Productivity
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RAISING EMPLOYEE PRODUCTIVITY

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BNA WASHINGTON

What Is The Personnel Policies Forum?

The Editors of The Bureau of National Affairs have invited representative personnel and industrial relations executives to become members of the 1958 Panel of the PERSONNEL POLICIES FORUM. These panel members are top personnel officials in all types of companies, large and small, in all branches of industry and all sections of the country.

At regular intervals throughout the year BNA editors ask the members of the Panel to outline their policies and procedures on some important aspect of employment, industrial relations, and personnel problems. From these replies, the editors complete a survey report on the problem, showing prevailing practices, new wrinkles and ideas, and cross-section opinion from these top-ranking executives.

In many cases, the comments, suggestions, and discussions are reproduced in the words of the Panel members themselves. In effect, survey users are sitting around a table with these executives and getting their advice and experience on the major problems in this field facing all companies this year.

Results of each PERSONNEL POLICIES FORUM survey made during 1958 are printed in a special survey report which is sent, as part of the service, to users of these BNA labor reports:

Labor Relations Reporter; Labor Policy and Practice; Daily Labor Report; White Collar Report; Retail Labor Report; and Services Labor Report.

The 1958 Panel

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VIRGINIA – *John F. Finn*, Sperry Piedmont Co., div. of Sperry Rand Corp.; *Paul R. Thomson*, Industry Control Dept., General Electric Co.

WASHINGTON – *W. G. LaPoe*, General Insurance Co. of America; *J. P. McMullen*, Pacific Coast Paper Mills of Washington, Inc.; *Thomas D. Stuart*, Pacific Northern Airlines, Inc.

WEST VIRGINIA – *Wayne T. Brooks*, Wheeling Steel Corp.; *B. E. Gewin*, Ohio-Apex Div., Food Machinery & Chemical Corp.; *Charles E. Hamilton*, Union Carbide Chemicals Co., Div. of Union Carbide Corp.; *Jerry N. Markham*, Hazel Atlas Glass Div., Continental Can Co., Inc.

WISCONSIN – *D. W. Harris*, Bucyrus-Erie Co.; *Robert R. Giesser*, Le Roi Div., Westinghouse Air Brake Co.; *T. E. Koop*, Doughboy Industries, Inc.; *Jack J. Schmidt*, Mount Sinai Hospital.

WYOMING – *A. R. Johnson*, Pan American Petroleum Corp.; *J. R. McNulty*, Husky Oil Co.

RAISING EMPLOYEE PRODUCTIVITY

CONTENTS

INTRODUCTION

This survey, fourth in the 1958 series, is based on data submitted by 114 executives participating in the Personnel Policies Forum. Before summarizing the responses perhaps a word should be said in explanation of the omission from the survey of the topic of technology. Technology, of course, is basic to the entire subject of productivity. It is not treated in this survey, first, because it can be assumed that every company will try to keep abreast of technological advances for competitive reasons, and second because the topic is in any event outside the scope of personnel policies, the subject matter of these reports.

Panel members expressed their opinions of a number of management activities and functions from the point of view of their effectiveness in motivating employees toward greater productivity.

For example, nine tenths of larger companies (those with more than 1,000 employees) and the same proportion of smaller ones (those with 1,000 employees or fewer) consider that human relations programs have a significant effect on productivity. There is less unanimity, on the other hand, about the value of employee benefits as motivators of productivity. Less than three fifths of the Panel think them effective, nearly two fifths do not, and the remainder are doubtful.

When asked to rate the comparative importance, as motivators of productivity, of size of paycheck, quality of supervision, and management's effectiveness in getting its viewpoint across to employees, executives gave supervision the largest number of top ratings, pay the smallest, and communications an intermediate number. More than half the Panel grouped the factors in their rating, considering two of them equally important, and around a tenth rated all three as equal in effectiveness.

On the problem of disciplining the low producer, half the Panel find disciplinary measures effective, a third do not; the rest answered with qualified "yesses" and "noes," or by saying "sometimes."

An important aspect of employee behavior is the tendency to act in ways that are believed to be acceptable to other employees. Panel members were asked, in essence, whether they considered this tendency an obstacle to be surmounted or an aspect of group behavior that can effectively be utilized by management to raise productivity. Those who feel the tendency can be utilized outnumber those who consider it an obstacle by nearly four to one, while a small number of Panel members think that which approach is the correct one depends on the circumstances.

In capsule form, the position of the majority of Panel members (four fifths of them, in this case) on incentive systems is that they increase productivity but are a headache to administer. Individual incentives are thought to be more effective than group plans by about twice as many executives as favor group systems. Between two fifths and half of companies on the Panel have incentive plans. Of these plans, 45 percent are of the individual type, 18 percent are group, and 31 percent are a combination of the two. Four fifths of the plans in force among Panel members cover direct production employees; half this number cover indirect production workers; and smaller proportions cover sales, clerical, and professional and technical personnel.

The Panel finds valid a number of objections to incentive systems that have been raised from management's point of view. Most members agree, for example, that such systems increase the number of grievances, create friction between union and management, and tend to cause employees to skimp quality in order to make bonus.

On the question of what kind of supervision best promotes employee productivity, executives who favor detailed working instructions and a close check on performance are outnumbered two to one by those who favor more general working instructions and major emphasis on objectives and results. Closely related to this is the viewpoint of the nine tenths of Panel members who feel that a policy of decentralized authority, with maximum initiative and responsibility for supervisors at all levels, provides the setting supervision needs in order to work effectively toward the goal of greater productivity. Executives' responses indicate that such a policy is pursued by top management in almost four fifths of the companies on the Panel.

The report concludes with an analysis of the frequency and effectiveness of some of the specific methods management uses to raise productivity. Most frequently reported by Panel members are such methods as better selection of employees, improvement of working conditions, and human relations training for supervisors. Proportions of executives finding various methods effective range from 92 percent, in the cases of job simplification and improved employee selection, to 44 percent, in the case of suggestion systems. It was noticed that a method found to be highly effective may not be very widely used. For example, only 37 percent of companies report using job rotation but 90 percent of those who do find it effective.

MOTIVATING EMPLOYEES

Increased productivity on the part of its employees means not only that a company's competitive position is improved but also that it can offer employees greater job security and better pay. As personnel executives know, however, the bald statement of this fact may fail to produce anything but a suspicion that management is trying to sell a bill of goods. How, then, can employees most effectively be motivated to cooperate with management's efforts to raise productivity? This section of the report presents the Panel's thinking on some methods that have been used to this end.

Human Relations Programs

Do human relations programs have a significant effect on productivity? Nine tenths of larger companies and the same proportion of smaller ones think they do. Virtually all, however, add that it depends on the kind of program you have and how you administer it. The following comments illustrate the ways in which members qualify their endorsement of human relations programs.

> They can. However, these programs will have an effect in direct relationship to the quality and meaningfulness of the program. There are numerous human relations programs that seem to have been adopted and administered in name only.--J. M. Bradley, Personnel Director, The Vendo Co., Kansas City, Mo.
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> To the extent to which a human relations program can effectively develop supervisory insights..., we believe it to be an effective force in stimulating productivity. However, a program must be more than surface deep--it must induce attitudinal changes.--Robert L. Ford, Personnel Manager, Philips Electronics, Inc., Mt. Vernon, N.Y.
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> A significant effect if quality of supervision is good and benefits and salaries are good. The degree will depend on many factors. Human relations programs, for example, will have little effect on productivity if the organization is weak in other areas.--Jack J. Schmidt, Personnel Director, Mount Sinai Hospital, Milwaukee, Wis.
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> To my mind there is some question as to the effectiveness of general group type human relations programs as having a significant effect on productivity. However, I believe that...programs involving individual coaching may produce significant results in this area.--Richard G. Brown, Director of Industrial Relations, The Lunkenheimer Co., Cincinnati, Ohio.

Among the Panel members who think that human relations programs help increase productivity there are a few who remark that it's difficult to supply proof. They say, for example:

On a yes-no basis, I would answer "yes," but this relationship between human relations programs and productivity is almost impossible to show based on objective evidence.--John T. Kearney, Assistant Secretary, Personnel Department, Aetna Life Affiliated Cos., Hartford, Conn.

* * *

Difficult to measure the effect of human relations programs since increases in productivity can be the result of other factors such as increased recognition, pay, fringes, etc. However, I feel such programs have a significant effect.--A. P. D'Andrea, Oxford Filing Supply Co., Inc., Garden City, N.Y.

Most of those Panel members who deny the effectiveness of human relations programs in this area content themselves with a simple "no." An executive who amplifies his answer writes as follows:

Other factors of training, communication, quality of supervision, are far more significant in determining productivity.--F. F. Eastwood, Specialist, Personnel Relations, General Electric Co., Roanoke, Va.

Finally, one executive comments on the somewhat vague nature of the term "human relations program" in the following words:

What the hell <u>is</u> a "human relations program?"--H. G. Pearson, Personnel Manager, Polaroid Corp., Cambridge, Mass.

<u>Employee Benefits</u>

In response to the question, "Do employee benefits in themselves have a favorable effect on productivity?" 57 percent of the Panel says "yes," 39 percent says "no," 3 percent says "maybe," and 1 percent fail to express an opinion. There is no significant difference between the responses of larger and smaller companies.

Panel members who see a positive correlation between employee benefits and employee productivity seem to attribute this essentially to the effects of the benefits on morale and company-employee relationships. Here are some representative comments:

Yes, to the extent that certain insurance benefits and other fringes alleviate worry and effect security.--O. L. Gillen, Personnel Director, Square D Co., Cleveland, Ohio.

* * *

Yes, by providing a degree of security to the individual and his family. Also, our profit sharing plans have definite effects on productivity and expense control.--Wayne G. LaPoe, Personnel Director, General Insurance Co. of America, Seattle, Wash.

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If benefits are voluntarily given the effect is favorable. If given as a result of contract negotiations the effect is less favorable.--John McGrath, Assistant to President, Macco Corp., Paramount, Calif.

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Yes, but only if they are kept conscious of them by good communications.--J. H. Dennis, Manager of Industrial Relations, Bailey Meter Co., Cleveland, Ohio.

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All the human relations programs, benefit plans, and incentive plans are of little avail if the employees...suspect that such programs are a devious way of getting [them] to increase productivity. If, however, they are granted out of a personal concern for the welfare of the individual, the cooperation of employees should be greater. As long as the individual feels no infringement of his dignity or personal status, our experience has been that he will cooperate.--D. M. Sannit, Administrative Assistant to Vice President, Midland-Ross Corp., Cleveland, Ohio.

The sizable minority of Panel members who think that benefits do not in themselves increase productivity argue that (1) once given, a benefit soon becomes old hat and is taken as a matter of course; (2) employees tend to think of benefits as something to which they have a right; (3) liberalized benefits can make an employee happier without making him more productive. These executives say, for example:

Fringe benefits most frequently are taken for granted soon after they have been granted and it is doubted that they in and of themselves are inducive of increased productivity; on the contrary, sound human relations between the foreman and his workers are...reflected in high productivity. --Walter B. Laetz, Director of Industrial Relations, Auto Specialties Manufacturing Co., St. Joseph, Mich.

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No. An inspiring supervisor will produce more work from his unit than will be felt from the corporate adoption of a benefit such as a liberalized vacation policy.--Donald E. Marcus, Salary Administrator, United Fruit Co., New York, N.Y.

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My personal feeling is "no." Most benefits are included in the union contract and therefore employees feel they won these benefits by fighting for them and are theirs as a matter of right.--Henry K. Shor, Manager, Employment Relations, A. L. Smith Iron Co., Chelsea, Mass.

A couple of Panel members raise an interesting point in connection with employee benefits. Granting benefits, these executives observe, won't increase productivity, but withholding them may cause employees to feel disgruntled and productivity to decrease. This is what they write:

Employee benefits, in themselves, have little effect in raising productivity; however, the lack of benefits may cause poor productivity.--Robert G. Belote, Director of Industrial Relations, Rheem Manufacturing Co., New York, N.Y.

* * *

The establishing of benefits will not increase productivity. The lack of benefits may, however, serve to decrease productivity. The role of benefits...may be in establishing a feeling on the part of employees that they are being treated equitably and fairly in relation to other employees in the company and employees in other companies and industries.--Charles M. Mason, Vice President, Employee Relations, United Air Lines, Chicago, Ill.

Comparative Importance of Pay, Supervision & Communications

What is the comparative importance, in motivating employees to greater productivity, of (1) size of paycheck, (2) quality of supervision, and (3) management's effectiveness in getting its point of view across to employees? Panel members were asked to rate each of these factors as being less important, moderately important, or more important. They were further asked to assign the same rating to any two factors, or to all three, if they considered the factors equal in importance.

In the opinion of Panel members, quality of supervision is the most important of these factors and size of paycheck the least important in motivating employees to greater productivity. The proportions of executives assigning the highest rating to each factor are as follows: quality of supervision, 67 percent; effectiveness of communications, 41 percent; size of pay, 28 percent. There are significant differences in the evaluation of the factors by larger and by smaller companies, particularly so in the case of the importance attributed to quality of supervision. This factor receives the top rating from three fourths of larger firms as against just over half of smaller ones. The following table shows how Panel members appraise the relative importance of the factors.

How Panel Members Rate Supervision, Communications & Pay as Motivators of Productivity

	Highest Rating			Intermediate Rating			Lowest Rating		
	All Cos.	Larger Cos.	Smaller Cos.	All Cos.	Larger Cos.	Smaller Cos.	All Cos.	Larger Cos.	Smaller Cos.
Supervision	67%	74%	53%	18%	9%	35%	15%	17%	12%
Communications	41	37	48	44	51	30	15	12	22
Pay	28	26	32	52	51	53	20	23	15

This table is based on the responses of all but one company in the sample. Standing alone, however, it doesn't give a complete picture of the Panel's thinking. The figures might suggest that personnel executives tend to place the factors in three separate categories of importance; or, to put it a different way, that the chances are roughly seven to four that any given executive would say that supervision is more important than communications, and four to three in favor of his rating communications ahead of size of pay.

As a matter of fact, the executive would be a good deal more likely to answer that two of the factors are more (or less) important than the third; for, as further analysis of the responses shows, 54 percent of Panel members consider two factors of equal importance, 9 percent think all three are equally important, and only 37 percent assign separate ratings to each factor. The table below shows how the factors are rated by those Panel members who think two of them equally important.

How Factors Are Rated by Panel Members Who Consider Two of Them Equally Important

	All Cos.	Larger Cos.	Smaller Cos.
Supervision & communications more important than pay	39%	37%	43%
Supervision & communications less important than pay	5	2	9
Pay & communications more important than supervision	11	6	19
Pay & communications less important than supervision	26	37	10
Pay & supervision more important than communications	15	15	14
Pay & supervision less important than communications	4	3	5
	100%	100%	100%

It can be seen that each possible pair of factors is equated by some Panel members and that the pair bracketing supervision and communications gets the biggest percentage of high ratings. The response of one Panel member is not included in either of the preceding tables. This executive gives no rating to communications or size of pay. As a motivator of productivity, quality of supervision is evidently all-important, in his opinion.

Disciplining the Low Producer

Is disciplinary action effective in handling the problem of the low producer? Half the Panel say "yes;" a third say "no;" about one in 14 says "sometimes;" and the remainder (one tenth) give answers that don't fit any of these categories, or no answer.

The Panel members who answer "yes" fall into two groups--one (containing a little over two fifths of the Panel) who answer without qualification; the other (comprising slightly less than a tenth of executives) who have found disciplinary action only moderately effective ("somewhat," "to a certain extent," "fair result," "so-so"). Excluding those who reply to the question with a flat "no," the range of opinion is from the enthusiastic to the tepid, as the pair of comments below demonstrates.

> Low producers are talked to on an individual basis and failure to improve eventually results in discharge. Practically 100 percent show improvement after being given initial warning.--Smaller Central company.
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> These cases depend on the individual involved. However, our experience shows that disciplinary action will raise production only in a relatively small percentage of instances.--Charles D. Keesler, Personnel Manager, Citizens' Mutual Automobile Insurance Co., Howell, Mich.

Some executives think that the value of disciplinary action lies in its effect on other employees whose production is below par more than in any corrective effect it may have on the employee who is disciplined. Two of these Panel members write:

> Threat of termination for low-producing employee has caused increase in individual's production. More significant is actual termination...after all means had been taken to improve production; remainder of low-producing employees in the group, who are capable of higher production, immediately increase production.--Eugene R. Walker, Superintendent, Personnel Department, Employers' Group of Insurance Cos., Boston, Mass.
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> Not [effective] in terms of improving that particular employee's output, but a degree of firmness is essential for several reasons. For example, failure to discipline as a last resort might well be considered by other employees...as indifference on the part of management to the production performance of all employees.--Larger Northeastern company.

A couple of comments from the "sometimes effective" group are these:

> At times. Though discipline may be effective...in dealing with the low producer, trying to understand why he is a low producer solves the problem. If he is lazy, discipline is neces-

sary. If he does not understand instructions or is unsuited to the work, other action is suggested and required.--R. H. Gaskell, Manager, Salary Administration, IBM Corp., White Plains, N.Y.

* * *

Where the low production stems from dalliance and not from inability.--Frank J. Cunnane, Supervisor of Employee Relations, Reaction Motors, Inc., Denville, N.J.

The following table shows how the Panel feels about disciplinary action for the low producer. It can be seen that larger companies have more faith in its effectiveness than do smaller ones.

What Panel Members Think About the Effectiveness of Disciplining the Low Producer

	All Cos.	Larger Cos.	Smaller Cos.
Effective	42%	47%	32%
Moderately effective	8	9	6
Sometimes effective	7	8	6
Not effective	33	26	47
* Other	3	4	--
No answer	7	6	9
	100%	100%	100%

* "Have not used." "Not as effective as good human relations." "Cannot be answered yes or no--has two places, (1) remedial, (2) punitive.", etc.

THE TENDENCY TO "STICK TOGETHER"--HINDRANCE OR HELP?

In any setting in which employees work together in a group they usually display a tendency to "stick together"; that is, to behave in a way that they believe is acceptable to their fellow employees. The Panel's responses show that virtually every member has encountered this phenomenon and regards it as an important determinant of employee behavior and attitudes. The question therefore arises, is this tendency by its nature an obstacle to management's efforts to raise productivity, or, on the contrary, can it be utilized to increase their effectiveness?

In order to learn the thinking of the Panel, we asked members to indicate which of two statements they more nearly agreed with: (1) The tendency to "stick together" usually leads groups of employees to resist efforts to raise productivity; hence, it is more effective to work with and through individuals. (2) A company that has the confidence of its employees can utilize their tendency to "stick together" as one of its most effective means of raising productivity. For convenience, the first choice, which assumes that the tendency must be circumvented, will be referred to as the individual approach; the second will be called the group approach.

Panel members leave no doubt about their preference, with a nearly four-to-one endorsement of the group approach over the individual approach. Here is a table that summarizes the responses:

What Panel Members Think of the Group v. the Individual Approach

	All Cos.	Larger Cos.	Smaller Cos.
Favor group approach	70%	71%	68%
Favor individual approach	18	14	26
Depends on circumstances	8	11	3
No answer	4	4	3
	100%	100%	100%

The comments that follow are those of executives who favor the individual approach.

We have encountered the "stick together" damper on productivity in all areas, including salaried employees, and therefore have concluded that individual treatment will give us the best over-all result.--James E. Sauter, Personnel Relations Counsel, Booth Newspapers, Inc., Flint, Mich.

* * *

> Individuals are motivated in different ways. For this reason we believe that it is necessary to motivate each individual separately in order to obtain maximum productivity.--A. J. Paull, Vice President, General Services, The Cleveland Electric Illuminating Co., Cleveland, Ohio.
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> * * *
>
> It would be rare for any company to have complete confidence of all employees. Therefore, to raise productivity your best chances are through individuals within departments or work groups.--R. M. Jones, Director of Industrial Relations, Carnation Co., Los Angeles, Calif.

Examples of the reasoning of executives who refuse to endorse either approach to the exclusion of the other are these:

> Neither group nor individual approach will work alone. Employees are individuals working in a group therefore must be treated individually in the proper group climate.--Robert L. Sutton, Manager, Personnel Services, Caterpillar Tractor Co., Peoria, Ill.
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> * * *
>
> Both approaches can be used effectively...Once a group feels what is expected is unfair they will stick together to prove their point. However, this works in reverse where group morale is high and they have confidence in management. Most important is the leadership and fairness with which management approaches its objectives and explains the <u>why</u>.--James L. Williams, Director, Industrial Relations, Burlington Industries, Inc., Greensboro, N.C.
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> * * *
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> There generally is a leader in a group of "stick together" employees. Our policy is to work on the leader and convert him to our way of thinking in the matter of increased production. If he goes along the group will follow. We have had very good luck in this manner of operation. --E. L. Randolph, Personnel Director, The Ohio Match Co., Coeur D'Alene, Idaho.

These comments suffice to illustrate two of the points of view expressed by the Panel. What about the third--the opinions held by members who endorse the group approach? Some of these executives say merely that they've tried this approach and it works. Others go further, saying in essence that a company cannot afford <u>not</u> to make use of it. Some go still further, not only pointing out the merits of working through the <u>group</u> but expressing the conviction that working through individuals may put these employees on the spot with their fellows and create suspicion of the company's motives. A few of the numerous comments submitted by these executives are given as examples of their point of view. It is noteworthy that many stress the importance of good supervision in connection with this approach.

> The tendency to "stick together" is a premise on which a company may well attack the problem of increasing productivity...To influence a group to "stick together" in a desired pattern, many tools can be used simultaneously. ...The trick, of course, is to create a situation where suggestions and shortcuts are acceptable to a man's fellow employees and where slacking off is not.--Larger Northeastern manufacturer.
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> * * *
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> After new employees are on the job a while, they tend to "level off" at wherever the general department production level is fixed. With good supervision, this is at a higher point than in departments with less effective supervision. The "group effect" definitely has an influence on individual production.--John T. Kearney, Assistant Secretary, Personnel Department, Aetna Life Affiliated Cos., Hartford, Conn.
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> * * *
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> Since we are all social beings and independent but interdependent we have a natural tendency to "stick together." This attribute of people can be extended to "work together." It can be used to increase productivity provided that the supervisors are good group leaders.--R. A. Curran, Jr., Director of Personnel, American Machine & Foundry Co., Brooklyn, N.Y.
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> * * *
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> I believe in the interaction of a group and the fact that groups will often set higher goals than management would even dare to ask.--Larger Northeastern manufacturer.
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> * * *
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> Employees...like to be on the shift or "gang" that can do it better or do it faster. I have found subtle approaches to fire up their instinctive competitiveness far more effective and durable than formal programs or monetary incentives. An appeal for more production, as such, falls on deaf ears.--Walter B. Siegel, Director, Industrial Relations, Soulé Steel Co., San Francisco, Calif.
>
> * * *

We find that it is difficult for an individual to act as his better judgement dictates because one does not like to be tagged as the boss's fair-haired boy or a company man. We feel much more can be accomplished by working through your employees as a group.--M. E. Keating, Director of Industrial Relations, The Pfaudler Co., Rochester, N.Y.

* * *

Playing the productivity efforts of one employee against another can often destroy employee confidence in the company's motives. Promotion of group effort promotes confidence and can effectively raise productivity.--Charles Callan, Personnel Director, The Roosevelt Hospital, New York, N.Y.

* * *

We have suspected more than once that the individual approach is interpreted by employees as "favoritism"and/or "discrimination."--Smaller Central company.

A number of executives discuss the effect of unionization in making one approach or the other more desirable. They take diametrically opposed views, as this representative pair of comments shows:

The tendency to "stick together" will usually appear stronger in companies that have union contracts. Our experience dealing with such groups has not been favorable or the results have not been as satisfactory as when we approached the problem through individuals.--C. R. Beeson, Director of Industrial Relations, Levingston Shipbuilding Co., Orange, Tex.

* * *

We have been extremely successful in utilizing the group approach as a means of increasing production as well as accomplishing other goals. The excellent relationships established between supervision and representatives of our local unions has been instrumental in making this success possible.--Philip Kraushaar, Director, Industrial Relations, Allied Paper Corp., Kalamazoo, Mich.

It's possible, of course, that such divergence of opinion stems at least in part from differences in the policies and attitudes of the unions with which the Panel members concerned have dealt.

INCENTIVES & PRODUCTIVITY

There's little question in the minds of Panel members that incentive systems are effective in increasing productivity, even though, as will be seen in another section, most executives think there are plenty of headaches in administering them. Four fifths of the Panel consider incentives effective, as against less than a sixth who do not. In substance, proponents say that you can't expect employees to take much interest in higher productivity if they don't share in the financial benefits. On the other hand, one executive whose company has no incentive plan agrees that they are effective, but adds:

<u>At the expense</u> of other factors such as employee relations.--F. F. Eastwood, Specialist, Personnel Relations, General Electric Co., Roanoke, Va.

Of those Panel members who consider incentives effective, two thirds believe that individual incentives are more effective than group plans, between a third and a fourth give preference to group systems, and one in nine says that the choice should depend on the nature of the job or process.

It must be pointed out that absence of an incentive system at a given company doesn't necessarily mean that the firm considers such plans ineffective. As a matter of fact, only 45 percent of companies report that they have incentive systems, as compared to the 81 percent that endorse their effectiveness. A few state that the nature of their operations is not suited to incentives. And union objections bar the installation of a program by others. Two Panel members, for example, remark:

Incentive plans are prohibited in most of our Building Trade agreements. Where such plans were formerly used productivity was noticeably increased.--John McGrath, Assistant to the President, Macco Corp., Paramount, Calif.

* * *

The major union in our industry absolutely prohibits incentive plans which would seem to be some sort of testimonial to [their] effectiveness.--James E. Sauter, Personnel Relations Counsel, Booth Newspapers, Inc., Flint, Mich.

The tables which follow summarize the opinions and practices of Panel members with respect to incentive systems. "Indirect production" employees are those engaged in maintenance and repair, material handling, and the like. Sales, clerical, professional and technical, and similar groups of employees are classed as nonproduction.

How Panel Members Rate Effectiveness of Incentive Plans in Raising Productivity

	All Cos.	Larger Cos.	Smaller Cos.
Consider effective	81%	80%	82%
Do not consider effective	15	17	12
Don't say	4	3	6
	100%	100%	100%
* Kind of incentive considered most effective:			
Individual incentive	59%	59%	60%
Group incentive	28	28	29
Depends on nature of job or process	11	11	11
Unspecified	2	2	--
	100%	100%	100%

* Percentages based on number of companies that consider incentives effective.

Frequency, Kind & Coverage of Incentive Systems in Force Among Panel Members

	All Cos.	Larger Cos.	Smaller Cos.
Have incentive system	45%	47%	41%
Do not have incentive system	54	51	59
Don't say	1	2	--
	100%	100%	100%
* Kind of incentive system:			
Individual	45%	42%	50%
Group	18	13	29
Group & individual	31	39	14
Unspecified	6	6	7
	100%	100%	100%
* Types of employees covered:			
Direct production	80%	77%	86%
Indirect production	40	42	36
Sales	32	32	31
Clerical	20	19	21
Professional & technical	16	13	21
Unspecified	2	3	--

* Percentages based on number of companies that have incentive systems.
Note: Totals of percentages under "Types of employees covered" exceed 100 because most of the systems reported cover two or more types of employees.

The preceding table shows that direct production employees are covered by incentives from two to five times as often as indirect production and nonproduction employees. Coverage of the two last-named groups is smaller than might have been expected from Panel members' responses to a question asking whether incentives can successfully be applied to these employees. This was answered "yes" by 48 percent of executives; "no" by 32 percent, and "doubtful" or "very difficult" by 3 percent. (The rest gave no opinion.)

OBJECTIONS TO INCENTIVE SYSTEMS

The foregoing discussion shows that the large majority of executives are convinced that incentives raise productivity. However, as has been mentioned, incentive plans can give management a lot of trouble. Panel members stress the point that sound administration and high quality of supervision are indispensable if such programs are to do any good. In fact, the responses suggest that the real question in management's mind is not so much whether incentives will work, but rather whether their benefits outweigh their disadvantages. This is made clear by the following pair of comments:

Even though there may be many valid objections to incentive systems, we still hold strongly to the fact that costs per unit are lower with incentive systems than with daywork plans.--Walter B. Laetz, Director of Industrial Relations, Auto Specialties Manufacturing Co., St. Joseph, Mich.

* * *

Incentive plans are known to raise productivity but is the increase worth the cost and trouble? We have only one limited example of an incentive system in the Company, therefore, we must feel it is not worth the cost or trouble.--Robert L. Sutton, Manager, Personnel Services, Caterpillar Tractor Co., Peoria, Ill.

Additional evidence along these lines comes from the Panel's answers to a question listing a number of objections that have been raised to incentives from management's point of view and asking members to indicate whether they considered them valid or unfounded. The answers are summarized in the table that follows.

Each percentage in the table is based on the number of companies rating that objection one way or the other. (This number ranges from 75 to 81 percent of the maximum possible and is typically about 78 percent.) The table gives only the proportion of companies rating each objection as valid. Hence, the difference between each figure and 100 is the proportion that considers that objection unfounded.

% of Responding Companies That Consider Various Objections to Incentive Systems Valid

	All Cos.	Larger Cos.	Smaller Cos.
Creates friction among employees	47%	48%	44%
Creates friction between union & management	69	71	68
Creates friction between line & staff	36	36	37
Increases number of grievances	77	82	68
Discriminates against indirect operations	52	49	57
Employees restrict output	41	40	42
Employees skimp quality to make bonus	61	61	62
Employees falsify records to make bonus	45	50	36
Employees conceal ways to increase production, for fear rates will be tightened	71	73	68

Several Panel members point out that they don't necessarily mean by a "yes" answer that an objection is invariably valid. Typical of such comments is the one cited below.

All of these objections are valid in poorly designed, poorly administered incentive plans--and they are many! None of these objections is an inexorable fact.--Fred H. King, Personnel Manager, Affiliated O'Malley Cos., Phoenix, Ariz.

Other objections mentioned by one Panel member each are these: employees resist transfer from incentive to nonincentive jobs, even when promoted; expensive and time-consuming to retime job when methods are changing; difficult to reduce rates when methods change, because of employee resistance; places false ceilings on productivity and earnings.

SUPERVISION & PRODUCTIVITY

No aspect of supervision is without influence on productivity--a fact underscored by the emphasis Panel members place on quality of supervision (already discussed under the heading "Motivating Employees"), as well as by comments that have been quoted elsewhere. This section of the report confines itself to examining two aspects of supervision as it relates to productivity. In broad terms, these are (1) supervisory methods that stimulate employees' initiative and responsibility, and (2) management policies that stimulate supervisors' initiative and responsibility. It's necessary to look into both points, since supervisors' ability to act effectively in the first area is influenced by the amount of support, encouragement, and authority that they in turn receive from higher management.

Close v. General Supervision

The first of the two aspects of supervision mentioned above was approached indirectly in the questionnaire. Panel members were asked: "Which method of supervision do you think is more effective in raising productivity? (1) Detailed working instructions, close check on performance of work; or (2) working instructions more general, emphasis on objectives and results rather than on details of how work performed." For convenience, these will be referred to as "close" and "general" supervision, respectively.

Nearly two thirds of the Panel feel that general supervision is more likely to boost productivity than is close supervision, as compared to less than a third who hold the opposite view. About one in 14 thinks the proper choice depends on the nature of the work and the type of employees involved.

One executive who votes for close supervision explains his choice in these words:

> We feel a chose check on job performance necessary for quality, quantity, and safety.--Smaller Central Company.

Those members who discuss their preference for general supervision, on the other hand, tend to tie the issue directly to the question of initiative and responsibility, as the following comments show:

> Employees generally like to be given some responsibility in the operation of their jobs.--N. J. Wardell, Industrial Relations Manager, Polymer Chemicals Div., W.R. Grace & Co., Baton Rouge, La.
>
> * * *
>
> An employee's interest in his duties is somewhat proportional to his control of the tasks and results achieved. It is a mistake to give detailed orders which deprive the employee of initiative.--Thomas E. Huss, Personnel Director, The Swartwout Co., Cleveland, Ohio.

Members who refuse to state an absolute preference for either method generally indicate that close supervision is more effective with clerical or production employees, general supervision with technical and professional and more-highly-skilled plant employees. The table which follows summarizes Panel members' opinions of the two methods.

Close Supervision v. General Supervision

	All Cos.	Larger Cos.	Smaller Cos.
Close supervision more effective	28%	23%	38%
General supervision more effective	64	68	56
Depends on nature of work and type of employees	7	8	6
State no opinion	1	1	--
	100%	100%	100%

Centralized v. Decentralized Authority

Panel members were next asked which policy they considered more likely to increase productivity: one where management emphasizes centralized planning and uniform procedures, authority is largely centered at the top, and lower-level supervisors are mainly expected to conform; or one where management emphasizes responsibility and initiative at all levels of supervision with authority decentralized as much as possible. These will be referred to as policies of centralized and decentralized authority, respectively. Finally, members were asked which policy was more nearly followed in their own companies.

The Panel is for a policy of decentralized authority by a margin of 15 to one--90 percent for and 6 percent against. And members report that decentralization is the policy in about four fifths of companies, centralization in about a sixth, which suggests that personnel executives and top management see pretty much eye to eye on this issue. The coments below illustrate the thinking of executives who favor a decentralized policy. (Those taking the opposite point of view did not state their reasons.)

> In our operation we stress strongly the philosophy that initiative and responsibility for job functions is an integral part of supervision at all levels.--N.J. Wardell, Industrial Relations Manager, Polymer Chemicals Div., W.R. Grace & Co., Baton Rouge, La.
>
> * * *

To the extent to which the individual supervisor can be motivated by responsibility accompanied by necessary authority--to this extent, he will serve as a motivator of persons working under him.--Robert L. Ford, Personnel Manager, Philips Electronics, Inc., Mt. Vernon, N.Y.

* * *

Although I have checked [decentralization] here, I believe that planning and uniform procedure should [first] be well founded.--Thomas D. Stuart, Director of Industrial Relations, Pacific Northern Airlines, Inc., Seattle, Wash.

The following table shows the opinions and practice of companies on the Panel in this area.

Centralized v. Decentralized Authority

	All Cos.	Larger Cos.	Smaller Cos.
Favor centralized authority	6%	2%	15%
Favor decentralized authority	90	92	85
Depends on circumstances	1	2	--
No answer	3	4	--
	100%	100%	100%
Practice centralization	17%	14%	24%
Practice decentralization	78	79	76
No answer	5	7	--
	100%	100%	100%

SPECIFIC METHODS OF RAISING PRODUCTIVITY

What are some of the specific things a company can do to raise the productivity of its employees, and which of these methods have been found most effective by those firms that have tried them out? The composite experience of the Panel provides a body of knowledge that can help to answer this question. To this end, members were asked whether they had made use of any or all of a list of methods sometimes employed to increase productivity, and to tell whether or not they had proved successful.

The methods most frequently reported (by from about nine tenths to three fourths of Panel members) include improved selection of employees, improved working conditions (better lighting and so forth), and human-relations training for supervisors. Those least often reported (by from roughly a third to a seventh of members) include job enlargement, job rotation, and profit sharing. Intermediate in frequency (used by from around two thirds to two fifths of executives) are job simplification, the use of communications media such as house organs and posters, and suggestion systems.

How well do these methods work? The proportions of Panel members who find them effective ranges from 44 percent in the case of suggestion systems to 92 percent each for job simplification and for improved methods of selecting employees. It is important to note that the fact that relatively few companies have tried a method may be no argument against its effectiveness. Thus, for example, only 37 percent of companies make use of job rotation, but 70 percent of those who do report it to be effective; similarly, job enlargement has been tried by only 38 percent, but has been found effective by 90 percent of firms who use it.

An obvious difficulty in evaluating the effectiveness of methods of raising productivity is the lack of any precise way of measuring their impact, or even, perhaps, of being sure that a given change in productivity is actually the result of taking some particular action. Nevertheless, the substantial margins by which the Panel endorses the effectiveness of most of the reported measures suggests that this may be more of a problem for the statistician than it is for the personnel executive. A few Panel members comment on the point; the examples below are typical.

We find it difficult to measure improvements in the efficiency of our employees. We know we are making progress in this direction, but it is difficult to distinguish between progress resulting from technological advances and improved performance. We are currently making changes in our factory cost and accounting system that we feel will help us materially . . .--M.E. Keating, Director of Industrial Relations, The Pfaudler Co., Rochester, N.Y.

* * *

Productivity has risen after certain moves but we are by no means certain a simple cause-effect relationship exists. Personal Opinion: Insofar as any . . . change is accompanied by or identified by employees as a demonstration of sincere interest or concern . . ., productivity tends to rise. There is no substitute or practical long-term alternative for good supervision. It is the single critical, indispensable factor. --Larger Northeastern company.

The following table gives the proportions of Panel members who have or have not used the methods listed and shows how these executives rate the effectiveness of the methods in increasing productivity. Percentages in the first three columns are figured on an "all companies" basis. Percentages in the last four columns are based on the number of firms that use each method. The third and seventh columns (headed "Blank") show the proportions of companies that provided no information.

Frequency & Effectiveness of Methods Used by Panel to Increase Productivity

	% of all Cos. that have used the method			% of those Cos. using method that have found it effective			
	Yes	No	Blank	Yes	No	*Other	Blank
Improved selection of employees	88%	3%	9%	92%	1%	2%	5%
Improved working conditions	84	4	12	88	4	2	6
Human relations training for supervisors	76	8	16	88	4	5	3
Job simplification	63	19	18	92	2	2	4
Use of house organs, posters, etc.	59	20	21	63	15	20	2
Suggestion systems	41	35	24	44	49	7	--
Job enlargement	38	33	29	90	2	8	--
Job rotation	37	42	21	70	14	5	11
Profit-sharing plans	14	57	29	64	20	8	8

* "Maybe." "Not sure." "Sometimes." "Cause-effect relationship doubtful." "Hard to prove," etc.

Following are additional methods used by one or two Panel members each in an effort to raise productivity. The companies that have tried these methods report that they were successful.

Setting production goals for each machine operator each shift; safety education; tuition aid; supervisory interviews; manpower control program; contests; job-instruction training; housekeeping program; carefully planned grievance procedure; transfers to eliminate personality conflicts; interest-free loans to eliminate home problems; improved office layouts; use of job descriptions and job evaluation; stock-ownership plan.

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1. Manpower Planning for the Emergency, March 1951
* 2. Status of First-Line Supervisors (Compensation, Authority, and Benefits for Foremen), April 1951
3. Is Management Listening? May 1951
4. Plant Labor-Management Committees, June 1951
5. Recruiting College Graduates, July 1951
6. Employees' Financial Problems, August 1951
7. Christmas and Year-End Personnel Problems, October 1951
* 8. Foreman Training, January 1952
* 9. The Personnel Executive (His Title, Functions, Staff, Salary, and Status), February 1952
* 10. White-Collar Office Workers (Their Working Conditions, Benefits, and Status), April 1952
11. Executive Development, May 1952
12. Building Employee Morale, July 1952
13. Choosing Better Foremen, August 1952
* 14. Supervisory Merit-Rating, September 1952
15. Communications to Employees, November 1952
16. Fringe Benefits for Supervisors, January 1953
17. The Personnel-Industrial Relations Function, March 1953
* 18. Community Relations, August 1953
* 19. Personnel Testing, September 1953
20. The Older Worker, October 1953
21. Administration of Pension Plans, November 1953
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33. Automation, November 1955
34. Nonsupervisory Office Employees, December 1955
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36. Military Leave Policies, May 1956
37. The Executive, July 1956
38. Medical Services for Employees, August 1956
39. Professional Employees, October 1956
40. Job Evaluation, December 1956
41. Merit Rating of Rank-and-File Employees, February 1957
42. Disciplinary Practices and Policies, July 1957
43. Employee Job Satisfaction, September 1957
44. Company Aid to Education, November 1957
45. Executive Compensation, December 1957
46. Company Experiences with Automation, January 1958
47. Status of First-Line Supervisors, July 1958
48. Supervisory Selection Procedures, September 1958
49. Grievance Procedures for Unorganized Employees, October 1958

* Out of print.

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