

DIGEST OF DISCUSSION

PERSONNEL ORGANIZATION AND ADMINISTRATION

by

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Explanation. The following is a composite summary of the salient points discussed by the six conference groups in their sessions on the above subject. This digest has been prepared by the conference leader at the suggestion of several of the conferees, in order to give everyone the benefit of the points brought out in meetings other than their own. The summary follows the same pattern as used in the outline shown on Pages 17-19 of the Institute Manual. Direct quotations from the outline are underlined.

I. GENERAL OBJECTIVES OF A PERSONNEL RELATIONS PROGRAM

A. Definition of Personnel Relations

1. Personnel Relations is defined to include all phases of human relationships within a business or industrial organization. They include relations between management and employees, relations among employees and relations among management people.
2. "Personnel Relations is that phase of management which deals with the effective control and use of manpower as distinguished from other sources of power. The methods, tools and techniques designed and utilized to secure the enthusiastic participation of labor represent the subject matter for study in personnel administration." (Dale Yoder)
3. The term "personnel relations" is used in preference to such other designations as Labor Relations, Industrial Relations, Human Relations, Employment Relations, etc., because (1) it has more common usage and (2) the connotation of the term is more accurate. In one group it was suggested that a definite effort be made to standardize on this terminology. Most groups favored the term "Personnel Relations" or "Personnel Administration".

B. Recognition of Need for a Personnel Relations Program

1. No program can be effective unless it is designated to fill a recognized need. It is therefore important to consider the necessity for a specialized personnel relations function in business today.
  - a. Good personnel relations pay in dollars and cents.
  - b. Intelligent handling of people is important for social reasons. The human element can no longer be taken for granted.
  - c. No program can be executed effectively unless it is well planned and the responsibilities are properly placed.
2. Good personnel relations gravitate from the top down. The need must first be recognized at the highest management level if a program is to be effective.
3. No personnel relations program is on sound footing if it is established for any of the following reasons: (a) because other companies do it, (b) because we are trying to find a job for someone who doesn't fit anywhere else, (c) because we want to "shelter" our employees, (d) because we want to keep out a union or want to promote a sharp bargain with a union.

NOTE: While the last point above should be recognized it is a fact that a sound personnel relations program will often eliminate some of the urge employees have to get outside representation; or where a union already is the bargaining agent, such a program should promote better union-management relations.

C. Two Basic Objectives of a Personnel Relations Program

1. Business is a means to an end; not an end in itself. Each individual business or industry exists to serve society in two ways:
  - a. To promote the interests and well-being of society by providing good products or services in ever increasing amounts and at reducing costs.
  - b. To promote the interests and well-being of society by providing its own participants (employees) with an adequate means of livelihood and a satisfying work experience.

NOTE: It is axiomatic that adequate incentive to management and investors is essential to accomplish the above results on a permanently satisfactory basis.

2. Recognition of the above functions of business or industry leads to the two basic objectives of a personnel relations program in any organization:
  - a. To facilitate the economic function of business by helping to produce a better product or service at a lower cost through effective use of human resources.
  - b. To assist in providing a completely satisfying work experience for those who are active participants in the enterprise.
3. Referring to 2a above, a sound personnel relations program involved certain direct responsibilities which assist in improved quality and quantity and lowered costs.
  - a. Employing the right people for the right jobs.
  - b. Assisting in training to the extent that high productivity will be reached in the shortest possible time.
  - c. Helping prevent wastes which come from excessive absenteeism, high labor turnover, ineffective placement or use of people.
  - d. Promoting interest in work, high morale, mutuality of understanding and interests between management and employees.
  - e. Objective handling of problems and grievances.
4. Expanding on 2b above, effective personnel administration helps to integrate the fundamental personal desires of individual employees with the over-all program of the organization. Such personal desires which employees seek from their work relationship and some methods which employers use to satisfy them are:
  - a. Desire for security - through stabilization of employment, sound seniority provisions, insurance against hazards of sickness and old age, etc.
  - b. Desire for recognition as an individual - by constantly dignifying the individual, training supervision on effective handling of people, careful records of individual qualifications and performance, personal consideration in employment, training, upgrading, etc.
  - c. Desire for promotion on basis of merit - by established upgrading procedures which minimize favoritism and arbitrary decisions, by careful attention to abilities, by encouraging preparation for better jobs.

- d. Desire to be a part of a team - through dissemination of information, asking for suggestions, promoting esprit-de-corps.
  - e. Desire for good leadership - by careful selection and training of management personnel. Promoting confidence in and respect for such leaders.
  - f. Desire for decent wages, hours and working conditions - by constantly being alert to providing the best possible terms of employment within the economic possibilities of the employer. Legitimate improvements should be made constantly and before they have to be demanded by workers.
5. Careful examination of the two basic objectives disclose the fact that they compliment each other in a very definite way. Example: Proper placement and training of employees not only results in lower costs and better production but also promotes employee satisfaction. Promoting employment stabilization often provides, in addition to employee satisfaction, lower costs and greater profits.

D. Importance of Expanding Basic Objectives into Well-Defined Policies

- 1. The employer-employee relationship can be catalogued into several well-defined divisions, each covering a specific phase of such an experience.
  - a. Employment
  - b. Wages
  - c. Working conditions
  - d. Training
  - e. Hours and overtime
  - f. Transfers and promotions
  - g. Grievances
  - h. Exchanging information
  - i. Employee activities
  - j. Group (union) relations
  - k. Employment termination

2. Both the employee and employer are interested in the terms of their relationship as expressed under the above headings. It is therefore advisable for an employer to spell out his basic policies on each of these issues. They generally cover the chief phases of an employee's experience from the time he makes his first contact as an applicant until the relationship is terminated.
3. A clear statement of the Personnel Policies of any company has the following advantages:
  - a. It gives all of management a clear guide in its individual contacts with employees.
  - b. It gives employees a definite understanding of what they can expect.
  - c. It gives the general public an idea of the character of the organization.
  - d. It promotes uniformity and fairness in dealings with employees.
4. Personnel policies express the human relations philosophy of the management of the business. All representatives of management should participate in their developments and subscribe to them wholeheartedly. All procedures established to facilitate the employee-employer relationship and all actions of supervision must be completely consistent with these basic principles.
5. Policies must not be confused with "procedures". Policies are broad, general guides, while procedures are the rules by which the policies are carried out.

NOTE: For further detailed discussion of this subject, see Pages 23-27, A.H.A. Research Report No. 4, listed in bibliography. Copy of Personnel Policies of The Perfect Circle Company will be mailed by conference leader on request.

## II. FUNCTIONS INCLUDED IN A PERSONNEL RELATIONS PROGRAM

Having defined the basic objectives and set forth the policies of a sound personnel relations program, it is logical, as a next step, to determine the specific activities which should be included in the administration of the personnel function.

### A. Types of Employees to be Considered in Examining Functions

1. In considering personnel administration, it is important to recognize the fact that we are including all groups. Too often we have given all the attention to manual workers at the neglect or expense of clerical, technical and supervisory employees. Each group deserves equal and specialized attention.

2. All groups are composed of human beings with the same desires, emotions and frustrations.
3. Neglect of any group is obviously unfair and will tend to drive it elsewhere to seek justified attention. Neglect also involves unhappy relationships and economic waste.

All references in this summary apply to all groups unless specific reference is made to one or more types of employees.

B. Specific Activities Affecting Each of Above Groups

1. Employment. All organizations of any size include the employment function as a part of personnel administration. Effective carrying out of this activity involves
  - a. Adequate facilities for reception and interviewing applicants.
  - b. Courteous and dignified consultation.
  - c. Frank discussion of employment opportunities.
  - d. Careful determination of abilities, skills, aptitudes, and general qualifications of applicants. Tests are used as aids in this process by many companies. The limitation of tests, however, must be realized and constant correlation checks must be made.
  - e. In final selection foremen and department supervisors should participate if at all possible.
  - f. Rejected applicants should be left with a favorable impression of the company.
  - g. The employment office usually serves as the clearing house for transfers. A definite procedure is needed to handle this function properly. Many companies post non-supervisory vacancies on their bulletin boards so all employees have an opportunity to be considered. Selection is usually made on the basis of qualifications, with seniority the determining factor in cases of equal ability. The posting procedure apparently is not used as widely for clerical jobs as it is for manual jobs.
  - h. Employment terminations should also be channeled through the employment office. Sources of trouble can thus be detected. Also, transfers can sometimes be worked out where good employees can be salvaged.
  - i. The employment department is usually responsible for maintaining accurate and complete personnel records.

2. Education and Training. Training is an extremely important function and in larger organizations is usually given specialized attention by the personnel departments.
  - a. Proper induction of new employees is extremely important. Employees will do better work and be happier if they know something about the company, its plans and its ideals. They will be more apt to stay if they are made to feel at home during their first few days on the job, and are made to realize that they are part of the team.
  - b. Job training is handled by the line organization, but the training department is concerned with proper and effective procedures. This involves continuous checking of both trainees and trainers.
  - c. Supervisory training is of particular concern to the personnel department. Since the supervisors are the key agents in personnel relations, they must be schooled regularly in proper techniques. Periodic conferences on problems, new procedures and developments affecting their supervisory relations are a "must".
  - d. Apprenticeship programs for skilled trades should be geared to the maximum requirements of the business and should be properly administered in the interests of the company and the learners. This function is a joint responsibility of the training staff and the line organization.
  - e. If a "promotion-from-within" policy is to work effectively, promotable employees must be made available through original employment and training. Such education is a concern of the training department.
  
3. Wage and Salary Administration
  - a. Job analysis and evaluation are essential in establishing proper wage relationships within an organization. Likewise, periodic wage surveys are necessary to determine a company's relative position in its area and industry. Such studies are usually the responsibility of the personnel staff. In larger firms, a special department - Wage Administration - handles this function.
  - b. Where employee rating is scheduled regularly as a basis for rate determination, coordination of that function is a responsibility of the executive charged with wage administration.

- c. A sound wage incentive plan is an excellent means of promoting higher productivity and lower unit cost, as well as increased wages. The success of such a plan depends largely on sound engineering and administration. The wage administration staff usually is concerned with the policy phases of wage incentives, but the engineering responsibility is generally left to the standards department.

In some companies, according to the discussion, all phases of the wage incentive program are in the hands of the personnel department. A few of the conferees felt that standards should be negotiated, but the majority opinion seemed opposed to such a procedure. It was the contention of the latter group that base rates were negotiable, but incentive rates should be set by management, subject to limited question through the grievance procedure only.

#### 4. Safety and Health

- a. This function has long been recognized as an important part of personnel administration. A well integrated safety and health program, supervised in a competent manner, is a valuable asset to any organization.

#### 5. Group Relations

- a. Union-management relations are often a direct responsibility of the personnel staff, although the majority of the conference participants believed this function belonged to the line organization. It was felt by the latter group that the personnel department could not effectively represent employees' interests if its staff sat on management's side of the bargaining table.
- b. Personnel departments usually take an active part in grievance settlement. At the same time constant attention should be given to eliminating sources of complaints.
- c. The personnel staff is responsible for interpreting management to employees as well as representing the interests of employees in top management councils. It is therefore important that the personnel staff concern itself with establishing effective lines of communication and keeping them open and active.
- d. In all group relations activities, the tendency is to be concerned only with employees represented by unions - usually the manual workers. The personnel staff must be constantly alert to the proper application of all such activities to the so-called white collar groups.

6. Personal Relations

- a. Counseling on personal problems is an important personnel staff function. Care must be exercised to avoid being over-solicitous or paternalistic, but employees generally appreciate some assistance.
- b. Care must be exercised to avoid short-circuiting supervision in direct contacts with employees.

7. Employee Benefits and Services

- a. Extra-curricular activities are a part of the personnel staff function in most companies. Employee participation in the administration of such programs is considered very desirable, both from the standpoint of promoting interest and also developing sound, acceptable plans.
- b. Activities included in such programs are: group insurance, credit unions, cafeterias, pension plans, recreation, social functions, clubs, employee publications, etc.
- c. While this phase of personnel program is important, it is a mistake to assume that it constitutes the major personnel function or that it is the dominant factor in morale building. Good leadership by supervision and proper day-to-day relations on the job are much more important.

8. Personnel Research

- a. This activity is comparatively new as a recognized function, but it is very important. It involves checking on the value of present procedures as well as experimenting on new methods and projects. It also includes keeping accurate records on such matters as labor turnover, absenteeism, accidents, etc. Correlation of tests is another important function of such a program.
- b. Very often the research work is done by the staff men in charge of the various phases of the personnel program. The employment manager, for example, studies turnover; the safety department regularly analyzes accident statistics, etc. Whoever does the job, it is important to know what is going on, progress being made, improvements necessary, and whether results are satisfactory.
- c. Opinion surveys are used frequently in testing employees' attitudes and reactions. Such surveys should only be conducted in accordance with proved methods and should be undertaken only if management is willing to face facts and do something about situations needing correction. It was generally agreed that full acceptance by employees was essential if such surveys were to be accurate. Getting the support and cooperation of the union was considered highly desirable before such projects are started.

C. Importance of Program Planning

1. Any program involving all or most of the above activities must be planned carefully if an effective job is to be done. The various responsibilities must be delegated and the organization structure must be set up on a logical basis.
2. Only through establishing a plan can the whole organization know what the program is and who is responsible for each phase of it. The objectives should be set out so periodic appraisals of results will be possible. Without a plan, progress and results are haphazard.

III. PERSONNEL DEPARTMENT ORGANIZATION TO CARRY OUT FUNCTIONS OUTLINED ABOVE

A. Size of Staff Determined by Size and Type of Company

1. Although an adequate personnel staff is needed, its effectiveness is not determined by its size. Results are largely determined by the extent of sincere management interest and the competency of the staff.
2. Regardless of the size of the organization, some one individual should have the major personnel responsibility delegated to him. In smaller companies it may be the part-time duty of some executive. In larger firms a proportionately larger staff is required.
3. In multi-plant operations, it is desirable to have a personnel officer in each plant, reporting to the plant executive, with a central coordinating group on the corporate level.
4. Although a general rule cannot be laid down, one personnel staff member to 100 employees is not uncommon where a well-rounded program is in effect.

B. Relationship of Personnel Staff to Line Organization

1. The personnel executive of any company should logically report to the top operating official. That is necessary for effective personnel administration because (a) the personnel manager assists in developing policy, (b) he reports regularly on conditions and employee thinking, (c) he needs to know what is going on in the business, (d) he checks the personnel aspects of important decisions, (e) he needs to be free of departmental obligations so he can have a completely objective viewpoint, (f) he should be in a position to render service to all departments and employees, and (g) the personnel function should have the prestige which goes along with such a position in the organization.

2. The personnel executive serves in a staff relationship to the line management. He is advisory, but in the passive sense, but he does not short-circuit the management function. He furnishes various services, carries out assigned responsibilities, checks uniformity of policy application, originates new ideas, and keeps everyone informed on matters affecting human relations. He remains in the background as much as possible.
3. In his relationships with employees, the personnel manager (or his staff) has direct contacts on such matters as employment, termination, counseling, etc., but in every possible situation the line organization is kept in the picture.

C. Duties and Qualifications of Typical Personnel Staff Members

1. The ranking personnel executive is known by any one of several titles. Examples: Personnel Director, Personnel Manager, Industrial Relations Director or Manager, Manager of Human Relations, Vice President in Charge of Personnel, etc. As mentioned previously, there is need for uniformity in titles in the personnel field.
2. Among the characteristics and qualifications listed for such an executive are the following:
  - a. Characteristics: (1) keen sense of social justice, (2) warm personal interest in people, (3) common sense, (4) an open mind, (5) emotional stability, (6) tact, (7) qualified to advise management, (8) selling ability, (9) honesty, (10) ability to invite confidence, (11) student of human nature and economics, (12) courage of his convictions, (13) "passion for anonymity".
  - b. Qualifications: (1) college degree or equivalent, with special courses in Economics, Psychology, Speaking, Business Law, Sociology, General Management; (2) experience as a worker and direct supervisor; (3) experience in a minor position in a personnel department; (4) knowledge of negotiating techniques; (5) basic knowledge of labor laws; (6) executive ability.
3. Referring to Section II B above (Pages 5-9), the following titles are usually attached to executives responsible for the respective functions listed: (a) Employment Manager, (b) Training Director, (c) Wage Administration Manager, (d) Safety and/or Medical Director, (e) Labor Relations Manager, (f) Personnel Services Manager, (g) Personnel Research Manager.

4. Typical duties of each of the above staff members are outlined in the section previously referred to. In each case the qualifications required of the chief personnel officer are generally desirable in the subordinate executives. Some exceptions may be noted.
5. Obviously, a small organization does not require a staff such as that listed as typical. In some companies, the responsibilities are combined into one or more jobs.

NOTE: The terms "small" and "large" used in this discussion in connection with size of companies are relative, but they were defined generally as follows: Small, up to 500 employees; medium sized, 500 to 5000 employees; large, over 5000 employees.

#### D. Personnel Advisory Committee

1. In some companies there is a personnel advisory committee set up to meet periodically with the personnel executive on important policy matters and problems. Such a committee should be composed of top executives. It usually serves as a sub-committee of the Board of Directors.

#### E. Departmental Budgets

1. Personnel departments should operate on well-planned budgets. They are usually set up on the basis of past experience but they should be analyzed carefully to be sure all items provided for are justified.
2. Annual budget per employee is one way of making comparisons between companies, although this has its limitations because no two personnel organizations include the same functions. Figures of \$36 to \$100 per employee per year were mentioned in various groups as representing existing budgets. Those figures include personnel salaries and general expenses, but in no case did they cover the employer's share of insurance and pension costs, vacation payments to employees, etc.

#### F. Factors Involved in Setting up a New Personnel Department

1. It is suggested that any company contemplating establishment of a new personnel department follow the general pattern of this outline, i. e. -
  - a. Decide on the basic objectives.
  - b. Establish the general policies.
  - c. Assemble the various functions to be included in the program.
  - d. Select a competent staff and assign responsibilities (start slowly and build up gradually as line organization becomes sold on program.)
2. Personnel departments should be set up quietly and without any fanfare. Their effectiveness will be recognized through accomplishments rather than verbal promises.

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