

PERSONNEL PROGRAMS IN DEPARTMENT STORES

By

HELEN BAKER

Research Assistant, Industrial Relations Section



INDUSTRIAL RELATIONS SECTION
PRINCETON UNIVERSITY
PRINCETON, N. J.

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FOREWORD

THE Administration's program for recovery and reform, despite the many legal and administrative difficulties which have become apparent, has already had many lasting effects on industrial relations policies. Particularly in the fields of group relations and employee economic security, managements have become acutely conscious of problems which, though gradually mounting in significance during the post-war period, were often over-shadowed by more immediate demands for expanded production, sales, and finance. No type of business has escaped this changed emphasis in management interests. While industrial and public utility corporations with long-established personnel programs have continued to be pioneers in developing new techniques, there are indications that the managements of many commercial, financial, and other service enterprises are rapidly reducing the lag which has existed.

In this new situation, department stores have found themselves in a unique position. For many years, progressive stores have been actively engaged in improving the techniques of employment, training and personnel budgeting. The importance of labor services in both sales and costs necessitated sustained attention to the efficiency of the individual employee. But in the fields of group relations and employee security programs, most department stores have until recently been content with the slower pace of other commercial and financial enterprises. An important reason for the tardy recognition of the need for definite policies in these fields has been the preponderance of women, especially younger women, in department store employment.

With the depression and the passage of the National Industrial Recovery Act, and more recently, the evolution of government security programs, department store managements have faced the need of a thorough reconsideration of all elements of industrial relations policy. Where such audits have occurred, not only the experience of other stores but also that of progressive industrial companies has been of marked interest. It is for this reason that the Industrial Relations Section has prepared the following survey. While based upon an intensive examination of experience in fifty representative stores, an attempt has been made to evaluate results, not in terms of department store practice alone, but in relation to criteria established throughout the whole field

of industrial relations experience. It is hoped that the concise and factual nature of its findings will make the report of use to the executives in this important branch of American industry.

J. DOUGLAS BROWN,
Director.

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I. INTRODUCTION

RETAIL store management has for some time accepted the importance of standardized, store-wide policies in employment procedures. Department stores, because of their larger size and more complex organization, have naturally been the leaders in developing more efficient and more easily administered methods. As in many other fields of human activity, however, policies have been formulated for the most part after practical experience has accumulated under methods initiated because of expediency or necessity.

The functions of personnel administration in department stores were at first predominantly of a routine nature. The principal aims were greater efficiency in hiring employees and preparing them for the job. Choosing from the available supply of workers the applicants best adapted to the job and then training them in the fundamentals of their work are still important duties of the personnel department. However, along with improving techniques in employment and training, personnel executives have begun to recognize other elements of responsibility in their work. Individual employee problems are seen as store problems inasmuch as they affect output and attitudes and are symptomatic of economic changes. Dissatisfaction, fatigue from bad working conditions, illness, and financial worries, all influence the employees' productivity and can, to varying degrees, be improved or ameliorated by management.

The depression, with its accompanying stresses in industrial and labor conditions, has not failed to have an affect upon department stores. Although unemployment did not reach as high a peak in the retail field as in manufacturing, it has been sufficiently serious to cause an increasing interest in hitherto neglected phases of personnel administration. Those personnel officers who observe the broader social developments implicit in the problems they meet have begun to realize the necessity for new or improved policies in dismissal compensation, unemployment benefits and retirement annuities.

The National Industrial Recovery Act with the code adopted for the retail trade was also an important influence on recent changes in personnel practices. Immediately and directly the code effected changes in the weekly earnings of the lower salaried groups and in the hours of work of all the employees. Indirectly it required or caused changes in employment policies, training programs and the salary schedule for the

whole store. Perhaps even more important than these apparent effects of the code is the fact that it made labor problems a part of the consciousness of the top executives. Even while recognizing the need for a well-trained and satisfied group of employees, management has frequently looked upon personnel administration as a part of operating and expense control rather than as a distinct managerial function. Often, also, the staff of the personnel department has been too engrossed in the pressing details of daily routine to have any time for study or discussion with superior officers of general trends affecting the organization and its employees. The N.I.R.A. brought to store managers the realization that labor policies are an integral part of the competitive set-up. The Retail Code raised open discussions on questions of employee rights and needs which will continue to hold a place in the front line of management problems.

The basis of this study is the detailed information on personnel activities received from fifty stores—forty-eight in the United States and two in Canada. The stores range in the number of employees from 160 to 13,000, and are located from New York and Toronto to Dallas and San Francisco. The median number of employees is 2,000—520 male and 1,480 female.

The aim of the report is not to set up ideal plans, but rather to describe specific projects in use in the various stores, to discuss the problems connected with their administration, and to give the varying opinions expressed by store executives on the relative importance and success of their plans. From the analysis of questionnaire returns and correspondence, from personal interviews with store executives and from available printed information on this subject, it has been possible to observe tendencies in specific activities and also the broader trends in certain increasingly significant aspects of personnel management.

II. THE PERSONNEL DEPARTMENT

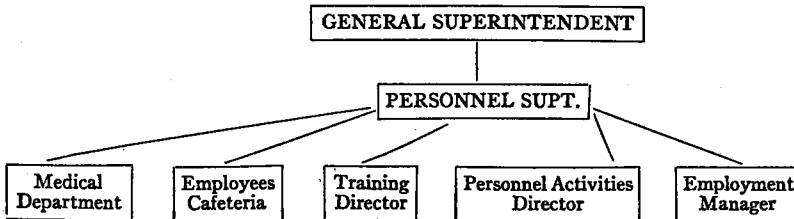
PERSONNEL administration has attained a definite, responsible place in the department store which it holds in spite of years of low business activity. Certain practices have been curtailed during the depression but in the majority of stores, the primary functions of the personnel department have remained intact. A store that has once centralized the control of its personnel activities cannot easily return to the irregular and more or less haphazard system of departmental control. Management recognizes the greater efficiency of central authority, and realizes that the nature of the store as a sales and service organization makes standardized policies and practices essential.

The organization of the personnel functions of the stores included in this study falls fairly clearly into four classes. The number of employees is evidently a factor in determining the type of personnel set-up, but the wide variation in the size of stores in each group shows that other influences are at work. The matter of expense probably is more often a controlling factor than any definite, carefully thought-out decision as to the place of the personnel department in relation to the rest of the organization. In some cases, personalities and the degree of interest which the superintendent or general manager have in the details of personnel administration may have been important influences in the type of organization evolved. The four types of organization may be distinguished as follows:

(1) More than half of the stores covered in the survey have a personnel department headed by one executive with the title of "personnel director," "personnel manager," "personnel superintendent," "employment manager," or "management councillor." The thirty stores in this group vary in number of employees from 123 to 12,000, and the median number is 2,240. In the smallest one, the personnel director does the employing and training, and reports directly to the president of the store; in the largest one, the heads of the personnel divisions report to a management councillor who in turn is responsible to the general manager. In case of branch stores, personnel policies for the whole organization are coordinated by means of a central personnel office.

The typical organization in this group has a personnel director in charge with special supervisors for the principal functions of the department. The director may report to the service superintendent, general superintendent or general manager. In two stores, the person-

nel directors themselves are members of the firm. The following chart of the personnel organization in Abraham and Straus (Brooklyn) is representative of the larger stores included in this group.



The variations from this organization in the other stores are chiefly in the division of personnel functions. Always there are at least two divisions, employment and training, and usually a third, medical or welfare. Other functions listed as on a par with these and directly under the personnel manager are: planning, expense control, selling supervision, employee services, and social service.

(2) A second type of organization is that in which the personnel functions are divided as in the preceding group, but the executives in charge of these separate functions are directly responsible to the superintendent or to the assistant or general manager with no intervening personnel director. The stores with this general type of personnel organization range in number of employees from 850 to 4,300 with the median 1,500. There are advantages and disadvantages to the direct control of personnel by a major executive with other responsibilities. If personnel is one of his chief interests, personnel problems may receive more attention from the store officers than if they were presented by a personnel director whose status was not so high. If, as is by no means impossible, the press of other duties leaves scant time for consideration of personnel problems, the routine procedure of employment and training may go on satisfactorily, but other personnel activities and broader trends may get very little or no attention.

Hutzler Brothers Company (Baltimore) is an example of a medium-sized store of this group in which the personnel activities are as broad in scope as in many much larger stores. The employment, training, and medical departments, as well as other personnel programs are under the supervision of the store manager who in turn reports to an officer of the company.

(3) The third group of personnel organizations includes those which have a personnel or employment manager who, with sometimes one or more assistants, does all the employment work, and may or may not also be responsible for the store's training and welfare programs. This

plan of organization naturally evolves as the first step towards central personnel functioning. When a store is not large enough to have central executive control of what are usually considered the essential personnel functions, employment is the one thing which is given separate and planned attention. The stores in this group may have a training director responsible to the employment manager, or have no training except that done by floor superintendents and buyers. In the small stores it is possible to handle many personnel problems on an informal, individual basis. However, there is danger that a store may keep this simpler organization from inertia, and that personnel problems not directly connected with employment may be receiving little or no attention because no one is responsible for them.

(4) All of the stores in the first three groups place the personnel program in the operating division. The few stores included in the fourth group are alike in their organization only in that the responsibility for important personnel functions falls into different divisions of store management. An example of this type of organization is that of Lord and Taylor (New York) which falls into three main sections: merchandise, finance and records, and service. The employment and welfare departments are in the service division, responsible to the Executive Committee through the superintendent of the service division. The training department is connected with the merchandise division but is directly responsible to the Executive Committee.

Whatever the specific procedures in handling the various personnel activities, sound business judgment would suggest that the control of policies and responsibility for new plans be in the hands of a major executive. Wages form the largest item of store operating expense, and the selection and training of employees, as well as wage rates and payment systems are important factors in the financial success of a store. They deserve the attention of an executive able to see both the financial and human problems involved. Moreover local and national political and economic problems make some impression on the workers in any organization, and department stores are by no means exempt from these influences. Many industries are making the director of industrial relations an officer of the company, thus acknowledging the increasing importance of intelligent handling of labor problems.

The organization of a personnel department is essential not only in planning and administering the centralized personnel activities but in developing wise and efficient personnel methods throughout the line organization. The desired results in any personnel program cannot be gained by superimposing a personnel department upon a disinterested line organization, but must be attained by development of the personnel function as a part of every executive and supervisory job. The day-to-

day functioning of any policy appears to each employee chiefly through the attitudes and actions of his immediate superior. The vital task of the personnel department is to develop the right attitudes and best methods in this group. To assist a store in the inauguration of new personnel methods and policies and to supervise the administration of the centralized personnel functions is a task for a major executive.

III. EMPLOYMENT

CHOOSING the employees of an organization is one of the most vital functions of personnel administration. In a department store where, for at least half of its employees, production is not a matter of mechanical control but largely a personal transaction between salesperson and customer, the type of individual chosen represents the type of store which management would present to the public. When the policy of promotion from within is followed, at least some of the new employees must be selected not only for the ability to sell or to fill satisfactorily one of the many non-selling positions, but for some potential qualifications for executive work. The employment manager or selector must know something of the duties and opportunities in all these jobs, and must be able to choose the persons best suited to them.

A. AUTHORITY IN SELECTION

In most stores, the routine of employment and the responsibility for standardized methods and policies are centralized in one office. The responsibility for two other equally important aspects of employment is often divided. These are the employment budget for the separate departments, and the final approval of the choice of a new worker for any department. The requisition of one or more new employees by a department head must usually have the approval of the expense control office. In only a few cases is the budgetary control of employment within the employment department. However the employment manager may have considerable lee-way in adjusting employment requirements to the budget. One store reported:

“Department heads either consult the Employment Manager when additional help is needed or replacements are necessary or make out a formal requisition slip with the proper information. All requisitions are checked against budget, current trends and past history.”

The responsibility in the final choice of a new worker varies between stores and between departments within the same store. About one-fifth of the companies stated that the employment department had full responsibility for selection. Others stated “centralized responsibility in cooperation with department managers.” One store’s policy is to

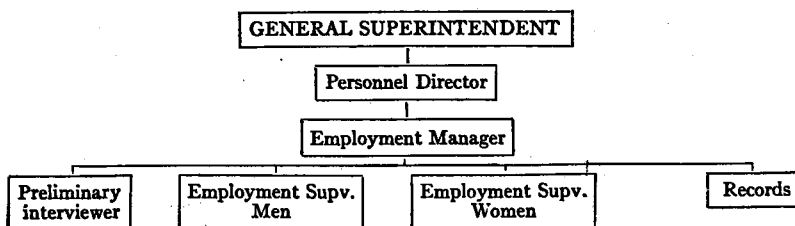
permit buyers and department heads "to make a selection from applicants referred to them for interview by the Employment Office, to suggest salary, and recommend transfers or dismissals to Employment Office." The employment manager of another store emphasized the importance of permitting departmental approval of workers. She believes this policy produces better cooperation throughout the store and also protects the employment office from much criticism. A few stores mention, distinctly that the employment office does not select major executives. One states that although it does not have final voice in selection, "the employment office has a preliminary interview with applicants for executive positions, and all pay-off goes through this office."

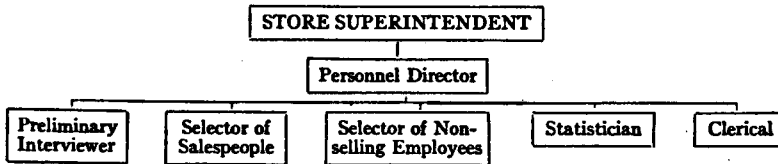
In most of the stores covered in this survey, a central employment office is the controlling force in the employment procedure. Among the exceptions are the branch stores of certain firms where the employment is done by the individual store managers. These stores have, however, personnel managers in the main store who consult with and advise the branch store managers, so that there really exists centralized supervision of employment policies.

B. ORGANIZATION OF THE EMPLOYMENT DEPARTMENT

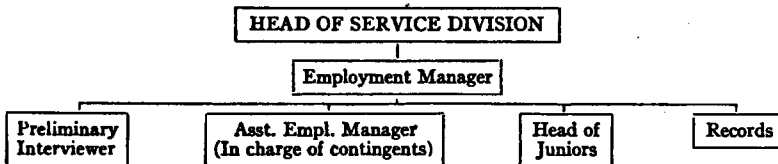
The organization of the employment office naturally depends to a great extent upon the size of the store. In the smallest stores, two plans are most common. The store superintendent with an employment assistant may handle all the rank-and-file employment, or an employment manager or personnel manager with a clerical assistant may be in charge. Among the larger stores, where more people are required to take care of the selection of new employees and the many other employment functions, there is a varied division of responsibility.

In one store with 1,500 employees, the employment department consists of the employment manager who does all the final interviewing except for executives, a preliminary interviewer, clerical assistants, and a cost controller. For stores of over 2,000 employees, the following organizations are most typical:





- Another store of about 2,000 employees divides its employment office more according to responsibility for daily placement and employment maintenance. Its set-up is as follows:



Here the contingent force is much more important than is the case in many stores. All newly employed salespeople are contingents, and from this group, the permanent, full-time selling positions are filled. This particular type of organization may be of more general interest now than it was even a few years ago. With an increasing need for and interest in employment regularization, a carefully selected, well-supervised, full-time contingent force may be a valuable means of developing a flexible group of workers capable of selling in various departments as seasonal demands require.

C. PROCEDURE

The physical lay-out and the routine procedure of an employment office must be considered from two angles, the efficiency and ease of handling a large number of people, and the convenience and comfort of the applicants or employees being interviewed. The employment office is frequently on an upper floor or first floor balcony in space not valuable to selling departments, and located near other personnel offices. Most employment offices are so arranged that interviews are private, which is very desirable from both the applicant's and interviewer's points of view.

1. FORMS

The forms used in any employment office are essential both in expediting the employment procedure and in maintaining an efficient and accurate record of each employee. Beginning with the requisition for a new employee, the report of the preliminary interviewer or the employment application, almost every step of the employment procedure

is accompanied by some special form. In addition, there are the general report forms which are essential to accurate employment statistics. The number of forms necessarily varies with the size of the store and the methods followed. For the individual employee's record, the application for employment and a permanent record card are the most important forms. In a few cases these are combined in one folder or large card, which has space for both pre- and post-employment data. Much more frequently, however, these are two separate forms which together give a fairly complete record of the employee's history prior to employment and a complete record of his status and progress in the store.

2. INTERVIEWS

The interview is the center of all employment procedure. Most employment managers agree that in dull or busy seasons, the policy of interviewing all likely applicants is an important means of gaining information on the available supply of workers and maintaining public and employee good-will, as well as essential in choosing the best people for the jobs which are open. The policies as to who is to be interviewed, the method of interviewing, and the means of recording information vary greatly between stores. Certain employment managers in smaller and medium-sized stores want to interview all applicants. In other cases, the number of applicants makes this impossible, or the employment manager may feel that it is a waste of his or his assistant's time to see applicants who are apparently not suited for any available jobs. To weed out the less desirable, a preliminary interviewer or receptionist is often a member of the employment department.

In stores where the employment manager or a special selector sees most candidates, the preliminary interviewer may need only a general knowledge of the type of person not fit for department store work in order to eliminate such applicants from further consideration, and may send all other applicants to the employment manager or an assistant. The preliminary interviewer may keep no record of the people turned away, or she may have them fill in a very short application form, which with a brief notation made on it serves as a report to the employment manager. One store keeps a fairly elaborate record of all applicants, stating why they were turned away or to whom they were referred for a further interview.

Since the principal responsibility for selection rests with the employment manager, the interview with him or a special selector is usually the most important one. In the smaller stores, all applicants, or all applicants first passed by the reception clerk, are interviewed by the store superintendent, the personnel director or the employment manager. In larger stores, there is necessarily a division of responsibility and the

several assistants in the employment office may do the principal interviewing for applicants for specified jobs.

The following illustrate a variety of policies in regard to pre-employment interviews:

H. C. Capwell Company (Oakland—1,000 employees). "Every applicant is granted a personal interview and applications are filed and used as a resource for hiring new employees."

The H. & S. Pogue Company (Cincinnati—1,100 employees). "Applications are accepted from anyone who wishes to leave one and a preliminary interview is given at this time and notations made on the application. These are filed according to the department for which the individual is best fitted so that when there is a vacancy the applications on file may be referred to and the applicants asked to come in for a further interview with the Employment Manager and department head, if this is necessary."

Lord and Taylor (New York—2,000 employees). "Initial contact made by preliminary interviewer. If to be further interviewed, the prospect makes out short form of application. After a talk with the Employment Manager, the prospect's application is graded and filed for future use."

The Robert Simpson Company, Ltd. (Toronto and Montreal—employees 5,200). "The Company's policy is to receive all applicants courteously and to interview all if possible. Selected applicants are invited to write the regular application for employment and are considered for whatever openings there may be on the permanent or contingent staffs.

"If there is no suitable opening, applications of suitable prospects are kept on file for six months. The Company tries to give applicants all the attention possible as they realize the important effect of their reception on their own and public opinion."

3. PRE-EMPLOYMENT TESTS

The use of tests as a regular part of the employment procedure is less frequent now than it was in 1930. Several stores who used intelligence tests then reported recently that they use tests not at all or only infrequently. Of the three stores now using intelligence tests, two state that applicants must pass the test "to be considered for almost any job"; the third wrote "Pre-employment arithmetic and Otis intelligence tests are used as a guide, not arbitrarily." More often special technical tests are found to be of sufficient help to warrant their regular use. However even in choosing machine operators, such as typists and billers, many stores feel that the records of experience and interviews are more important in selection than any technical test.

The question of the value of employment tests is well summarized by

one director of personnel, who has had considerable experience in this field.

"At the present time we are not using tests, although as conditions improve and there is not quite as much pressure of detail, as well as fewer former and other experienced employees available, we plan to include certain test procedures, whose principal function will be to eliminate from further consideration individuals lacking certain specific abilities recognized as being necessary to the successful conduct of a particular job. We believe that the successful use of any test results is almost entirely in the trained ability of those responsible for the selection in interpreting the test results in the general picture of the individual, particularly with regard to work and thinking habits, the determining factor of the use to which abilities may be put."

4. PRE-EMPLOYMENT MEDICAL EXAMINATIONS

The importance that is placed on a pre-employment physical examination is shown by the fact that almost half of the stores reporting require a thorough physical examination before final appointment to certain jobs or to any job. Thirteen stores make the examination compulsory for all new employees. Other stores require a physical examination of food handlers and "heavy" workers (such as warehouse men, delivery men, elevator operators), or one or the other of these groups.

In a recent article,¹ Dr. Lake of R. H. Macy and Company has summarized the case for the physical examination. The reasons he cites include:

- (1) To protect the company from a rapid rise in compensation costs.
- (2) To protect customers and other employees from exposure to infectious diseases.
- (3) To avoid employing people whose health would in all probability cause very irregular attendance.
- (4) To help place the new employee in the job for which he is best fitted.

D. SPECIAL EMPLOYMENT POLICIES

The employment office of a store sometimes has certain broad policies of preference in selection. Two of these are age and education. Age limitation in employment forms a large social question and much has been written and said concerning tendencies and implications of such a policy throughout industry and business. Increasing educational requirements are, on the other hand, rather a result of broader educational opportunities than a cause for them.

Of seventeen stores giving information on the upper age limit in hiring, nine gave a definite age, two stated that a new employee above a certain

¹ "The value of physical examination." By Michael Lake, M.D. *National Safety News*, April, 1935. pp. 35-36.

age (40 years for one store, and 50 years for the other) must sign a waiver of possible pension rights and of relief association benefits, and six had indefinite policies. The age limit mentioned varied from 35 to 50. The one store suggesting the 35 year limit stated, "None employed under 16, some over 35." There are also differences in the age limits for men and women. For example, one store sets it as 40 for women and 45 for men, and another as 45 for women and 50 for men.

Less explicit statements were:

"No acknowledged age limitation, but young people make better promotional material."

"There is no strict rule in force, although in general we are not hiring new employees over forty years of age for rank and file positions."

It is apparent that whether or not there are definite employment rules on the age of applicants, the controlling policy of stores is against hiring new workers who are at or past middle age. Of course this policy does not apply as rigidly to the executive group. For executive positions, experience and judgment are essential. For the majority of jobs in a store for which it is necessary to hire new employees, physical stamina, alertness and adaptability are more important than experience.

The policy as to educational requirements has changed considerably during the past fifteen years. It is possible to see this change not only in higher standards of employment, but also by studying the employees of any one store. Among the older employees, the highest percentage have no more than grammar school education; those employed within ten years show a much larger percentage of high school graduates; and more recently a considerable sprinkling of college graduates appears. Several reasons account for this change: the rapid increase in the number of people with high school and college training, the efforts of some stores to make their work attractive to the better educated young people of the community, and, as a result of the depression, the scarcity of other jobs.

One employment manager said: "With so many applicants who are high school graduates, we naturally employ them. Or, when we hire juniors principally for certain jobs, we expect them to complete their high school work to be considered for promotion."

There are differences of opinion as to the value of a college education in store employment. R. H. Macy and Company is the outstanding example of a store making a definite, systematic effort to employ young college graduates and train them for executive positions. Many other stores followed a similar policy, and, although they did not make as much effort to secure this type of applicant, they were glad to employ

many of them. Some stores have found this a profitable procedure and continue it in as far as reduced hiring permits. Others have discovered disadvantages in employing a high percentage of college graduates.

One employment manager stated succinctly her experience and opinion on the question of education:

“All newly hired employees at the present time are high school graduates with a few college people. It would be possible to hire more college people but I consider it unwise to take on more promotional material than there are opportunities . . . young men just out of college adjust to the long hours and hard work much more satisfactorily than girls . . . girls lose interest very quickly unless promotion is rapid. And some managers do not consider them ‘hard’ enough. I feel that a girl out of a New York high school is often better fitted for a junior executive position in a department store after four years’ experience in the store than is a girl of the same age just out of college.”

From this and other opinions expressed by employment and personnel executives, it is evident that the problem now is not how to secure employees of sufficient education but what proportion of high school and college graduates to employ in relation to the promotional opportunities.

IV. TRAINING

A. PRESENT STATUS

EMPLOYMENT and training are the two central activities around which department store personnel procedures revolve. Of the two, employment management is perhaps the more strongly entrenched, since its need and usefulness is unquestioned. At times training has made rapid strides forward, but elaborate and detailed plans involving considerable expense have not always stood the test for visible, definite results nor the need for budget contraction. Progress in training plans has undoubtedly been retarded in the last few years. However the information secured in this survey does not indicate that training was greatly reduced during the depression. Perhaps the statement, "No expansion, rather slightly curtailed" more accurately describes the general situation.

A few smaller stores, which had had two people in charge of training cut the department down to one, maintained the systems training, but considerably abbreviated other training plans. Personnel directors in two of these stores stated that salesmanship and merchandise information had been turned back to the department managers. They felt, however, that this had not proved satisfactory, and both want to increase their training staffs just as soon as finances permit. One large store had reduced its training department to the minimum required to instruct new employees, but is now trying a new plan for centralized supervision of department training in merchandise information. Another large store which had had an extensive program and training supervisors on each selling floor reported that "all training by the training department has been discontinued except for system." Balancing the stores which have considerably reduced their training staffs are many which report no change in program, and two which have only recently established a training department. One of these is a store of slightly over a hundred employees and the training director "does all training from apprentices to executives." The other, a store of over 4,000 employees, is developing a broad training program for new employees, for continuous training in salesmanship and merchandise information, and for promotional development.

The Retail Code brought more than a little confusion into training programs. In particular, it has increased the difficulties connected with

preliminary or special training to new or part-time employees. Because of staggered hours, the same instruction had to be given two or three times, when formerly it could have been given to one large group. The second difficulty was concerned with department meetings. Many stores regularly held these meetings just before or after store hours. With the adjustment to the hours' regulations, new problems arose. The meetings had to be counted in the maximum number of hours an employee could work, the employees had to be paid for the time spent at any meeting at which attendance was compulsory, and it was hard to arrange schedules to have them all in the store at one time.

The different attitudes towards the effect of NRA on training, and some methods of adjusting to the necessary changes are shown in the following statements:

"We have been forced to shorten and hold fewer meetings, and do more individual training."

"NRA has affected schedules but we have offset this by more individual training and more prepared material (bulletins, fashion notes, etc.)."

"Our training has always been on working time, NRA has caused some readjustment in the schedule."

"The ruling has helped. Training is now paid for, and attendance is compulsory."

"When we were under the six-day schedule of shortened hours per day, it seemed vitally necessary from an expense angle to concentrate those hours on profitable selling time. This eliminated the possibility of any semblance of a worthwhile training program. At the request of our employees' organization, for several months we have been on a five-day plan with one full day off, which permits a quite reasonable amount of time before store opening to be used for training meetings."

B. FUNCTIONS AND ORGANIZATION OF THE TRAINING DEPARTMENT

The primary function of department store training is to develop an efficient working force, well-trained in the mechanics and technique of the particular job. An error made in system is caught sooner or later, and the illwill of the customer and the expense to the store as the result of the mistake are easily seen. Customer complaints, and records of the credit and delivery departments are visible evidence of poor systems training. Consequently store managements maintain this part of its training schedule under all conditions. The losses from poor salesmanship, lack of knowledge of the merchandise, or incompetent supervision

may be even greater than from errors in system and many stores attempt to remedy these weaknesses by means of a broad training program. The description of the training department in one employees' handbook gives briefly the aims of department store training:

"This department is a service department for the use of all store members. The training is three-fold: (1) To teach new store members the fundamentals of their work; (2) to assist all store members to do their present work better; and (3) to help them prepare for promotion."

The organization which attempts to carry out these objects may range from a training director doing all of the training that is done, to a very large staff with special supervisors responsible for specific parts of the program. In the small stores, one person often attempts a fairly broad program by centralized planning and supervision and decentralization of much of the actual training. In the larger stores, the staffs vary greatly in size. Of three stores with approximately 3,500-4,000 employees each, one has a training staff of three, another four, and the third one eight. The variation in size of staff affects not only the number of class-room courses given but also the decentralized training program. One personnel executive said, "Decentralized training does not do away with the need for a training department. Someone has to train the department heads to train, and then help plan and supervise the training they do, or it will not get very far."

To judge from the questionnaire returns, almost equally extensive training programs are attempted by training departments with staffs of from three to ten supervisors. The objects of all these training programs are similar. Whether their accomplishments keep up with their aims seems to depend not only on the number on the staff, but also on the success of past training and the stability of the employee and executive groups.

C. TRAINING PROGRAMS AND METHODS

1. FOR SALESPEOPLE

The training of the selling staff is usually the largest part of any training program and in undertaking to give these employees a thorough preparation for their work, all aspects of the selling job must be considered. Care of stock, merchandise information, and selling technique, as well as system must be taught to the new salesperson to help him to become oriented to the job as quickly as possible and to prevent lost sales and costly errors. All stores recognize the need for instruction in these things but there are probably no two stores that give exactly the same emphasis or use the same methods in teaching any one subject.

a. Preliminary Training in System, Policy and Salesmanship

Training in salescheck system and instruction on store policies are given to all new employees. In all but two stores, this training is given by a special supervisor or instructor in the training department. Standardized system and store-wide policies can be given by class-room instruction, and the information is more likely to be assimilated if presented carefully and without interruption than if given piece-meal in the selling department. The preliminary instruction varies greatly both in the amount of time given to systems training and the relation of the training schedule to the first work period. Stores reported from two hours' to one week's time given to preliminary training for new, full-time salespeople. The store with two hours' preliminary training gives one hour on system in the training department, and one hour on the floor. Several stores with three hours for preliminary training give two hours of systems instruction, a short talk on store policies, and a tour of the store. A fairly common procedure is to give basic instruction in system and store policies the first morning, experience in the sales department in the afternoon (usually without a sales book), and further system and perhaps a short discussion on selling technique the second morning. Then the new employee is given a salesbook and with or without the aid of a "sponsor" or an employee's manual begins her selling job. A few stores give much more careful preliminary training to a new person. L. S. Ayres & Company (Indianapolis) gives a formal training to all new employees, regardless of former experience that takes most of a week. The required initial training includes the following:

- Store rules, organization, history, policies and employee activities
- Store tour
- Store directory (for main floor and downstairs store salespeople)
- Selling system (4 periods)
- Cash register (for salespeople in departments using cash registers)
- Salesmanship (3 periods)

There can be no question that the new salesperson given this thorough training is more prepared to give better service than is the one who after two hours of instruction is expected to be able to meet the customer and show merchandise just as competently as the older employees. The stores that realize the importance of careful initial training have schedules that include not only thorough instruction and review in system, but also in salesmanship. Snellenburg's (Philadelphia) has seven periods of instruction in system, and two in salesmanship. The H. & S. Pogue Company (Cincinnati) gives two lessons in system and six lessons on "Principles of Selling at Pogue's." At Carson Pirie Scott & Company, new employees have one period of preliminary training

in salesmanship and after a few weeks of employment, six more classes in selling.

b. Sponsors

Frequently the new salesperson's training is definitely continued "on the job." This additional training may be given by a special training supervisor, but more commonly it is done by the assistant department manager or by an older salesperson who has been appointed "sponsor" in the department. The sponsor takes charge of the new employee, introduces her to the other members of the department, takes her to lunch the first day, and in other ways helps to make her feel at ease in her new work. In addition, many sponsors have definite responsibilities in training the new people. Typical of the information concerning sponsors given in employee handbooks is that in *Information for Namm Members*.

"In order that each new member may be made to feel thoroughly at home, there is a sponsor in each selling department. Sponsors will be very glad to assist you in any way. Do not hesitate to ask them for information about store system, department system, merchandise, or members' privileges. You will find them willing to assist you at any time."

Lit Brothers (Philadelphia) state:

"A Sponsor was chosen from each Department in the Store to act as guide and helper to the new Employee. The selection of the Sponsor was based on qualities of leadership, personality, selling record and length of service.

"Sponsors are given compensation for this work because we feel that it is of utmost importance that new Salespeople coming into the organization are made to feel at home and are instructed in merchandise information and stock location."

c. Handbooks and Manuals

In addition to the help given by the sponsor, new employees may be aided by handbooks of general information and merchandise manuals for specific information on the stock of the department. Handbooks are very frequently used. Thirty-one of the fifty stores have printed handbooks of general information in regard to store practices and rules, several others stated that they were revising their handbooks, and a few distribute mimeographed sheets of rules and information.

The contents of the handbooks of general information vary almost as much as their titles. In analyzing these pamphlets, information on seventy-three different subjects was found. The material is often grouped according to three main headings: store rules, general information, and employee benefits and activities. The handbooks differ in

tone, but more usually are written as a welcome to the new employee with the presentation of necessary and helpful information, than as a book of rules. Most are conveniently small, printed in legible type, with material presented in short paragraphs under separate subject headings. A few include a subject index and the greater ease in using the indexed booklet would seem to make it worthwhile for all of them.

General handbooks sometimes contain a section on store system and selling technique, or separate manuals covering these subjects may be issued. The system manual usually includes information on the following points:

- Procedure in writing and handling saleschecks for all types of transactions with sample checks for each
- Cash register procedure
- Transactions requiring section manager's signature
- Salesperson's tally sheets

The Emporium (San Francisco) includes "Standards of Selling" in its general handbook. Very briefly it presents under eight headings the most important things to be considered in the selling process. Carson Pirie Scott & Company (Chicago) has a separate manual "The Carson Pirie Scott & Co. Standard of Salesmanship" which outlines and discusses methods and policies which the employees are asked to follow.

Merchandise manuals are used by many stores in instructing new employees and as a basis for continuous training. Sometimes cooperative research organizations have prepared merchandise manuals for their member stores. In other cases, training departments have prepared manuals for certain groups for whom special instruction seemed most needed, or have undertaken the broad program of preparing manuals for all selling departments. These manuals may be used as guides by the sponsors or department heads in presenting the information, or given to each new salesperson in the department. They are more often in typewritten or mimeographed form than printed. In style departments, much of the information is important for the one season only and mimeographed sheets or booklets with information on current styles and materials are prepared for each selling season.

General handbooks and the various types of manuals fill an important place in department store training. Even with the best preliminary instruction, the new employee is likely to forget a good deal of the information when she gets into the selling department. The help of someone in the department is invaluable, and printed information to which she may refer is of considerable assistance. In addition, there is continually new information to be learned both concerning the system and the merchandise. Departmental meetings are the chief resource for presenting

week to week developments, but many training directors realize that some mimeographed material to be used as a guide for the person in charge, or to be given to all the employees, is likely to insure more definite value to the meetings. In certain stores, where the training schedule has been very much disrupted by staggered hours, manuals and less formal information sheets have become the principal training medium.

d. Advanced Salesmanship

The idea that "a salesman is born, not made" was discarded long ago by department stores, and usually also the idea that good salesmanship is necessarily learned by experience in selling. Consequently the training programs of many stores include courses in advanced salesmanship with attendance required of all selling employees. Sometimes—and this is probably the most effective program—the formal training in selling methods is closely allied to departmental meetings with mimeographed material giving the salespeople selling suggestions on the merchandise in specific departments.

The educational activities of Wm. Filene's Sons Company include a course in salesmanship for new people, and a great variety of courses for advanced training in selling, service, and merchandise information. The use of printed material in addition to talks and discussions in the group meetings is often indicated. For example one course, "Department Training in Salesmanship and Service Problems" is required of all salespeople in certain departments. "At these meetings there will be discussions of service problems including all changes in system, reports from the Salesforce Committee and subjects of Sales Promotion. Material for these meetings will be supplemented by salesmanship bulletins from the Training Supervisor, and Service bulletins from the Service Superintendents."

Examples of other methods in handling the problem of continuous training in salesmanship are:

H. & S. Pogue Co. (Cincinnati). "Further training in salesmanship is given by the Assistant Buyer from bulletin outlines developed through meetings of Assistant Buyers and Training representatives."

The Emporium (San Francisco). "Meetings are held by the Service Representatives every Saturday morning in the Selling Departments before the opening of the store. The meeting is based upon the Service News Bulletin which is issued by the Training Department."

Wieboldt Stores, Inc. (Chicago). "We carry on considerable centralized training, particularly with regard to sales methods, approaches, and discussion

of selling situations. In addition to this, we are finding a semi-monthly conference on selling situations . . . of quite considerable value as an added emphasis along these lines. . . . also group meetings in which demonstration sales are used, general discussions of various tendencies revealed by the analysis of large numbers of shopping reports, and occasional payroll inserts."

e. Training for Temporary and Part-time Salespeople

More than half the stores in this study give practically the same initial training to salespeople hired for the peak seasons or a special sale as they give to the new, full-time employee. The training given to the latter is often the minimum necessary to help her begin her work with any confidence and efficiency and it is difficult to shorten it for temporary salespeople. A few stores, with a comparatively long training period for new, regular salespeople, abbreviate it slightly for temporary employees by omitting the advanced system lessons and part of the initial instruction in salesmanship. Not infrequently, special cards of instruction or very short selling or merchandise manuals are given to certain groups of temporary employees. Especially is this so in Christmas departments when it is necessary to acquaint large groups of new employees with the system and location of stock and to give them at least a few suggestions about the merchandise and selling methods.

Regular, part-time salespeople, practically always receive the same initial training as full-time employees assigned permanently to one department. Contingents, who form a flying squadron to be sent to different departments as sales events and seasonal demand require, often receive additional special training. Wm. Filene's Sons Company holds regular weekly meetings for short hour salespeople and contingents in the main store. At the beginning of the Fall and Spring seasons, a special course is given for seasonal salespeople and the emergency selling squad. The course includes a review of selling system, the rudiments of salesmanship, and current style, color and textile information. As in other groups, the training problem for part-time workers and contingents is how to give the essential initial instruction and continuous help and stimulus for improved selling with a minimum of the salesperson's time.

2. FOR NON-SELLING EMPLOYEES

The instruction of new employees for most non-selling departments is on an informal basis and more often done by an older employee in the department than by a training supervisor. Many stores require all new employees to take the course in store history and policies, and beyond that depend on the heads of the non-selling departments to see that the necessary training is given. Only a few non-selling jobs are picked out for more definite training. Eleven stores have special, cen-

tralized training for new elevator operators, and several have formal instruction for cashiers, inspectors and wrappers, and personal shopping service. In addition, the following types of employment are given special preliminary training by one or two stores: receiving, shipping, telephone orders, service desk, secretarial and credit clerks. In some cases, this special training is given in the class room by a training supervisor, and in others, it is given in the department with the supervision or help of the training director. Manuals are sometimes prepared for non-selling positions, and given to the new employees for further study and reference as to usage in their work. The Robert Simpson Company, Ltd. (Toronto), has manuals of operation for elevator operators, telephone sales department, carriers and inspector wrappers.

Very little continuous training is done in non-selling departments. The statement of one store is typical of many: Non-selling department training is "handled on a group basis on any changes in store practice or new systems, otherwise by the old-fashioned, apprenticeship method of working with someone on the job." Another store reported:

"For non-selling departments that are very routine, such as cashier, the training is usually done in the Training Department before the new employee goes to the job. For such work as stockkeeping, which varies from department to department, the training is done wholly by someone in the working department. In case the department head feels the need for a better training program, or a change in methods, he may ask the Training Department to send a representative in to prepare a manual or to give advice on any problem."

3. PROMOTIONAL TRAINING

Most department stores have a definitely stated policy of promotion from within, and, to show more than lip service to the policy, offer definite help in preparing promising employees for promotion. In twenty-seven of the stores, some promotional course is included in the training program. Although a few firms have found promotional training superfluous in a period when decreased turnover has made promotional opportunities scarce, many others have kept up their full training schedule. Programs for promotional training were little affected by NRA, since attendance is voluntary, and classes are held on the employees' time.

Individual training for promotion is usually done in the department under the tutelage of the department head, with assistance as to methods from the training director. The courses for promotional training are centralized in the training department, but practically always with the cooperation and assistance of major executives. Sometimes courses are given as the basis for advancement in certain non-selling departments, such as advertising and accounting, but most of the formal promotional training is intended for junior executives or prospective junior executives

in the merchandise divisions. There is some effort to train the employees in cashier and wrapping and other jobs below the status of salesperson for selling positions, but that is often the regular initial training for the selling job plus a little individual training. The emphasis in most programs for employee advancement is in the area from salesperson to buyer.

The outline of the F. & R. Lazarus & Company (Columbus) for its promotional group training for 1934-35 shows the range of subjects covered in a general promotional course:

- a. Store background—each Friday morning beginning September 21, 9:15 to 10 a.m.
 - Leaders—heads of various departments
 - Subjects—Imaginary trip to the market
 - Receiving
 - Marking and Reserve Stock
 - General office—a brief review of the various divisions
 - Credit Division
 - Publicity
 - Display
 - Quiz
 - Personnel—Review of Store Organization Chart—with brief review of functions of various divisions
 - Mail and Phone Orders & Protection
 - Cashiers, Part Payment desk and packing room
 - Delivery
 - Adjustments—interpretation of store adjustment policy
 - Supplies and Warehousing
 - Quiz
 - Building Maintenance and Store Tour
 - Customer Services
 - The R. R. A., the A. M. C. Federated Dept. Stores and Research Department
 - Inspirational Talk
- b. Textiles—Textile fibers and their importance in Dept. store selling
 - Weaving and Knitting
 - Decoration of fabrics
 - Wool
 - Silk
 - Cotton
 - Linen
 - Rayon
 - How to judge qualities—tests for fiber content—care and laundering

In addition to the plans for preparing employees for advancement to better, full-time positions, there are sometimes special courses for training salespeople or other employees for supervisory jobs in peak seasons.

Wm. Filene's Sons Company have two courses for training store employees and Prince School students for the position of section supervisor during the Christmas season. Another course is open to a limited number of qualified people who will be reserves for head of stock positions in Christmas departments.

The success of promotional training programs depends to some extent upon the employees permitted to take the courses. Usually applicants for these courses must have the recommendation of their department head and the approval of the training director. The experience of most stores is that although attendance is voluntary, the employees are glad to give their time and effort towards preparing themselves for advancement.

4. EXECUTIVE TRAINING

Certain types of executive training are closely allied with promotional training. Sometimes a course intended primarily for assistant buyers may also be open to a limited number of salespeople who are good promotional material. Other executive training plans are specifically for new executives or to develop and educate executives in new methods or improved handling of certain responsibilities. As has been suggested before, a "training-conscious" executive group is almost essential to any successful program of decentralized training. Thus the plans for executive training must have two main objects: to help the executive perform more satisfactorily the functions of his own job, and to develop in him certain abilities for training his subordinates.

Typical of courses inaugurated to help the executive on his own job are those intended for the initial training of new section managers and buyers, and such special courses as marketing problems, accounting and sales promotion. To train the executive to train, courses are given in management problems, executive control, leadership, and training methods. Perhaps discussion of training needs and problems in buyers', assistant buyers' and section managers' meetings is used even more frequently than formal courses for developing in these executives some responsibility for and technique in leading group meetings and training new employees on the job.

Because the buyer is likely to be more interested in merchandising than in department personnel problems, the responsibility for training on the job is often given to the assistant buyer or the section manager. The placement of this responsibility varies from store to store, and is not infrequently determined by the type of personnel in the different groups. One store which has just recently broadened its training program is working through its section managers, because they as a group are younger and more adaptable to new methods and ideas. This store

requires a very thorough initial training of all new section men and continues their training in weekly discussion groups and with the help of Section Managers' Bulletins. Other stores have special training courses for assistant buyers or department supervisors, which include talks and required reading on personnel management, selling service, non-selling service, and merchandise problems. The initial training of all supervisory executives and regular meetings for discussion of mutual problems are means of developing a cohesive executive force, with a more understanding and cooperative attitude towards management's personnel program.

5. COOPERATION WITH OUTSIDE EDUCATIONAL INSTITUTIONS

The training courses considered thus far are ones that are prepared and given by the store. Many firms also encourage their employees to participate in outside educational activities, and in some cases, actively cooperate with educational institutions in giving experience to their students and receiving help in training programs. A number of department stores have such cooperative arrangements with the New York University School of Retailing, the Research Bureau for Retail Training in Pittsburgh, and the Prince School for Store Service in Boston. In certain cities, there are work-study projects in retailing with cooperation between the high schools and stores. Except for these cooperative retailing courses in high schools, most of the outside educational activities are in business schools or colleges. With higher educational standards for new employees, the need for continued education in secondary school subjects has almost disappeared. The emphasis now is on further training in vocational subjects.

Practically all stores encourage their employees to take any of the outside educational courses in which they are interested. This encouragement may be only to the extent of posting notices of available courses, or it may be an active publicity campaign and an offer of tuition refunds for satisfactorily completed work. One store reported that "we will loan without interest money to be used for this purpose and share the expense of certain courses." Three others stated definitely that their policy was to refund part or all of the tuition for approved outside educational work.

D. THE EMPLOYEE LIBRARY

The training department is responsible for the employee library in most stores and with a decreased training staff, the library has sometimes become inactive or entirely discontinued. One store which for several years had a branch of the city library in its recreation room, now has no employee library. Another stated "use not stimulated, inadequate

staff." Ten stores reported that they had active libraries for recreational reading, some of them branches of the public library. Usually the books are located in the recreation room and may be exchanged during the lunch period. Instead of attempting to build up a special employee library, one store permits its employees to borrow from the circulating library of the book department at reduced rates.

In addition to a collection of light fiction, a few stores are beginning to develop technical libraries for employees. One training director said that she believed such a library would help considerably in the training program, and that she was just getting together a fairly good collection of books on retailing and was urging management to subscribe to more trade magazines. Another store reported that "the Training Department has a reference library of books on salesmanship, textiles, and current style magazines, which employees are permitted to borrow upon the recommendation of the Training Director." In one personnel executive's opinion, the employees and executives can secure books of fiction very easily at the public library, but find it difficult to secure any of the technical books in which they are interested. She considers it worth some effort and expense to develop a small reference library of real educational value.

E. CHECKING THE EFFECTIVENESS OF A TRAINING PROGRAM

The replies to the question "Do you have any means of checking the results of your training program?" were interesting in the variety of methods reported and in the different attitudes shown towards this problem. The methods reported were:

- Shopping reports
- Error records
- Selling records
- Rating
- Tests
- Personnel reviews

Some stores use only one of these and others use several. Service shopping is the most common, and is done regularly in fifteen of the fifty stores. Comments were: "the most objective means is the use of a rather highly developed shopping report," and "service shopping is the most accurate way of testing the general betterment of department service." The use of rating and tests may be helpful in determining the results of training on the individual, but are hardly a measure of the effectiveness of the whole schedule. Shopping reports, error and selling records, and personnel reviews give a much broader view of improved production and service resulting from thorough preliminary and contin-

uous training programs. But even with these, many personnel executives feel that no adequate measurement has yet been devised. One personnel director believes that the ratings, production records, and service testings are helpful but that "nothing is completely dependable." Another who believes that production and error records reflect the training effort, adds "It is very hard to measure results because comparable conditions seldom exist and variables enter in."

The need for training can be seen more easily than the improvements resulting from even the best program. The development of a more definite measure of results probably would encourage a more rapid growth in training plans and insure a greater stability to those already established.

V. METHODS OF PAYMENT AND SALARY STANDARDS

A. PAYMENT METHODS

A METHOD of salary payment which is equitable to the employee and wholly satisfactory to management is something always sought, and never quite found. The variety of payment methods used in the different departments in one store or in any group of stores shows that no one method is generally acceptable. It may also indicate that there is a definite and continuous attempt to find the most workable system or systems.

1. SELLING DEPARTMENTS

The methods used in paying department store salespeople fall into four principal classifications. These are:

- Straight salary
- Salary plus commission on net sales
- Straight commission with drawing account
- Quota—bonus

Many stores are using two or three of these methods, and sometimes all four. Of forty-five stores, only fifteen have a uniform system throughout their sales departments. Although the number of stores is not large enough to attempt any statistical deductions, it is apparent that the quota-bonus system of payment is increasingly favored. The following chart indicates the variation in use and importance of the four methods in the forty-five stores.

		Straight Salary	Salary and Commission	Commission with Dr. a/c	Quota-Bonus
Number of Stores	Use in one or more departments....	18	17	29	23
	The predominant system.....	12	11	2	20
	In all sales departments.....	2	4	2	7

One would surmise that the smaller stores and the "quality" stores would use chiefly the straight salary, and that the larger and "sales" stores the commission and bonus plans. However, in this sampling, there is no indication of such division. Stores with less than 1,000 em-

ployees use all three types of incentive payment as well as straight salary, and the most favorable comment on straight salary came from a store of 2,000 employees. This store emphasizes quality rather than price in its merchandising, but many other stores with similar policies use principally a commission or quota-bonus plan.

Two stores not included in the above analysis reported that they use all kinds of methods and believe that the value of any one method depends on the department. It is true that certain systems are more commonly used in certain departments, but the commission with drawing account plan seems to be the only one which by preference or custom has become generally used in specific departments. Other than this, there seems to be little more uniformity of payment plans according to department than according to store. There are advantages and disadvantages to every system, and there are many variables in every factor affecting the success or failure of any one plan in any store or any single department.

a. Straight Salary

In a straight salary system of payment, the salesperson is given a definite weekly wage irrespective of the amount of sales. It is a time wage rather than a production wage, and has the advantages that go with a definite payment for a definite time. These are: simplicity of administration, a steady income to the worker, and the likelihood of equal attention to all parts of the job. On the other hand, the only incentive to increased sales is the hope of a salary increase or the threat of a decrease or dismissal. To give some assurance of fair reward for better effort and production, and to prevent burdening the department with inefficient workers, good supervision and a regular, careful salary review are necessary.

One store which has straight salary payment in all but one department reported: "Quota bonus for the whole store was not successful. We now revise salary according to selling cost above or below required department selling cost. The check-up makes this system better."

Another using the straight salary plan throughout the store said: "Some years ago we operated on salary plus small commission. It made for poor service because the individual was primarily working for himself and frequently forgot the company and its goodwill."

An executive in a store of approximately 1,500 employees wrote: "We have tried a number of plans and feel that a straight salary is the best:

1. Because it ties into a high standard of responsibility of executives for supervision.
2. It takes into consideration all elements of a job.

3. It makes for harmony and good feeling.
4. It makes it possible to put the same urge behind every element of a job that there is behind selling."

b. Salary plus Commission

This form of payment is similar to a straight salary in that the weekly salary is the principal part of the salesperson's pay. The possible additional income from the small percentage (from one-fourth to three-fourths of 1%) on net sales is an incentive for increased effort. The fact that the commission on net sales gives an additional reward to the poor as well as the successful salesperson is considered an advantage by some, in that it offers an incentive to all, and a disadvantage by others, because it gives a bonus to the employees whose selling costs are already too high. As with the straight salary, the principal basis of adjustment must be in the weekly wage rather than in any differential commission.

Woodward and Lothrop describes its commission plan of payment in its employees' handbook:

"A commission of one-half of one per cent ($\frac{1}{2}\%$) will be paid monthly on total net sales. This will be paid *in addition* to salary or other compensation with the following exceptions:

1. No commission will be paid for the first month of service.
2. Commission for sales will not be paid to buyers or assistant buyers.
3. When the commission earned in any one month amounts to less than One Dollar (\$1.00) it will not be paid.
4. Demonstrators whether paid directly or indirectly by the manufacturer, will not be paid commission by us.

"It is the feeling of the management that, when drawing accounts are properly adjusted to represent the general efficiency of each individual, this plan works more satisfactorily for store members than any other. It means that every regular salesperson receives a commission each month. There are no deficits to make up, and no dull periods in which no commission at all is received."

Other comments favorable to salary plus commission were:

- ✓ "Easy to administer and easily understood."

"We believe that the plan in use of salary and commission . . . has a great advantage over many other plans such as quota bonus where the incentive does not start immediately and the individual's incentive may be deadened when business is dropping behind."

c. Commission with Drawing Account

Although many stores have what is called a "straight commission" system of payment in certain departments, this plan is in actual practice usually a commission with guaranteed drawing account. Under the

Retail Code, the guaranteed weekly drawing account had to be not less than the minimum weekly rate set for the store under the provisions of the Code.

With the commission form of payment the salesperson's income varies in direct proportion to the sales. The drawing account insures some income in dull seasons, but the department does not lose money on unearned salaries when the unearned drawing account is charged against future commissions. The principal difficulties are that without very careful supervision great competition develops between the salespeople, and, in busy seasons, care of stock is likely to be neglected and service poor.

This method of payment is commonly used in a number of departments, but is rarely the predominant or only system in the store. The three departments in which the commission form of payment is most frequent are: furniture, rugs and men's clothing. In addition, certain stores have mentioned the use of this method in one or more of the following departments: women's ready-to-wear, radios, refrigerators, oil burners, interior decorating, and major electrical appliances. In all cases, these departments are ones of large sale-units, and the merchandise requires more individual sales effort than in many other departments.

One store using the commission method for all sales departments stated: "It is most advantageous because you underwrite your salary according to ability." The executive discussing the question felt that "sales-grabbing" was not a serious evil when supervision was capable of maintaining satisfactory service and proper care of the stock. Another store which prefers the quota-bonus plan, but uses straight commission in a few departments wrote: "In some cases the plan has been used as a depression expedient to attempt to control selling-costs and will probably be supplanted by the quota-commission plan. In other cases, it is used because it is the accepted trade practice."

d. Quota-bonus

This system is dependent upon an accurate record of past selling costs for the department. The individual salesperson's quota for any given period is based upon the average selling costs for a comparable time in several previous years and his salary. The methods of determining this average vary, as do also the means of setting the individual quota and bonus rate after the average department selling cost is found. Usually the selling percentage of the department and the individual quota are identical. The rate of bonus payment is frequently lower than the percentage paid on sales up to the quota. Sometimes a small commission is paid on net sales up to the quota and a higher one on

sales above the quota. However in most plans, no bonus is given until the quota is reached.

It is evident that although the bonus-over-quota system is the most generally used, it is also the most difficult to administer. Some of the advantages as well as difficulties accompanying this type of plan are shown in the following comments:

"The quota is based on the average monthly selling cost of the department for the last five years and the salesperson's salary. The selling cost figure has to be adjusted up or down to meet some special departmental situation. Some salespeople have greater opportunity to sell higher priced merchandise than others; some have more non-selling duties in a department. As the volume of business improves, salespeople's commissions increase and should become a real incentive for selling. On a declining volume, this particular wage payment plan is more apt to be discouraging, because quotas are not made."

"The chief objection to the quota-bonus plan is the difficulty in adjusting the quota to sudden changes in demand."

"The straight salary plus commission paid on sales over a quota is very satisfactory because the quotas are set each month and take into consideration the seasonal fluctuations of business. Also each individual has an opportunity to make a bonus."

"It is believed that:

1st: It will more accurately control the selling cost of a department over a continued period of time, in that unearned salary due to insufficient sales must be made up before a bonus is paid, and salary adjustments are automatic to the point where the production does equal or better the quota.

2nd: It provides a much more impartial method of determining the salary which an individual can earn in a department, and what is even more important than this, it provides a method whereby the salary adjustment of an individual can be discussed in an impersonal manner, mathematically demonstrating what a salary can and must be, with much more clarity than could be accomplished in our previous method.

3rd: In the vast majority of instances, the selling unit can receive a definite amount of wages on which they can budget their expenses which is greater than what could be guaranteed under the former method of a low base with a 2% commission on all sales. This will give a greater stability in income, as a person whose quota is properly set would be able to maintain his salary level over a particularly dull month at a point higher than where the earnings fluctuate so immediately in proportion to actual sales."

In summarizing the different types of payment plans for selling departments it is seen that good department supervision is equally essential to the success of a straight salary or incentive plan. Moreover to gain the employees' cooperation and insure all-around satisfactory service,

the plan must be one that can be understood by the salespeople and is considered fair by them. Since salaries form such a large item of expense, management is always eager to find some means of reducing the selling-percentage cost. However experience has proved that a wage-payment system cannot be built on this purpose alone, but must take into consideration the long-time effect upon customer service and employee good-will.

2. NON-SELLING DEPARTMENTS

In practically all stores, a straight salary is the chief method of payment for non-selling positions. Bonus systems of various types are used in a few departments in which it is possible to set production standards. Seven stores report that they pay a production bonus to billers and posting machine operators in the accounts receivable department; several also have bonus plans for central wrapping, marking, and the delivery department. In addition, bonus plans have been reported in manufacturing departments, for cashiers and for adjustment tracers. The bonus plan for billers and posting machine operators generally provides a monthly bonus according to the number of items posted. A rate per hundred is set and if the monthly production exceeds the sum of their weekly earnings, the difference is paid in the form of a bonus. Some deduction may be made for errors.

3. SPECIAL BONUSES AND OTHER SALARY SUPPLEMENTS

a. Special Bonuses

Special bonuses to employees are not so frequent as a few years ago and the addition to wages through this source seems to be very slight indeed. Several stores, which had given Christmas bonuses have discontinued this practice "until increased business again warrants it." One store which had given a bonus to its non-selling employees at the time of the anniversary sale has not done so for two years.

Sometimes store-wide bonuses are given annually or on special occasions, or specific awards are made to certain groups. One store stated that it gave an annual bonus, another that it gave "special cash prizes occasionally," and a third that it gave "anniversary cash prizes to salespeople, and a day off to non-selling employees." The Fair (Chicago) gives a fifty dollar bonus to elevator operators at the end of each year's service. Halle Brothers Company (Cleveland) gives an award for 25 years' service. Several stores give Christmas bonuses to their drivers.

b. Suggestion Systems

Encouragement of suggestions from employees can be a means of developing alertness and initiative, and may prove of considerable value

to management. More than half of the stores reported that they had some arrangement for obtaining suggestions from employees. These arrangements are not always a definite set-up for facilitating suggestions, judging them and making awards, and without an efficient system and regular publicity, suggestions are likely to be few. However many of the stores do have well-organized and successfully-functioning suggestion systems.

Typical of the plans for regular consideration of suggestions is the following:

"The management of the Broadway Department Store, Inc., conducts a permanent monthly suggestion contest. Prizes are offered for every practicable idea submitted by an employee tending to improve the System or Service, or reduce the operating expenses of the House, provided that such an idea is not already in vogue. The prize awards are based upon the following regulations:

1. For any accepted suggestion which in the opinion of the committee is of considerable value to the business, a prize of \$1.00 to \$25.00.
2. For all unacceptable suggestions which in the opinion of the committee show considerable merit or constructive originality, 50c each.

Suggestions should be placed in a Suggestion Box. These boxes are to be found at each time clock. Awards are made as soon after the end of each month as the contest can be decided."

In addition to cash awards, employees are sometimes given credit for worthwhile suggestions on their progress cards, and the number and value of suggestions made are a factor in promotions or salary increases.

Most stores with active suggestion systems describe them in their handbooks of information for new employees. In addition, the suggestion blanks and boxes are at convenient locations, and contests and awards are given publicity by bulletin board or in the employee magazine.

c. Profit-sharing

Many stores have bonus plans for buyers and other executives which are dependent upon store earnings, and are really a form of profit-sharing. In this study, there is record of only four stores which have, or have had, a plan for sharing profits with the rank-and-file employees. One of these reported, "We formerly had such a plan. It is not in operation at present because, for the last few years, there have been no profits to share." Another said simply, "Suspended."

The Robert Simpson Co., Ltd. (Toronto) has an active plan which is a combination of profit-sharing and employee savings.

"EMPLOYEES PROFIT SHARING FUND

The Company provides a Profit Sharing Fund for employees. To this fund the employees contribute 5% of their earnings and the Company contributes 5% of their profits.

The total amount in this fund at the present time is \$1,049,762 and there are 1,237 participants.

Employees in order to become entitled to full participation in the profits must have ten years' service with the Company, or in the case of girls in the event of their leaving to be married, five years' service. Many employees have very substantial investments in this fund. We could quote many instances of girls who have left the Company's employ to be married and at the time of leaving were earning substantial salaries, and who drew from the fund amounts around \$3,000.

Every employee is eligible to join the Profit Sharing Fund after one year's service with the Company. In the event of withdrawals before ten years' service is completed the depositors contributions are returned to them plus 5% interest compounded half yearly."

Probably the best known plan is that of Wm. Filene Sons Company.¹ For some years after inauguration of the plan all employees shared in the distribution of bonuses. Then the plan was changed so that bonuses were awarded according to "the judgment of the heads of the various divisions of the store organization as approved by the Operating Committee and the Management."² A recent statement of the operation of the plan is:

"The . . . change is not one of policy, but simply of operation made necessary by the general wage situation and reduction of profits in the last three years. Because executives were the first to receive salary reductions and suffered more severely in this respect than non-executives, the reduced amount available for bonuses in the last three years was given only to members of the executive and sub-executive groups, although this included several hundred people. The plan which is set up in our written policies to distribute bonuses to all who do not receive other commissions and who contribute to the success of the business by extra effort above the ordinary job requirements, is still in effect."

Profit-sharing plans are naturally not common in a period of decreasing profits. It is a question at any time whether they are sufficiently understood by the rank-and-file groups or whether there is enough connection between an individual employee's effort and the store's profits to warrant giving a share of profits to him or to act as any direct incentive if it is given. A bonus on individual sales and a direct salary increase are probably simpler means of giving employees a fair share of earnings, and are methods more easily understood and appreciated by the employees.

¹ A description of the various plans for this distribution, the percentage given to management and employees, and a discussion of employee reaction are given in Mary LaDame, *The Filene Store*, Chap. VII.

² LaDame, p. 178.

d. Employee Discounts

The custom of giving a discount on employee purchases is prevalent throughout retail trade. The reasons in most cases are to get the employee trade and to benefit from employee goodwill. The discount may add appreciably to the real wages of an employee.

The following plans are typical of the provisions in many others:

	Regular Discount	Special Discount	Restrictions
I	10%	20% during each semi-annual season for clothes worn in the store	To regular co-workers after 1 month's employment for their personal use, for dependents and for gifts given and paid for in good faith
II	20%		To contingents after 24 working days.
III	10%	20% to executives	To regular employees after 1 month's service For regular employees on all mdse. except certain sale goods marked net Extra employees may receive discount only on the days they work in the store
IV	10%	15% on outer wearing apparel from certain departments	For regular employees, their dependents, and gift purchases. Not granted on advertised mdse., the first day of a sale or on anniversary sale goods
V	15%		To regular employees after 1 month's employment To extra employees after 6 months' No discount to Saturday employees

The most common regular discount granted is 10 per cent. Special discounts are given up to 25 per cent. As may be seen in the plans outlined above, rules for granting discounts to new and part-time employees also vary. The frequently higher discount on outer apparel to be worn in the store is intended especially to encourage selling employees to dress well and appropriately. In practically all cases, the discount is specifically granted only on those purchases made from the employee's salary and for his own or dependent's use or for gifts. Usually employees must have a shopping card from their department head to secure the discount, and employee shopping is permitted only at the less busy hours of the day or on the employee's lunch time.

Charge account privileges may be given employees. A longer service is ordinarily required before a charge account may be opened than is required for a discount on cash purchases. Usually, also, there is a definite limit to the amount which may be charged. Frequently this is one week's salary, sometimes it is a stated sum. This restriction is not only to protect the store, but also to prevent the employee from mortgaging his or her salary too far ahead.

B. SALARY STANDARDIZATION AND EXPERIENCE

No attempt was made to gather salary statistics in connection with this survey, but information was sought as to salary standardization and minimum wage policies. Opinions as to the effect of the Code on salaries were obtained in interviews with store executives. The data received on job classification and salary standards reveal that very little has been accomplished towards such classification in department stores. In this, they are far behind many industrial companies, whose wage schedules are based on a complete analysis and classification of the jobs of all departments. Salary standardization implies a definite measurement of jobs and a comparative ranking of their importance. Perhaps this has not been developed in stores because such a large percentage of employees are in the selling departments where the principal measurement of the individual's success and value is the sales record. However too much emphasis can be put on the production record to the neglect of other aspects of the selling job. Classification and ranking of jobs within a department in comparison with similar jobs in other departments is not only an important means of developing an equitable wage payment plan but is also a valuable aid in setting wage rates in selling and non-selling divisions of the store.

A minimum rate of pay had been established in many stores before the NRA. How this compared with the Code minimum may be judged from the amount of adjustment necessary. A few stores reported that they had had to make no salary changes; five stated that their minimum was higher than that set by the Code, and one had a higher minimum for married men. On the other hand, a majority of stores had to increase the salaries of certain groups of employees, and this increase has adversely affected the wages of the middle-salary groups. Not only has the differential been considerably reduced or eliminated, but the middle salaries have actually been kept lower in many stores because of the minimum standards. Frequently store employees had taken a salary cut of from five to ten per cent before 1933. The Code minimum usually more than restored the amount of the cut to the lowest-salary groups, but, in so far as it stretched the salary budget at that point, it often prevented restoration of previous salaries to the middle groups. Several executives felt that this had created much dissatisfaction among the middle-salaried employees, and was a difficult problem which could be met only by a change in the Code or decided increase in business and profits.

The opinion is fairly prevalent that some restrictions as to maximum hours and minimum wages should be permanently effective, either through mutual agreement, or national or state laws. Many of the stores included in this survey are among those which, following the

Supreme Court decision invalidating the codes, announced their intention of maintaining labor standards adopted under the Retail Code. If shorter hours and minimum wages set by the Code are to be retained, stores must find some means of adjusting the large middle group to a more equitable position in the store-wide salary schedule. Salary standards for each type of job, based on job classification or at least on a weighing of the relative value of the various jobs in relation to one another and to the whole organization, may be an essential part of this readjustment.

C. SALARY REVISION AND PROMOTION

The depression has been a harsh test for the less efficient and the unfit among department store employees, and many of them have lost their jobs. In choosing new employees, stores have taken on the best from the available applicants. The result is a high percentage of rank-and-file employees interested in and capable of filling better jobs. How to use these employees to the best advantage of the organization and the individual is now a distinct problem.

Many stores have regular salary reviews based on production records, rating, and other information which may be listed on the individual employee's record-card. One store's personnel review sheet contains space for starting date, wage rate, production record, rating on ten qualifications, outside responsibilities, remarks and recommendations. An executive, wrote concerning this review sheet, "It has been a great help to us in properly adjusting salaries and evaluating each individual." Other stores have undertaken a salary review based on much less complete records. Whatever record forms and procedures for using them had been developed prior to 1930 seem to have been well maintained during the depression, in spite of the fact that salary increases were greatly retarded or altogether discontinued.

1. RATING

In many stores, a definite rating of the employee on certain qualities or characteristics important to success in a particular job is a regular part of the annual or semi-annual salary review as well as a method of measuring the progress of new employees. Those stores which consider it an important means of appraising new employees, rate each employee at the end of the first month's employment, again at the end of six months, and then regularly at each salary-review period.

The rating procedure takes many forms, from an "A, B, C" grading of each employee by the department head to the checking of a much more elaborate graphic rating scale by the buyer, the section manager, the training representative, and the employment supervisor. Although

PERSONNEL PROGRAMS IN DEPARTMENT STORES

SALESPeOPLE RATING FORM

Dept.....No.....Name.....Date.....

APPEARANCE.....

Well groomed	Careful, could improve	Often neglects appearance	Slovenly
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ATTENDANCE.....

Regular	Fairly regular	Absent frequently	Undependable, absent without notice
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Is S.P. prompt in going and returning from lunch? Yes.....No.....
 Does S.P. take unauthorized time off the floor? Yes.....No.....

ATTITUDE

Cooperation.....

Cooperative	Willing, only when asked	Solo performer, no thought of others	Hostile, pulls against
-------------	--------------------------	--------------------------------------	------------------------

Does S.P. know and follow store system? Yes.....No.....
 Does S.P. dress according to store rules? Yes.....No.....
 Does S.P. assist in other depts. cheerfully? Yes.....No.....
 Does S.P. when wrong, attempt alibi? Yes.....No.....

Manner.....

Pleasing, gracious	Favorable, polite	Indifferent, unimpressive	Grouchy, repellant
--------------------	-------------------	---------------------------	--------------------

Is S.P.'s attitude prompt, alert, business-like at all times? Yes.....No.....
 Is S.P. courteous to customers at all times? Yes.....No.....

Industry.....

Diligent, always alert	Steady, hard worker	Indifferent	Lazy
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EFFICIENCY

Stock care.....

Stock orderly, well displayed	Work done, but only fair	Perfunctory, requires superv.	Avoids stock work
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Merchandise

Knowledge.....

Complete	Well-informed	Moderate, learning	Lacking, no effort to learn
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Salesmanship S.P. 5 mos. average selling cost:

Does S.P. sell efficiently and quickly?	Dept. average
Does S.P. handle exchanges as graciously as sales?	Yes.....No.....
Are S.P.'s returns above average?	Yes.....No.....
Does S.P. make many errors?	Yes.....No.....
Does S.P. use suggestive selling?	Yes.....No.....
Does S.P. record mdse. calls when mdse. is not in stock?	Yes.....No.....
Does S.P. know how to close a sale?	Yes.....No.....

PROMOTIONAL QUALITY: Yes.....No.....

Signed.....

the shorter rating forms have the advantage of giving a comparative rating on a broad scale, the longer forms with specific qualities and characteristics more clearly defined give a better basis for fair judgment. The rating form shown on page 46 is used regularly in one store. It is an excellent example of a scale which assures a definite opinion on the employee's standing in each item and a check of this opinion by specific questions on the employee's response to given situations.

Rating may be of little value or actually harmful if a single person's opinion is the chief basis of judging an employee's worth. If an individual is rated by two or more people well acquainted with his work it may then be a very useful supplement to other records of his standing and accomplishments. More than half the stores have rating forms which have been used regularly for at least several years. To have gained this record of continued use, rating must have proved itself a helpful device.

2. PERSONNEL REVIEW

A few stores have developed a procedure much broader than the usual salary review with rating. This procedure is a survey of the personnel of the whole store, with a consideration of each person's progress in regard to the job, his potential capabilities for a better job, and specific opportunities for promotion. It is a synthesis of the facts of the production record with the varying opinions of the executives expressed through ratings and joint conference. It gives a definite picture of each employee's status in the department and the whole department's personnel strength or weakness. The interview with the employee is not only a way of suggesting methods of improvement to him, but is an excellent means of finding out previously unknown interests and abilities.

The following summary of the personnel inventory in one large store shows in more detail a fairly typical procedure:

The personnel inventory of every selling department is a joint consultation between a representative of the training department, two from the employment department, the floor superintendent, the buyer and the merchandise counselor. The records on percentage of returns, net sales, net transactions, number of days worked, and cost percentage, as well as the salesperson's ability and specific traits are discussed by the group and compared with the records of other employees in the same department. The training representative makes a report of the meeting, including comments, suggestions and recommendation for salary increase, if increases are being allowed.

After the complete inventory of each selling department, the training supervisor has a personal interview with each employee, discussing her record and suggesting means of improvement or possibilities for advancement. If the employee is especially poor she may be put on a three months' probation and her record reconsidered at the end of that period.

In the non-selling departments, the personnel audit is simpler. The employees are rated and discussed by the department head, the assistant department head, one representative from the employment office, and sometimes one from the training department. There is no follow-up interview unless some special correction or advice is thought to be necessary.

A personnel inventory of the executive group is made by the general manager. In this rating, the individual's education and previous employment history is considered, as well as his work within the store and his standing in managerial and leadership qualities.

This very complete review is not only an excellent means of watching the development of the individual employee, but helps management to observe the general trend in personnel in the whole organization.

Only five of the stores studied have a complete annual personnel review. A few others use it for the selling departments, and two use such a review for juniors only. One store which had previously attempted a personnel survey each year had given up the practice for the time being because salary increases had been suspended and the number of openings for promotion was not enough to warrant the effort in locating the best promotional material. The executive of another and larger store expressed the opinion that although promotional opportunities had decreased, the personnel review was a valuable method of "feeling the pulse" of the organization in a time of low as well as high labor turnover. One superintendent felt that now, more than ever, the personnel review was important to successful personnel relations:

A real personnel review is always essential to fair promotional policies. Now that so many of our employees are fitted for higher jobs, naturally they will become discontented and restless unless the store takes a definite interest in putting them into the better positions that may become available.

VI. EMPLOYMENT MAINTENANCE

THE assurance of a job is the most basic element in any program of worker security. Old age and sickness or other emergencies require financial reserves, but the job is the worker's livelihood at the present moment, and his only means of saving for these hazards. The threat to job security is two-fold; discharge because of some personal failure or incompatibility, and lay-off due to declining business. The first is a joint problem of employer and employee and, with good personnel management, can be reduced to a low minimum. The second is a problem of many facets. Its solution is wholly beyond the individual worker, and is only slightly touched by the individual employer's single-handed efforts. Department stores have made forward strides in abolishing haphazard and unfair discharge. They have also attacked the problem of seasonal fluctuations in employment through the use of contingent forces and part-time workers. This has given a degree of employment stability to the regular, full-time workers under normal business conditions but has left the large group of part-time workers in a most uncertain position both as to employment and income. In a prolonged business depression the jobs of both full-time and part-time workers are threatened.

A. TERMINATION POLICIES

1. DISCHARGE

While discharge is an essential prerogative of management for the maintenance of a smooth-running and successful working organization, the employer sensitive to his employees' good-will and welfare does not casually accept "firing" as the quickest and easiest way out of a difficult situation. These employers have put brakes on sudden discharge, and have developed methods to avoid it. One employment manager has said recently that discharge reflected on the personnel department more often than on the individual. In some cases the employment office had erred in selection; in others the training had been so meagre that the employee had little chance to succeed; or the follow-up had been inadequate. Moreover, many executives have found that on the financial side there is plenty of "good business sense" in keeping an experienced worker if it is at all possible. The expense of hiring and training a new employee and guiding him through the period of adjustment to a new

job is no small sum. Both as a worthwhile economy and as a sound personnel policy the common rule has developed, "discharge for good cause only, and after thorough investigation."

In all stores with an organized employment department, discharge, transfer, and lay-off must go through that office. As in the employment procedure, the opinion and recommendation of the department head are influential, but the final decision as to discharge from the store rests with the employment manager or a higher executive. The employee's case receives careful consideration and arbitrary discharge is avoided. The following procedure is outlined by one large store:

"Dismissal Where a Replacement is to be Made

A. *First Six Months of Service*

During the first six months as a regular employee, the person is to be considered as on trial and may, with the approval of the Employment Manager, be dismissed with a minimum notice (or pay in lieu of notice) of one week. The person must, however, have received at least one caution by his supervisor (of which record was made on the Employee's Record Card) that the work was not up to standard.

Note: In all recommendations for dismissals or formal warnings by the Personnel Department, the general principle should be that the recommendation must come from an executive not lower in rank than next above the employee's immediate supervisor; thus for a salesperson, the recommendation must come from the buyer or the person of higher rank, for an assistant buyer from the divisional merchandise manager, etc.

B. *Six Months' to Two Years' Continuous Regular Service*

Before any notice of dismissal there must have been a definite warning given by the Employment Office, Store Superintendent or Division Head that the employee's work is not up to Standard, and that unless there is an improvement within a reasonable (specified) time (not less than two weeks), the employee will be dismissed. After such warning the employee may be dismissed with a minimum notice (or pay in lieu of notice) of one week. The approval of the Personnel Director is required before such notice may be given."

A second check by management on any recommended discharge is fairly common procedure. Much more unusual is the plan to permit the appeal of a discharged employee to an impartial board. Wm. Filene's Sons Company has had an Arbitration Board in connection with its employee association for many years.¹ Any appeals from dismissal may be taken to this Board. Decisions are binding upon employee and management, and over a period of twenty-one years, 71 decisions were in favor of the store and 61 in favor of the appellant.² In

¹ For description and experience of this Arbitration Board, see LaDame, *The Filene Store*, Chapters XI-XIII.

² LaDame, p. 274.

two recently established plans, decisions of one arbitration board are in the form of recommendations to the general manager, and in the other, final appeal may be made to a special board of three. Experience with one of these new plans has already affected discharge procedure. That Filene's has continued its Arbitration Board for over thirty years would indicate that its advantages in accumulated employee satisfaction and good-will more than offset any disadvantages from the curtailment of management's prerogatives.³

2. LAY-OFF

The problem of lay-off because of lack of work and need for reduced operating expense has been a much more pressing one during the last five years than that of discharge for cause. Many more difficulties and decisions are involved in a general reduction in the working force than in the discharge of one employee. These questions and others face management: Who shall be the first to go? The least efficient? The more recently employed? Those who have fewest personal financial responsibilities? And whatever the decision as to order of lay-offs, how can the company ameliorate the blow to the employee?

The two factors given most weight in deciding upon lay-offs seem to be efficiency and length of service. Personal need is not often mentioned as a deterrent to lay-offs, but is often considered in determining the amount of the dismissal wage. The fact that the least efficient are not necessarily the employees most recently hired complicates the lay-off problem. The long-service employees are usually considered first for openings in other departments, and it is principally for them that shorter hours and other spread-work devices are tried. But these methods do not always prevent some lay-offs from this group.

3. DISMISSAL COMPENSATION

To soften the shock of the loss of a job, many stores pay a dismissal wage, or give advance notice with time off to look for another job. The latter procedure undoubtedly was a benefit in better times, but one employment executive said, "It has been nothing more than a gesture recently." The dismissal wage may be paid in lieu of or in addition to notice. Opinions vary greatly as to the wisdom of giving advance notice. Some employment managers feel that it is very bad for the morale of an employee—that it is much better to give one or two weeks' advance pay and have employment end with the dismissal interview. There are, on the other hand, many who feel that it is only fair to the employee who is being let go through no fault of his own to give him

³ For further discussion of arbitration, see Chapter X, pp. 78-79.

notice even a month or two in advance, and that, if properly handled, there will be no sudden change in the employee's attitude towards his work.

The use of the dismissal wage is increasing and is becoming somewhat more standardized. Approximately four-fifths of the stores reported the use of a dismissal payment. The policy varies from one week's salary in lieu of notice to a definite scale of payment based on length of service, position, and personal need. The usual minimum service requirement for any dismissal wage is one year, but one firm gives one day's advance pay for each two months' service up to one year. The maximum payment is often two months for ten years' service, and whatever the amount, it is usually given in a lump sum. However many stores consider each case individually when the service is ten years or longer, and two stores mention periodic payment.

The following is the basis of dismissal payment in one store:

- 1 year's service—1 week's pay
- 2 to 5 years' service—2 weeks' pay
- 5 to 10 years' service—1 month's pay
- 10 to 15 years' service—2 months' pay
- 15 to 20 years' service—3 months' pay
- Over 20 years' considered individually.

A well-defined dismissal compensation plan is definitely a forward step from the custom of laying off the employee with little notice or one week's pay in lieu of notice. However the most generous plans are but a small aid in tiding the laid-off worker over a long period of unemployment.

B. REGULARIZATION OF EMPLOYMENT

The discouraging fact of great unemployment confronts department stores just as it does all industry. The problems involved in cyclical unemployment are common to both industry and retailing; the problems of seasonal unemployment include elements peculiar to the retail trade. The public demand is fluctuating and variable. Stores attempt to supply the merchandise as their customers are in a mood to buy it, and the effort requires great increases in the number of employees at certain peaks in the week or the year, and adjustment between departments as one particular commodity increases or decreases in popularity.

The means of adjusting employment to seasonal requirements has varied somewhat between stores, but the most frequently used method of stabilization has been the employment of large numbers of regular part-time workers or special workers for peak seasons. Some firms have attempted to use a contingent force as a means of giving considerable flexibility to the employee group and at the same time making it

easier to maintain a regular, full-time staff. Other stores have taken on and laid-off part-time and special workers with scant consideration for their need of a regular income or the store's ability or inability to give it to them.

The problem of meeting seasonal demands is not easy, and department stores undoubtedly have viewed the use of part-time workers as the best means of keeping the pay-roll expense as low as possible while giving some assurance of regular employment to a basic staff. But part-time employment has been accepted too readily⁴ and without exhaustive study of ways of avoiding it. Individual stores have done something and can do more towards giving regular employment to most of their employees through: (1) careful estimates of department requirements, (2) the use of a flexible full-time contingent force, and (3) the planning of vacations to coincide with periods of least business activity. Stores in general have made some effort to level the selling peaks by encouraging customers to spread their seasonal shopping, and by offering special inducements to buy in normally dull seasons. However the buying habits of the public cannot be changed by one store. Seasonal unemployment is a problem which requires long-range attack, and only the concerted efforts of retailers with the cooperation of manufacturers may exert a definite influence on customer demands and habits.⁵

Unemployment accompanying a business depression occurs alike in industry and retailing. The bigger problems of prevention are beyond the solution of any single employer; the efforts to ameliorate its effects within the individual organization necessarily vary with the type of business and other special conditions. Some methods adapted to industry were not possible in retailing. The department store, to remain in business, must be open the regular hours each day and week and maintain at least a minimum staff in every department. To meet their problem, stores have tried the following methods with varying effects upon the unemployment situation:

- (1) Transfers between departments
- (2) Transfers to part-time or contingent force
- (3) Shorter shifts
- (4) Vacations without pay

(1) Transfer between departments has been used frequently in some stores as an expedient in avoiding individual maladjustment as well as

⁴ According to the Retail Census for 1933, part-time employment increased 28.3 between 1929 and 1933; full-time employment decreased 29.5 in the same period.

⁵ For detailed consideration of seasonal unemployment see: *The Regularization of Employment*, by Herbert Feldman, 1925; and *Reducing Seasonal Unemployment*, by Edwin S. Smith, 1931.

equalizing employee distribution. One personnel director wrote, "Transfer always in preference to firing or lay-off." Theoretically that is the aim in most stores. Practically it has not always been carried out in recent years. With reduced turnover, interdepartmental transfers are not easy, and with many capable workers on part time, it is more difficult to persuade any department head to accept an employee who has not succeeded elsewhere in the organization.

Transfers in order to avoid lay-offs and to equalize employee distribution are more favorably received by department managers, even though the transfer of an older employee who has been in one department for many years is not easy. Discussion of the situation with the employee and retraining are important in helping him to adjust to new duties. With sufficient consideration of the problems involved, transfer has been used successfully and has undoubtedly prevented more lay-offs. One basic weakness in a plan of using transfers to prevent unemployment is that in a depression period, business is poor in all departments. It is not often that some departments are requiring many additional full-time employees when others are reducing their staffs. Sales and seasonal demand vary considerably between departments, but these selling peaks are partially taken care of by the "flying squadron" trained for service in several departments. It is a different and even more difficult problem to maintain or increase the number of regular employees in a time of low business activity.

(2) Transfer to a part-time or contingent force is perhaps better than permanent lay-off, but as a form of spread work, it has all the hazards attached to the latter. The employee who has had full-time work doubtlessly prefers a short-hour job to none, but the prospect of trying to live on the income is not cheerful. Most firms believe strongly that some lay-offs are better than the attempt to spread work to the point where part-time employment gives less than a subsistence income.

(3) Shorter shifts or staggered hours became almost essential under the NRA. The intent of the Code in setting the employees' maximum number of hours per week lower than the store hours of business was to increase employment. The percentage of increase varied greatly between stores, depending on the number of employees at the time the Code went into effect, and the schedule of working hours adopted. One executive said:

Our employment was increased approximately 17%—much higher than many stores. We had reduced our staff considerably earlier in the depression, and in order to adjust to the difference between store hours and number of hours each employee could work, it was necessary to increase our staff. Other stores which had not reduced their staffs earlier did not make any increases under NRA, but simply spread work among the employees already on their payroll

The opinion of another employment manager was in agreement:

NRA has done very little towards increasing employment. We had several hundred contingents who had received a full weekly wage. When NRA came and made necessary an adjustment in hours, these contingents were made extras and given only part-time employment. Other regular employees were given shorter hours without decreased pay but practically no new people were taken on.

The conclusion reached in a special survey of department stores under the NRA is the same:

"Numerous plans are in use to adjust employee work hours to store hours. This is readjustment rather than reemployment. Practically all of these plans are variations of the staggered hour system. In one store employees are requested to take two forenoons off each week; in another, each employee takes a day off; and in the remaining stores, employees work in staggered hour shifts."⁶

(4) Requiring employees to take all or part of their vacations without pay has been one means of reducing payroll cost slightly without reducing employment. This practice was more common in the small and medium-sized than the large stores. It took the form of one or two weeks' vacation without pay, or one week with pay and one without, and variations depending on length of service and salary. It is doubtful whether this measure had any important effect upon total employment.⁷

Store executives have no illusions about their ability to maintain employment in a period of general business depression. Even those who had kept their regular staffs as low as possible, and used part-time help and contingents to fill in the peak demands, found it necessary to lay off many regular employees in recent years. Retail firms, of course, have varied in the number of lay-offs and in the methods used, but the reduction of full-time employment in department stores by approximately 25 per cent between 1929 and 1933 shows the serious degree of unemployment.⁸

Stores recognize the complexities and size of the problem and are interested as never before in developing governmental or private cooperative measures to prevent recurring periods of unemployment. They see also the need of providing for those who are out of work through no fault of their own some assistance other than public relief, and to this end, have advocated the establishment of compulsory unemployment reserves.⁹

⁶ Dameron, Kenneth. "The retail department store and the NRA." *Harvard Business Review*, Spring, 1935, p. 267.

⁷ For further discussion of vacation practices, see Chapter VII, pp. 59-61.

⁸ U. S. Summary of the Retail Census for 1933.

⁹ At the National Retail Dry Goods Association 24th Annual Convention, January 15, 1935.

VII. HEALTH SERVICES AND RECREATIONAL ACTIVITIES

IN EVERY large organization, the health of the employee is an important interest of personnel management. Medical departments are established to give first aid in case of accident, to prevent minor ills from developing into more serious ones, and to maintain a good health record among the employees through education, improved working conditions and correct placement. In addition to direct medical service, many stores feel the provisions for recreation are worthwhile not only for the employees' enjoyment, but because of a definite health value.

A. THE MEDICAL DEPARTMENT

Because the nature of retail work makes accidents rare as compared to many industries, the medical services of a store are principally concerned with the care of minor ills and preventive medicine. The effectiveness of the program depends on the size and scope of the medical department and varies greatly from store to store. In the smaller departments, a nurse is usually in charge with a doctor on call or in attendance an hour or two a day. With such an arrangement, the nurse takes care of minor ills and the doctor gives his time to physical examinations and to consultations with employees. The nurse in charge or a special visiting nurse may call on employees absent on account of illness. Hospitals even in the small stores usually have connected with them a "quiet room" or ward where employees may rest when they are ill.

The larger medical departments often have two or more nurses in attendance all day, a part-time or full-time physician and a dentist. Frequently also the services of a chiropodist and an optometrist are available to employees at greatly reduced rates. In general, the services of the nurse and doctor are free to the employee, but in only one case are these services intended as a substitute for outside medical attention. The Robert Simpson Co. Ltd. (Toronto) states:

"Employees may use the Company's doctor or their own as they wish and all that is necessary to secure the services of the Company's doctor is to obtain a pass from the Store Hospital if the employee is at the Store, or to call in the doctor if they are at home. Doctors' accounts are submitted to the Superintendent's Office each month and immediately authorized for payment."

Another store reported that a small fee was charged if the employee used the company doctor as a family physician. However most stores state explicitly that their medical departments do not attempt to take the place of the family doctor.

Even though very few stores want to give complete medical care to their employees, many of them realize that for their medical service to have any influence on the employee's health it must give more than emergency treatment. The firms which are trying to develop an effective health service for their employees have a broad program including educational work, a check on all or certain classes of employees through a periodic physical examination, advice to individuals on the need for special medical attention, and help in securing medical and hospital services at reduced rates. A common rule is to require any employee absent on account of illness to report to the store hospital before beginning work again. Often this is a mere formality, but sometimes it is a real effort to see whether the employee needs further medical attention. A few stores as well as many more industrial concerns are moving towards a special medical service which does not disestablish but rather supplements private medical care. The physician who knows the industry and the particular conditions surrounding an employee can give an advisory service which is invaluable to the employee, his private physician and the company.

The following descriptions of store medical departments are illustrative of (a) the smaller store, (b) the large store with medical service independent of an employee organization, and (c) the medical department as a part of an employees' association:

(a) Wm. Hengerer Co. (Buffalo).

"A nurse is constantly in attendance at the dispensary on the ninth floor and visits in the homes of employes who are reported ill.

"Employes are urged to go to the dispensary upon the first indication of illness. Many times when proper caution is exercised, illness is prevented.

"A physical examination is given to every person who is employed for a permanent position.

"The office hours of the house physician are from 4:00 to 5:00 P.M. Monday through Friday and from 11:00 A.M. to 12:00 M. on Saturday."

(b) The Halle Bros. Company (Cleveland).

"A Health Service Department is maintained by The Halle Bros. Co. to supervise the physical welfare of its people. New employees will be required to take a physical examination either as soon as they enter the store or within a few months after employment.

"A physician, nurse, dentist, and a dental hygienist are in daily attendance, prepared to offer the following services:

1. To offer first aid and emergency treatment to customers or employees in case of sudden illness or accident.

2. To offer treatment to employees for minor ailments and illness.

3. To recommend general practitioners or specialists to any employees who wish advice. (The department itself is not equipped to give treatment in cases of major illnesses.)

4. To give a physical examination by appointment, to any employee at any time. The department recommends such an examination yearly, and stands ready to give specific health advice to those who are examined.

"A Dental Clinic, located in the Health Service Department, is maintained by the Employees' Association. Its aim is to encourage preventive dentistry and to that end it offers prophylactic treatments, simple fillings and extractions. The Dental Clinic makes a charge for its work sufficient to cover operating costs. Emergency treatment for toothaches, as well as advice about bridge and plate work, are given employees free of charge."

(c) L. Bamberger & Co. (Newark).

"Physicians and nurses are provided for the treatment in the store of many types of cases such as colds, cuts, and sprains. Prescriptions given by store physicians when filled by our druggist are paid for by the Co-Workers' Association and the co-worker is required to pay only a nominal charge.

"The physicians are always accessible in the store to co-workers without previous appointment for examinations or prescriptions or treatments. In addition to the general staff, a Newark specialist in all diseases of the heart and lungs has office hours in the Health Department one day a week and can be consulted without charge."

"The Health Department consists of four wards, one nose and throat room, two surgical dressing rooms, three doctors' offices, one laboratory and X-Ray room, besides the chiropodist's and dentists' rooms. The latest type of apparatus is used including Ultra-Violet Ray, X-Ray and Baking Lights.

"A Dental Clinic is connected with the Health Department, where you may have dental work done during store hours. Examinations and emergency treatments are given without charge. A charge of fifty cents is made for cleaning your teeth, for extracting or for filling a tooth.

"A full time chiropodist is employed. The co-worker is required to pay only a nominal charge for this service."

One of the objects of the Co-Workers' Association is "to supervise and cooperate in the various store activities conducted for the health, comfort, happiness and efficiency of the co-workers." However all expenses of the health services (other than the small fees paid the dentist and chiropodist) are paid for by the company. In two other cases in which the medical services are part of the mutual benefit association, the officers of the association more actively participate in the management of the store clinic, but in both of them the expenses are paid by the store either directly or indirectly through a contribution to the association. Such a policy acknowledges the concern of the employees in these matters vitally affecting their welfare, but also recognizes the responsi-

bility of management to maintain at least an emergency and advisory medical service for all its employees.

B. EMPLOYEE CAFETERIA AND REST ROOMS

Many stores have established cafeterias or lunch rooms where their employees may secure good food more cheaply than at a public restaurant. The stores believe this is a good policy because it encourages the employees to eat a nourishing meal at noon and also permits them to give a little of their lunch time to rest or recreation.

The need for an employee cafeteria varies, of course, with the location of the store and the accessibility and kind of other restaurants. The success of the cafeteria depends on its attractiveness as well as the price and quality of the food served. Stores have found that a cafeteria operating at a loss and little patronized could be made popular and self-supporting by redecorating the room and improving the menu. Employees are also more likely to use the cafeteria if by eating there, they can use their lunch time to better advantage. Reading rooms, "quiet rooms," recreation rooms and roof gardens where the employees may rest or amuse themselves are not only useful for their own purposes, but are likely to add attraction to the nearby lunch room.

In a few cases, the employee cafeteria and recreation rooms are under the supervision and control of an employee association. More frequently, however, their management is one of the functions of the personnel department.

C. VACATIONS

Vacations with pay have long been customary in department stores, and are usually considered a part of their health program. Although modification in vacation practices was fairly common during the depression, the change in policy was more frequently in the amount of time paid for than in the total length of the vacation. About half the stores on whose vacation policies there is information for both 1930 and 1934 made some changes in policy during those years. A few firms which had previously given two weeks' vacation with pay changed the ruling to one week with pay and one without. Others temporarily abolished all paid vacations and asked the employees to take one week off without pay. After the inauguration of the NRA, a few of these stores gave one week off with pay to all unlimited-time workers but continued the no-pay policy for most of the employees. By 1934, only four of the stores studied had a policy of vacation without pay for the majority of employees. The others had restored partly or wholly the former vacation allowance.

The common ruling in regard to granting vacations is one week with pay to all employees with at least one year's service. Almost three-fifths of the stores were in this class. Most of them also grant an extra week without pay to employees who request the time, and many stores, starting on the basis of one week for one year's service, increase the vacation period according to service.

An example of a vacation schedule which gives increasing time for increased service is:

Employed	Vacation with pay
6 months before June 1.....	3 days
1 year before June 1.....	1 week
2 years and over.....	2 weeks

Another store with a more liberal ruling gives part of its vacation to long-service employees in the winter:

Employed	Summer Vacation with pay
Before January 1 of the current year.....	1 week
1 year before January 1.....	2 weeks
	Additional Winter Vacation with pay
5 years before January 1.....	3 days
10 years before January 1.....	1 week
20 years before January 1.....	2 weeks

This store also gives executives of more than three years' service a short winter vacation.

A few stores give only three days' vacation with pay after one year of employment, and several give two weeks' vacation after one year's service. The stores in the latter group had adopted the two-weeks-vacation policy before the depression and have continued it to the present time. Their opinion is that a vacation long enough to be a real change and rest is important to the employee's well-being and that vacations should not be cut down if it is at all possible to maintain them.

In order to assist employees in getting the greatest benefit from a vacation, the personnel department of many stores gives advice and suggestions for inexpensive vacation trips or camps. A few firms have established camps, or country clubs where employees may spend a weekend or longer time at very reasonable rates. In many cases, these have the enthusiastic support of the employees. However one store gave up its summer camp because there was not sufficient employee demand for it to warrant the considerable expense it involved. The purpose of a store camp or club—to provide a restful and interesting vacation at low rates—is excellent. It may be, however, that some employees prefer other types of vacation, and want an entire change of

scene and a chance to make new acquaintances. With or without a store camp, the personnel department can be very helpful to individual employees by giving them information on vacation places and trips which are within their financial range.

D. RECREATIONAL ACTIVITIES

Many types of group recreation are carried on among department store workers. Sometimes these activities are definitely sponsored by management and sometimes they are wholly organized and directed by the employees. The particular form of organization varies greatly. A few employee associations are in charge of all employee activities, including sports, social affairs, and cultural programs. In other cases, special committees of the mutual benefit association plan recreational events. More frequently there are separate clubs for some special group of employees or for one particular sport. The Filene Co-operative Association (Boston) and the Broadway Department Store Employees' Association (Los Angeles) are responsible for all recreational activities among the employees of each store. At the H. & S. Pogue Co. (Cincinnati) the Mutual Benefit Association sponsors card parties, dances and boat rides. The T. Eaton Co. (Toronto) has a very broad program of summer and winter recreation carried on principally through the Young Men's Club and the Girls' Club.

Individual clubs cover a great many activities. They include baseball, basketball, golf, fencing, tap dancing, bridge, dramatics and music. Orchestras, and choral and operatic societies seem to have the particularly enthusiastic support of employees and management, perhaps because they give many employees an opportunity to develop special talents and may be good publicity for the store. However the principal purpose of most of the clubs is social and recreational. The stores which give them encouragement and financial support undoubtedly feel that there is some return in employee loyalty and goodwill. A few stores follow the "hands off" policy, and let the clubs be strictly employee-initiated and employee-managed organizations. One comment was: "We have only such clubs or activities as the employees themselves desire and assure us they can handle satisfactorily."

In a somewhat different class are service clubs. These are open to employees who have had twenty or twenty-five years' service, and usually include a special award from management in the form of a medal or gift to each member and an annual banquet for the club. Certain special privileges, such as longer vacations, may also be granted to members. Through these clubs and the privileges accompanying membership, the stores attempt to give recognition to long service and continued loyalty.

VIII. BENEFIT AND INSURANCE PLANS

THE financial strains accompanying sickness, death, and old age bear particularly hard on the low-salaried workers who form the largest group of department store employees. The provisions thus far developed for store medical service or for other medical and hospital services at reduced rates relieve this strain hardly at all. While out of work on account of illness, the employee is confronted with the dilemma of increased expenses and no income. To lighten this burden, employees have organized mutual benefit associations and some firms have developed plans for the payment of sickness and death benefits from company funds. Of all the financial hazards incidental to sickness, accidents, death and old age, those accompanying sickness have received most attention in department stores, principally through mutual benefit associations and company plans, and very slightly through group insurance. Accidents suffered on the job are of course covered by the workmen's compensation laws of the various states. Old age has until recently received least attention of all.

A. MUTUAL BENEFIT ASSOCIATIONS

The most common form of health insurance in department stores is that provided by the mutual benefit association. Approximately two-thirds of the stores reported that they had such an employee association which had been functioning successfully for many years. The purposes of a few of these associations are broad and include many employee activities. However the fundamental purpose of all of them is to provide benefits in case of illness or death. The usual form of government is a board of directors, elected by vote of the members, but the management of the store may have considerable influence in the organization. In a few cases, the constitution specifies that certain executives of the company shall be members of the board.

The financial support given by the company varies greatly. In the stores in which the firm makes a contribution equal to the employees' dues, the medical services are paid from the fund. Sometimes management contributes only enough to keep the reserve fund above a stated sum. Nearly always the firm bears the administrative costs of the association.

Although membership is compulsory in only one-third of the associations, the effort is always made to get as large a percentage of employees into the association as possible. Frequently membership is automatic after a certain period of employment, and dues are deducted from the pay envelope unless the employee specifically states that he does not wish to join. A large membership is essential to maintain a financially-sound organization, and the majority of store employees are interested in supporting an association which has only small dues and insures some financial help in case of sickness and death.

Actuarial advice is important in setting dues and benefits; but there are no definitely established standards and both dues and benefits vary greatly between associations. Dues are usually collected monthly through pay-roll deduction, and are of three principal types: a flat amount per month, the same for all members; a percentage of the weekly salary; or a stated amount according to the salary class in which the member belongs. Sometimes an initiation fee is charged, and less frequently provision is made for assessment of all members to pay a death benefit or to keep the fund above a certain minimum. Sickness benefits may be a stated amount for all or may vary according to salary. In only a few associations are they affected by the length of service. Death benefits are usually the same for all, but in a few cases they increase with salary or years of service.

The constitutions and by-laws of most of these associations contain clauses adopted to prevent undue strain upon their funds. These include:

- A physical examination or questionnaire to keep employees who are very poor risks out of the association,
- A waiting period from two to six weeks between the date of membership and eligibility for sickness benefits,
- A much longer waiting period, often six months or a year, before death benefits will be paid to new members' beneficiaries,
- Certain types of sickness or injury not paid for,
- A limit on the number of weeks' benefits will be paid in any twelve-months' period.

The following provisions in different associations show the various bases for dues and benefits:

The N. Snellenburg & Co. Beneficial Association (Philadelphia) has only one class of dues and benefits. Employees automatically become members after two months' service, and are eligible for benefits 30 days after first dues are paid.

Dues	Sickness Benefits	Death Benefit
.40 per month	After 1 week's illness \$5 per week for not more than 13 weeks in any current 12 months	\$200

The Scruggs-Vandervoort-Barney Employees' Mutual Benefit Association (St. Louis) has four classes of membership, with dues and benefits as follows:

	Monthly Dues	First Week Disability	Each Succeeding Week Disability	Death Benefit
Class A.....	\$.25	\$2.00	\$4.00	\$50.00
Class B.....	.50	4.00	8.00	75.00
Class C.....	.75	6.00	12.00	100.00
Class D.....	1.00	7.50	15.00	100.00
		For not more than 10 weeks in any calendar year		

In the Namm Members' Mutual Benefit Association (Brooklyn) dues are a percentage of salary, and sickness benefits are paid according to salary and length of service. Membership is voluntary upon completion of ninety days' continuous employment, and all applicants for membership must pass a physical examination before being accepted. No new employee over 50 years of age is eligible.

Dues	Length of Membership	Sickness Benefits		Death Benefit
		Amount	No. weeks	
1% of weekly salary payable every 4 weeks	3 mos. - 2 yrs.	$\frac{2}{3}$ pay	6	\$100
	2 yrs. - 5 yrs.	$\frac{2}{3}$ pay	10	100
	5 yrs. - 10 yrs.	$\frac{2}{3}$ pay	15	100
	Over 10 yrs.	$\frac{2}{3}$ pay	26	100
			In a twelve-months' period	

Members out ill for one week will receive one-half week's benefits.

Mutual benefit associations fill a very definite need and are successfully giving financial aid to ill employees in many stores. However these associations do not always cover all employees, and none of them are prepared to take care of prolonged illnesses. A few firms which have mutual aid associations supplement their benefits in case of the chronic illness of long-service employees, and others pay the death benefit provided in the association by-laws. When there is no mutual benefit association, the employees may have no protection or may be covered by a company benefit plan or group insurance. Neither of these forms of protection is so frequent among department stores as the mutual benefit association.

B. COMPANY BENEFIT PLANS

Practically all stores pay their employees who are on the monthly pay-roll for short illnesses and also make some provision for extended absence on account of sickness. A few stores make similar arrangements for employees on the weekly pay-roll, especially for those of long service. However payment for absence during illness is not assured the employee and each case is considered according to the employee's need unless the company has established a sickness benefit plan. Eight stores have reported a definite schedule for sickness benefits paid for entirely by the store. Many others, which have or have not a mutual benefit association, give leaves of absence with pay depending on the individual's circumstances.

Company sickness benefit plans usually have rules as to eligibility for membership and waiting periods before drawing benefits, similar to the provisions of a mutual benefit association. Benefits begin from the third to the eighth day of illness and are paid up to a stated maximum number of weeks in any one year. Service is usually an element in the amount of benefit or the number of weeks the benefit may be paid.

The Joseph Horne Company (Pittsburgh) provides that, "after three months' service regular employees when absent two or more days, owing to an accident or personal sickness, will be allowed half time for a period not exceeding four weeks in six months, and when absent on account of a death in the immediate family, full time, up to three days."

The conditions for payment during absence on account of illness as set by F. & R. Lazarus & Co. (Columbus) are:

"Permanent Associates not on the semi-monthly payroll, or members of the Twenty Year Club, will be paid by the firm for absence caused by illness, or accident, as follows:

1. The first sixty days of employment will be considered a probationary period and associates will not come within these provisions during this time.
2. Associates employed sixty days, but less than one year will receive two-thirds pay for such absence, not to exceed ten weeks in the year.
3. Those who have been continuously employed over one year will receive three-fourths pay for such absence not to exceed ten weeks in one calendar year.
4. Sick absence will not be paid except for a period of at least one week."

A few companies make greater variation in benefits according to service. Hutzler Bros. Co. (Baltimore) increases the number of weeks the benefit may be paid with years of service, giving a maximum benefit of 25 weeks at full pay and 26 weeks at half pay to employees of more than ten years' service.

A few companies also pay death benefits to the beneficiaries of an

employee of a certain length of service. These usually increase with service, ranging from \$100 to \$500. The death benefits paid by mutual benefit associations or the company are never large. The lowest is not even sufficient to pay burial expenses, and the highest gives very little protection to the survivor's family. To give more adequate protection, some companies have adopted group insurance plans.

C. GROUP INSURANCE

The large number of young department store employees who have no dependents are not interested in life insurance coverage. To others who have dependents but do not have a large enough income to carry much individual insurance, group insurance is of definite interest. The fact that this latter group is often in the minority accounts partly for the slower spread of group insurance among department stores than in industry. One store which has a group insurance plan for its male department heads reported that the plan had been "offered to the female employees but there was not enough interest to make it possible."

Only eleven stores of the fifty studied have some form of group insurance available for the entire store. Two others have salary deduction plans. One of these, the T. Eaton Co., Ltd. (Toronto) has formed its own life insurance company and offers its employees various types of life and endowment policies. The company pays ten per cent of the premium. Members leaving the employ of the company may continue their insurance, but must then pay the full premium.

Of the eleven firms with group insurance, two of the plans offer life insurance only, six offer life with a total and permanent disability clause, and three include life, sickness and accident. The division of plans according to payment of premium is: three paid entirely by the store, two paid by the employees, and six jointly. In both plans paid for by the employees, the life insurance has been substituted for the death benefits previously paid by the benefit association. Five of the six contributory plans are compulsory. Three are for life, sickness and accident, and in these the company pays for the life insurance, the employees for the sickness and accident policies. The two for life insurance both superseded plans with smaller coverage in which the company paid the total premium.

In the company-paid group insurance plans, coverage is comparatively small and increases with service. In contributory and employee-paid plans, coverage and premiums vary with the salary or are a flat amount for all employees except executives.

There are indications of two trends in life insurance for department store employees: a change from non-contributory to contributory, and from the death benefits of a mutual benefit association to the more

formal group life insurance policy. Both moves are toward higher protection—which is distinctly desired by those employees who have dependents. A store cannot force contributory insurance upon large numbers of employees who may not want it, but management can present a plan, describing its provisions and benefits, and let the employees base their decision for or against group insurance on definite information. Moreover there are possibilities in the large stores of giving more adequate protection to all male employees and giving a much cheaper, minimum coverage to the female employees. The problem of financial protection for dependent survivors is of great enough concern to many employees to make it also a problem of interest to management.

D. RETIREMENT ANNUITIES

Department stores are far behind many industrial companies in financial provision for the retirement of old and disabled employees. Only two of the stores covered in this survey have established formal retirement plans, and both of these have been adopted within the past year. The thirty stores which reported that they take care of their superannuated, long-service employees on an individual basis or through fairly definite but informal plans may give much or little assistance. When the case is "handled individually" it practically always means that the pension is granted entirely on the basis of need. The firms which have informal pension plans consider to some extent the financial needs of the retiring employee, but have established standards for payment according to years of service and salary. The following is typical of the statements in regard to these informal plans:

To be considered for pension an employee must have been in the store at least twenty years and must be at least sixty years old. The amount granted is usually 1½ per cent of the average salary of the last five years times the number of years of service. The maximum pension granted is \$40 a month.

Stores are not pleased with their pension provisions, and recognize the insecurity and uncertainty of present policies both for the firm and the employees. One executive wrote of his store's plan, "Provides fairly satisfactorily for present emergencies, but does not at all meet the standard requirements of a pension plan."

The standard requirements for a retirement annuity system are:

(1) Adequate provision by the company for accrued liability.

(2) Provision for purchase of future annuity liabilities as they accumulate. This cost may be borne by the company alone, or jointly by the company and employees. The annuity credit is likely to be much higher in the contributory plan.

(3) Assurance of return of employee contribution in case employment with the company ceases, with vested rights in the annuity credits purchased by the company after a certain period of service.

(4) An announced scale of benefits related to average pay and years of service. It may be wise to set a maximum benefit in order to prevent an undue proportion of annuity funds being allocated to the highest salary group.

(5) A continual audit of liabilities and safe-guarding of the fund.

The two stores which have established formal retirement plans meet these standards to different degrees. The Wieboldt Stores, Inc. (Chicago) assure each participating employee a retirement annuity of twenty-five dollars per month from age sixty-five. The Anderson Newcomb Co. (Huntington, W. Va.) plan provides a retirement income related to future service of one and one-half per cent of the average annual salary multiplied by the number of years of contribution. *In addition*, the company is purchasing an additional retirement income which will equal one per cent of an employee's salary (to a maximum of \$4,000) on July 1, 1934, multiplied by the number of years of continuous service prior to adoption of the plan. Both plans are voluntary and contributory. A large majority of the Wieboldt employees have come into the plan, and every eligible employee of the Anderson Newcomb Co, is covered by its annuity program. The latter company increased its employees' salaries the amount necessary to defray their portion of the insurance cost. According to both plans, a participant leaving the employ of the store may receive in cash his own contributions, or may leave them with the insurance company as a paid-up annuity. The Wieboldt plan entitles an employee who may leave the company after ten years' service to annuity benefits purchased by the employer's contribution if the employee takes a paid-up annuity for his own contribution.

The problems connected with the establishment of a retirement insurance plan in any company are varied and complex, but they can no longer be avoided by any large employer. Only within recent years have department stores begun to realize the responsibility that was mounting in connection with the pension needs of long-service employees. The problem became apparent suddenly as stores themselves reached maturity, and it has been accentuated by the increasing disabilities due to old age of large numbers of women employed at middle-age during the war years. In the summer of 1934, store executives were saying that they realized the need for action but did not want to establish private plans until the government's program was clear. In January, 1935, the special committee of the National Retail Dry Goods Association recommended immediate government action on old age relief and future consideration of a plan for old age insurance. Legislation has gone fur-

ther than this committee suggested and, according to the Social Security Bill, the federal government will not only contribute to state old-age pension funds, but will establish a national old-age insurance system on a contributory basis.

The federal old-age insurance system will give some protection to store employees who become superannuated in 1942 and increasing protection for each additional year of contribution.¹ However contributions to the plan will not relieve the employer of further responsibility. There are in particular three groups of employees who will need special or additional coverage through private plans. These are:

(1) The employees at or near retirement age today who are not at all or inadequately protected by the federal system and who can rightly expect some provision for their old age from the company. Certainly the man who has worked for one firm for many years should not be forced to go on public relief nor be refused a pension because he may have a little savings of his own.

(2) The future older employees who will have accumulated a considerable sum towards a retirement annuity, but who may become disabled before 65 which is the legal retirement age. This group may include many women employees.

(3) The higher paid employees of a company who will not receive retirement incomes at all commensurate with former earnings under the provisions of the Social Security Bill.

With or without a formal retirement annuity plan, every store will have to face these special problems and others that will arise from circumstances peculiar to any one organization. A definite plan established on an actuarial basis will give management a real measure of its present and future pension liabilities, will gain employee goodwill through the assurance of retirement with a stated income, and will help a company to develop a more efficient personnel by retiring employees as they become superannuated.

¹ According to the Social Security Bill, the employee with an average monthly salary of \$100 will receive from age 65 a monthly benefit varying from \$17.50 after five years' employment to \$53.75 after 45 years' employment.

IX. SAVINGS AND LOAN PLANS

PLANS to encourage and facilitate employee thrift are fairly common in department stores. The provisions take various forms, from organizations initiated and supervised by the employees to plans developed by management with sometimes a management contribution. Savings are the chief bulwark of most workers against possible financial hazards, and yet many people with small salaries find it difficult to undertake any systematic saving of their own accord. Many of them welcome some plan which makes regular saving convenient and "painless." Company officials feel that thrift habits develop stability and self-reliance and believe that an employee savings plan deserves the definite support of management.

The three principal types of employee savings plans are: cooperation with a savings bank, special company plans, and the credit union.

A. COOPERATION WITH SAVINGS BANK

Nine stores reported some plan for facilitating the deposit of employee savings in a savings bank. The usual procedure is for the employees to authorize the deduction of a regular sum each pay-day and the paymaster to send these sums to the bank with a proper record of the individual deposit. A credit slip is inserted in the pay envelope or sent to the employee by the bank. Instead of payroll deduction, two stores have an arrangement whereby the employees give whatever sum they wish to a specified person who then deposits the money to the individual accounts. This plan is not as great an encouragement to regular saving as the payroll deduction method.

The following description of one store's Thrift Club is typical:

"Application for membership in the Thrift Club may be made at the Personnel Office and any amount signified will be deducted from the salary to be deposited with the ——— Savings Bank. A receipt is enclosed in the pay envelope which should be kept as a record of the money saved. For the convenience of members, each depositor's pass book is kept at the bank where it is necessary to go for withdrawals. Opening and closing accounts, changing amounts and depositing are taken care of through the Personnel Office.

"The advantages of a thrift account is that without any effort on the part of the depositor a savings account can be built up for vacation, Christmas or as a reserve fund."

Cooperation with a savings bank is one of the simplest ways of encouraging employee savings. It develops the habit of regular saving, and gives to the employee funds the security and liquidity of an account in a reliable bank. The interest is somewhat lower than that offered by some company savings plans. Lord & Taylor (New York) gives a greater impetus to saving by matching the interest paid by the bank on all savings made by the employees from their salaries. Other stores generally assume no responsibility except for transferring the funds.

B. SPECIAL COMPANY PLANS

In all of the various plans in this group, the company or an employee association accepts responsibility for employee savings and the company handles or invests the funds. Some of these plans provide only for short-time savings, for Christmas, vacation or other special purposes, and the employee has a pass book or other record of individual savings as in the regular bank savings account. Provision may also be made for long-time savings, as a savings account with the store or through investment in company stock or bonds, or other securities.

An example of the store savings plan is that of Strawbridge and Clothiers' (Philadelphia). It is described in *Store Chat*:

"For those of you who are foresighted enough to put by a little on each pay day, the Strawbridge & Clothier Savings Fund Society, an employee organization, has provided convenient means for saving.

In November and May of each year new members may join the Savings Fund. A pass book is given to each member, and weekly deposits of 25c to \$10 are received on Wednesday and Thursday mornings in the Deferred Payment Office.

The full amount deposited, plus interest due from this profit-sharing plan, is paid in November and May. It is possible to redeposit this money and permit it to remain in the safekeeping of the Savings Fund until the next distribution.

Officers of the organization are elected by the members. The months it is paid out make it an ideal Christmas or Vacation Fund. Others use it to provide in a systematic way tax or coal funds for the home or even to get together the necessary funds to purchase a car."

One firm accepts employee savings in larger amounts and gives the employee a demand note bearing six per cent interest. Another store permits an employee to use his accumulated savings to purchase five-year debentures of the company on which five per cent interest is paid. The store's ability to pay a higher interest is in most cases the chief reason for taking charge of employee savings rather than encouraging and facilitating deposits with a savings bank. The store is, however, undertaking the responsibility of serving as a bank for its employees, and to justify this step, it must be sure that it can give the employee

funds as much or greater security than a good savings bank, as well as the better interest.

Sometimes the company savings plan is a combination of a savings and profit-sharing plan. An example of this is the Employees Profit Sharing Fund of Robert Simpson Co., Ltd. (Toronto).¹ Since the employee is assured of return of his own savings plus five per cent interest in case he withdraws before he has become entitled to full participation in the profits, the plan is valuable to him as a means of savings without any consideration of the profit-sharing element.

Another plan sometimes sponsored by firms to encourage saving and to give employees a chance to share in the company's earnings is employee stock ownership. These plans have never become as wide-spread among department stores as in industrial concerns. Observing the experience of some companies with these plans and the losses ensuing to many employees in a greatly depressed market, certain store executives have said "Luckily, we have never sold stock to our employees." Similar to the sale of the company's own stock to employees was the plan for investment through an employees' investment trust. Both types of plans included an element of risk which a low-salaried employee could not afford to take, and the serious weaknesses of both have been revealed during the depression. Of nine stores which had at some time sold stock to their employees either directly or through an employee savings plan, only one continues this policy at present. Even this one now restricts the sale of stock to employees of executive rank, thereby limiting it to those who can afford to take some risk for the sake of future gains.

The report of one company is representative of experience with employee investment plans:

"The plan was abandoned . . . the securities were taken over by the Company; the depositors paid in full with interest.

"This action was taken because we believed that this period of depression was not one favorable to a profitable operation of an employee investment trust. The element of diversification is, of course, an important protection in any such plan and we found that as employees' personal income dwindled, many of them turned to their savings accounts for assistance, so that towards the end, withdrawals exceeded deposits to the extent that would have made liquidation of securities necessary or, as an alternative, advances in cash from the parent company.

"However separate and distinct the employees association and its operation in this savings plan was regarded, nevertheless, the executives of our company felt the responsibility of the company itself in such an association was inescapable. We, therefore, acted promptly in discontinuing the plan and assuming the entire responsibility."

¹ See description of this plan in Chapter V, p. 41.

Whether a savings plan is initiated by management or the employees, the company has considerable influence in the type of plan adopted, and in encouraging or approving the plan implicitly accepts responsibility for the safe return of all employee funds.

C. CREDIT UNIONS

A form of cooperative banking which has become increasingly popular with many groups of wage-earners, including department store employees, is the credit union. Of the stores covered in this survey, fifteen have credit unions. These firms are located in cities as far apart as Boston, New Orleans and San Francisco, which would suggest the widespread growth of this form of employee savings and loan organization.

Credit unions are established under a state or federal charter and are always under some governmental supervision. A charter is granted only to a group of persons of some common interest, and, in the case of a store credit union, only employees are permitted to become members. Control and administration are in the hands of a board of directors elected by the members. This board usually makes decision as to rates of interest on loans, dividend payments, and investment of surplus funds. A special credit committee approves or disapproves applications for loans.

The principal functions of the credit union are to make provision for employee saving for a short or long time, and to enable members to borrow small sums at low rates of interest. The chief method of saving is through the purchase of shares. The price of shares is low, usually five or ten dollars, and they may be purchased outright, one or more at a time, or in installments as low as twenty-five cents a week. In a few cases, the credit union will also accept deposits from store employees. The common rule permits withdrawal of deposits or sale of a member's shares to the union on sixty days' notice.

Loans are made to members for "provident and productive purposes" only, and any member seeking a loan must state for what it is to be used. There are also restrictions as to amount of loans without or with security. One store's comment was: "It is worthwhile to note that the majority of the loans we make are small, and to people who have no means of getting credit except through a loan shark. Such loans may properly be called character loans." Most loans are repaid in small amounts through salary deductions.

Publicity is given to the credit union through handbooks, the employee magazine, posters on the bulletin boards and other special devices. In most cases, stores have reported very favorable response. One personnel director wrote "The Credit Union has been accepted enthusiastically

cally by employees." The experience of another credit union is described by its president:

"We have found that our credit union has survived the recent economic difficulties and is in strong position without withdrawing to any great extent from our former policies.

"The only changes we have made in our loan policies are to inquire further than usual into the possibility of the applicant losing his position, and if the application is for a larger amount than his position warrants, to question more closely into the need for that amount.

"All withdrawals have been met in full the same day as application was made. Our membership has fallen slightly—about 10%.

"In our opinion credit unions have come through the depression with flying colors, have been of great benefit to their members and the organization of new unions is to be encouraged in every possible way."

The experience of most credit unions during the depression as well as in more normal times justifies this enthusiastic support. Although they require the interest of a large group of employees, and considerable work on the part of those who serve as officers and directors, interest in them seems to be self-perpetuating. The chief reasons for their success are that they meet a definite need for an easy and secure method of saving and provide a source of emergency funds, and also that they have been established on a sound basis, both as to membership and loan provisions.

D. LOANS

More than half of the stores which have no credit union or other organization for making small loans have some special plan providing for emergency loans to employees. In one store, "the Mutual Benefit Association has a loan fund. As a further convenience, the Personnel Department makes loans to employees when they do not come within the province of the M.B.A." Another store has a special loan fund established by the firm, and a third has a loan fund established originally by a joint contribution of the firm and proceeds from a rather large recreational program, and since added to by benefit dances. From this fund, \$13,000 was loaned and \$3,000 given in direct relief in one year. More usually loans are made out of a company emergency fund on the recommendation of a member of the firm or the personnel or welfare department. These loans are based entirely on need and no interest is charged. Repayment is made through small salary deductions.

The few stores which have no plans for facilitating employee saving or provision for making emergency loans may feel that an employee's personal finances are entirely his own affair. However many more stores, and especially those which have a broad personnel program, be-

lieve that these are matters of interest to management. If a worker feels that his company is sympathetic he will turn to it first in time of financial need. The organization that helps its employees to prepare for emergencies by encouraging saving, and further aids them through small loans, is concerned with its employees' welfare but also recognizes the favorable affect of these plans upon employee morale and efficiency.

Note: The Industrial Relations Section has prepared several reports on employee savings plans which treat the subject in much more detail than was possible in the scope of this study. These reports are: *Company Plans for Employee Savings and Investment; Employee Stock Ownership and the Depression; The Use of Credit Unions in Company Programs for Employee Savings and Investment.*

X. GROUP RELATIONS

THE establishment of organizations for collective dealing has been much slower among department stores than in many industries of equal size and importance. Various factors may account for this lack of machinery for joint negotiation. The predominating type of worker in a department store has been the young woman who looked upon her job as temporary employment, and among none but special groups of workers has there been any background of craft unity. Whatever loyalty to the job has developed has been related to a particular store rather than to retailing as a trade or occupation. Store management has shown little interest in collective dealing. The effort toward unionization was not of sufficient strength to arouse active consideration for or against the movement, and the stores for the most part did not see the need or value of employee participation in the consideration of what seemed strictly managerial problems.

With the depression and the advent of the National Recovery Administration, conditions changed somewhat. The decrease in labor turn-over and wage cuts made employees more interested in their particular jobs and more critical of management policies. The legal right of employees to choose representatives for collective bargaining without the interference of the employer did not bring an immediate sweep towards unionization, but it did arouse a much greater interest on the part of both employers and employees in the possibilities of joint consideration of mutual problems. There are as yet no clear indications as to the future extent of joint dealings in department stores nor the type of organization which they will assume. However store executives are now aware that discontent is in the air, that employees have governmental protection through the permanently established National Labor Relations Board in their right to organize, and that collective dealing may be a useful adjunct to sound industrial relations.

A. EMPLOYEE REPRESENTATION

While certain industries have developed organizations for collective dealing as an integral part of their personnel program, department stores as a whole have given comparatively little attention to this phase of personnel relations. The Wm. Filene's Sons Co. (Boston) was until recently the one outstanding exception. A few other stores had inaugu-

rated employee associations or councils which were intended principally for discussion and the greater development of employee cooperation and goodwill. Not until the National Industrial Recovery Act was passed did any other store set up an employee association with definite legislative and judicial powers.

Only nine of the stores covered by this report have some definite provision for employee discussion of problems of interest to both employees and management, and more than half of these associations are principally for discussion with no active participation except in welfare and recreational activities. The purpose of one of these organizations as stated in its by-laws is:

- (a) To discuss at its meetings matters of general interest to the employees.
- (b) To formulate motions and make suggestions concerning any phase of the store's activities or policies which shall promote happiness, improve working conditions, or result in more efficient service to our customers.
- (c) To co-operate with the Firm by a frank discussion of any matter on which the Firm may wish the opinion and advice of the House of Representatives.

The stores which have had experience with this type of plan have commented favorably:

"This organization was instituted some years ago to afford the employees of the store a better opportunity to express their opinions, to offer suggestions, and to cooperate with the firm. Since the inception of this organization, much work has been accomplished which has been very beneficial to the employees as well as to the firm."

"It is believed that this outlet for expression makes for a better feeling in the organization. We have every reason to believe that employees feel free to express themselves through the Council."

The Council has been in action for eight years and is considered satisfactory by both employees and management. . . . The effectiveness of the plan in any division of the store depends largely upon that division's representative, and naturally they vary in ability from year to year.

The Filene Cooperative Association is the oldest department store employee organization and illustrates a type which has unusual legislative and judicial powers. The stated purpose of this association is:

"To give its members a voice in their government, to increase their personal and group efficiency to the mutual benefit of employer and employee, add to their social opportunities, and create and sustain a just and equitable relation between employer and employee."

These aims are carried out through a central council, and certain other elective committees and boards. The most important of these in sustaining "a just and equitable relation between employer and employee" is the Arbitration Board. Most of the other committees are concerned with social, athletic, or welfare activities.

The powers of the Arbitration Board are:

"To hear, determine and have final jurisdiction over grievances or disputes, including such questions as wages, discharges, and working conditions

- (1) Between a Filene Co-operative Association member or members and the Management;
- (2) Between two or more members in matters of store interest as to the justice or application of a rule affecting a Filene Co-operative Association member or members;
- (3) In any case in which any member or members of the F.C.A. have reason to question the justice of any decision of a superior or the action of any Filene Co-operative Association Officer, member, or committee."

This Board has long been accepted by employees and management as a satisfactory means of adjusting grievances. A recent amendment to the by-laws may facilitate and encourage discussion of employee problems before they reach the state of grievances. An Employee Relations Committee is set up which shall "act as an intermediary between the management and the F.C.A. on matters involving the general welfare of the employee body, and more specifically to consider the request of any group or groups of not less than three members each for an adjustment in working conditions and to make recommendations to the management for such changes in working conditions as it may deem to be desirable."

Two of the employee representation plans set up under NRA establish definite procedure for employee councils and also machinery for appeal in case of grievances and injustices.

The purpose of the one organization is:

"To secure for the employees certain self-governing powers which will materially increase their interest in the operation of the business; and thus bring about a much more intimate relationship between the management and the employees, and also to promote social opportunities for the enjoyment of all."

A more distinctly defined purpose is given to the Wieboldt Employees' Organization (Chicago):

"The purpose of this organization is to voice the opinions and desires of the employees to the management, through a representative group. This group will be a definite medium to take up with the management for discussion and recommendation, questions in reference to rate of pay, hours, conditions of work, or any

other subject, either personal or of a group, of interest to the employees and to the management."

The constitution outlines "the mutual and particular interests of both the management and the employees," and establishes the machinery through which the employee interests may be maintained. A local council is elected for each of eight store units, and a central council composed of the chairman of the eight local councils represents the entire organization. Actions and decisions of the local or central council are subject to referendum upon petition of at least twenty-five per cent of the membership of the local council or whole organization. The provision for impartial arbitration is as follows:

"In the event a satisfactory settlement of any matter cannot be attained, the Central Council shall present the matter to the President or Vice-President of the firm for action. If then no satisfactory settlement is reached, the matter shall be submitted to arbitration. An Arbitration Board, consisting of three people, one each to be selected by the management and the employees' organization, the third a neutral person agreeable to both representatives and to be selected by those two, shall present a final and binding decision in the matter."

That employees will express their desires and opinions when given an opportunity is shown in the action that has been taken in the two years since the establishment of this organization. Among other things, the employees have requested and received: salary increases, the five-day week in most departments, increased vacations with pay for employees of eight or more years' service, and much more careful consideration of discharge procedure.¹

The stores which have established employee associations without definite legislative or judicial powers believe that they are beneficial to the extent that they encourage open discussion of opinions, ideas, and grievances, and help to develop employee interest and cooperation. However the organization which explicitly provides for discussion of and action on working conditions, and for impartial arbitration of disputed points is the only type of employee representation which is likely to be a force in the settlement of questions of most importance to employees.

B. TRADE UNIONS

Only four of the stores included in this report stated that they had agreements with trade unions, and none of these were with groups of workers of predominating importance in the department store field.

¹ Mr. C. G. Hobart has described the Wieboldt Stores' experience with the Employee Organization in *Retailing*, June 24, 1935, p. 12.

The organized employees included building-trades workmen, tailors, and elevator operators. However the influence of trade union organization upon department store policy has recently become much stronger than the few trade agreements now in force would suggest.

Although department store employees may for the most part have little interest in trade union organization, there are special groups which have more impetus towards unionism, and the organization of these smaller groups may influence the whole body of workers. Employee attitude depends on many factors. If certain working standards are set by law, or if the liberal employer pays acceptable wages, and provides special benefits and just treatment of grievances, employees may not feel the need of the bargaining strength of an outside organization. However if there should be wage cuts, increases in hours of work, and unfair discharges, the employees may well consider the possible protection to be gained from union membership.

The store which views all aspects of the labor situation can no longer take it for granted that its employees are contented with things as they are. Management cannot speak for employees in matters of mutual interest but must now permit an expression of group desires through whatever representation the employees may choose. Employees without any experience in organization and discussion do not automatically become expert and wise negotiators. Leadership will be drawn either from within the employee group or from outside the store. The management which has not permitted intelligent discussion of employee problems by the employees, may find in a period of stress that its employees seek some one outside their own group to advise and lead them in their efforts to maintain or improve their economic status.

C. THE EMPLOYEE MAGAZINE

The employee magazine is not only useful in developing special programs and plans of concern to all employees, but can be a definite help in improving personnel relations. Its most important function is to serve as a channel of communication between management and employees; it is most popular as the personal newspaper for the whole organization. In spite of these good and definite reasons for existence, many employee magazines were discontinued early in the depression. Their continuation or suspension depended largely on whether or not they had become an integral part of the personnel program, and whether the same ends could be reached by other, and less expensive, means.

The department store employee magazine did not stand up well under either of these tests. The percentage of discontinuations were higher among stores than in any other particular group of employee periodicals.

Of 415 magazines being published in 1929, 50.1 per cent had been discontinued by December 31, 1932. Of 34 department store magazines in the list, 61.7 per cent had ceased publication. The experience of the stores covered in this survey was similar.

The statistics of continuation or discontinuation are, however, hardly a fair measurement of the magazines' success. Usually they were suspended as an economy measure, and often with the hope and intention of resuming publication as soon as financial conditions would permit. Their discontinuation caused less readjustment in personnel methods in a department store than in more decentralized organizations, because other means could be used more easily in getting plans and ideas from management to the employees. Department meetings were utilized to a considerable extent to develop new programs and explain new policies; short, mimeographed bulletins effectively carried merchandise information and "pep" material for special sales or campaigns for improvement along certain lines; and bulletin boards were used for specific announcements and instructions. However, none of these methods of disseminating information to employees entirely takes the place of a regularly issued publication for store-wide distribution, which provides a definite channel for management and employee expression, and helps to unify the group. In a time of changing personnel policies and an increasing employee interest in these policies, such a method for inter-communication is all the more valuable.

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STORES COOPERATING IN THE STUDY

- Abraham & Straus, Inc.
Brooklyn, N. Y.
- The Anderson, Newcomb Company
Huntington, W. Va.
- L. S. Ayres & Company
Indianapolis, Ind.
- L. Bamberger & Company
Newark, N. J.
- Bloomington Brothers, Inc.
New York, N. Y.
- Boggs & Buhl,
Pittsburgh, Pa.
- Broadway Department Store, Inc.
Los Angeles, Cal.
- Bullock's
Los Angeles, Cal.
- The H. C. Capwell Company
Oakdale, Cal.
- Carson Pirie Scott & Company
Chicago, Ill.
- The T. Eaton Company, Ltd.
Toronto, Can.
- The Emporium
San Francisco, Cal.
- The Fair
Chicago, Ill.
- Wm. Filene's Sons Company
Boston, Mass.
- Gimbel Bros., Inc.
New York, N. Y.
- The Halle Brothers Company
Cleveland, Ohio
- The Wm. Hengerer Company
Buffalo, N. Y.
- Hochschild Kohn & Company
Baltimore, Md.
- Joseph Horne Company
Pittsburgh, Pa.
- C. F. Hovey Company
Boston, Mass.
- The J. L. Hudson Company
Detroit, Mich.
- Hutzler Brothers Company
Baltimore, Md.
- Jordan Marsh Company
Boston, Mass.
- Kaufmann's
Pittsburgh, Pa.
- Korrick's Dry Goods Company
Phoenix, Ariz.
- Kresge Department Store
Newark, N. J.
- The F. & R. Lazarus & Company
Columbus, Ohio
- Lit Brothers
Philadelphia, Pa.
- Lord & Taylor
New York, N. Y.
- R. H. Macy & Company
New York, N. Y.
- Maison Blanche Company
New Orleans, La.
- Mandel Brothers
Chicago, Ill.
- James McCutcheon & Company
New York, N. Y.
- R. H. Muir, Inc.
East Orange, N. J.
- The Namm Store
Brooklyn, N. Y.
- The H. & S. Pogue Company
Cincinnati, Ohio
- The Rike-Kumler Company
Dayton, Ohio
- Roos Brothers
San Francisco, Cal.

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Sanger Brothers, Inc.
Dallas, Texas

Ed. Schuster & Company, Inc.
Milwaukee, Wis.

**Scruggs-Vandervoort-Barney Dry Goods
Company**
St. Louis, Mo.

The Robert Simpson Company, Ltd.
Toronto, Can.

E. T. Slattery Company
Boston, Mass.

N. Snellenburg & Company
Philadelphia, Pa.

Stern Brothers
New York, N. Y.

Strawbridge & Clothier,
Philadelphia, Pa.

Thalhimer Brothers
Richmond, Va.

John Wanamaker
Philadelphia, Pa.

H. P. Wasson & Company
Indianapolis, Ind.

Wieboldt Stores, Inc.
Chicago, Ill.

Woodward & Lothrop
Washington, D. C.