terms and conditions of employment better than those enjoyed in unionized plants.

The fundamental fallacy here is the failure to realize that the one thing needful cannot be supplied by the employer, namely, *the worker's experience of learning to act on behalf of his own aims and desires, i.e., the worker's process of self-development and self-realization*. It is true that thoughtful managers can and are doing much which, on the *material* side at least, may even exceed what could be secured through collective bargaining for some years; but the problem is not merely a material one. At bottom the problem is *one of the worker's relation to industry in a democratic country where the principles of representative government are upheld as fundamental to the preservation of institutions which are to serve all the people*. In a profound sense the issue is not one of income—important as that is in a derivative way. The issue is one of the quality, the self-respect, the opportunity for self-choice and growth of the personalities of all the people involved. The issue

in a democracy is to make the workers' relation to industry more truly democratic than is now the case.

The employer's benevolence may mean much. But it cannot provide employees with self-respect, self-assertiveness on behalf of their purposes and desires, or self-consciousness of their place and significance in the national life. These are things they must learn for themselves by experience, by the experience of trying to define, affirm, and advance their own group aims. This experience, it seems to us to have been reasonably well demonstrated, the workers get in the labor union as they get it nowhere else. Shop committees can and are doing much educationally in this general direction. But until the workers have some wider affiliations than the shop, they can never be sure of successfully attaining what is often rightly theirs. They can never take quite the same independently aggressive and determined stand that the strong labor union can.

On this point, also, it should be realized that as a matter of history employers have *not* with any unanimity treated their workers fairly. And it has been one of the contributions of the union movement that it has enforced upon companies with which it has dealt standards of wages, hours, and protective regulation, which have had a marked influence in leveling up standards throughout the rest of industry.

As matters stand today, more and more managers may believe it to be good strategy to "beat the unions to it" in offering favorable and attractive terms of employment. Yet even this tendency often leaves the numerous marginal plants, the backward employers, and the small-scale shop practically unaffected and unimproved. And in such situations pressure from outside is seemingly the only way in which improved terms and conditions of work can be assured throughout a competitive area.

(c) Unions go out on a sympathetic strike when they have no direct dispute with their employer.

As we have said, this allegation has been true. But the unions themselves are mindful of the handicaps and dangers of this policy and in general are sincerely working to lessen such strikes. However unpardonable this policy may seem to employers, it does remain true that as a defensive instrument of self-preservation it has had its historic justification from the workers' point of view.

(d) Unions do not keep their agreement.

That this statement also contains a measure of truth cannot be denied. It would be equally true to say that employers do not keep their agreements. It is, in both cases, too sweeping a generalization. The proposal of incorporation in order to make unions accountable and responsible we have already considered and rejected. On the whole, our conclusion is that maximum success in holding both sides to their word results from having strong organization on both sides, amicable personal relations between the leaders on both sides, and a common desire for fair play.

(e) Unions make it difficult to discharge the inefficient.

To the extent that this is true, a gradual remedy lies in working to secure joint agreement on standards of workmanship at each job, and in joint methods for adjusting cases of discharge that arise.

(f) Unions make it difficult to reward the efficient; they put a premium upon mediocrity.

There has been a certain force in this objection; but the condition is not in any way inherent in collective bargaining. It is merely a characteristic of some collective bargains. Where piece-work methods of payment are in force or where production standards are agreed to, this objection is minimized. It is true that unions are usually trying to protect their less efficient members, and they are trying to protect all their members from over-speeding and other measures which may create unemployment. This latter is a sound impulse; and the only basic remedy for such a situation is the protection of workers in other more direct ways against the hazards and risks of industrial life.

Moreover, some unions contend with justice that their union wage scale is only a minimum scale. And the limited extent to which superior individual workers in non-union shops are paid above the going rate, even where incentive payment plans are in effect, does not indicate any widespread desire among employers to pay high differential rates.

(g) Unions limit output and restrict the use of labor-saving machinery.

This is another sweeping generalization which has a certain fact basis. It would be equally true, however, to say that *all* workers do both of these things.¹ And so, on occasion, do corporations

¹ See the evidence in MATHEWSON, S. B., "Restriction of Output among Unorganized Workers."

as well! Deliberate restriction is an almost inevitable consequence of bargaining over pay without including production standards, as well as of the threat of job insecurity. Indeed, as already shown, relief from a policy of limitation is *only* to be found in the joint conference and agreement on amounts of work which collective bargaining may and should entail, plus some protection against involuntary unemployment.

Also, the manner of introducing new machinery can be tempered under collective agreements in such a way that more economical processes can be installed yet displaced workers be given some compensation for loss of employment. A liberal dismissal wage, as previously noted, has been used to good effect under several union agreements. And it certainly remains true that society as a whole has thus far been almost impervious to the problems of human suffering which technological unemployment is constantly bringing in its wake. On this point the union position may seem conservative but it is at least more mindful of the rights of human beings to a chance to secure a livelihood than is any other one organized group in the community.

(h) Unions create confusion and interruption of work by jurisdictional disputes over which the employer has no control.

There is a measure of truth in this criticism, although it is a diminishing feature of union activity, found mostly in the building trades. The unions themselves are keenly alive to the un-wisdom of such disputes, and much is being done both by specific adjudicating machinery and by federation among unions to remedy the present situation—although the problem is still not wholly solved.

(i) The presence of unions and collective agreements submits the employer to negotiations with and control of certain items by an *outside* agency; the unions tend to “run the shop.”

We have already shown that such “outside interference” is really a benefit to the employer, since it helps to secure adequate protection of the workers’ interests. It is, moreover, *not* an outside influence, if only managers will accustom themselves to viewing the problems of all the corporations in an industry as interrelated and interacting. Some of the most regrettable shortcomings in managerial thinking today are due to this failure to realize that *no shop works or can work unto itself alone*. In the most vital problems of labor relations it is increasingly imperative for the manager to think in terms not of the shop but

of all the shops of an industry. And the union agent, as the spokesman of the organization of the workers of an industry at large, *is as necessary a functionary as the executive secretary or the legal counsel of the trade association to which the company belongs.* To stigmatize him as an outsider is simply to ignore the necessarily elaborate structure of modern industrial government.

Where the objection that the union tries to run the shop has any foundation, it is due to abuses of the collective principle for which both sides must usually share the blame. The objection assumes that employees' efforts toward control are irresponsible, unreasonable, and arbitrary. In individual instances such may be the case; but in the machinery which the collective bargain should provide, if it is properly drawn, lies the remedy for any serious ambiguity and discord over shop control. Often, also, unduly arbitrary conduct on the part of workers is due to ignorance of the relevant facts—a condition which may be remedied by proper publicity and training.

Where management is itself doing a responsible and effective job of planning, scheduling, and routing the flow of work and of maintaining plant and equipment in working order, this objection is rarely met.

(j) Union demands culminate in a stand for the "closed shop." This restricts the freedom of any worker who does not join and hence is "un-American."

It is true that unionism in order to fulfil its purpose—indeed in order to be sure of its survival—logically implies that the shop shall at least give preference in employment to union workers. Otherwise the union members employed would be gradually superseded and the collective agreement would no longer have binding effect on the new workers in their dealings with the company. If the union is to be responsible in any degree for upholding its end of an agreement, *it must have assurances that the great majority of employees are and will continue to be its members.*

The only question of fundamental importance which may be raised in this connection relates to the ease with which the union may be joined. There are undoubtedly some trades in some cities where the requirements for admission to the union are unduly severe. Such unions in lines of work where there is a real shortage of workers are pursuing a policy for which we are prepared to offer no defense. Where such a union has a union shop agreement, hardship may result to the non-union worker

because of his inability to meet the conditions of membership as a condition of employment.

The more usual case in a union shop is that there is a reasonably "open union"; *i.e.*, membership is easily secured. As long as there is an open union and a "preferential shop," there is no serious infringement of any individual's freedom, *if one understands the conditions under which any reasonable measure of real freedom may today be assured.*

(k) A final objection sums up the feeling of annoyance at having one's independent power of action interfered with when it says that collective bargaining is "all right in principle, but not in practice." By this statement a manager usually means that he has not the patience or the faith in the positive elements of human nature to undertake the mutually educational project which collective bargaining requires. Or he may mean that his own company "is not ready for collective bargaining"; or that, while recognizing it as eventually inevitable, he desires "to be boss in his own shop" as long as possible.

Or again, he may mean that the union or unions in his industry are: (1) corrupt in leadership; (2) too weak in point of number of members; (3) ignorant in leadership; or (4) not organized in enough of the competing plants to enforce the same labor standards on all competitors and thus equalize this factor in competitive costs. Objection on these four points when honestly advanced and in accordance with the facts certainly has in many cases a good deal of justification. Our contention in discussing collective bargaining is not to suggest that, in all industries and under all conditions and circumstances, it is today an advisable policy. Obviously, each situation has to be treated on its peculiar merits.

It is rather our purpose to show the functional case for the gradual extension of collective bargaining, when, as, and if the workers themselves organize to bring it about. For in those instances where collective negotiation is today working smoothly, it is a business asset with economic values for which no substitute has yet been found.

The manager who is disposed to admit that, despite his objections, the collective bargain is probably the direction which negotiation with employees must take in the near future may still object, however, that a different kind of organization, a different type of leadership, a different prevailing animus and aim from

those now usually found in unions are all required if collective bargaining is to succeed as a constructive force.

With such a manager we have considerable sympathy. For it is certainly true that to bring the great body of trade unionists to view their industries as *theirs* and themselves as responsible for the productivity and success of their industries involves a radical shift in the point of view of many workers and many union leaders. We do not under-estimate how considerable may be the education required in certain unions to create the outlook here proposed. Indeed, in some few cases the power of adaptation to new needs may have disappeared. Where this is true, there will be but one solution: another organization of the workers must (and will) grow up to supplant the old.

Our own view is clear both that unions, as they gain strength, will have to shift the emphasis of their policies to interest in the progress of their respective industries and that a significant minority of union leaders have already recognized the need for a newer attitude and are trying to give it effect in dealings with employers.¹ But it is equally clear that these leaders can be successful in articulating a new attitude of proprietary interest only as they find managers willing to cooperate with them in patiently working out the details of joint negotiation.

Conclusion.—Our estimate of collective bargaining as having business value is unqualifiedly favorable in theory; and it is favorable in practice if the elements in any given situation are propitious. In other words, we favor dealing with unions where: (1) the leadership is able, responsible, and honest; (2) a real majority of the employees have enrolled in the union; (3) the low labor standards of competing companies do not create too great a differential in unit costs; (4) the union can be persuaded to undertake joint control of measured production standards or some equivalent means of registering affirmative interest in the quantity and quality of production.

We admit that a more adverse picture of labor unions could easily have been painted if we were to center attention on those unfortunate cases of corruption, dishonesty, intrigue, inertia, irresponsibility, and racketeering which exist in certain union circles. Yet, were the worst that can be said of unions and of

¹ A well-documented record of this change is found in "Cooperation of Trade Unions with Employers," in *Monthly Labor Review*, U. S. Bureau of Labor Statistics, October, 1928.

bargaining with them admitted, it would still remain true that *from the business point of view some comparable organization of workers on an industry-wide basis has almost inevitably to grow up as the agent of employee sentiment and desire in relation to relevant industry-wide problems.*

Already companies have widely acknowledged the essential function of employee representation within one corporation. And where a corporation has numerous plants, the tendency to federation among all its employees has clearly manifested itself. The trade association, as we shall see in the next chapter, has important potential functions in relation to personnel issues affecting the industry as a whole. Eventually some employee group on a national scale paralleling the trade association will become a functional necessity—as it has already proved to be in those industries where unionism is accepted. Just as in political organization we require the simultaneous functioning of each citizen in a ward, city, county, state, and nation, so too we shall require for the handling of problems of different magnitudes, workers' organizations in one company, in a local district, in state, and in national affiliations.

The blind opposition of managers to this trend will be unfortunate, ill-timed, and productive of employee ill will. For, as former President Taft has said, "whether we will or not, the group system is here to stay, and every statesman and every man interested in public affairs must recognize that it has to be dealt with as a condition, to be favored in such a way as to minimize its abuses and to increase its ability."

The practical business utility of the collective agreement can unquestionably be increased; but this is not the work of a day or a year. It is an enterprise on which every employer desirous of creating good will, mutual understanding, and closer personal association between managers and men can profitably embark when the time is ripe and the conditions auspicious. He can take one step in the direction at once by introducing employee representation to negotiate on production standards and wages as the wholesome start toward adequate common knowledge and action. And the employer who is already party to a collective agreement can help to make it a more effective instrument in ways we have already suggested.

Progress will have been made when employers become convinced that collective bargaining properly conducted is one of

the essential next steps in restoring interest in work, creating a sense of self-respect and human dignity in the workers, and educating managers as well as managed into their respective responsibilities for a productive industrial system.

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CHAPTER XXXII

EMPLOYERS' ASSOCIATIONS AND PERSONNEL WORK

That it is a good business proposition for corporations to associate themselves with other companies to forward certain common ends is now widely recognized by managers. It may be less clear that the work and the character of those associations are likely to influence the labor policy and procedure of each constituent company; but such an influential relation does exist. For that reason the several types of employers' bodies and their functions in relation to the work of personnel administration will now be considered.

This demonstrable relationship is of two distinct types—positive and negative, constructive and repressive. It is essential, therefore, for the personnel manager in his efforts to maintain right labor relations to appraise the influences of the affiliations of his company upon its own labor policy. These affiliations may be with employers' organizations of four types—a local general body of employers, a local trade association, the national trade association, and other miscellaneous national industrial associations.

Local Associations.—The local chamber of commerce is usually a preponderantly employer group. Its influence in the local community is often great, but its direct connection with the operating problems of industry is not usually close unless it has an industrial relations committee which seeks to prevent strikes by mediating or arbitrating labor disputes. In some cities there are special committees in the chamber which are active in following labor legislation and in offering educational opportunities to the executive staffs of its member corporations by instituting special conferences, courses, or institutes in some major branch of management.

The local "employers' association," since it is composed primarily of manufacturers in various industries in the locality, is in a position to have more direct influence on the practices of each individual plant. While it is by no means always true, in

numerous instances in the past these associations have been primarily interested on their labor side in defensive and repressive policies. Such policies have tended to be "anti-union" and "open shop." So zealous has been the stand in this direction that in some cities what amounts to black-lists are used to prevent workers who are believed to be "undesirable" or "agitators" or "organizers," who are discharged from one company, from getting a job elsewhere in that locality. In order to have this policy most effective, companies may even be encouraged to employ detectives to identify "the uneasy element."

Such a negative program has in practice led nowhere—has from the personnel point of view done more harm than good. Such repressive policies readily become known to the workers of the locality. They have constituted an invitation to self-respecting workers to stay away, or else to come in with the deliberate intention of organizing employees to make vocal their grievances. There are localities in which the deep impress of this "anti" policy has so reflected itself in the employment office of every plant that it has been a distinctly handicapping influence, expressing itself in the type of workers who applied for work, in their working spirit, in the attitude of executives and foremen, in the whole labor policy of the company.

This is the more regrettable because the tested, positive measures which might be taken are so many. The local employers' association can, for example, in many places help greatly to consolidate the labor market by facilitating exchange of knowledge about job opportunities. Yet in times past the tendency has been for employers' associations to confine employment work to the placing of avowedly non-union workers willing to go to aggressively non-union shops.

Recently there have been evidences in a few cities of a gratifying broadening of policy and attitude. In Rochester, N. Y., and in a few other cities, the rigors of the present depression have stimulated local employer groups to act together and in cooperation with public offices to exchange information and secure placement of workers at new jobs, and even to build up unemployment reserve funds for payments of unemployment benefits to those who become involuntarily idle. In cooperation with public authorities a well-organized employment office has been operated; and, in general, a constructive and cooperative attitude has been displayed. This is a distinctly hopeful sign and it is to

be hoped that the contagion of these examples will lead other cities to similar efforts.

Much can also be done cooperatively by local employers on such matters as local housing and transportation. Much can be done in the cooperative use of industrial doctors, nurses, and special experts to direct training courses; in the teaching of English; in the study of the local costs of living; and in the reduction of local living costs such as rents. Many of these matters are already being cooperatively handled in one or more cities with distinctly favorable results.

If the local association proves to be persistently unwilling to act in these cooperative directions and continues a repressive policy, the progressive employer's policy may have to be one of independent action. He should, of course, do all in his power to effect changes in the association's policy by "boring from within." But beyond a certain point of tolerating a policy of which he does not approve, he is clearly justified in resigning and perhaps is even morally bound to. He should then let his position be distinctly known to his workers and in this way avoid the unfavorable working-class reputation which so usually attaches to the plants of members of employers' associations which are actively repressive in policy and practice.

The Local Trade Association.—There are a number of useful purposes which a local group composed of all the companies in one industry may serve, which by their nature general employers' associations cannot fulfill. This is especially true in cities where one industry preponderates or has numerous plants.

In the first place, they can (and probably should) act together in the establishment of reasonably uniform terms and conditions of employment. Wages and hours can be maintained on an approximate parity; working conditions can be assured of a certain minimum of human decency; interchange of employees can be facilitated by a common labor exchange (under private or preferably public auspices). Where, in such homogeneous industrial communities, labor unions are recognized and dealt with, it will be desirable that all the above matters be handled under a district collective agreement. Already, for example, in a number of cities there are in the printing, textile, boot and shoe, building, clothing and hosiery trades district collective bargains which help substantially to stabilize conditions, level up labor standards, and reduce interruptions of work due to strike and lockout.

The local association can, in the second place, join with the community to improve the quality of local education and relate it in useful and interesting ways to the local industry. And it can usefully promote classes for foremen and ambitious workers. It can encourage the development of a common technical library in the local public library and local exhibits of processes and products. It can help in the cooperative purchase of supplies, maintenance of warehouses, development of power plants, use of terminal and transportation facilities, etc.

Some local associations are also hiring production experts, cost-keeping experts, and personnel counselors, to familiarize their members with the latest procedure in these fields, to help them install modern methods, and to collect production and personnel records which are of comparable value throughout the locality.

Such a constructive policy requires leadership and imagination. But it can react in a highly valuable way upon the spirit and method of the personnel work in each of the cooperating companies. And it can and does demonstrate to each member company that *there are important matters affecting relations with workers which require common action from the entire local group if they are to be economically and wisely handled under present competitive conditions.* By this means also it should become apparent to the discerning executive that beyond the local grouping there remain certain other problems, also affecting labor relations, that require action by an industry as a whole. For it is clear today that *sectional competition* is in many industries a serious handicap to the maintenance of sound personnel policies. And until the crucial issues are projected and dealt with upon a national basis, no solution of them will be found. It has been a growing recognition of this truth, as it relates to all matters of company policy, that has led to the marked growth in recent years of national trade associations.

National Trade Associations.¹—It is only possible here to touch upon some of the functions of national trade associations which obviously relate to labor questions. There is not as yet any extensive personnel work in the offices of most of the national bodies; but there are vital points at which their activities might

¹ Examples of bodies of this type are the National Cotton Manufacturers' Association, National Metal Trades' Association, National Founders' Association, American Iron and Steel Institute, The Tanners' Council of America, etc.

contribute to the more competent handling of employment by the individual employer. They can, for example, collect comparative wage data, cost-of-living figures, unit labor costs, labor turnover figures, accident and sickness records, and the like.

All the national trade associations have annual conventions of several days' duration, and the educational value of these gatherings in relation to labor policy has proved to be great. At certain sessions it is customary in some associations to divide the convention into sectional meetings at which different technical problems are discussed by experts. New ideas in personnel management have spread far faster than would have been otherwise possible, because of the opportunity thus afforded to leaders in this field to meet large groups of owners and managers face to face in conference; and because managers have been willing to leave their own shops to discuss problems and new methods in terms of their possible application in their own companies. The proceedings of these conventions are printed, and useful ideas thus reach a wide audience in each industry. This educational work is further supplemented in some cases by the distribution of occasional trade bulletins, reprints of pamphlets, and the preparation of informational material for trade papers.

The fostering of trade research is a useful function of the national trade group. But such research should not, as is now often the case, be confined to problems of process. Ideally, it should be undertaken in all departments of staff management. If, for example, there are processes known to be unduly arduous or harmful to the workers, which could be improved through the use of labor-saving machinery, changes in formula, etc., research for easy and harmless methods should be instituted. The work of job analysis in any one plant will tend to uncover a number of problems urgently calling for further study, but which are common to the entire industry and should be studied once and for all by the industry in order that, when solved, the entire industry may benefit by the improvement. In research work of this sort, moreover, the cooperation of governmental and employee bodies can often profitably be sought.

The fostering of cooperative purchasing of raw materials is usually considered a distinctly "business" function; but with the organization of markets for raw materials on a world scale, an industry in any one nation that does not buy economically may be at such a definite disadvantage that the ill effects of this

upon the industry's prosperity will immediately affect the workers and the regularity of their employment.

In the same way, the necessity, especially for purposes of foreign sale, of a nationally organized agency interested in the marketing problem, is becoming widely recognized. While the trade association cannot become a selling agency, its advice and leadership may be of great value in unifying selling agencies, in reaching foreign markets, in discovering the peculiar conditions of demand in any country, or its special problems of shipment or finance. By such means the prosperity and *stability of work* of an industry have often in the past been favorably affected.

The economies resulting from standardization of styles, parts, designs, grades, and names of materials and products are now generally recognized. While there are wise limits to such standardization, a strong trade association can do much to promote this work. And the beneficial effects of it, in making regularization of work easier, may be pronounced.

Trade associations may also undertake a further task which is also fundamentally related to regularization of work. They may make and keep current an inventory of the producing capacity of the entire industry. As already pointed out, a first step toward an organization of knowledge of the demand for an industry's product is to know the industry's potential producing power, because sooner or later there must be some correlation of that producing power with effective demand as revealed by market research. In the absence of such knowledge by every unit in an industry production tends to outstrip demand in a way that invites market disorganization and recurring depression.

Organized contact with governmental bodies on the commercial, legal, mechanical, and labor aspects of the industry's problems is another necessary service. The federal government stands in need of some one representative group to deal with in every industry, whenever administrative or legislative problems affecting it arise. Issues which relate to tariffs, railroad rates, pending legislation in sundry fields, all call for testimony from responsible organized representatives of each industry. When the issue relates to the labor problem, there is a peculiar service of representation to be rendered by the association.

The standardizing and leveling up of labor policies and practices are increasingly necessary to an industry's stability. Consider, in this connection, the important bearing of uniform cost

systems. There are still many companies which offer a price on a contract or an order when they have only an approximate knowledge of its cost. Occasionally, if they get the contract they find that their price does not allow them to break even. In order to remain in business, such firms protect themselves by paying low wages and offering generally low labor standards.

Under such conditions, the company which knows its costs and makes its bid in relation to them is at a conspicuous, if temporary, disadvantage. The inducement to maintain high labor standards thus suffers a temporary setback. The ignorant and unscientific management has temporarily won out against the better organized company. *The installation of a uniform cost-keeping system throughout an industry is, therefore, one of the first conditions of assuring every firm's ability to pay decent wages, work reasonable hours, and, in short, to compete at a level where the exploitation of the workers is not the basis on which new business is secured.* Until every company is bidding on a basis of prices known to cover the legitimate costs, an industry's progress toward a sound personnel policy is retarded and the most egregious exploiters set the pace.

In some industries the policy of uniform cost keeping is carried a step further by the device of the "open price,"¹ under which all firms agree to record at once with *the association the price which they are charging for all orders closed.* These prices are then assembled in a daily or weekly price list which goes to all members; and any management which finds that its prices are noticeably high can then proceed to study the causes of its excessive costs.

Another necessary measure in eliminating that "unfair competition" which has in times past been a demoralizing influence is to have established uniform standards of purity or quality, uniform grading methods, uniform terminology. The manual worker has always been more or less a party—or at least a silent witness—to employers' questionable methods of labeling, grading, and manufacture. Once a whole industry has agreed upon a reasonable level of integrity as to the quality of its products, this offense against common honesty is greatly reduced; and employees are not subtly demoralized by being asked to be a party to dishonest practices.

¹ For full treatment of this subject see EDDY, A. J., "The New Competition"; and NELSON, M. N., "Open Price Associations."

One aspect of personnel activity on which there has already been valuable work on an industry-wide scale is in the field of apprentice training. In at least one industry—the printing trade—a formal apprentice training is instituted with the approval and to a certain extent under the joint direction of the national organization of employers and workers. There is a training director for the entire industry; courses of study have been worked out; scholarships are provided. This is a good example of the benefits to be derived from developing the supervision of one of the fundamental functions of personnel work for the use of an entire industry. Useful experiments in this field have also been undertaken in several local building trade centers.

In the metal trades industry, the national association has formulated an apprentice course which has been adopted by several hundred members. In paper making and in several other industries, the trade association has provided training courses which have been used successfully by many companies.

Another possible service lies in the field of placement. Especially in industries where special skills are in demand, the value of a national exchange of employment information can be great. The United States Department of Commerce has usefully summarized this function in the following way:

A trade association can add materially to its service facilities by including among other employee-relations activities an employment service. This would facilitate the bringing of the unemployed workman into contact with the vacant job, with a minimum of delay. If properly conducted, the employer members of the organization list their labor requirements with the association and direct to it men who leave their employ and also applicants whom they do not engage. Thus the employee-relations staff, having the available workmen and a list of existing vacancies, is able promptly to direct applicants to the plants where their services are in demand. The applicant is saved days of weary tramping from shop to shop seeking the vacancy for which he is qualified, and the employer is relieved of the burden of carrying equipment that is non-productive because of the lack of an operative.

Through its close contact with the industry the association is able to ascertain the probable future labor requirements and to determine the adequacy of the local supply. If that supply is insufficient, it should have knowledge of conditions in other sections and be equipped to bring to the attention of the idle workmen elsewhere the opportunities existing in its district. Conversely, it should be able to give to inquiring applicants information as to possibilities for employment elsewhere

when it is unable to provide it locally and to take an active part in the rationing of jobs or other methods of alleviation of distress in times of widespread unemployment.

The trade association better than any other agency sees from its point of vantage the need for developing new workmen to supply the increasing requirements of industry. It should encourage the training of apprentices and should not only point out to the employer his duty in that regard but, by continual following up, insure that a reasonable quota of young men is constantly under instruction. It has an excellent opportunity for missionary work among young men and boys by extending vocational counsel to them and placing them in line for apprenticeship in those trades or occupations for which they are best fitted. It forms a valuable intermediary between the schools and industry and is of particular aid in effecting cooperation between the employer and the continuation, part-time, and technical schools.¹

Still another interesting development of recent origin is the formulation by one trade association (the National Electrical Manufacturers' Association), of a plan for the accumulation of company unemployment reserves by its individual members, in order that they may pay unemployment benefits under certain specified conditions. This proposal is significant, although it is as yet too early to give any estimate of its possible success in this association.

There is also a great field for the use of a permanent personnel executive on the staff of the trade association who can advise on matters of labor policy and procedure. He can, for example, conduct an information bureau as to new experiments in the personnel field; help companies to find suitable executives; undertake personnel research; know in detail the labor situation of his industry; keep current records of its wage scales, hours, etc. In short, he can be to the industry what the personnel manager is to the corporation, its staff expert and adviser on personnel problems. Finally, where conditions are ripe, he can be the means of bringing representative groups from the employers and the employees of the industry together for joint consideration of their common problems.

In conclusion, the general case for the national trade association does not here need more elaborate arguing. But it has been important to illustrate the vital role which such bodies can play in industrial relations work, if only the possibilities are appreciated.

¹ "Trade Association Activities," published by the U. S. Department of Commerce, pp. 130-131, Washington, 1923.

The employers of an industry when once organized may, of course, adopt an unprogressive attitude on matters of labor relations. They may maintain a negative attitude toward the development of personnel procedures and closer relations with workers; they may prefer to dwell upon conflicts of interest rather than upon points of common interest with employees. They may become union-baiting agencies. We see less likelihood of this happening in the future than in the past, however, in the light of the present wide interest in positive and constructive measures. A trade association with a reactionary labor policy is probably better than no organization at all, for it offers the foundation for future building. But our analysis will have failed seriously if it has not made clear that *the maximum degree of nation-wide organization on the part of both employers and workers in each industry is eventually indispensable to the building up of a sound and democratic structure of industrial government.* But until the point is reached where the employers of an industry are at least 75 per cent organized throughout the nation (by which we mean 75 per cent of the total volume of production as well as 75 per cent of the total number of employers), and the employees are organized to a like degree, an industry is not ripe for those developments of industrial government which will yield the best results in the association's activities.

In speaking of the significance of such strong organization among employers and workers, the following statement of the case seems to us both sound and prophetic;

The possibilities of combined action which lie in these two great groups of highly organized and powerful bodies might transform the whole face of industrial life. Their united knowledge of both sides of the industrial process should enable them to throw light on every phase of its successive developments. Their united strength would render them, in combination, practically irresistible. But to secure the realization of these possibilities, the cooperation between the two groups must be continuous and constructive and must be based upon a recognition of the common interests of employers and employed, both as parties to industry and members of the community. Both the employers' association and trade unions must learn to regard themselves as joint trustees of one of the most important elements of the national life.¹

¹ Garton Foundation Memorandum, "The Industrial Situation after the War," reprinted by U. S. Shipping Board, Emergency Fleet Corporation, 1918.

Other National Associations.—A number of general national associations of employers aim largely to educate employers and public opinion. There is in this group the National Manufacturers' Association which interests itself in broad questions of industrial policy in relation to the government, the workers, and the consumer.

The United States Chamber of Commerce, especially through its industrial relations committee, attempts to crystallize employers' opinions on broad industrial policies and on specific matters of pending or proposed federal legislation.

The National Industrial Conference Board is a research body composed as an association of trade associations for carrying on elaborate studies of pertinent issues in the whole industrial field, with emphasis on personnel issues.

There is the National Civic Federation, not strictly an employers' association but one whose purpose is to provide a common meeting ground upon which the representatives of "capital and labor" of the nation can come to a better understanding of the labor problem and of each other.

There is the League for Industrial Rights which is devoted to a consideration of the legal phase of the relations of employers and employed.

The American Management Association is the national body whose interests are most directly in the personnel field. It is composed of companies and executives who are concerned with the improved handling of managerial problems and has a special section devoted to the consideration of personnel problems. The conventions and publications of this organization are of great value to executives who desire to keep informed on developments in the practice of personnel management.

A still further association which has had an educative influence quite out of proportion to its popularity or size is the Taylor Society. Nominally committed to the promulgation of the science of management as conceived by Frederick W. Taylor and his co-workers, this group has really interpreted the application of a scientific habit of mind and approach to the whole managerial problem. Its meetings and bulletins have also exerted a wide and beneficial influence; and in the personnel field its influence has been signal in bringing organized labor to a sympathetic understanding of the true meaning of a science of management.

Conclusion.—Employers' associations offer large opportunities for constructive service, especially those trade organizations in which employers are brought together by their common interest in the same industry. Many and almost unrealized are the positive gains which it is possible to secure out of such cooperative action. Happily, there are strong economic influences combining to make trade associations not only useful but indispensable. For in strong trade associations, ably led and mindful of the business value of a liberal policy on personnel questions, lies one hope of amicable transition to a basis of conference with workers who are likewise organized. Industry is, if managers but knew it, tending to organize over a wider and wider area to make possible joint dealings of managers and manual workers working together in each industry on a national scale.

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CHAPTER XXXIII

NATIONAL COUNCILS OF JOINT ACTION

Our insistence upon the eventual rise of bodies which on a national basis will represent corporations and workers from each separate industry has not been occasioned by any flight from reality. There have already been several instances of industries where the logic of events has brought into being joint national bodies, which are at least the prototype of the kind of development we believe may ultimately be expected more generally. In Europe, where this development has gone much further than it has here, owing to the greater strength and prevalence of labor unions in numerous industries, such bodies are referred to as "national industrial councils." In this country, there has as yet developed no term which by common consent denotes the kind of agency we are referring to. We shall here, therefore, adopt the word "council" when mentioning such bodies.

Our reasons for elaborating on this larger functional group have already been set forth. But briefly we can here summarize them as follows:

There are numerous problems affecting labor relations which cannot be handled by one corporation in an industry, or even by district or sectional groupings. Under a competitive *régime* there inevitably comes about a certain leveling of labor standards; and steps in advance or in improvement of present standards, although they are taken by individual companies, cannot proceed far without possible competitive handicaps arising. This does not necessarily imply the need for complete national uniformity of terms of employment, for example, but rather for terms that allow each corporation to compete in its natural market without undue disadvantage in terms of costs and price.

If this is true, it is idle to suppose that decisions on these issues which affect all the workers of an industry so vitally can always be made without reference to their demands, desires, and interests as these are nationally viewed. Ultimately, any adequate consideration of and negotiation over matters affecting each local

labor contract and agreement has, therefore, to be undertaken under the general supervision of agencies representing the industry-wide interests of employers and workers. This does *not* imply uniform national collective agreements; but it does imply the handling of local issues in relation to the competitive situation the country over.

And, finally, the fact that, where strong labor unions and strong trade associations already work together, they have found use for a joint national body supplies convincing practical evidence of *the functional justification for such a body*, where conditions are ripe for it.

Essential Features of the Council Idea.—It should be clear that we are observing an important distinction between national collective agreements (such as existed in a number of industries during the war) and nationally constituted joint councils under which the processes of collective bargaining go forward. For such councils usually endeavor to undertake supervision or advisory responsibilities regarding a wide range of activities which directly and indirectly may affect the labor relations of the industry.

An excellent general statement of the possible areas of interest of such councils is presented in the official document of English origin which formed the basis for the development of councils there. And although as yet none of our American councils have undertaken all of these functions, the following statement presents a logically complete picture of the potentialities:

Among the questions with which it is suggested that the National Councils should deal or allocate to District Councils or Works Committees the following may be selected for special mention:

(i) The better utilization of the practical knowledge and experience of the workpeople.

(ii) Means for securing to the workpeople a greater share in and responsibility for the determination and observation of the conditions under which their work is carried on.

(iii) The settlement of the general principles governing the conditions of employment, including the methods of fixing, paying, and readjusting wages, having regard to the need for securing to the workpeople a share in the increased prosperity of the industry.

(iv) The establishment of regular methods of negotiating for issues arising between employers and workpeople, with a view both to the prevention of differences, and to their better adjustment when they appear.

(v) Means of insuring to the workpeople the greatest possible security of earnings and employment, without undue restriction upon change of occupation or employer.

(vi) Methods of fixing and adjusting earnings, piece-work prices, etc., and of dealing with the many difficulties which arise with regard to the method and amount of payment apart from the fixing of general standard rates, which are already covered by paragraph (iii).

(vii) Technical education and training.

(viii) Industrial research and the full utilization of its results.

(ix) The provision of facilities for the full consideration and utilization of inventions and improvement designed by workpeople, and for the adequate safeguarding of the rights of the designers of such improvements.

(x) Improvements of processes, machinery, and organization, and appropriate questions relating to management and the examination of industrial experiments, with special reference to cooperation in carrying new ideas into effect and full consideration of the workpeople's point of view in relation to them.

(xi) Proposed legislation affecting the industry.¹

In the light of this statement of functions the following characteristics of a council should be recognized.

First, the council is *not* primarily an adjudicative body; nor is it formed under the usual collective agreement terminable at a specified date. The agreement takes the form of a permanent instrument. It is virtually a constitution, a body of basic law governing the scope and method of joint procedure in an industry. This implies no loss of flexibility in determining labor standards; it simply means that demands for changes in the terms of operation are to be considered with a minimum interruption of work and a maximum use of orderly parliamentary conference, as provided for under the terms of the basic understanding.

Second, the council and all agencies subsequently created under it recognize flatly in their composition the principle of equal representation for the two parties—organized employers and organized workers. Far from there being any question about the legitimacy or value of organization on either side, this is recognized as essential in instituting a council plan.

Third, the power to deliberate and advise upon *all* matters of labor relations is usually turned over to the council. Inevitably, as both sides have the capacity and the power which continuous

¹ From "First (Interim) Report on Joint Standing Industrial Councils," London, 1917.

joint association brings, they will see the advantage of conferring over a wide range of problems.

Fourth, there is the value in the council plan that it does not desire to centralize all power and authority. It seeks deliberately to get district, local, and shop groups to undertake responsibility for problems relating primarily to those smaller groupings. It invites decentralization. Indeed, it must, if the support and interest of the individual workers are to be permanently secured. In short, the principle of function is adopted, and each body is expected to assume jurisdiction over those matters concerning which it, and it alone, is informed, specially interested, and competent to decide.

The instances of national councils which have thus far been established in this country occur in the printing trades, the photo-engraving industry, the electrical construction industry, and the general construction industry as a whole. Although the activities of all of these bodies have been seriously impaired by the depression to a point where in certain cases their present activity (1932) is only nominal, it will be useful to describe briefly the scope and intent of each. For in every instance there is good reason to believe that better times will see renewed activity and effectiveness.

The International Joint Conference Council.—The International Joint Conference Council of the Commercial and Periodical Branches of the Printing Industry was organized in April, 1919. It is composed of ten members: five chosen by the several employers' associations involved, five chosen by the international unions which are parties to it. Meetings are held on call; a "unanimous vote is necessary to carry any resolution involving the establishment of general principles affecting" any of the parties to the agreement; and all expenses are borne jointly.

The preamble well sets forth the spirit and purpose underlying this cooperative effort:

Only through joint conferences in the spirit of mutual helpfulness between employees and employers can the foundation be laid for stable and prosperous conditions within the printing industry. To promote the spirit of cooperation and to deal with the problems of the industry in a way to insure the protection of the interests of all concerned, the establishment of an International Joint Conference Council made up of representatives of employers and employees, which shall be thoroughly informed as to conditions and interests of all parties in the industry and

in a position to suggest for ratification regulations which shall eventually become the law of the industry, is considered essential.

Compulsory arbitration by law is deemed impracticable as a means of adjusting controversies between employers and employees. Controversies between employers and employees can and should be adjusted through voluntary agreements to refer disputes to boards on conciliation and arbitration composed of representatives of employers and employees in the industry affected. It is in this spirit of arbitration and conciliation that the organization and operation of a Joint International Conference Council for the Printing and Allied Trades is undertaken.

This being the first council to be instituted in America, it is interesting to state in full the scope of its activities which are:

(a) Outlining of general trade policies which will secure the greatest degree of cooperation between employer and employee and at the same time insure full protection of the interests of the public.

(b) Consideration, reporting, and advising on any legislation affecting the trade.

(c) Studying and proposing methods for securing uniform working hours and shop practices.

(d) Cooperation with those departments of the government exercising jurisdiction, to maintain such selling prices as will insure a reasonable remuneration to both employers and employees.

(e) Consideration and review of the causes of any disputes which arise in the industry. All conciliation and arbitration processes covered in existing agreements must be exhausted before appeals are taken to the International Council. Where no arbitration or trade agreements are in effect, appeals may be taken through regular recognized channels to the International Council.

(f) Investigation of the question of apprenticeship conditions; adoption of suitable methods of selection for apprenticeship, and the technical training for apprentices, learners, and journeymen throughout the industry; the improvement of processes, designs and standards of workmanship; to seek adequate representation on the control and management of all technical institutes; to consider and report upon all improvements of processes, machinery, and organization, and appropriate questions relating to management and the examination of industrial experiments, with special reference to cooperation in carrying new ideas into effect, and full consideration of the employees' point of view in relation thereto. The better utilization of the practical knowledge and experience of employees, with provision for facilities for the full consideration and utilization of acceptable inventions and improvements designed by employers or employees, and for the adequate safeguarding of the rights of the designer of such improvements.

(g) Determination of practicability of establishing wage adjustment boards throughout the industry.

(h) Consideration of any matters of general interest to the trade, whether industrial, educative, economic, legislative, or hygienic, may be taken up.

The relation of the council to the trade associations, the unions, the local employers, and "chapels"—organizations of workers in one shop—is clearly defined and wise provision is made to keep the policy of the central body in complete harmony with the real sentiment of the entire membership of the industry. The specific provisions calculated to do this follow:

(a) Each side shall submit its bill of particulars for action in the form of resolutions, which, after having been unanimously passed by the International Council, shall be submitted for ratification to the constituent bodies of the organizations, parties to this agreement. Resolutions passed by the International Council and ratified by the constituent bodies of the organizations shall be binding upon all parties to this agreement and shall become the law of the trade.

(b) For the purpose of carrying out the intents and objects for which this International Council is formed, local unions, chapels, and shop committees affiliated with the respective International Unions, parties to this agreement, local allied printing trades councils and local associations of employers in the respective trades dealing with the unions under this agreement shall be recognized as proper and legitimate agencies through which the International Council is to function.

(c) It shall be the right of any of these local groups of printing trades, employers, and of local groups of employees to submit to the International Council for consideration and action any proposal of mutual interest, provided, however, such proposals will not violate the legitimate processes and relations in existence between local unions and respective international unions or be in conflict with existing agreements.

(d) That all local agreements hereafter entered into between local unions and local employers shall be underwritten and guaranteed by the International Union having jurisdiction over the particular trade making such local agreement. In the event that any local union or local employer violates or disregards the terms of this agreement, the action of such recalcitrant union or employer shall be publicly disavowed by this International Council and the aggrieved parties shall be furnished with an official document to that effect.

The following statement gives a good picture of the various activities which this council has from time to time taken up. The results in the field of apprenticeship and in the survey of

the health of printers deserve special mention as creative contributions to the industry:

Since its organization the I.J.C.C. has taken action in the interest of standardization and cooperation as follows:

1. The establishment of machinery for informal and frank discussion of problems in which both groups are vitally interested and the maintenance of an industrial good will and respect for one another's opinions which will lay the foundation for materially better industrial relations throughout the industry.

2. Adoption of cardinal principles to guide wage negotiations on the basis of joint investigation and recognition of the facts as to economic conditions in the industry.

3. Provisions looking toward the constructive handling of the apprenticeship problem—such as a standard percentage ratio which apprentices' wages should bear to those of journeymen for each year of apprenticeship; the establishment locally of joint apprenticeship committees authorized to enforce apprenticeship contract regulations; methods of making surveys to determine number of apprentices needed and the like.

4. A Standard International Arbitration Agreement form recommended for all contractual negotiations.

5. The agreement through mutual legislative negotiations for the introduction on May 1, 1921, of the forty-four-hour week, in the union-employed sections of the industry.

6. Standard Cost of Living Readjustment Clause, recommended for local contracts.

7. Establishing joint committees to consider shop practices and the possibilities of greater standardization.¹

At the present time, this organization's efforts are somewhat in abeyance.

Photo-engravers' Joint Industrial Council.—Five representatives of the American Photo-engravers' Association and five from the International Photo-engravers' Union constitute the industrial council in the photo-engraving industry. This council is formed along similar lines to that in the printing trades and is primarily advisory and recommendatory in function. It has worked vigorously on the apprenticeship problem, on cost-

¹ SILCOX, F. A., Director, Department of Industrial Relations, New York Employing Printers' Association, "Standardization and Cooperation in the Printing Industry," in *Proceedings*, American Academy of Political Science, pp. 59-60, January, 1922.

finding, on research, on standardizing collective agreements and wages, and on publicity for the industry.

The industry is not, to be sure, a large one in point of number of employees; but the object lesson it has supplied of sustained and intelligent planning regarding the vital problems of an industry has been illuminating. Today, however, this body on a national scale has been temporarily suspended in favor of local city joint councils.

The Council on Industrial Relations for the Electrical Construction Industry.—That group of the electrical construction employers which operates on a union shop basis is now organized into a body known as the Electrical Guild of North America. And this body has taken over the representation of the employing interest in the joint council which was originally organized in 1919 as between the National Association of Electrical Contractors and Dealers and the International Brotherhood of Electrical Workers. It is also a body of ten men—five employers and five union representatives.

The statement of policies of this council gives further support to the view that such bodies can have broader functions than collective bargaining.

POLICIES

The Council differs from so-called arbitration boards in that it professes to be a court of justice and not merely a court of arbitration. It proceeds on the theory that arbitration involves compromise, which seems to mean in some minds adding up the claims on both sides of a dispute and dividing the sum by two; while judicial settlement involves the application of definite and certain principles without any accommodation between the parties.

Emphasis should be laid upon the Council's abandonment of the philosophy of power and struggle. The council has clothed itself with no mandatory powers. It relies upon the individual's instinctive spirit of fairness and the theory that the public will think and act correctly when it has the facts. Publicity and public opinion are the only agencies by which the Council purposes to win recognition of its pronouncements.

The Council has adopted the following precepts for its own guidance when acting as conciliator in disputes:

(1) The Council views with disfavor sudden changes in wages, as unfair to employers on account of contract commitments. The Council likewise, and for the same reason, discourages retroactive wage advances, unless requested by both disputants. The Council reserves the right,

however, to render decisions making sudden changes, or retroactive changes, or both, if in special cases the facts appear to warrant such action.

(2) Industrial enterprise as a source of livelihood for both employer and employee should be so conducted that due consideration is given to the situation of all persons dependent upon it.

(3) The public interest, the welfare and prosperity of the employer and employee, require adjustment of industrial relations by peaceful methods.

(4) Regularity and continuity of employment should be sought to the fullest extent possible and should constitute a responsibility resting alike upon employers, wage earners, and the public.

(5) The right of workers to organize is as clearly recognized as that of any other element or part of the community.

(6) Industrial harmony and prosperity will be most effectually promoted by adequate representation of the parties in interest. Existing forms of representation should be carefully studied and availed of in so far as they may be found to have merit and are adaptable to the peculiar conditions of the electrical industry.

(7) Whenever agreements are made with respect to industrial relations, they should be faithfully observed.

(8) Such agreements should contain provision for prompt and final interpretation in the event of controversy regarding meaning or application.

(9) Wages should be adjusted with due regard to purchasing power of the wage and to the right of every man to an opportunity to earn a living and accumulate a competence; to reasonable hours of work and working conditions; to a decent home, and to the enjoyment of proper social conditions, in order to improve the general standard of citizenship.

(10) Efficient production in conjunction with adequate wages is essential to successful industry. Arbitrary restriction of output below reasonable standards is harmful to the interest of wage earners, employers, and the public and should not be permitted. Industry, efficiency, and initiative, whenever found, should be encouraged and adequately rewarded, while indolence and indifference should be condemned.

(11) Continuing agreements are recommended, providing they contain provisions for settling disputes, and for composing differences arising from controversial subjects, by reference to disinterested and competent judges.¹

Although this organization has undertaken to arbitrate a few wage disputes, it disclaims major interest in this activity and insists that where such disputes are referred to it for action a

¹ See "The Council on Industrial Relations for the Electrical Construction Industry" (pamphlet), Washington, 1931.

unanimous vote must be secured before a decision is published. There is, of course, no compulsion on the part of the affected local groups to accept the decisions. Experience has shown that the several cases referred to this council have all been decided by a unanimous vote and have all been accepted locally. Indeed, the claim is made that disinclination to appear before the council with insufficient arguments has meant the local settlement of a number of disputes which might otherwise have come to the national body for decision.

The American Construction Council.—The American Construction Council has a somewhat broader conception of its function than the other councils.

Every interest in construction is represented in it—from inventors, manufacturers and distributors, transportation agencies, realtors, architects and engineers, surety, contractors, labor and public officials actually engaged in construction operation, to the allied industries. . . .

Its purpose is to handle basic problems common to the industry as a whole and affecting the national prosperity, and to provide a practicable way in which the interests of the public and of this great industry itself can be furthered for mutual benefit.¹

In pursuance of this program a wide range of activities has been embarked upon, mostly of a broad public educational nature. Since the depression, efforts have been directed at such timely problems as slum clearance projects, quality of home construction, reduction of real estate taxes, protection of mortgage bond investors, etc. The results in terms of influence on public policy and public enlightenment of the work of this body have been impressive, especially in view of modest appropriation under which the council operates. Its future potentialities seem large as times improve, because the interests of all the affected groups are being studiously considered.

The Results of American Experience.—The value of the operation of joint councils in the United States may be pointed to with some confidence in the light of the above experience, even though the depression has lessened their current effectiveness. Although they have not completely kept away from the work of wage arbitration, they have minimized that activity. This policy has proved sound; for only as a council can continue to have the com-

¹ See "American Construction Council" (pamphlet), New York, 1930.

plete confidence of all parties can its work go on effectively. They have rather put emphasis on constructive efforts in labor relations which would reduce the possibilities of difficulties' getting to the point of actual strikes. And the record of strikes under these arrangements has been significantly small.

Again, emphasis should be put upon the method of voting employed. It should be such as to require a substantial majority of both sides to assent to a proposition before it is adopted. That should not mean that each side votes as a unit—only that there is virtual unanimity as to the wisdom of every policy decided upon.

A further word is necessary as to the scope of the conference dealings. While certain subjects are listed for consideration, it must eventuate in practice that *every subject* connected with the industry may under the council scheme come to the attention of the conference. We have already indicated, for example, that these councils can perform a signal service in aiding regularization of work through helping to organize a better knowledge of the demand for the product. Workers and managers together, each with a direct interest in steady work, can agree together upon a course of action which neither alone could attempt. It is just so with all the other matters which might come up. It is because they are joint conferences that there can issue from them proposals and decisions which can benefit the condition of all parties to the industry.

Criticisms of the Council Idea.—The omission of consumer representation from the typical council is unquestionably a serious defect. We recognize that in this country consumers as such are poorly organized and in the absence of such organization only less effective expedients are at hand. The alternative of having a number of public representatives is better than nothing. Such delegates (equal in number to the employer and employee members of the council), for example, might be chosen by the Secretaries of Commerce and Labor jointly, or by the two sides in conference, or in whatever way it was felt that a high-minded and enlightened representation of the public and consuming interest would be assured. The principle of the representation of the consumer interest on such councils is essential as a corrective to the real danger that action under a strong joint council can so readily be taken prejudicial to the consuming interest.

The fact that either the trade associations or the labor unions, or both, involved in an industry are not strong and inclusive

organizations will be pointed to as a limiting factor upon the extension of industrial councils. There is no escape from this conclusion. This development does wait and depend upon a far greater degree of organization than is yet in sight in most industries. But our effort is rather to establish the point that there will be real business value in having this type of organization and integration encouraged and extended as the natural forces of organization on both sides work in this direction. It is probably not desirable that there be any forcing of the process. Councils will tend to grow as fast as they represent a real functional necessity, and once the legal ambiguities about the work of trade associations and the status of labor unions are clarified. But that they are an eventual logical elaboration of the representative structure of American economic organization we are quite clear. Bodies of this sort promise to become eventually what may be called the parliaments of their several industries. They can function as the administrative agency for each industry in dealings with governmental bodies and consumers, no less than in purely internal dealings.

It may, again, be objected that the labor unions have this or that shortcoming which will make them difficult to work with in creating such councils. Such shortcomings may be a fact. Yet there is a general law of economy in the growth of institutions which applies here as elsewhere, a law which says that any institutional changes have to start from the conditions and institutions of the moment; and that society has, in consequence, to commence its transitions with groups as they are rather than with them as it wishes they were. This truth seems to us to apply to the labor unions. Though admitting their defects, they do nevertheless constitute up to the present time the only authentic, self-dependent national bodies of workers by trades and industries. And they give promise under favorable conditions of cooperation from the side of employers, of responding to the new demands of the future. Indeed, there have also to appear a broader vision, more social outlook, and a more democratic conception of industrial government in most trade associations as well, before they will become adequate instruments for sharing effectively in the administration of joint councils.

There is, finally, the objection that industrial councils may mean the injection of "politics" into industry. This objection is serious enough to require careful consideration. It presumably

means that issues will be decided not scientifically on their merits but because of the injection of personal influences, graft, log-rolling, and the like. It means a fear that red tape may pervade industry; that the indecision and cumbersomeness of operation which appear to characterize so much governmental action may appear also in business.

Industry must indeed be protected from "politics" so defined. To contemplate business organizations ridden with this sort of incumbrance must seem to every manager a veritable nightmare. There is, indeed, a real danger that such tendencies are already a handicapping influence in large corporations and national unions. And they will grow as companies and unions become more bureaucratic. But such growth will not be caused by the existence of joint councils. It will rather be due to difficulties inherent in large-scale units, in impersonal relationships, in assured permanency of tenure in important posts, in management divorced from ownership. It will be due, as it already is in governmental organizations, to the fact that all the directly interested parties are *not* sharing in the determination of working methods and terms of employment and hence are unable to bring easily to light and have discussed and corrected the evils, stupidities, and inefficiencies of bureaucracy. "Politics" in its bad sense industry should seek to forestall, if it wishes to stay on a basis of maximum productivity. But politics in the sense of a realization that there has eventually to exist a structure intelligently devised for effective, autonomous control of internal affairs, representation of the actively interested parties, and determination of policy on a basis of voluntary consent, industry not only has a place for, but it *cannot get on without*.

Conclusion.—It may have seemed that our constant use of governmental analogies in discussing questions of basic industrial control is somewhat forced. But it is daily clearer, to those who are watching closely the play of economic forces, that the pivotal and crucial problem of today is to find out how our economic and industrial life may be conducted in harmony with those principles of a government of, for, and by the people on behalf of their life, liberty, and pursuit of happiness, which are the proud national birthright of the American democracy. Broadly speaking it is true that until our country is prepared to realize that industry is a proper sphere for democratic government, fundamental progress toward a more humane and toler-

able economic order will be slow. And this will be due both to the fact that our industrial life will have failed to develop for itself any sensible aim and objective in terms of human service, and no less to the fact that our economic aims and arrangements will remain in complete and flat contradiction to our underlying political faith and vision. *And this flagrant inconsistency of purpose and method will continue to corrupt political life and stultify industrial action.* It is because of our concern over these larger issues and influences at work in modern society that we shall conclude this volume with a chapter devoted to a study of the basic purposes underlying all economic effort.

Meanwhile, we have tried to establish the truth that there is a hierarchy of functions, of jurisdictions, and of responsibilities in industry. These start in the separate departments of each corporation, extend to each company as a unit, include regional industrial adjustments, and must finally embrace each industry as a whole. And we see no escape from the conclusion—indeed we believe it is a highly salutary conclusion—that the principle of the representation of special interests must be applied in administering the functions required at *every* level in the economic hierarchy. The ultimate emphasis must be upon a basis of unified endeavor and hearty cooperation. But before that is possible, a condition of relative equality and freedom of association must prevail among all the workers of the head and hand. That condition will be measurably assured under a situation of constitutional representative government in each industry, the gradual building up of which we have now tentatively outlined.

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CHAPTER XXXIV

THE PURPOSE OF INDUSTRIAL GOVERNMENT

Industry is in process of evolving for itself a structure of approximately autonomous control which is essentially an industrial *government*. Gradually this idea that government is not purely a political fact, but does and must extend over economic affairs, is now gaining acceptance in this country. And its acceptance will yield important benefits because it will lead people to agree more readily that the principles and purposes underlying America's political life and government have also to be applied in economic affairs in ways as yet hardly contemplated.

This is not the place to explain how and why our traditional political philosophy has, in the present era of an "economy of surplus," left industrial life relatively unaffected. But the point of view from which this book is written will be clear only if, in conclusion, we examine the meaning of the democratic idea as it has developed in political thinking, consider the values and objectives which it implies, and ask ourselves whether industry can under the present economy of large-scale enterprise remain exempt from the influences and sentiments inevitably at work in a democratic society.

These are not considerations which we raise arbitrarily and irrelevantly. They have direct bearing and throw direct light on the entire personnel problem. For they contribute to an answer to the basic question: *What is the purpose of industry?* Only as this question is answered can there come agreement as to the aims of industrial government and therefore, finally, as to the kind of government which would best work for those aims. Only as this question is answered, also, do we all have any standards and criteria available as to what constitute sound and socially beneficial policies in the conduct of labor relations in individual corporations. *Without some consensus as to the essential objectives of industrial effort, we have no clue as to the objectives of the personnel policies which should be operative to aid in facilitating that effort.*

Briefly, therefore, we propose to consider the nature and meaning of the democratic idea. Democracy is not *primarily* a political institution at all. It is not one special form of governance implying certain specific methods of popular voting. The form is wholly secondary to the spiritual values sought. It is a moral purpose and a spiritual affirmation which are the real distinguishing features of the idea of democracy. When these are apprehended, their objectifying into democratic institutions can and does take most varied forms.

The essential spiritual affirmation with which democracy starts is that *human personality is an ultimate good*, and that each individual has a certain unique worthfulness which requires that his life be regarded as an end in itself. The criterion of good government is nothing less than its ability to assure the cultivation and development of as many individuals as possible who are trying to realize what Aristotle called "the good life."

Democracy is a *process* of personal achievement in the realm of qualitative good; and it is at the same time an *ideal* of a community functioning with the controlling aim of the economic and spiritual welfare of all its members. A truly democratic state thus seeks through every department of life to protect and to give expression to richness of individual living. It aims for an abundant life in the basic material necessities and no less in the fine things of the spirit. It aims at fine quality in individual experience. It aims to assure self-choice of experience as the condition of personal development, individual dignity, and self-respect.

Democracy does not derive its aims and its content arbitrarily from some purely idealistic desire, or some inspired but impractical prophets. Rather its whole idea has been the result of a long human experience with efforts at preservation of individual rights and fuller self-expression. And that experience has unmistakably demonstrated that, in the long run, people have to protect themselves and govern themselves, if their own wishes and aspirations are to be respected and to be realized. Slowly and painfully people have had to learn that royal families, feudal barons, landed aristocracies, priestly overlords, dictators, and captains of industry, in the long run, necessarily serve their own interests—not those of the community as a whole.

In a profound sense the idea of democracy was slowly forced on a reluctant world. Even yet, it can hardly be called a popular

idea. Peoples have not sought democratic conditions because they liked the responsibilities and cares entailed. They have sought them *because they must*. They are the price people have had to pay for the opportunity for freedom, growth, and the pursuit of their own satisfactions.

The purpose of government in a democracy is thus clear. The aim is nothing less than the assuring by communally organized activities that the conditions of life are such as to minister to the development and enrichment of the personality of every citizen. Through conscious associated efforts people have to assume affirmative responsibility for creating a whole life situation which favors individual enhancement. Whether this associated effort shall be voluntary, shall be required, or shall be governmental in character is a question to be settled without *a priori* preconceptions but in the light of experiment and results.

All of this is neither new nor strange doctrine in America. It is all a familiar part of America's traditional faith. In our vast political experiment we have in this country affirmed—at least in theory—that we sought liberty, equal opportunity, and a fraternal attitude as necessary conditions of individual self-development.

The American faith professes that its political structure is built with the affirmative sanction of all the people and for all the people, in order that life and happiness may be reasonably assured.

The American faith professes that in the common life of a democracy there can be no peace or sanity or improvement in the quality of life unless a purpose of public service is dominant in the administration of those affairs which affect all the people. At heart, Americans are convinced that, when there must be organized activity in the community to provide for primary human needs, the organized effort should be in the public interest and constitute, in fact as well as in name, a public service.

The American faith, in short, affirms that the purpose of the state is to facilitate a "good life" for all individuals in the state.

Yet despite the splendor and unparalleled fineness of America's tenacious hold upon these aims and ideals, people are coming to recognize that in the practice of the *economic* aspects of our life we virtually repudiate them. There is today a wider realization than ever before that business is not typically conducted to foster personality, that elements of insecurity, instability, poverty,

low standards of living, uninteresting and monotonous work relationships, arbitrary control, and anarchistic competition—all tend to defeat and deny the claims of a way of life that is self-enhancing and spiritually enriching. And what our country has to comprehend in the interests of realizing America's professed faith and aims is that *our economic life has to be governed, and the purpose of such government no less than its general methods have to harmonize with those already established as sound in political government.*

Industrial government must assert itself and articulate itself. There has necessarily to be an organization, an instrument of control, and an orderly, responsible administration over and above the efforts of individual corporations. And the purpose of such organization or government has *in a democracy* to share in and identify itself with the purpose of all government, namely, the assuring of basic conditions which minister to personality growth and human happiness. Industry, integral as it is to well-being in life, can no longer remain divorced in its aims from the ends and aims of life itself. And the hope for America's future lies primarily in removing this blight of a divided conduct of living, in which life in general tries through democratic influences to yield satisfaction to the individual and life in industry remains an essentially feudal, autocratic, and money-gaining exploitation of the individual.

It remains true for industry, as it has proved true for the state, for religion, and for education, that the remedy for institutions controlled by narrow aims is to have them come under the control of broader aims. Institutions exist not for their own sake or for the benefit of some small group which momentarily controls them. They exist to minister to the life of an entire community. And they are made subservient to public and inclusive ends *only as they are controlled under democratic methods and for democratic ends.* The insistence on democracy as the process and the ideal is not quixotic. It is the essential psychological requirement and condition of the operation of necessitous affairs *in the interests of the participants in those affairs.* All of which is as valid and imperative in industry as anywhere else. And the sooner our citizens within industry and without can be made to understand the essential unity of aim and pattern which must underlie *all* our communal efforts, *including the economic because of its crucial and determining importance,* the sooner shall

we all work to create a government for industry. And the sooner shall we all be prepared to agree as a matter of course that America's democratic ideals and aims must be operative in industry, if the whole epic of America is not to come to an ignominious and ignoble end.

We stand sorely in need of a clarifying of objectives in our economic life. The confusion and strife have been too long apparent and dominant. Now, in the perspective which we have on our political experiment and with the abundant productive equipment we have built up in our economic world, the time is ripe to acknowledge that there are objectives and purposes which can give sense, direction, and sanity to industrial effort. We want industrial government to develop and to be truly democratic not as an end, not to exalt as a fetish some abstruse "democratic" idea. This central idea is only a means—and, as far as anyone can now see, the sole means—to the conduct of business in the interests of the public welfare, business conducted of, for, and by the people themselves. In a word, democratic organization is the psychological condition of assuring personal liberation and self-expression through growth.

It should be noted in this connection that this conclusion does not necessarily imply any marked change in the normal working motivation of the generality of people, although it does require a grasp of better ways and means required to give those motives effect. It does, however, require some change in the motives and objectives of those usually referred to as our industrial leaders. In so far as such leaders are now primarily actuated by the desire to do a good job and to conduct their control of affairs with an eye to productivity, serviceability, and economy, they are already assuming an approximate attitude of public service and responsibility. But in so far as motives of private acquisitiveness control, these leaders are likely to find themselves in conflict with the democratic impulse.

For the majority of salaried and wage workers, however, it seems to us clear that what is needed in their industrial life is a better chance to fulfill their normal self-interests as a condition of the public interest being better served. The pursuit of numerous individual self-interests certainly does *not* necessarily sum up in some mysterious way into an attainment of a social good. We labor under no such mistaken notion. But certain assurances that rightful self-interests are being regarded and provided for is

a necessary condition of the release of all the creative and socially beneficent elements in human nature. Those assurances are all too absent today for too many people. They are assurances that democratic methods and aims tend explicitly to be mindful of. For we believe it to be a profoundly true philosophical observation that *people in the milieu of a democracy and under wise democratic leadership find necessarily that the protection of self-interests proceeds simultaneously with necessary regard for the interests of others.* This has to be so under those condition of close interdependence and highly organized relationships which are today a fact. And that necessary regard for the interests and rights of others is what we mean by the public interest. For the public interest is no abstract, impersonal reality. It is rather the name for an honest acknowledgment that the personal interests of ourselves and others as well are realized only in a social setting—that personal well-being arises only in a social situation. The recognition of the public interest is thus the recognition of those conditions which make personal development possible not for a few but for all. And this, again, is just what democratic methods are calculated to assure.

The real objectives in industry are undoubtedly plural, and to say that industry must be governed increasingly by considerations of performing a service and contributing to the development of the people within it, is really expressing two aspects of the same truth, namely, that industry justifies itself to the extent that it ministers to people as producers, and no less to them as consumers. Emphatically, in the purposes and motives which are valid in industry, the enrichment of the quality of each individual personality stands high.

Finally, it should be obvious that the democratic tendency is not embodied in any one form or type of structure or institution. There are no easy formulae or panaceas here. Nor is it the province of this book to essay prophecies about ways and means of giving the democratic impulse embodiment in some future time. (We would, however, like to make it clear that we realize that in speaking of industrial government we are throughout mindful of its ultimate dependence upon *some democratizing of the credit-issue function.*)

It is rather for us here to make clear that this impulse is gaining expression wherever opportunity is in fact being given

for individual lives to become more rich, varied, interesting, and happy than was formerly the case.

This is why every well-conceived procedure for genuine employee participation in shop control is not a "sop" but is a laboratory in democracy. This is why all the really enlightened personnel policies which this book has been describing are not just "temporizing measures" but are educational influences of irreplaceable worth. Just in so far as the workers themselves join in the determination of policy, they are essentially on the testing ground and in the training camps of a more democratic organization of industry. By whatever means any more ultimate and basic shifts to more democratic control may take place, *this inner transformation of individual minds has to go on anyway*. And it goes on slowly but surely wherever all the workers, managerial and manual, are participating in employee representation, in collective bargaining, in national joint councils, or in any other forms of responsible negotiative deliberation.

Conclusion.—We have now tried to make plain that sensible purposes for industry do exist—more philosophically profound and adequate than those usually affirmed. Because there are such basic objectives, there is needed a wider recognition of the necessity for industrial government as an explicit part of the whole governing structure. The groundwork for such a structure is already laid. And as it develops it will be vital to its success—at least in a country with the democratic professions of America—that it be a democratic government. This it must be, if one real purpose of industry is to be served—the purpose of ministering to the development of personality and self-fulfillment in all our citizens in and through the process of producing and distributing needed goods and services, and in relating that process organically to the needs and dictates of consumption.

Industrial leaders and managers have an impressive opportunity in the next few decades to institute experiments which look to reconciling the aim of more and better goods and happier and finer people who shall make and consume them. They have an opportunity which they may ignore only at their peril. For the shift to broader objectives and to more democratic means of assuring them has unmistakably commenced. And the professional manager and expert technician can facilitate the process if they will affirm aggressively and be guided more fully by their professional standards of public service and social responsibility.

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APPENDIX A

Topical Outline for Guidance of Students in Visiting Personnel Departments

- I. The Status of the Personnel Department:
 - A. Is it centralized?
 - B. Extent of authority and responsibility.
- II. Organization of the Personnel Department:
 - A. General features.
 1. Reasons for installing.
 2. Number of years in operation.
 3. Physical layout of offices.
 4. Staff required.
 - B. Method of organization:
 1. Title of person in charge.
 2. To whom responsible?
 3. Appropriation.
 4. Staff required.
 5. System of files, records, and forms.
 - C. Functions:
 1. Employment:
 - (a) Plant requirements:
 1. Working force, total, peak, seasonal.
 2. Types of people hired through department.
 3. Sources of supply:
 - (a) Outside of plant.
 - (b) Within the plant.
 4. Method of requisition.
 - (b) Method of selection:
 1. Questions and tests used.
 2. Restrictions, standards, job specifications.
 3. Extent of foreman's or superintendent's responsibility.
 4. Obligation to applicant:
 - (a) Explanation of plant policies, conditions of work and pay.
 - (b) Information booklet.
 5. Introduction to the plant:
 - (a) To other employees.
To foreman.
 - (b) Explanation of job.
 - (c) Follow up to determine success of selection.
 - (d) Follow up to determine transfer, promotion, discharge.

2. Factory hygiene:**(a) Fire prevention and protection:****1. Policies as to:****(a) Reduction of hazards to life.****(b) Cooperation of employees.****(c) Fire drills.****2. Responsibility for inspection and maintenance.****(b) Accident prevention and protection:****1. Policies as to mechanical safeguards, first aid, etc.****2. Responsibility for inspection and maintenance.****3. Records of causes.****4. Cooperation of employees through:****(a) Education, suggestion systems, committees.****(c) Maintenance of plant:****1. Responsibility for periodic check up, and recommendations for improvement in:****(a) Working hazards:****1. Occupational.****2. Ventilation and heating.****3. Removal of air impurities.****4. Lighting.****5. Noise and vibration.****6. Postures as adapted to work.****7. Rest periods.****8. Purity of drinking water.****9. Hot and sufficient food.****(b) Factory housekeeping: Windows, wash-rooms, floors, bubblers, etc.****(d) Medical care:****1. Who is responsible for, what facilities are there, and who pays the cost of?****(a) First aid.****(b) Nurses, doctors, hospital, dental department.****(c) House visits.****(d) Fatigue study.****(e) General health educational policy.****3. Training:****(a) Job instruction:****1. For workers.****2. For foremen.****3. Methods of.****(b) Policies in regard to:****1. Technical training for advancement.****2. Education in maintaining factory standards.****3. English classes.****4. General educational features.****5. Responsibility for conducting above.****(c) Transfer policy.**

- (d) Promotion policy.
- (e) Suggestion system.
- 4. Miscellaneous service functions:
 - (a) Physical:
 1. Lunch rooms—financial policy, extent of use.
 2. Cooperative purchasing arrangements.
 3. Transportation facilities.
 4. Housing schemes.
 - (b) Educational:
 1. Libraries, lectures, movies.
 2. Plant paper.
 - (c) Recreational:
 1. Variety; facilities.
 2. Method of organization and control.
 - (d) Benefit associations:
 1. Savings societies.
 - Purpose, method of operation, responsibility for funds.
 2. Insurance associations:
 - (a) Type.
 - (b) Methods of operation.
 - (c) Qualifications for membership.
- 5. Maintenance of working force and amicable joint relations:
 - (a) Problems where mutual understanding, cooperation, or careful adjustment is necessary:
 1. Promotion.
 2. Transfer.
 3. Grievance.
 4. Discipline or shop control.
 5. Discharge.
 6. Interview of leavers.
 7. Adjusting pay errors.
 8. Determination of policies on working conditions:
 - (a) Working methods.
 - (b) Quantity and quality of output.
 - (c) Hours of work.
 - (d) Rate of pay.
 - (b) Methods for controlling these problems:
 1. Through personnel manager:
 - (a) Is there stated procedure for handling complaints and grievances?
 2. Employees' committees:
 - (a) Qualification for membership.
 - (b) Machinery for representation and election.
 - (c) Method of organization.
 - (d) Problems handled.
 3. Collective bargaining with organized labor if there are agreements:
 - (a) What are their terms?
 - (b) Are they satisfactory?

4. Plant history on strikes and lockouts:
6. Research:
 - (a) Responsibility for gathering and classifying information as to:
 1. Jobs offered, types and specifications.
 2. Workers needed, types and qualifications.
 3. Effect of job on worker.
 4. Tardiness and absenteeism.
 5. Labor turnover:
 - (a) How figured.
 - (b) Amount of.
 - (c) Causes of.
 - (d) Cost of.
 - (b) Labor audit of plant.
 - (c) Method of learning of new developments in whole personnel field.
7. Relation of department to other staff departments:
 - (a) How are personnel policies adopted?
 - (b) Are production and sales policies adopted with knowledge of personnel department?
 - (c) How are personnel policies put into effect with foremen?
8. Relation of department to outside agencies:
 - (a) Responsibility and method of keeping in touch with:
 1. Legislation.
 2. Court decisions.
 - (b) Policy as to contacts and cooperation with:
 1. Government bodies, health departments, employment service, schools, libraries, etc.
 2. Civic agencies.
 3. Business associations.
 4. Organized labor.
- D. Conclusion:
 - (a) What do you consider the main justification for your department?
 - (b) What do you consider its limitations?

APPENDIX B

Current Sources of Personnel Information¹

- American Labor Legislation *Review*, 131 East Twenty-third Street, New York, N. Y.
- The American Management Review and Personnel*, American Management Association, 20 Vesey Street, New York, N. Y.
- The Annals*, American Academy of Political and Social Science, Philadelphia, Pa.
- Special Reports and Bibliographies*, Industrial Relations Counsellors, Inc., 165 Broadway, New York, N. Y.
- Special Reports and Bibliographies*, Industrial Relations Section, Princeton University, Princeton, N. J.
- The Journal of Applied Psychology*, Worcester, Mass.
- Journal of Industrial Hygiene*, The Macmillan Company, New York, N. Y.
- The Personnel Journal*, Williams & Wilkins Co., Baltimore, Md.
- Law and Labor*, League for Industrial Rights, 165 Broadway, New York, N. Y.
- Metropolitan Life Insurance Company, Policy Holders' Service Bureau *Bulletins*, 1 Madison Avenue, New York, N. Y.
- Monthly Labor Review*, U. S. Department of Labor, Washington, D. C.
- National Industrial Conference Board, *Research Reports and Special Reports*, 247 Park Avenue, New York, N. Y.
- National Safety Council, *Magazine and Bulletins*, Chicago, Ill.
- Russell Sage Foundation, *Industrial Relations Series*, 130 East Twenty-second Street, New York, N. Y.
- Taylor Society *Bulletin*, The Taylor Society, 29 West Thirty-ninth Street, New York, N. Y.
- Society of Industrial Engineers *Bulletin*, 205 West Wacker Drive, Chicago, Ill.
- The Survey*, 112 East Nineteenth Street, New York, N. Y.

COMMERCIAL PERIODICALS

- The Foremen's Magazine*, Foremen's Publishing Company, Dayton, Ohio.
- Factory and Industrial Management*, McGraw-Hill Publishing Company, Inc., New York, N. Y.
- Industrial Relations*, 844 Rush St. Chicago, Ill.

¹ Note: The above list is *not* aimed to be exhaustive, nor does it include information on surveys or news letters which are offered for sale on a commercial basis.

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