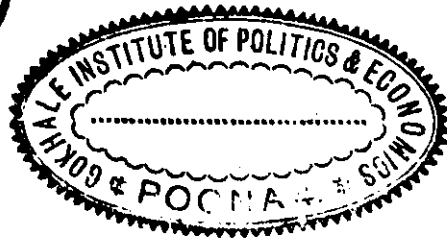


THE DETERMINA AND ADMINISTRATIO INDUSTRIAL RELATIO POLICIES

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FOREWORD

A MAJOR test in the survival of democratic capitalism is whether effective coöperation can be developed and maintained between American employers, wage earners and government. A free society requires not only the highest order of intelligent and far-sighted leadership but the willingness to work out solutions of common problems with a minimum of friction and misunderstanding. But leadership and coöperation are but attractive symbols if not implemented in day-to-day activities. Whether in a business corporation, a national trade union, or a government, these vital concepts must be reduced to terms of organization, policy formation, and application.

American corporations have attained outstanding success in the development of methods of organization and policy determination in the fields of production, sales and finance. Unfortunately, general progress in the field of industrial relations has been slower, perhaps for the very reason that success in other aspects of business activity did for a time raise the standard of life of our people at a rapid pace. With approaching maturity as an industrial nation and with the contagious diseases of war and totalitarianism now epidemic in the world, it seems crucial that American industry bring its methods in industrial relations up to the level of effectiveness attained in other phases of business activity.

In developing improved methods of organization and policy determination in industrial relations, American employers have a vast store of experience close at hand. While the study of foreign methods may be suggestive, the experience of a growing number of progressive managements in this country is far more significant. Methods and policies in human relations are not like alarm clocks that operate effectively in any environment. Rather they are a part of living organisms which must shape themselves to a host of local conditions.

The following report seeks to bring together the experience of a selected group of companies in organizing and directing the industrial relations aspects of their business. The diversity of methods is itself a significant indication that evolution is under way at a rapid pace. A second stage in all evolutionary processes is integration toward accepted norms. The Industrial Relations Section recognizes that the stage of integration lies a long distance ahead in this complex and ever-changing field. Meanwhile it expects to continue its study of the problem in the hope that it may be of assistance to all persons interested in improved methods.

The Industrial Relations Section wishes to express its appreciation to the companies and their officers who assisted in making this report possible and to the many executives who have read and discussed the report at various stages in its preparation.

J. DOUGLAS BROWN,
Director.

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I. INTRODUCTION

THE cumulative effects in recent years of unemployment, trade union organization, and labor legislation have impressed top management, as perhaps never before, with the importance of satisfactory labor relations. Experience on occasion with both temporary expedients and well-integrated personnel policies has provided some companies with a solid basis for further evolution. Industrial relations officers have learned, through years of trial and error, certain basic conditions for sound employee-employer relations. Their advice is now given with more assurance and accepted with more confidence by chief executives. However, even those companies which have accepted industrial relations as an integral part of business management face the problem of effective, company-wide adaptation of their labor policies to changing economic and political conditions.

One indication that industry is urgently seeking to make these necessary adjustments is the number of changes now being made in industrial relations organization. New personnel departments have been inaugurated in many smaller companies. Other companies, with long-established industrial relations programs, are meeting accumulating labor problems with enlarged personnel staffs. The more experienced are weighing carefully the allocation of responsibility between the staff and the line organization, and the determination of the degree of centralized control. The many requests for assistance suggest the difficulty of the problem. One overworked industrial relations man exclaimed, "We are having every new problem dumped into our laps," and asked, "What are other companies doing? How are they adjusting their organization to the deluge of industrial relations problems?" The Industrial Relations Section undertook this study in an attempt to answer this and similar queries.

A careful study of published material on the subject of industrial relations organization and responsibility for administration reveals a scarcity of factual data. Valuable general textbooks on personnel administration and factory organization exist; surveys of activities show the scope of industrial relations work; and many articles describe the programs of specific companies. For the most part, this material is descriptive rather than analytical, and much of it must be reinterpreted according to new problems and new attitudes. The discussions most pertinent to the basic problems of integrated industrial relations are by specialists in industrial relations and general management. Often, however, they consider the ideal organization and describe only exceptionally good

practices. To find out commonly-used procedures for determining and administering labor policies, it has been necessary to go directly to the companies for information.

To limit the length of the study and yet to gain sufficient specific information, it was decided to select for special analysis one hundred companies of varying size and type of industry. It seemed best also to restrict the group largely to manufacturing companies with some public utilities whose personnel organization and problems were comparable. The following chart shows the distribution of companies finally included in the survey:

Distribution of Companies by Number of Employees and Type of Industry

Type of Industry	Group I		Group II	Group III	Total Number of Companies by Industry
	Under 1,000 Employees	1,000 to 2,999 Employees	3,000 to 10,000 Employees	Over 10,000 Employees	
Automobile.....			3	3	6
Building materials.....		1	1	1	3
Chemicals and drugs.....	1	3	2	3	9
Foods.....	1	3	2	4	10
Glass.....		1	2		3
Leather.....	1	1			2
Metal & metal products.....	7	8	8	6	29
Paper & paper products.....	1	2	4		7
Petroleum.....			5	5	10
Rubber.....		1		2	3
Textiles & clothing.....	4	4			8
Total Manufacturing.....	15	24	27	24	90
Public Utilities.....		3	6	1	10
Total Number of Companies by Group.....	42		33	25	100

The guiding objective of the study has been to show *how* and *by whom* policies are determined and administered. Programs and activities have not been described or evaluated except in so far as that was necessary to clarify aspects of their administration. Although "industrial relations" is usually given a broader meaning than "personnel administration," companies have designated similar departments variously, "industrial relations," "personnel," "employee relations," and "service." "Industrial relations department" has had wide acceptance among the larger companies, but "personnel department" is still the most common designation. The terms are used interchangeably throughout this report.

II. FORMULATION OF INDUSTRIAL RELATIONS POLICIES

A. DETERMINATION OF AIMS AND SCOPE

IN ANY company, the responsibility for the determination of industrial relations policy rests finally with the chief executive and the board of directors or its executive committee. The division of responsibility between the executive and the board, and the amount of advisory service afforded by special staff members or special executive committees varies greatly between companies. Yet one conclusion which seems evident is that the "company czar" is almost extinct in progressive American industry. The majority of *definite* company policies, including those affecting labor relations and personnel programs, are the result of consultation between the president, an advisory committee of operating executives, and staff specialists. The record seems to indicate not that labor policies have been arbitrarily determined by one person, but that too often they have grown up without any definite and authoritative formulation by a responsible executive or executive committee. Executives themselves have made this criticism. One has recently stated:

"The mistake that has been made by management in the past was that of relegating labor matters to a secondary place in its consideration. Had we faced the facts and placed labor relations on a plane level with that of production and distribution, and had we at the same time assigned labor relations policy to an executive comparable in rank with those handling production and distribution, we would probably not have had many of the troubles from which we have suffered during recent years. . . ."¹

Although in companies of all sizes the weaknesses connected with the formation of labor policies revolve primarily around the failure to recognize the need for definite and continuous executive responsibility, these weaknesses are sometimes less easily discerned in the small company. The chief executive of the small company may feel that formal organization for policy determination or administration is unnecessary. He reasons that he knows his line executives well enough for them to express their opinions and ideas without formal conferences; that he can depend upon them to follow the company's policy of "fair dealing";

¹ From a statement of Lincoln Filene in *The Significance of Management*. (A preliminary pamphlet issued by the Commerce of Industry Committee of the Seventh International Management Congress.)

that an "open door" gives adequate contact between employees and management. This attitude apparently has continued to exist among some of the small companies, even while other companies of the same size have found it necessary to develop more formal methods of consultation in determining company attitudes and programs in industrial relations.

In the larger company with scattered production units, the need for definite statement of aims is more evident and the confusion and costliness resulting from lack of definite policies are not easily overlooked. As personal contacts between top management and line supervisors and employees become difficult to maintain, a clearer statement of aims and a more definitive organization become essential to the continued existence of the company. Most chief executives have recognized their responsibility in connection with these problems. The methods of attack have varied greatly, and in many cases, the policies outlined have overlooked group relations.

Industrial relations policies are the stated aims and attitudes of management towards the human problems involved in the conduct of the business. Basically, they are established on certain broad principles which are accepted in companies of all sizes, and during all times and conditions. Beyond these fundamental principles, the most important characteristics of industrial relations policies seem to be flexibility and clarity. Most companies accept the principle of fair-dealing with their employees as a permanent guide, but experience has often shown that this fundamentally sound attitude cannot be expressed in unchanging rules and programs. A principle that is acceptably and fairly expressed in certain policies one year may be grossly distorted by attempting to hold to the same form five or ten years later. The responsibility of the chief executive, then, is not only to determine that the company's personnel relations are based on sound principles of justice towards the employees and effective business management but also that these principles are continually expressed in policies and programs producing the most satisfactory results.

Distinguishing fundamental aims in industrial relations from the programs which reveal the aims in action, and determining the needed changes in the programs from year to year is not an easy task. Recognizing the fact that this responsibility is only one of numerous other management problems resting on the chief executive, common sense suggests and experience has demonstrated that satisfactory industrial relations policies can be arrived at only with the assistance of other members of the organization. In the majority of companies, some degree of responsibility for satisfactory policies affecting industrial relations is accepted on the one hand by the board of directors or its execu-

tive committee and on the other by staff and line officers. The board or its executive committee often makes the final decision as to the establishment of a certain program and shares also in the determination of the scope of the centralized control. Staff specialists and line executives help by giving the president and board the needed information for intelligent decision. The cooperation of chief executive, industrial relations staff and line organization is considered essential to the development of an industrial relations program that is both unified and flexible.

While the findings of this survey indicate that small companies are likely to have less formal procedures in policy-formation, best procedures in companies of all sizes include all the elements described above. Typical methods of control of industrial relations policies in specific companies are shown in the following statements:

From a company with 4300 employees in three principal plants:

Policies are finally determined by the President. An advisory committee on labor relations is composed of the Plant Manager (a company-wide officer), General Superintendent for Production, and the Personnel Director. Practically all labor problems are considered by this committee and recommendations for action made to the President. The Personnel Department acts principally in a research and advisory capacity.

From a public utility holding company with approximately 11,000 employees in eighteen subsidiary companies. Operations are carried on from three regional divisions:

A System Personnel Committee is composed of the Secretary and Assistant Secretary of the Corporation, the three divisional personnel managers, and a vice president from each of two important operating companies. This committee coordinates the personnel activities of the three divisions. It has full responsibility for the formulation of industrial relations policies subject to the approval of a few important matters by the Management Committee composed of senior operating officers.

From a company with more than 50,000 employees in approximately 70 plants:

... Company has both subsidiary companies and departments which act as autonomous units. Both are responsible for their own operations and sales. The head of each of these units reports directly to the Executive Committee of the parent company. They are tied in with the main company through financial control and uniform labor policies. The Executive Committee is finally responsible for all policies. The Personnel Department acts as a research division, recommends and coordinates. . . .

The first of these statements shows the chief executive's use of line and staff assistants in a formal committee for advisory service in policy-formation. The second statement, from a large public utility company, describes a less usual control of personnel policies by a special personnel

committee responsible to the chief executive committee. There is no industrial relations manager for the company as a whole, and the personnel committee serves in both an advisory and executive capacity. The statement from the third company reveals also the location of responsibility for policies in an executive committee instead of in one chief executive. However, in this company, the main personnel department serves in both an informatory and advisory capacity to the executive committee. Line executives may express themselves on industrial relations policies either through the chief executive of the unit (who may be a general works manager or president of a subsidiary company) or through the personnel department.

The experience of many large companies frequently shows a dangerous lag in the adjustment of certain industrial relations programs to changing public and employee attitudes. Discussions with executives and a study of annual reports to stockholders suggest that the president and board of directors have more often been actively concerned with industrial relations plans which directly involved finances than with equally important problems of personnel organization and development which did not involve immediate money costs. A pension plan, for example, could not be established without special staff research and without the final consideration and approval of the board. On the other hand, personnel programs which involved principally changes in organization and methods could be, and often were, set up on the decision of an operating executive. Chief executives sometimes felt that such matters as individual grievances and group relations were the responsibility of local plant management. Only a strike or other strong expression of employee discontent was sufficient to show to these executives the close connection between labor relations and effective management.

The increasing acceptance of the primary importance of sound industrial relations to successful management seems to be the basis for two developments in policy determination. One of these is the specific representation of the industrial relations point of view in the discussion of *all* company policies. This is assured when the chief of the personnel staff is directly responsible to the chief executive or is himself a member of the executive committee. In the last few years, there has been a definite increase in the number of vice-presidents in charge of industrial relations who are members of the executive committee. In certain other companies, the industrial relations manager, even though not an officer, frequently attends executive committee meetings.

The second development is the better coordination of staff research service and line executive opinion through a special labor advisory committee. Committees of this type have been in existence for a long time

in a few companies, but have only recently been established in many more. The set-up of a new committee in a company of approximately 50,000 employees and more than a dozen branch plants is as follows:

"A Labor Committee has been established to which all general personnel problems are referred from the various works. This is made up of the Vice President in Charge of Manufacturing, all manufacturing works heads, the Manager of Industrial Relations and his two assistants, head of the legal department and the public relations man. As special questions arise other people may come into the committee such as manufacturing department heads or heads of the accounting and sales departments. This is a policy-making committee for the whole company. Policies determined by the committee must be finally approved by the President and in some cases further approved by the Board of Directors but its recommendations are likely to be accepted. The object of the Labor Committee is to arrive at standardized industrial relations policies for the whole company. . . .

"We feel that the Labor Committee is a most democratic way of arriving at decisions concerning labor policies and the only way of eventually securing company-wide uniformity. The Industrial Relations Department not only takes active part in the discussions of this committee, but also does much of the research for it. Cost estimates are usually made by the Accounting Department."

These two developments are considered distinct influences towards more careful consideration of industrial relations by top management. The chief executive authority must still determine and control the fundamental aims and the scope of industrial relations programs. However, with close contact with the industrial relations specialist and the regular advisory service of a labor committee, it is felt that the policy-forming group is not so likely to omit essential elements from the program nor to change any company policy without consideration of the human problems involved.

B. INITIATION OF CHANGES

The essential flexibility in industrial relations policies depends to a great extent upon the easy channeling of criticisms and ideas from any member of the organization to the policy-forming group. Most executives know that a sound decision cannot be made without an understanding of the reaction of employees, supervisors and other executives. Some executives have attempted to meet this need by announcing an "open door" policy. Others, even among small companies, have felt that such a policy was meaningless until supported by explicit methods of communication. Industrial relations men are particularly concerned with the need for open expression of opinion in personnel relationships. They feel that the success of a company's industrial relations policies

may depend on the top management's timely understanding of employee and supervisory attitudes; that the best policies are those which evolve from the interaction of the whole organization.

Reports from the companies surveyed reveal that suggestions affecting personnel policies have come from every possible source, from employee groups to the chairman of the board. The available information also indicates that the companies which had established definite channels for expression of opinion have gained a wider and more intelligent consideration of needed changes in policy, and more frequent suggestions for change from the lower ranks of management and employees.

Specific methods by which the policy-forming group of a company may keep in touch with the criticisms and ideas of executives and employees are labor advisory committees, conference groups in all areas of operation leading up to the chief executive, direct consultation and negotiation with labor leaders, interviews with individual employees, and questionnaires on employee attitudes. Some member of the industrial relations staff usually participates in joint conferences and thus gains a sound basis for his responsibility in advising top management. At all times, but more especially when no formal conference procedure exists, the industrial relations staff must keep in touch with employee and executive attitudes through personal contact.

The various ways in which personnel policies are initiated are suggested by the following excerpts from company statements:

A manufacturing company with 50,000 employees in more than 50 plants:

Policy formation is best explained by definite examples. In determining a plan of vacations for wage earners, the sequence was as follows: It was first brought up by several works councils and their request reached the Personnel Department. This department then contacted the heads of the operating departments and, getting somewhat favorable reactions, proceeded to draw up a plan with estimated costs. This plan was presented to the operating heads, who approved it. The plan was then taken to the Executive Committee where it received final approval. . . . Lay-off-notice plan, accident and health insurance were suggested by the Personnel Department. . . . Group life insurance (wholly paid for by the company) was suggested by a chief executive officer.

A petroleum company with approximately 10,000 employees:

An example of the development of policies is seen in the initiation of the sickness benefit plan. The idea was suggested by the President. The Industrial Relations Department did extensive research on the subject and drafted a plan, which was presented to a special committee of line and staff executives. The committee brought in suggested revisions, which were incorporated in a new draft by the Industrial Relations Director and received the final approval of the President.

A petroleum company with approximately 30,000 employees:

The Manufacturing Committee meets in the Labor Relations Department. It discusses proposed policies and means of carrying them out uniformly throughout the company. The managers of the sales divisions come in to discuss policies and programs individually and informally. Labor Relations Department representatives visit the sales fields to discuss special problems with them. . . . Proposed plans are taken to the executive operating conferences (held twice a week) by the general manager of sales or manufacturing.

Additional information on specific industrial relations policies suggests that in many companies employees are taking more initiative in matters of concern to them. Where collective bargaining exists, the employees, through their representatives, may initiate discussion on any problem which is accepted as of joint concern to employees and management. From these discussions, trade agreements evolve which represent at least part of the company's accepted labor policies for a definite period of time. Even when no agreement is signed, employee organization unquestionably encourages freer expression of employee opinion and criticism. Executives who have had experience with organized and unorganized employees do not hesitate to acknowledge the greater eagerness of organized employees to express their ideas and grievances, and thus directly or indirectly help management to adjust its policies to changing trends.

The participation of the supervisory and middle executive group in policy-formation is best secured by the same methods which assure the most effective general management. The superintendent who regularly discusses with his department heads problems connected with established policies will also gain from them ideas which will eventually result in new or changed policies. Companies have found that this essential interchange of points of view cannot be left wholly to casual talks between individuals, but needs to be developed through regular conferences at all levels of management. Committees established principally for administrative purposes and special boards have also been useful in guiding top management in particular problems.³

These methods for securing employee and line-executive cooperation in the initiation of industrial relations policies are by no means equally well developed in all the companies studied, nor, it would appear, even in all the divisions of any one company. It is evident, however, that company-wide participation is now considered desirable by most chief executives and that many companies are making definite efforts to develop methods which will result in as wide a discussion as is compatible with timely decision.

³The best exposition of the idea of junior boards is Charles P. McCormick's *Multiple Management*. New York. Harper & Bros. 1938.

The influence of the industrial relations specialist in policy-making seems to have been enhanced rather than diminished by the attempt to bring line executives and employees into an advisory relationship to top management. The chief of the industrial relations staff is not only expected to know trends and opinions that are appearing within the company, but other industrial and social developments which have affected or are likely to affect thinking within the organization. He may suggest new plans or policies as the result of his own observation, and frequently also has to serve as a sieve for suggestions from line executives and employees. The special labor advisory committee is not intended to relieve the industrial relations staff officer of his responsibility as adviser, but rather to aid him to weigh the proposed plans more carefully from all aspects of management before presenting them to the chief executive for final decision.

C. DECISIONS ON SPECIFIC PROGRAMS

Although company policies are finally the responsibility of the chief executive, the board of directors, or a special executive committee, it is apparent that, even in the smaller companies, many variations in policy are adopted by executives of lower rank. What constitutes a new policy and what a permissible interpretation of an existing policy is a real problem in any organization. It is especially difficult to distinguish the line between policy formation and interpretation when there is no published statement of labor policy. When such a statement is distributed, the line of demarcation is somewhat more easily seen and maintained. Nevertheless, all companies continually face the question as to the management level at which any specific policy or plan may be adopted.

The following statements concerning the determination of policies on specific industrial relations activities attempt to summarize briefly the accepted contemporary practice rather than best standards.

Employment Policies: These are generally set by the chief executive or labor advisory committee in the large companies, based on standards and procedures developed by the headquarters industrial relations staff. In a large minority of smaller companies, the superintendent (with or without the assistance of an industrial relations staff) controls employment policies and procedures. So far, these policies are only slightly influenced by collective bargaining.

Transfer and Promotion: The transfer or promotion of an individual employee frequently is determined by the department head with the advice of the industrial relations director. Centralized policy control is generally felt desirable but has reached the stage of definite planning in comparatively few companies. The question of seniority rules in trade

agreements has caused a recognition of the need for more distinct consideration of and statement concerning transfer and promotion policies by the chief policy-forming group.

Discharge and Lay-off: Company-wide policies are now generally determined by the chief executive or executive committee on the recommendation of the director of industrial relations and an advisory committee. Termination policies are increasingly coming within the sphere of collective bargaining through the wide inclusion of seniority provisions in trade agreements.

Regularization of Employment: This is definitely a problem for the chief policy-forming group, which, in many companies, has the assistance of a special planning committee. The director of industrial relations usually participates only in the planning which directly affects personnel changes.

Training: Formal training was reduced to a minimum during the depression, and definite, centralized planning apparently has continued at low ebb. In the majority of companies studied, planning by the central industrial relations department usually covers only one or two of such special programs as apprenticeship, junior executive, special technical or foreman training. General employee training is left to plant or departmental control. A number of outstanding companies have accepted executive development and the preparation of standards for employee and supervisory training as matters of concern to the chief executive group. In such cases, planning is done by the headquarters industrial relations staff in cooperation with line executives.

Control of Wages and Salaries: Such broad policies as "to pay at least the going rate" are set by the chief policy group of almost all the companies. However, a few of the large companies have stated that wages are left entirely to local management. Practically all company-wide wage changes must have the approval of the president or executive committee. Plant-wide changes, even while ostensibly on the decision of the chief executive of the plant, conform to central policy. As trade union organization increases, wage policy becomes more frequently a matter for joint negotiation. The leeway allowed supervisors and department heads in individual wage changes is usually established by a central policy. This policy also is being brought within the realm of joint negotiation.

Wage and salary standardization as a company-wide program is the accepted "best" practice, and is an actuality in many companies. However, in about an equal number, job classification, although approved by top management, is a working policy in only a few plants or divisions.

Payment for overtime beyond the standards set by legislation is still largely a matter for the decision of local plant management. However,

the trend toward published statements of labor policy and the influence of collective bargaining have tended to make this a matter of central policy control.

Vacations: Vacations with pay are invariably established only on the authorization of the executive committee or board of directors.

Group relations: Where collective bargaining has not reached the stage of signed agreements, conferences and negotiations are usually considered local management's responsibility. When negotiations have resulted in the request for a signed agreement, the chief executive group is definitely concerned with any part of the agreement which is within the area of central policy control. To assure this policy control, a chief executive sometimes carries on the negotiations and signs the agreement. In more companies, local managers conduct the negotiations, but policies are kept as nearly uniform as possible by the participation of a member of the headquarters industrial relations staff in the negotiations and the requirement of approval of all agreements by the president, vice-president in charge of production, or labor advisory committee.

Individual grievances: The majority of companies studied have established company-wide procedures, although many (especially among those with no form of collective bargaining) have made no definite statement of policy on this matter and procedures are apparently often determined within each department. The National Labor Relations Act and increasing employee organization are apparently influences toward more uniformity.

Accident prevention: Broad policies for accident prevention are usually determined by the chief policy-forming group. Specific plans are developed by special safety supervisors responsible to the head of industrial relations, the vice president in charge of production, or the president.

Medical service: The *scope* of the service is likely to be determined by the chief executive or board. *Standards* are often left to the separate plant managements, but many companies have developed company-wide standards through the central medical department. This department is sometimes part of the industrial relations division, sometimes directly responsible to a chief operating executive. In either case, the responsibility for medical or professional questions is vested in a doctor employed by the company.

Insurance, benefit, and pension plans: Group insurance, company benefit and pension plans invariably are established only with the approval of the board of directors or executive committee. Planning is done by a special committee or the industrial relations department. Welfare and loan plans are similarly evolved. Mutual benefit associations are often set up on the approval of the plant manager, unless the

association is company-wide or involves company subsidization. In these cases, chief executive or board decision is necessary.

Employee savings plans: Most companies feel that any plan for employee savings, even though sponsored and controlled by the employees, should have chief executive approval. However, credit unions are sometimes established on the approval of the chief executive of a plant. Plans involving company financial participation, such as employee stock ownership and profit-sharing, require approval of the board. Specific plans are usually developed by the industrial relations staff in close cooperation with a chief executive.

Employee activities: The trend seems to be towards leaving the degree of company participation to the decision of local management unless the activity involves large financial subsidy. Then the decision is most frequently made by the director of industrial relations, consulting with the chief executive when necessary. Infrequent, large-scale planning (such as new buildings) may require executive committee approval.

The general survey of policy determination shows that policies clearly involving company finances are always matters of concern to the executive committee or board of directors. The trend throughout the whole range of industrial relations activities seems, however, to be towards more centralized policy control. Uniformity is being developed in group relations and grievance procedures by chief executive approval of trade agreements and the establishment of definite company-wide procedures. Executives predominantly accept this trend as beneficial, but feel also that the sound interpretation of these policies as well as their effective administration depends on capable line executives and supervisors. In spite of this general feeling, the development of supervisors and executives, which is most essential to intelligent line accomplishment in industrial relations, is frequently left to local management or entirely neglected. The few outstanding companies which recognize this as a matter for the consideration of the chief executive are building procedures and experience which may indicate widely accepted future practice.

The detailed planning of most industrial relations programs is usually the responsibility of the industrial relations staff. The influence of the chief industrial relations executive in the determination of policies varies from company to company but seems to be increasing. If he is an officer, he has a definite voice in decisions. Even though not an officer, he frequently participates directly in discussions as to policy recommendations as a member of a labor advisory or executive committee. Planning by the "specialist" tempered by the criticism of the line executive is becoming generally accepted as the best basis for executive deci-

sion on personnel policies. It is recognized that sounder policies are reached when the principal operating executives have a chance to discuss them in the formative stage; and that, having participated in the formulation of a policy, line executives are more likely to show an intelligent interest in its successful and uniform administration. Slower momentum through discussion must be weighed against long-time aims and results. For basic policies which can be put into company-wide practice only with the cooperation of line executives, speed in determining the policy seems less important than a solid foundation for continued growth.

III. DEVELOPMENT OF COMPANY-WIDE UNDERSTANDING OF POLICIES

IT HAS been said that a management policy is the basis for nothing but confusion until it is clearly stated and understood. Without doubt, a company-wide understanding of industrial relations policies is essential to their satisfactory administration. Yet in many companies, policies vitally affecting the human relationships within the organization have existed only in the minds of the chief executives and could be ascertained by lower executives and supervisors only in connection with specific decisions. As conflicting decisions have been given under similar circumstances, the supervisory group has groped in the dark and "straw bosses" have made their own rules. In other companies, where industrial relations policies have been definitely formulated and known to the more important line executives, interpretation by word of mouth to line supervisors has permitted great leeway in interpretation by each department head. Employees, in turn, have known the company's policy only through the supervisor's application, which might differ widely from top management's original intent.

Until quite recently, the companies which presented a definite statement of industrial relations policy to their employees were very few indeed. Within the past two years, a trend towards the wider distribution of statements of policy has become evident. Many executives, who have begun to realize the wisdom of keeping employees informed on management's aims, have had to clarify their own ideas on company policies. The result has been more carefully thought-out policies presented more clearly to line supervisors and employees.

When the chief operating executives participate in the determination of particular policies, the problem of informing them is already half solved. When the representatives of an employee organization discuss particular policies in joint negotiation, the representatives of the organization, at least, become acquainted with these policies. The need remains, however, of acquainting *all* line executives, supervisors and employees with *all* basic policies and changes in policy. One executive stated that, in the past, employee representatives had sometimes known much more about certain policies than the foreman or minor executives. That is but one example of the lack of coordination between line and staff in the dissemination of information important to all employees and executives. Comparatively few companies even now show a definite

channeling of information from the highest executive to employees with special emphasis where needed.

A. THROUGH MISCELLANEOUS CHANNELS

The devices used for spreading information to employees are much the same in companies of all sizes. These include handbooks of general information for new employees, employee magazines, announcements on bulletin boards, printed descriptions of specific plans, statements of labor policy, annual reports to employees, and group conferences. The last has included regular management contact with trade union agents and employee representatives as well as departmental meetings. The degree to which these methods have been used and their effectiveness have varied from company to company.

Handbooks for new employees are the most frequently used device for getting certain rules, policies, and other important information to employees. They were reported by more than half the companies studied and are considered definitely helpful in introducing the new employee to the company. The degree of their effectiveness may be determined by the way they are presented. Where they form the basis for introductory talks to new employees, they are naturally more effective than when handed out without explanation. In so far as they include descriptions of company benefit, pension, or vacation plans and statements of promotion policies or educational opportunities, they are useful in broadening the employees' knowledge of the company's personnel policies. Only infrequently, however, do they contain definite statements on such vital employer-employee relations as procedures in handling individual grievances.

Employee magazines are published by almost half the companies in the survey which have more than 3,000 employees, but are much less common among the smaller companies. Their individual usefulness in educating employees on questions of industrial relations policy varies greatly. Many magazines carry news of employee security plans, mutual benefit associations and credit unions. A few in the past reported news of employee representation meetings and changes in policies made at the representatives' request. Until recently, even fewer have contained discussions of labor policies by chief executives. However, as an increasing number of companies have felt the need for broader employee knowledge of industrial relations policies, the employee magazine has been made a more effective instrument in this program. General statements of labor policy, financial reports, and executive discussion of specific developments now appear in a considerable number of these publications.

Bulletin boards are an accepted means of giving short announcements

and orders to employees. Some companies keep a statement of labor policy posted, and call particular attention to any changes in it. A few companies have reported that employees apparently rate the bulletin board high as a means of communication, since competing employee organizations have made an issue of the amount of space that could be used by either group.

Separate statements of labor policy and special annual reports to employees have begun to be issued by more and more companies in the past two years. Even now, however, they are rare among the smaller companies, and are reported by less than half of the companies with more than 3,000 employees. The companies which distribute such statements and reports to employees are convinced of their importance in developing sound industrial relations. An article describing one company's policies included the following expression of opinion on this subject:

"The two outstanding effects of publishing and distributing company policies are:

"First, it tends to create greater consistency upon the part of the supervisory organization in making decisions affecting people. If each supervisor were to make decisions based upon his own inclinations, confusion would result. Any supervisor who makes a decision that is not in harmony with company policies may expect to have that decision reversed, should it ever be questioned.

"Second, it provides those who are not supervisors with certain standards of treatment they have a right to expect. To reinforce this factor, the president of the company has repeatedly stated that any man who believes he has not been treated in accordance with company policies has the right to appeal his case to each successive ranking supervisor until he reaches the president of the company, if necessary. As works managers and division executives are all trained in personnel administration and are thoroughly familiar with . . . policies, this is seldom necessary. Occasionally, however, a case is appealed, showing that the employees do not hesitate to make use of the right of appeal when they feel the facts justify it."¹

As suggested in the above quotation, a clear understanding of labor policy on the part of both supervisory and employee groups is essential to keep individual grievances at a minimum and to handle them satisfactorily when they occur. It is also considered important in gaining the employees' assurance that favoritism is not a controlling factor in the employee-supervisor relationship in any department.

Employee organizations have sometimes been used successfully for educating employees in company policies. This was, in fact, an important aspect of many employee representation plans. Although management no longer directs the program of an employee bargaining

¹ *Factory Management and Maintenance*, May, 1937. p. S 383.

organization, it can use its contacts with the representatives of the employees to improve the workers' understanding of company problems and attitudes. Statements by certain unions show that their leaders also appreciate the need for employee education in matters of common concern to workers and management. Trade agreements may be vehicles for keeping employees informed upon mutually acceptable policies. Many companies feel, however, that a trade agreement rarely takes the place of a company statement of labor policy since an agreement usually does not cover as wide a range of industrial relations matters as the company statement, and is not often printed for general distribution. Although only a few of the hundred companies have signed trade agreements *and* issued a statement of labor policy, it is apparent that they can be mutually reinforcing.

B. THROUGH THE LINE ORGANIZATION

Executives of companies of all sizes agree that line organization is the most important means of transmitting information on labor policies as well as specific orders. Such policies exist only in so far as they are carried out in the normal day-to-day functioning of the plant. And yet many companies have found that the effectiveness of the "direct-line" method of informing supervisors and employees is limited by wide variations in the personal characteristics of executives. If an organization needs definite policies as a basis for successful operation, it is patent that these policies must be clearly understood and uniformly applied by all executives and supervisors.

Since the line supervisor must understand industrial relations programs well enough to interpret them to employees and be able to manage his particular segment of the organization according to the announced policies for the whole company, more detailed information must be given to him than to the employee. In addition to the printed material available to all employees, foremen are guided through orders from their immediate superiors, standard practice procedures, bulletins on particular subjects, special training programs and regular conferences. The data secured in this survey indicate that these more formal methods of developing judgment in foremen and securing standardized practices in all departments are used more often by the large than the medium-sized or small companies, but are in regular and consistent use only in a small percentage of all the companies studied.

The most usual training program for supervisors which includes information on industrial relations policies has been a special course of lectures and discussions on specific topics, often supplemented by regular conferences of smaller groups. The course has been planned by the industrial relations department or the foremen themselves more often

than by a higher line executive, and the lectures have not necessarily been specifically connected with the foreman's job. Although special training courses are still considered of value in many companies, progressive thinking at the present time appears to favor the regular conference between line executives and supervisors as the key to successful supervisory development. It is felt that such regular conferences are important both to satisfactory policy formation and to uniform administration.

This approach treats industrial relations as an integral part of management. It considers as inseparable problems the need for better understanding of company industrial relations policies by executives, and the need for clarification of executive relationships and for better general standards in supervision. It is based on the premise that the formulation, interpretation, and administration of labor policies are so much a part of management that they cannot progress more rapidly than improvements in general management. The problem of securing more effective line functioning of which industrial relations is an integral part is clearly stated in the following:

"As we consider the foremen and their capacity to do this job properly, we recognize immediately that many of them are incapable of explaining and administering the policies of the company because, except for the details of their own limited operations, they know very little about the company. *Therefore, the crux of our problem lies in training the foremen.* Many devices have been developed in the last several years to accomplish this objective. . . . The one major weakness of all these training devices was the fact that the general foremen and superintendents were left out of the picture or were unsympathetic, or uninformed as to what the foremen were trying to do. Therefore, it has become obvious that the foremen must receive their conception of management and their understanding of company policies from the general foremen. These men, in turn, must receive their directions from the superintendents. The superintendents, in turn, are out of step unless they receive their instruction from the works manager. The same thing is true as we go on up the scale. *The whole spirit and method of management to be practiced by foremen must start with the president.*

"This brings us back, therefore, to the realization that interpretation and administration of company policies, as respects industrial relations, is no different from the way policies as respects other phases of the business are made effective. The problem is not one of working with the foremen, but of finding some method by which unity of understanding up and down through all levels of supervision, from president to gang boss may be achieved."²

The methods of accomplishing more satisfactory industrial relations through improved executive and line relationships were explicitly de-

² Conover, William "Industrial relations—the way a business is run." *Promoting Constructive Relations in Industry*. July, 1938. pp. 35-36.

scribed in a paper given at the Seventh International Management Congress from which the following is quoted:

"The executives of today . . . realize that leadership, supervision and management involve definite techniques and skills and that they cannot be acquired merely by exposure to situations requiring their use. They realize that the intermediate group, between top management and the workers, will not of its own volition function smoothly and constructively or create a situation in which leadership and management can operate effectively, without a conscious, continuous and well-planned effort by top management toward this end. Such is the purpose of executive training programs. . . .

"The first step in an executive training program is the preparation of written statements of individual responsibilities and authorities of members of the executive staff. . . .

"The second step in the program is to establish a definite schedule of executive group conferences, purely for the purpose of considering executive and managerial methods of performing the functions for which they are responsible. . . .

"These training sessions deal with subjects such as executive obligations, objectives and policies; proper alignment of functions, responsibilities and authorities; relationships between staff and line; fundamental principles underlying organization structure and proper organization setups to meet the situations involved. . . .

"From the outline of the subject material covered in this training work, it is not difficult to see that the training is continuous. It cannot be conceived of as a series of sessions, running for eight or ten months. It ultimately becomes a part of management operation."³

Such a definite and continuous effort to secure company-wide understanding of industrial relations policies through the training of line executives is being made by an increasing number of companies. However, judging from the reports from the one hundred companies, many have not yet established the essential procedures for accomplishing this aim. Moreover, as the above description of methods shows, it is bound to be a slow process, with visible results measured by years rather than by months. Even when this development is much farther along than at present, printed pamphlets and standard practice procedures will continue to be important instruments toward uniform interpretation of policies in all levels of supervision. In the meantime, until supervisory and executive techniques in industrial relations are further perfected, the various supplementary methods of distributing information and discussing company industrial relations policies can be helpful.

³ Appley, Lawrence A. "A modern executive training program at the top." *Seventh International Management Congress*. Washington, 1938. *Administration papers*, pp. 55-56.

IV. PERSONNEL DEPARTMENT ORGANIZATION

DEFINITIVE organization is just as important to effective management as a clear statement and wide understanding of policies. Neither can substitute for capable and intelligent supervisory and executive personnel, but both are fundamental to its best development. This has been well-stated by a successful executive and authority on industrial organization:

"The importance of right structure of organization is sometimes undervalued, because with the right men almost any kind of organization can run well. This is true, but is by no means the whole truth. With the finest of personnel, an illogical organization structure makes waste through internal friction and lost motion; it fails to retain and develop good men and to invite into its membership new men of high quality. Ability, tact, and good purpose cannot be established by law—they can, however, by law be made possible or virtually impossible. . . . A logical, well-constructed organization invites, retains, and develops good men."¹

Since the special personnel or industrial relations department must be adapted to the general purpose of the whole organization of which it is a part, its structure is as varied as industrial organization in general. No two companies of the one hundred surveyed are exactly alike. However, from the available data, certain typical forms of personnel organization stand out in companies of relative size. The following discussion attempts to give a general picture of the variety of existent forms of personnel department organization and to describe in some detail the most outstanding types of structure in the comparatively small, geographically-centralized company, in the larger company with one or more plants of considerable size, and in the large corporation with numerous, and usually widely-scattered, operating units.

A. GROUP I: COMPANIES WITH LESS THAN 3,000 EMPLOYEES

Although an industrial organization with nearly 3,000 employees has personnel problems more varied and complicated than one with but a few hundred, the companies of all sizes within this group have many points of similarity. Almost all of them have centrally located production units and centralized management control. Top executives are not far removed from operations and may personally direct the principal functions of the business. Such executives are managers as well as plan-

¹ Dennison, Henry S. *Organization engineering*, pp. 5-6.

ners and administrators. These companies must face the important questions of the relation of the personnel department organization to the chief executive and policy-forming group, and its integration with the line organization. They do, however, have the advantage of comparative simplicity of organization, and, particularly in the matter of coordination and standardization, do not face as difficult problems as the larger companies.

The special personnel organization in companies of less than 3,000 employees ranges from no more than a central employment office to a good-sized staff directing and coordinating most of the personnel functions. The former type naturally is found more frequently among the smaller companies. One-third of the companies with less than 1,000 employees have no specialized personnel officer other than an employment manager responsible to the superintendent. For the most part, the only delegated personnel functions in this type of organization are interviewing and record-keeping. Other companies employing less than 1,000 reported a more inclusive personnel department headed by a personnel director, responsible to the general manager or president. The typical organization for supervising personnel activities in this group is a personnel manager with one assistant in charge of employment, a nurse in charge of the first-aid dispensary, and one or two clerical assistants.

In the companies with from 1,000 to 3,000 employees, the personnel organization is somewhat more elaborate. Although a few have no special personnel staff other than an employment supervisor reporting to the superintendent, the predominating form of organization is a separate personnel department, the head of which coordinates the principal personnel activities and reports to a chief executive officer. One chief of personnel in this group is a vice-president. More often he is a personnel manager or director responsible to the general manager, vice-president or president. In all cases, the position of personnel manager is a combination of line and staff functions.³ The following brief descriptions suggest the variety of specific activities directed by the personnel executive and his relation to the line organization:

"The Personnel Manager has charge of employment, transfers, discharges and pay changes, serves as adviser to division managers on personnel matters, is responsible for rate setting and time study, training, safety, suggestions, and works in cooperation with the employee representatives."

³ Line organization is usually defined as the channel of direct authority or command. The staff function is, in contrast, informative and advisory. The industrial relations director is ordinarily in a staff relationship to the operating executives of the company, but in a line (or command) relationship to his subordinates in the industrial relations department.

"All questions relating to labor, hiring, wages, discipline and all negotiations with the labor union are administered by the Labor Department, the manager of which is a director and is responsible to the President."

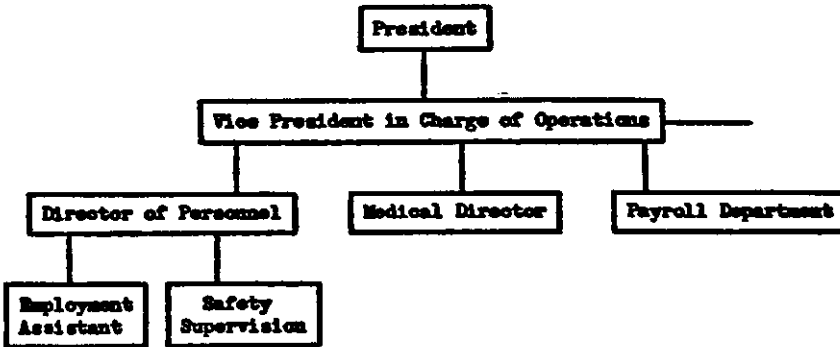


CHART I

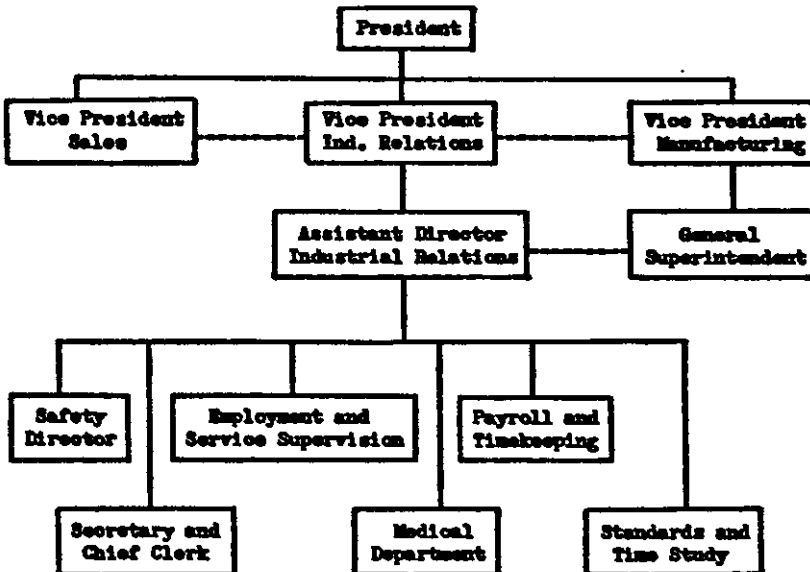


CHART II*

"Industrial relations are administered by a staff officer (personnel manager) through a centralized organization. He is responsible for recommending and administering personnel policies and practices, particularly under the laws

* In all the charts, solid lines indicate direct authority, dotted lines coordination without control.

affecting employer-employee relations; also, other personnel policies established by the Company. He is the Company's representative in initial discussion of matters requiring collective negotiation with the union. Functions of the department are to supervise recruiting, placement, training, transfer and termination of factory and office personnel, but heads of departments are responsible for the final selection of employees. The department is also responsible for the administration of all employee activities."

The preceding organization charts show the difference in personnel control in two manufacturing companies both with approximately 1,500 employees centered in one operating unit.

In the first company, the personnel department gives considerable time to study and development of specific personnel programs, and directs the employment and accident prevention service. The vice-president to whom the medical director and paymaster are also directly responsible is the chief coordinator of industrial relations. In the second company, the vice-president in charge of industrial relations is the chief coordinator of personnel activities and also is likely to present the industrial relations point of view more effectively in executive planning than the vice-president to whom industrial relations is but one of many responsibilities. In both companies, the personnel department itself is primarily a service department to line executives.

B. GROUP II: COMPANIES WITH 3,000 TO 10,000 EMPLOYEES

The companies in this group, ranging in number of employees from 3,000 to 9,900, include manufacturers with one or more large centralized factories, others with large and small decentralized production units in scattered locations, and public utilities. The problems of the large factory with a personnel director acting both as staff officer to the chief executive and coordinator of personnel activities are more evident in these companies than in Group I. The special problems involved in unified control of industrial relations through headquarters staff and local factory administrators are seen more simply than in the larger corporations with many subsidiaries and branch plants. The personnel organizations among these companies suggest the changes that may be necessary in a growing centralized company or one that is acquiring additional manufacturing units.

Two principal types of personnel organization appear in this group of companies. One is the centralized department, headed by a vice-president, a director of industrial relations or a personnel director responsible to the general manager, vice-president, president, or executive committee. This personnel officer is responsible for the administration of most of the industrial relations activities of the company as well as for advisory service to the chief executive and policy-forming group.

Twenty of the thirty-three companies have personnel organizations of this general type. The other important type of organization is that in which the industrial relations manager is a staff officer connected with the main executive offices of the company, and aiding in policy-formation and coordination of industrial relations activities but not responsible for their administration. The administration of personnel activities in each plant is under the direction of a local personnel manager reporting directly to the general superintendent or general manager of the plant. Although all ten companies with this type of personnel organization have widely scattered plants, not all of the companies with decentralized production units have the strictly decentralized form of personnel administration. In some of them, the local plant employment or personnel director reports directly to the industrial relations manager at the head office rather than to the chief executive of the plant.

The line of demarcation between these two types of personnel organization is not often distinctly drawn. In those in which the local personnel directors are responsible to the chief industrial relations officer of the company, there is, of necessity, close cooperation with the line executives. On the other hand, where local personnel directors are responsible to the plant managers, they may consult frequently with the main personnel office. Some companies state that this division of authority in plant personnel management is acknowledged; that personnel directors look to the main office for instruction as to policies, but in carrying out these policies must be responsible to the chief operating head of the plant.

The following charts are examples of the centrally administered, functionalized industrial relations structure, and the headquarters staff and local personnel service department:

These charts illustrate well the difference in organization for centralized and decentralized personnel administration. Chart III is similar to the largest personnel organization in the companies of less than 3,000 employees. The position of industrial relations manager combines the functions of administering and coordinating the company-wide personnel activities and serving as adviser to the top management. As a member of the operating committee, the industrial relations manager has an opportunity to discuss in formal conference the industrial relations aspects of general operating problems. In so far as this committee's discussions affect labor policies, this organization assures a closer tie-up between the personnel department and policy formation. However, much of the industrial relations manager's time must be given to services to the line executives.

In contrast, the functions of the director of industrial relations in the organization shown in Chart IV are limited to staff advisory and informational service. Except for the administration of headquarters person-

nel activities, which is delegated to a personnel manager, the industrial relations director and his assistant are free to devote their full time to

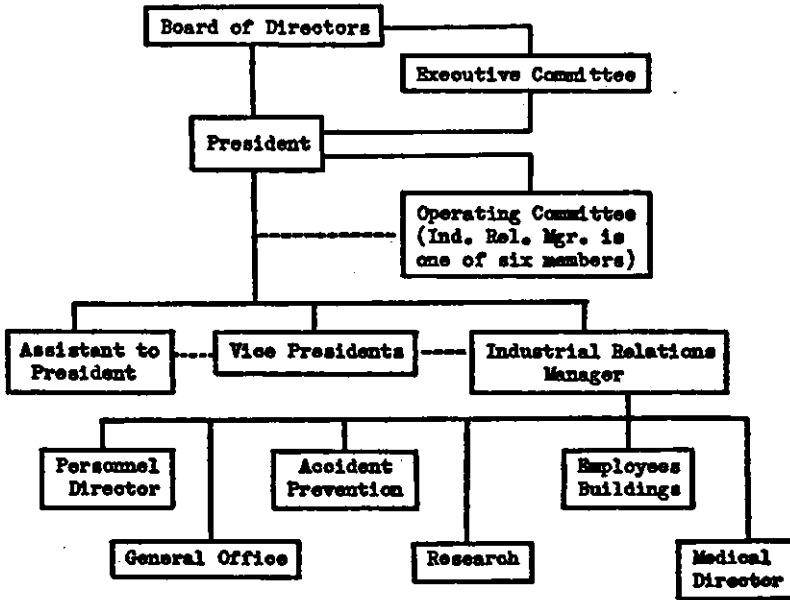


CHART III

An electric light and power company operating in an area of approximately 500 square miles. 3,500 employees.

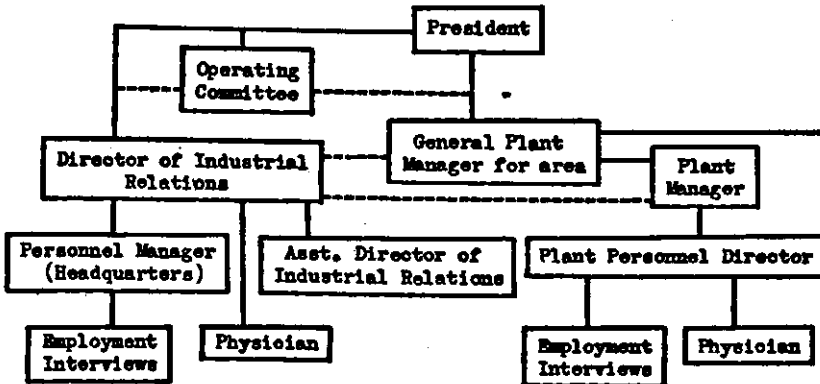


CHART IV

Manufacturing company. Approximately 8,500 employees and thirty plants of varying size.

keeping in touch with line executives and their problems and developing company-wide uniform practices conforming to centrally established

policies. The plant personnel directors are staff men to the plant managers, and directly supervise fewer personnel activities for the local plant than do many personnel managers of small companies. The aim in this company is to make the application of industrial relations policies a definite line responsibility as far as possible.

Both companies consider their personnel organizations as staff departments. The difference lies in their interpretation of the scope of personnel staff functions, which, in turn, may be based on differences in company organization. The first company is a public utility and operates in a limited geographical area. It has been possible to develop centralized personnel control and administration and this has seemed desirable to them. The other company has more than thirty plants located in many states. Centralized administration of personnel service to local managements might be unwieldy and uncertain of accomplishment. The organization structure which places the responsibility for advisory service and the development of standardized procedures in the headquarters industrial relations staff and the responsibility for local administration in each plant manager seems to this company to be theoretically sound and practically effective.

C. GROUP III: COMPANIES WITH MORE THAN 10,000 EMPLOYEES

The twenty-five companies with more than 10,000 employees are predominantly those with several large plants in different locations or with many, widely-scattered smaller units. Only one has all of its production centered in one locality. The decentralized units of the other companies include both wholly-owned subsidiaries and branch factories. Two companies are subsidiaries of large corporations, and these subsidiaries themselves are made up of many operating units. Industrial relations control in this group is a complicated process, involving in turn the relationship of parent and subsidiary companies, and subsidiaries and branches. Policy-formation must weigh the attitudes of many different operating executives, and standard practices can only gradually supplant individual plant procedures which are considered best because they have become habitual.

The outstanding form of industrial relations organization in this group is that of headquarters staff with local plant personnel departments. The main office industrial relations staff is often small and its work restricted to advisory service, special research, and the maintenance of contact with all divisions which is essential to the advisory service. The director of industrial relations is responsible to the vice-president in charge of manufacturing, to the president or to an executive committee. The local personnel departments vary with the size of the plant and with the amount of administration assigned to the personnel department.

The local personnel director is consultant and adviser to the plant manager, but also always has direct administrative duties. Matters relating to company-wide policies are likely to be coordinated through the main industrial relations department, but responsibility for plant administration of personnel activities is through the regular line organization.

Greater decentralization than exists in this predominating form of organization is found in a few companies which have an industrial relations staff attached to the main office, but which depend entirely on line organization to handle the personnel matters in the separate plants or operating units. The local division may have an employment supervisor or more elaborate personnel organization as local management decides, and all plant personnel activities are entirely under the supervision of the plant manager or division head. In these companies the central control is limited to a few industrial relations programs or policies, and this control is through line executives with little or no coordination by the industrial relations staff. Little effort has been made to standardize personnel practices and personnel administration has developed irregularly throughout the various plants.

On the other hand, a number of companies of the group have much greater centralized control of industrial relations than in the typical form of organization. In these, both the personnel policies and activities are directed by the main industrial relations office. Four of these are manufacturing and two petroleum companies. Three of the manufacturing concerns are largely centralized as to production and the personnel control is similar to such organization found more often in Group II. The fourth has twelve plants, and the chief industrial relations officer who reports to the vice-president in charge of all production operations, has functional control over the plant industrial relations directors. In the two petroleum companies, all personnel activities except for the sales department, are directed from the main office. The following charts suggest both the complexities of organization in any of these large companies and the variations between them.

Chart V illustrates the organization for centralized industrial relations control and administration. Personnel activities in all refineries and offices are administered through the main personnel office which has special divisions for the principal personnel functions. The industrial relations department gains executive cooperation by personal contacts and a number of special joint committees. The head of the field industrial relations office is responsible to the manager of the industrial relations department, but many activities are coordinated directly between

individual staff members of the main industrial relations department and individuals in the field office.

Charts VI and VII illustrate the more typical organization for the companies of this group. They are similar in placing responsibility for plant personnel matters with the plant manager, assisted by the plant personnel director, and in coordinating policies through the main industrial relations office. In the smaller company (Chart VI), formal contact is through the president to the vice president and plant managers,

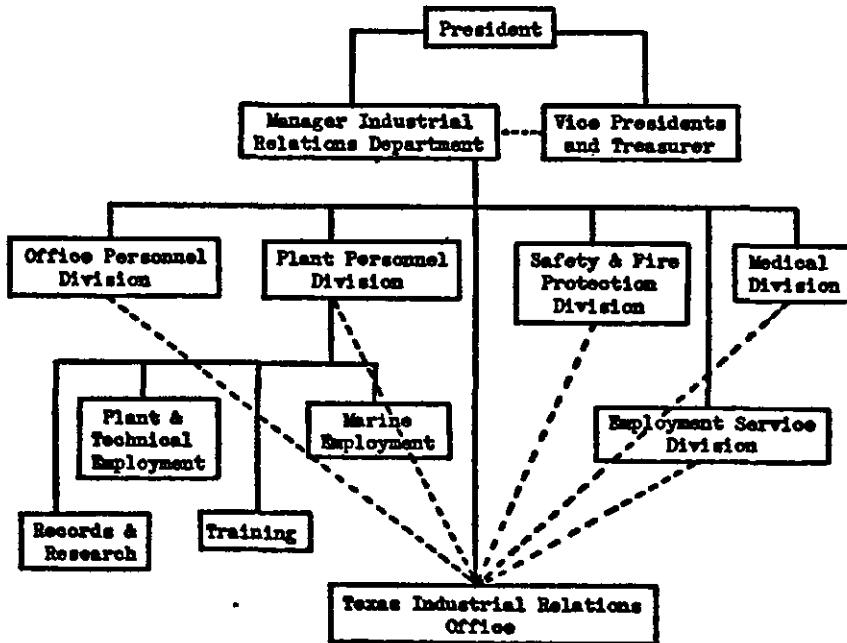


CHART V

Petroleum company. Principal refineries in Texas and one eastern city. Approximately 12,000 employees. All industrial relations policies and activities are under the supervision of the main industrial relations department.

although coordination involves constant informal staff-line contacts. In the larger company (Chart VII), the industrial relations manager, as a member of the labor committee, meets the plant managers and other line executives and staff officers regularly in conference and shares with them the responsibility for policy recommendations. This set-up helps the industrial relations staff to know more definitely the operating executives' reactions to policies and programs before they are initiated, and facilitates standardized administration. The companies with this

general type of organization feel that they are clarifying line and staff responsibilities and at the same time developing the coordination between operating executives and industrial relations staff which is essential to company-wide improvement in industrial relations matters.

While it was impossible to show the place of many special committees on the organization charts, these committees are frequently an important

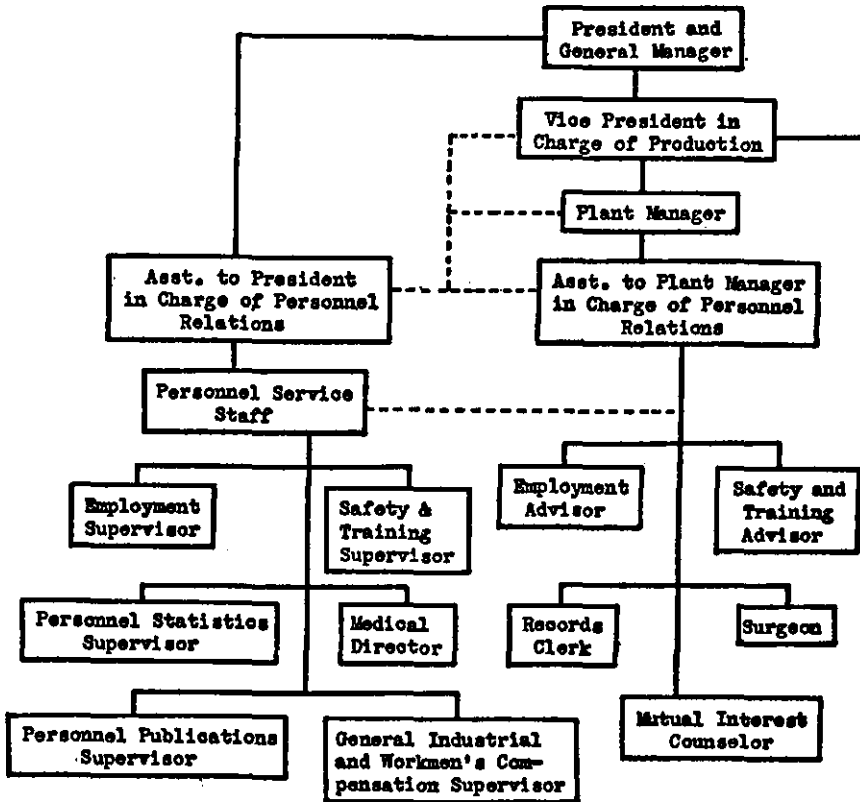


CHART VI

Manufacturing company. Production principally in four large plants. Approximately 17,000 employees. Plant personnel managers responsible to works managers. Policies and procedures coordinated through headquarters' industrial relations staff.

part of the industrial relations structure. Membership of the chief industrial relations staff officer on the general operating committee or on a special labor advisory committee is accepted as a valuable aid in the careful development of industrial relations policies and in better coordination between line and staff in their administration. Special committees at lower supervisory levels have been found to be particularly effective

in facilitating coordination in the administration of such technical matters as accident prevention and wage classification.

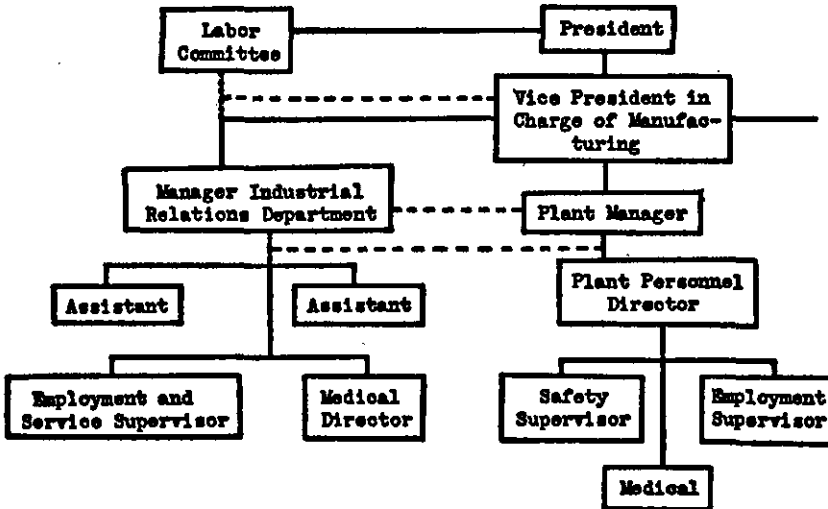


CHART VII

Manufacturing company. Over twenty production units, principally large plants. Approximately 30,000 employees. The main industrial relations department is advisory to the whole company. The manager of the Industrial Relations Department is a member of the Labor Committee. All advisory work of the plant industrial relations directors clears through the main industrial relations office. For line functions, such as employment and training, the local industrial relations man is responsible to the plant manager. The minimum set-up in each plant includes medical, safety, and employment divisions.

The data secured in this survey reveal not only a variety of types of personnel organization but differences of opinion as to the specific functions of such organization. While it is difficult to say that one type of structure is better than another except in connection with a specific situation, it is possible to consider the effectiveness of any type in improving general management. It is agreed that to accomplish this goal, the industrial relations organization must be developed not to supplant line control in any activity, but to maintain and strengthen it by increasing its ability to plan in accord with changing trends and to carry out its policies with uniformity at all levels of supervision.

V. EMPLOYMENT, TRAINING AND WAGE ADMINISTRATION

THE foregoing discussion of company-wide understanding of industrial relations policies and personnel department organization has necessarily included some reference to administration. The methods used to develop more uniform interpretation of policies simultaneously produce more uniform procedures in administration. As far as supervisors are concerned, administration *is* interpretation in action. The descriptions of the various types of organization for handling industrial relations activities showed in general the responsibilities of the industrial relations staff both in large and small companies, and the relationship of this special staff to the top executive group and lower operating executives and supervisors.

This chapter and the two following consider more explicitly the administration of specific personnel programs and activities. As stated in the introduction, no attempt is made to describe a program or activity except as such description is necessary to an understanding of its administration. The questions always kept in mind were, "What person or persons are involved in translating a given policy or program into action? If a member of the personnel staff participates in an activity which is primarily the responsibility of an operating executive or supervisor, how are line and staff functions coordinated?" Although discussion of the administration of a specific activity is based upon data received from all the companies surveyed, an effort is made to point out any diversities in practice which are apparently related to differences in size.

A. MAINTENANCE OF PERSONNEL

1. SELECTION

Employment procedures are the most nearly standardized of any personnel activity. A principle apparently well established and commonly accepted is that hiring is done most efficiently through a central employment office but that the department head reserves the right to reject the applicant so chosen. The degree to which this right is exercised depends both on the skill of the employment supervisor and the temperament of the department head. Most personnel executives want the line supervisor to feel responsible for the choice. However, when there is close cooperation between employment office and department heads, there may be very few rejections, and approval is only a formality.

Exceptions to the policy of centralized employment for rank-and-file employees are found in companies which have small branch plants. For these, hiring is usually done by the local superintendent. The selection of executives above a certain rank is often excluded from the regular employment procedure and certain special departments, particularly sales, sometimes handle their own employment. In the larger companies, employment for the headquarters office, for many executive positions, for technicians, and for such special groups as college graduate trainees, is usually handled by the main personnel office.

In the smaller companies, the employment department may have the responsibility for the preparation of forms and for other research in employment problems, as well as for handling the interviewing and record-keeping. In the larger companies, except in the few highly decentralized organizations, development of standardized forms and most of the research is likely to be the job of the main personnel office. Procedures in the maintenance of employment records vary. Practically always when there is a plant employment office, the original personnel records are maintained there. Some companies require duplicates of all personnel records to be sent to the main personnel office; in others essential employment information is sent from the plant employment office to the treasurer or payroll department where they are available to the central personnel staff.¹

2. TRANSFER AND PROMOTION

It seems to be generally agreed that to insure fair treatment of the employees and development of the best workers, transfers and promotions should be handled cooperatively between the heads of the operating departments and the personnel office. The most common practice permits transfers and promotions to be initiated either by the department heads or the employment supervisor with due consideration given to requests for transfer by the employees. The move usually must be acceptable to the department heads concerned, to the personnel director, and sometimes must have the additional approval of the chief operating executive of the plant.

Reports indicate much higher standards in transfer and promotion among the larger companies than among those of less than 3,000 employees. Few definite plans were found in the latter group. In the companies with more than 3,000 employees, carefully elaborated, company-wide plans are by no means the rule, but a considerable number

¹ Social security legislation appears to be a definite influence towards improved personnel records. The majority of companies reporting on this point indicated that responsibility for maintaining the essential employee records rested with the payroll department.

were reported. The form of some of these plans is suggested by the following brief statements:

Transfer and promotion are now largely under the supervision of a new Placement Service. This is distinct from the Employment Department (although sometimes under the plant Employment Department) and was organized to increase mobility in promotion and transfer.

"It is most desirable that transfers be facilitated between all branches of the Company, to insure economy and efficiency to the Company and fairness to employees.

"When an employee is to be transferred, either because of his own desire or because it is necessary or desirable for Department or Company reasons, his qualification record is placed in the Classified File under the type of work he wants or is fitted for. Also a red tab is placed on his record card.

"As soon as the Industrial Relations Department is notified of an opening, the Classified File is consulted and an employee who has been classified for that or similar work is given first consideration. Those rated as suitable should also be considered even though they may not have applied nor be problems. Arrangements are then made with the employee's supervisor for him to be interviewed and considered for the opening."

Less than one-third of the companies stated that employee ratings were used as a basis for individual wage increases, promotions or lay-off. When a rating system exists, the line executives do the actual rating in most cases, but the records are discussed with the employment supervisor or personnel director.

The usual division of administration of transfers and promotions in a large company with numerous plants is that intraplant transfers of wage earners are part of the line executive's function, with such assistance as he may wish from the plant personnel office, while the development of supervisory forces and special technicians, which is more important to the whole company's progress, is a matter for centralized planning and control. This distinction between the supervisory and rank-and-file personnel progress is described briefly by one company:

"The employment work of the Industrial Relations Division may be grouped into major activities: the selection and follow-up of supervisory and technical employees, and the development of factory employment office procedures.

"Every attempt is made to fill vacancies by promotion. Outstanding men are designated for special development. In addition, the leading universities are visited each year for the purpose of recruiting men who are interested in factory management, engineering, chemical research and development, or industrial relations. There is a periodic follow-up, including ratings and interviews of technical and supervisory employees, and a central personnel file is maintained for records of these men. . . .

"Continuous effort is made to improve the employment office procedures in the various factories. The Industrial Relations Division assists the General Superintendent's Office and the factories in developing methods for the selection, placement, and follow-up of factory employees. After these methods have been established, it is the responsibility of the Division periodically to audit their operation."

The influence of trade union organization on procedure for transfer and promotion is evident in comparatively few companies, although specific rules for transfer appear in trade agreements more often than rules for promotion. The number of companies reporting, "Promotions . . . are largely on the basis of seniority" was not large. The number of companies in which an employee organization participates in the administration of such agreements is even smaller. One agreement included the following provision:

"Promotion schedules will be established and posted in each department, by the management of the plant, and explained and discussed with the Industrial Relations Committee, showing the steps of promotion employees will follow, providing they are qualified in accordance with the foregoing paragraphs."

More frequently the responsibility for transfers and promotions is definitely considered to be management's, and the employee organization may intercede only through the grievance procedure. There is widespread discussion of the problems inherent in seniority rules.² The data secured in this survey indicate that management might meet this problem to a considerable extent by formulating, announcing and carefully administering equitable procedures for transfer and promotion.

3. TERMINATION OF EMPLOYMENT

Most company termination policies distinguish between "quits," "discharge," "relieved," and "lay-off." The procedure varies according to the reason for termination and also according to the individual employee's length of service and other factors affecting his status. Since a job is the most important element in a worker's economic security, it is important to him that his discharge or lay-off does not depend on one man's judgment or whim. Yet to maintain satisfactory discipline, most companies feel that the foreman should have the right to discharge from the section or department. As a compromise between these two approaches to the problem, the usual policy is to give to foremen the authority to discharge for certain definite offenses, but to require a review of other cases by the personnel department or higher executive, and in any case to permit an appeal through the established grievance procedure.

² For statements concerning seniority rules and promotion, see: Industrial Relations Section, *The seniority principle in employment relations*. May, 1938. 31 pp.

The degree of protection against unfair discharge afforded by the termination interview depends largely on whether reporting to the employment supervisor is simply for purposes of record-keeping or whether an effort is made to find out the cause of discharge and if feasible, to place the employee, unsatisfactory to one foreman, in another department. The different approaches to this problem may be judged from company descriptions of methods and rules:

“Officers and department heads of the Company have the authority to discharge, which may be delegated by them to foremen or others. The Employment Bureau reviews the circumstances surrounding the separation of each employee, but does not approve or control discharge.”

“Discharge of employees is initiated and recommended by the department head involved, and reviewed by the Industrial Relations Department before it is made effective. Provision is made for a final interview with the discharged employee by the Industrial Relations Department.”

“The Industrial Relations Department is notified of the contemplated release of an employee, as far ahead of the termination date as possible—including cases when an employee is being terminated for cause. An employee is never terminated without previous notice unless he is being dismissed for some serious transgression.

“If the employee is being released through no fault of his or her own, every effort is to be made by the Industrial Relations Department to find another place in the Company. If no other place can be found and termination becomes absolutely necessary the Industrial Relations Department is consulted as to any special compensation. If his record is good, he should be kept classified for re-employment.”

Because lay-off usually affects many employees at one time instead of an individual here and there, it is a problem of great concern both to management and employee organizations. Large lay-off can usually be foreseen and procedures planned according to carefully determined policies. Both policies and procedures usually involve consultation between the department heads, personnel manager, and a higher executive. If the employees are organized, officers or representatives of the organization may be included in these conferences.

Typical lay-off procedures are shown in the following excerpts from company reports:

No lay-off or discharge may be made without good reason and must have the Industrial Relations Department's approval. There is a definite policy as to service and efficiency. In laying off a group of workers recently, the Industrial Relations Department went over all employees' records with the heads of

departments from which lay-offs were to be made. Within the less-than-10 years' service group, efficiency was the controlling factor and value to the company, that is, skilled versus unskilled labor. These factors, combined with service, determined who should go.

An employee with 10 years' service cannot be laid off or discharged without the approval of the Industrial Relations Department; 15 years' service requires the additional approval of the Comptroller and Vice President in Charge of Operations; 5 years' requires the approval of the plant manager.

One company which has signed agreements with trade unions in some plants and independent associations in others reported:

The company is attempting to work towards a uniform policy in lay-off. When any considerable reduction in force is necessary, the superintendent and plant personnel director go over records together. Final decision rests with the superintendent with certain restrictions as to seniority under trade agreements. . . . Any appeal from discharge may be handled as a grievance and follow the procedure outlined in agreements.

The terms in trade agreements relative to lay-off and discharge sometimes simply define seniority and specify that any grievance as to lay-off or discharge shall have priority in consideration over any other grievances. Others state more specifically the procedure to be followed, as in one agreement with the United Automobile Workers:

"Discharges—Transfers—Lay-offs

"Section I. The direction of the working force including the right to hire, suspend, or discharge for proper cause, or transfer, and the right to relieve employees from duty because of the lack of work, or for other legitimate reasons is vested exclusively in the company, provided that this will not be used for the purpose of unjust discrimination against any employee.

"Section II. The chief steward of a department may contact the foreman in any dispute relative to the proposed discharge or transfer of an employee, or refer the matter to the shop committee. In all cases the shop steward will be notified by the foreman in writing before an employee is discharged or transferred from his department.

"Section III. In any reduction of force, employees will be laid off according to seniority computed from original date of hiring."

4. REGULARIZATION OF EMPLOYMENT

In the large as well as the smaller companies, regularization of employment is the concern of the chief executive group or of even broader, inter-company planning. The chief executive's responsibility is usually shared by a special planning committee in the larger companies, and by less formal assistance from the production and sales department in the smaller companies. Although an important personnel problem, it seems

at present to be beyond the scope of personnel planning except in so far as unemployment may be lessened by transfers and retraining, and mitigated by "spread work" or lay-off procedures. In the companies studied, the question as to reduction in hours prior to any general lay-off is left to the plant manager, determined by the chief executive or a special labor committee, or included in the terms of a trade agreement. In cases of displacement of labor because of technological changes or consolidation of plants, however, personnel directors have taken an active part in planning the retraining and transfer of workers.

B. EMPLOYEE AND SUPERVISORY TRAINING

Training in industry has had a fluctuating career, during which its relation to the personnel organization has varied greatly. Many of the formal training programs established in the 1920's were dropped during the depression, and it is difficult to determine the extent to which effective training techniques have continued in use. Where a sense of responsibility for training had developed at the foremen level, rank-and-file training may have continued with little supervision by the personnel department. But the consensus of opinion seems to be that the superstructure of training had in many cases been abolished before line supervision of training had been adequately developed. The result was a lowering of training standards.

Most of the companies with less than 3,000 employees which reported any training program had done special planning only in the field of apprenticeship or foremanship. In none of these companies is there a training director. Whatever planning or special supervision exists is done by the personnel director or an assistant. Apprenticeship is, for the most part, only broadly planned by the personnel department. Methods and training are left to the foremen or older workmen within the various departments. Foreman training is not extensive in this group, and is usually planned by the personnel director, often with the assistance of a foremen's club. Although line executives are likely to assist in conferences or meetings, it appears that the responsibility for the training is accepted jointly by the foremen and the personnel director, rather than by higher supervision.

Training programs in the companies with between 3,000 and 10,000 employees are somewhat more formally organized than in the smaller companies. Separate training divisions within the industrial relations department were reported in only a few companies, but definite planning and supervision of training are functions of the personnel department in more than half of this group. A number of companies have special training only for new salesmen, which is entirely the responsibility of the sales manager or his assistant.

Outstanding among the larger companies are a few which have definitely outlined the specific and general training needs of the company, and have attempted to meet them through special courses, regular conferences, and planning for improved methods in training within the individual departments. In these companies, certain special training courses are given at headquarters under the supervision of a training director, but the most important responsibility of the main personnel office as far as training is concerned is the coordination of activities in the local plants. Methods are improved and made uniform by use of standard instructions and by executive and foreman conferences.

The development of supervisors and line executives through an analysis of the responsibilities of their jobs and through regular conferences is not in wide use but is found more frequently in larger companies. The administration of such a program rests on all the line executives. However, experience indicates that without the advice and assistance of the industrial relations staff at all levels of management, the program is not likely to succeed.

With or without well-organized, centrally-planned training programs in their own company, most executives agree that training is, in the final analysis, a responsibility of line supervisors. The problem is primarily how to equip the line organization to meet this responsibility. While forward-looking companies are definitely attempting to meet it, until the line executives and foremen are more adept in conference and other training techniques, the staff specialists undoubtedly will continue to participate in both employee and supervisory training. Whether the special work in planning, in the preparation of standard practice manuals, and assistance in their inauguration is called "research," "staff service," or "training," it remains primarily a responsibility of the industrial relations staff.

C. WAGE AND SALARY CONTROL

1. DETERMINATION OF BASIC WAGES

The two aspects of wage administration to which companies give most attention are the classification of jobs and the "going rate" in the community. Definite procedures for both are found much more frequently in larger companies. Where, in companies with less than 3,000 employees, no definite job classification has been established, basic wage rates and differentials are handled by the superintendent in consultation with the foreman and the personnel director, if there is one. Rates are set by these men on their general knowledge of the relative worth of jobs in the plant and payment for similar work in other plants in the community. The personnel director may attempt to study particular jobs whose rates seem out of line, and may seek out whatever

data are available concerning the "going rate" in the community. However, it appears that he cannot accomplish much along these lines without a definite program for job classification in which line executives and supervisors are active participants.

Job classification, which exists in approximately two-thirds of the larger companies studied, is invariably the joint responsibility of line and staff, with coordination usually obtained through the use of special committees. In a few cases, employees are represented on these committees. The original classification project, as well as the continuing administration, are often supervised by a division of the personnel department, with a member of the headquarters industrial relations staff acting as chairman of the central coordinating committee. However there are so many variations in the location of administrative authority over such programs that it is impossible to pick out any one plan as typical. Authority may be placed in a central committee responsible to the executive committee, the vice-president in charge of manufacturing, the industrial relations manager, or the chief industrial engineer. Responsibility for administration in the separate plants often is placed in a local committee reporting to the plant manager or personnel director. The plant industrial relations or industrial engineering department carries on most of the routine work, while the main industrial relations office advises on general procedure and coordinates the work of the local committees. The relationship of line and staff functions in wage administration in one company is shown in the following:

"Throughout the entire process of zoning and classification, the foremen, superintendents, and employee representatives were consulted, and the organization was always kept informed of the purpose of the plan and the progress of the study. No job was finally classified and zoned until the supervisors and the men agreed with the classification. Today, any employee who has a wage question on his mind may secure a thorough explanation of the reasons why his position is listed in a specific zone.

Rate Setting

"Control of all rate setting is the responsibility of the general staff. Administration of the rate structure within any plant is the personal responsibility of the assistant to the works manager.

"When a new job is established, the department superintendent is usually asked to write a complete job analysis. . . .

"After careful checking, the assistant to the works manager makes a written recommendation to the staff supervisor of compensation with copies to all other works. If the job is peculiar to one division, the recommendation may be acted upon by the staff alone. If common to all divisions, its classification is a matter

of interplant agreement. New rates are never established without the agreement of all interested parties."³

Joint employee-management negotiation of rate setting, as distinct from wage changes, appears infrequently. However, one company of 4,000 employees developed its whole job classification scheme jointly with employee representatives. Another company of 7,500 employees has signed a trade agreement providing for a joint commission which, in cooperation with a similar joint commission of another company, is expected to establish equitable wage classifications in the two companies. A few other companies have reported negotiations with a union on the question of classification. A public utility company has modified its plan for wage differentials according to merit rating within standard classifications and has agreed to a union request for a standard rate for each class. Although employee participation is as yet comparatively rare, some industrial relations executives have suggested that there may be an increasing demand for this unless employees understand and have confidence in the method established by management.

As stated above, most of the larger companies report that wages are determined principally by job classification and the "going rates" within the community and industry. Although equal weight is said to be given to the "going rate" in final decisions on the basic wages, research procedures for finding out just what this "going rate" is for any specific job have received much less careful attention than job classification. The weaknesses of a casual market survey have often been pointed out by students of the problem.⁴ Usually the task of making surveys of comparable wage data is regularly undertaken by the industrial relations department, and one personnel department has been making these surveys twice a year for ten years. However, such a survey seems to be on a precise, scientific basis in very few companies.

Because a knowledge of the details of the job is necessarily involved in any program of job classification, considerable responsibility for the determination of the class and rate is actually in the hands of supervisors and line executives. However, in the companies studied, a special committee on which the industrial relations staff is represented is often the coordinating unit which develops the pay schedules after consideration of all relevant factors within the company and the "going rate" in the community and industry.

³ *Factory Management and Maintenance*, May, 1937. p. S. 389.

⁴ See particularly, Leeds and Balderston, *Wages—a means of testing their adequacy*. 1931. Appendix B. p. 73 ff.

2. WAGE CHANGES

Wage changes, whether company-wide or for individuals are an operating responsibility in all the companies studied. The industrial relations department participates principally in an inforamatory and advisory capacity, and in routine record-keeping. Most common practice requires approval of changes in individual rates by the supervisor and one or two higher executives, and approval of the president or executive committee for company-wide changes. Considerable variation is found, however, in the authorization for both individual and plant-wide wage changes.

The usual procedure for individual wage changes in the companies of less than 3,000 employees is recommendation by the department head and further approval by the superintendent or personnel director or both. Company-wide changes must always have the final approval of the chief operating executive, or the executive committee. The chief executive is likely to consult the personnel director as to the attitudes of employees and the public, and some companies consider definitely changes in cost of living. To a considerable extent, however, general wage changes appear to be determined by the chief executive in accordance with the financial condition of the company. Wage changes are subject to joint negotiation with organized employees in slightly less than one-fourth of the companies with less than 3,000 employees.

In the larger companies studied, the same division of responsibility for wage changes exists as in the smaller companies. The chief executive must authorize company-wide adjustments; the department head and superintendent or plant manager must approve individual changes. There is apparently some difference between companies in the degree of centralized control of wages. However, in most companies, even where the industrial relations organization is wholly decentralized, any general wage change is subject to the approval of the chief executive officer of the parent company. The special labor advisory committee and the industrial relations director are usually consulted by the chief executive prior to a wage change. Staff opinion is undoubtedly an important influence, but the strongest check on executive decision in this matter seems to be the bargaining power of the employee organization.

There are indications that in approximately one-third of the larger companies studied collective bargaining is a definite factor in wage changes. Some of these have signed agreements covering the hours and wages for most of their employees; others have signed agreements covering only one or two plants and no announcement is made for the other employees. That employee attitudes are considered even when there

is no trade union agreement is evident by discussion of wages in company statements of labor policy, such as the following:

"In accordance with its long-established policy, . . . Company intends to pay wages in its plants and offices as good as or better than prevail for similar work under similar conditions in the communities in which it operates. To assure the maintenance of this policy periodic wage surveys are conducted.

"Wage and salary rates are based on relative differences in job requirements as measured by skill, difficulty, environment, responsibility and importance. To assure the maintenance of sound wage and salary schedules a procedure for job analysis and rating will be applied periodically. . . .

"Introduction or changes of standards expected in the performance of any job shall be put into effect only after consultation with supervisors and conference with employees concerned."

Greater variation is found in the handling of individual or small group wage adjustments than in company-wide changes. Sometimes the job classification scheme permits changes within the range of any one classification on the recommendation of the foreman and the approval of the superintendent. Other procedures require the approval of the plant industrial relations director and the plant manager. Trade agreements infrequently include specific provisions concerning individual wage changes, but may refer to them in general grievance clauses.

Some of the policies determining responsibility for individual wage and salary changes are suggested by the following:

" . . . the question of local wage rates is a matter which must be determined by the local plant management for each plant. . . .

"All wage complaints which cannot be settled by the local plant management will be dealt with further according to the grievance procedure."

"All forms covering salaries up to \$200.00 per month must be approved by the Local Plant Management Committee and initialed by all members before being forwarded to Head Office for final approval.

"All forms covering salaries in excess of \$200.00 must be approved as follows:

Plant employees by the Department Head and Plant Manager

Plant Office employees by the Office Manager and Plant Manager

Sales Department employees by the Sales Manager

"Upon receipt at the Head Office, all forms will be submitted to the Executive Officer in charge of that division for approval and then in turn to the Executive Management Committee for final approval.

"Personnel Director, must also approve all forms covering salaries up to \$300.00 per month. . . ."

"Salary or wage changes are recommended by the department head and approved by the Industrial Relations Department and two directors of the Company."

3. VACATIONS

Vacations with pay are granted to wage earners in more than half of the companies studied. These plans have for the most part been formulated by the personnel department and approved by the president or executive committee. Instructions for administration are often issued by the industrial relations department, but administration is largely in the hands of the line supervisors. In a few companies, administration is handled by a special vacation committee composed of department heads and the personnel director.

Trade agreements often include provision for vacations but few references to procedures. One agreement stated:

"On or before April 1st of each year, employees will be invited to express their preferences as to when they shall take their vacations. In the assignment of vacation time, the management will, as far as is feasible, comply with such requests, giving preference to the requests of senior men. Vacation schedules will be posted as soon as is possible after April 1st."

Another company which includes a vacation clause in its agreement states on the vacation announcement: "... in the event that the meaning, intent or interpretation of any of these plans is not clear or is questioned, the decision of the management will prevail." From the data available, it appears that vacation terms are being drawn within the realm of trade union negotiations, but that their administration is handled principally by line supervisors, with interpretation of questionable cases by the plant personnel office, plant manager, or main industrial relations office.

D. EMPLOYEE ACTIVITIES

One of the oldest aspects of the personnel job is the supervision of employee clubs or other recreational, athletic or social activities. The amount of this supervision varies almost directly with the degree of financial subsidization. In a few companies, the personnel department participates in the management of employee clubs only to the extent of recommending company financial aid for a particular activity; in others, a member of the personnel staff may give considerable time to the supervision of company-maintained club houses and parks. Between these two divergent attitudes are found many examples of cooperative administration in which the planning and management of activities rest principally with the employees, and advice and financial aid are given through the personnel department in response to the employees' request. At one extreme is the policy expressed in the statement, "This company has never undertaken to regulate the private lives of its employees."

A much more typical policy is described by another company: "No supervision of employee activities, but advice given as requested and a limited amount of financial aid granted on the recommendation of the Personnel Department."

There seems to be little difference between companies with centralized and those with decentralized operations in the amount of management support for employee activities. Some companies maintain club houses in towns which have few recreational facilities, but others have built club houses and athletic fields adjacent to large cities. Neither is there any apparent difference in policy between those companies with trade union agreements and those with independent employee associations or representation plans. In many companies, the policy towards employee activities seems to be based on expediency. In others, where some of the executives look upon the plant as an important social unit in the community, management facilitates employee recreational and social activities as much as possible. Whatever the degree of management support, the contact between employee groups and management is invariably through some member of the headquarters or local personnel staff, and the amount of subsidization for any one activity is frequently decided by the personnel director.

VI. GROUP RELATIONS AND GRIEVANCE PROCEDURES

A. NEGOTIATIONS WITH ORGANIZED EMPLOYEES

INCREASING employee organization under the National Industrial Recovery Act and the National Labor Relations Act has been an impetus towards the establishment of new industrial relations departments in many companies and towards an improved status and a new prestige for the industrial relations specialist. On the other hand, the emphasis on problems of collective bargaining, with an accompanying demand for industrial relations men who are expert negotiators, has brought new elements of confusion into the industrial relations organization. A few personnel executives have pointed out the danger of management's considering collective bargaining not just an important part but all of industrial relations.

Among the companies surveyed, employee organization and management procedures for negotiation appear to have progressed much more rapidly in the larger companies. Some form of employee organization was reported in all but six of the 58 companies with more than 3,000 employees; seventeen of the 42 companies with less than 3,000 employees have no employee organization for collective bargaining.

Among these companies, the number dealing with independent employee associations or with both independent associations and trade unions is much higher than the number dealing only with unions. Independent employee associations have, in most cases, developed plant by plant, and management has dealt with them through the plant manager, or plant personnel director. Company contact with employee representatives on issues other than grievances frequently had been through the personnel department, and when the nucleus of the new independent association came from the leadership of the old representation plan, the same contacts often were maintained. However, where the employee organization has initiated discussion looking towards a signed agreement, the plant manager is likely to be the company's chief representative. Agreements have been signed by the plant manager more frequently than by a higher executive but practically always the plant manager must secure the approval of a higher executive or labor committee before signing.

The procedures of various companies which at present are dealing wholly with independent employee groups are shown by the following:

Group relations are considered a plant responsibility and are generally handled as a problem within each unit and are not discussed in general management

meetings as a regular thing. All negotiations are conducted by plant managers and any statement as to agreement or company policy is signed by the plant manager. However, he may get advice from the chief operating executive who, in turn, may call upon the industrial relations department for assistance.

Operating department heads are responsible for all employee relations. The independent employee associations deal with the local department heads. The general manager may meet with representatives of the central employee organization, and has signed agreements with a number of the associations.

The Industrial Relations Department has been responsible for company contact with plant employee organizations. Matters of negotiation are now considered by the executive labor committee, and are conducted by local management in consultation with this committee.

A number of the companies studied which deal only with trade unions have signed company-wide agreements. Negotiations have been carried on between the chief operating executive of the company and the principal officers of the union, and agreements signed by the same officials. This procedure undoubtedly makes for greater expedition in negotiations and wider uniformity in matters covered by the agreement. Some companies have found, however, that lack of preliminary discussion between the chief executive and operating executives affected by the agreement has resulted in great difficulty in carrying out the provisions of the agreement. Their experience seems to indicate that the participation of the local operating executives in the negotiations affecting the area of operations for which they are responsible is essential to adjust agreements to local conditions and attitudes. A larger degree of standardization in local agreements has been obtained by having a representative of the chief executive of the company and a representative of the national union participate in all conferences.

Divergent attitudes are evident in the companies which deal with trade unions in some departments or plants, and with independent employee associations in others. On one hand are a few companies which consider group relations wholly a responsibility of the executives of the separate plant or subsidiary. The main office makes no effort to standardize policies in group relations between the various production units and gives little advisory service to the plant managers. On the other hand, more companies, while recognizing the necessity of dealing with whatever form of organization the employees may choose, try to maintain at least comparable working conditions throughout the whole company and a definite understanding of labor policies on the part of all employees.

The rôle of the industrial relations director in the company-wide maintenance of standards in labor relations varies from company to

company. In a few cases, he has helped draw up a general memorandum of terms which has been accepted as an agreement between management and union in some plants, and between management and independent employee organization in others. The more usual practice is for the manager of each plant to conduct the negotiations in consultation with the representative of the main personnel office. Descriptions of this procedure are:

Agreements are signed by the general superintendent of the Works concerned. The main industrial relations department participates in most negotiations and frequently helps write the contracts. Before signing, the superintendent must have the executive labor committee's final approval of the contract.

The industrial relations department goes into the field and sits in or at least advises on many of the more complicated negotiations with employee groups. Final approval of agreements is made by the president. In less involved cases, matters are handled by the plant superintendents.

Many of the methods of negotiating with employee bargaining organizations involve the question of the position of the industrial relations department in the whole management organization. Should the industrial relations staff serve principally in an advisory capacity or become active agents for the chief executive? Two definite points of view have been expressed. One personnel director stated:

"Negotiations with all employee organizations are handled through the Personnel Department. The Director is responsible to the President of the Company with whom final decision as to policies rests. Local troubles are handled as much as possible through the local supervisors or superintendents. However, if conditions require, the Personnel Director does not hesitate to negotiate directly with the employee representatives or superintendents."

Under similar conditions another personnel executive reported that the company was definitely seeking to have standard agreements accepted by the various employee groups, whether unions or independent associations, and to this end he has consulted with local superintendents. However, the responsibility for negotiation is definitely local management's and the personnel director does not participate in bargaining conferences. Other industrial relations men have questioned the wisdom of continuing their direct participation in negotiations. The executives who are weighing this question most seriously are those who have already seen unfortunate results from lack of line responsibility in this matter. The predominant opinion seems to be that the advisory service of the industrial relations staff is of great value in negotiations, but that, as company policies become more standardized and line executives more experienced

in collective bargaining, the responsibility for negotiating and administering agreements should be accepted by the operating executives.

B. HANDLING GRIEVANCES

Definite methods for handling employee grievances are not necessarily dependent upon employee organization. Yet the one rarely exists without the other. Reports on this question were very brief from those companies which had no employee organization. A few included "employee information and grievance service" as one of the functions of the personnel department. One statement of labor policy refers to grievances under the heading of "Foremen":

"The foreman is responsible for the contentment of those working under him.

"He should *immediately* adjust complaints or take them up with his general foreman or the proper official."

Another company reported:

"Relative to grievances, we preach and practice an open door policy. Employees may confer directly with Personnel Manager on any topic relative to either labor or personal problems. If they so prefer they can themselves directly contact Works Manager or President. The preferred order for handling grievances is as follows:

- EMPLOYEE: 1—To foreman
 2—To Departmental Superintendent
 3—To Works Manager
 4—To Personnel Manager
 5—To President
 or
 directly to Personnel Manager if they so desire."

When agreements have been signed, either with a trade union or an independent employee association, grievance procedure is clearly outlined and usually goes directly up the line of authority in both company and union. One trade agreement states:

"Section 6. Adjustment of Grievances.

"Should differences arise between the Company and the Union or any employee as to the meaning and application of the provisions of this agreement, or in regard to any other matters, there shall be no suspension of work on account of such differences. An earnest effort shall be made to settle such differences immediately, in the following manner:

A. Between members of the grievance committee, designated by the Union, and the foreman or superintendent of the department, and/or such other representatives as may be designated by the Union or Company;

B. Between members of the grievance committee, designated by the Union,

and the general superintendent or manager of the mill, and/or such other representatives as may be designated by the Union or Company;

C. Between the representatives of the national organization of the Union and the representatives of the Company; and,

D. In the event the dispute shall not have been satisfactorily settled in the manner outlined above, the matter shall then be referred to one or more impartial arbitrators, to be appointed by mutual agreement of the parties hereto. If the two parties fail to agree upon the choice of an arbitrator or arbitrators, then either party may request in writing to the other party that the matter be submitted to arbitration under the Industrial Arbitration Rules then obtaining, of the American Arbitration Association. Such arbitration proceedings may be initiated after ten days from the date of mailing of such request. The decision or award in arbitration shall be final and binding on all parties. The expense and salary incident to arbitration shall be paid jointly by the Company and the Union."

The procedure given in one memorandum of agreement with an independent employee association is as follows:

"Section 4

"Routine Handling

"All complaints and grievances must be presented in writing over the signature of the aggrieved employee. If the [Employees'] Committee decides the grievance has no merit, the decision is final. If the Committee finds that the complaint has merit, said Committee, or a majority thereof, shall have the right within five (5) days, to submit said complaint with its findings thereon to the foreman, supervisor, or district superintendent in charge of said work where said complaining employee is employed, and such foreman, supervisor or district superintendent in charge shall give his decision thereon within five (5) days from the receipt of said complaint.

"If the decision of said foreman, supervisor or district superintendent in charge is adverse to the claim of said employee, said Committee may in its discretion refer said complaint with its ruling thereon and the decision of said foreman, supervisor or district supervisor or district superintendent direct to any executive officer of said Company available at the main office, as the Committee may select. Said executive shall inform the Committee of the Company's decision thereon within ten (10) days from the receipt of said complaint. . . .

"Section 5

"Meeting with Management

"If the decision of the executive to whom the complaint was referred, as provided in Section 4 of this Article, is adverse to the claim made, then it is agreed that the President or a Vice-President designated by him, or the Vice-President in Charge of Production of said Company, or both if practical, will, on request and certification of said Employees' Committee that said claim involves material and substantial questions which ought to be discussed with the management in person, meet with said Committee. . . .

"Section 6

"Arbitration

"At the meeting as provided for in Section 5 of this Article, due consideration shall be given by said executives and said Committee to all the matters and things involved in said dispute or disputes, and a bonafide effort made to arrive at a fair and just decision. In the event of the failure of said executives and said Committee to reach a satisfactory agreement, then within ten (10) days such question or questions in dispute shall be referred to the President of said Company, or some one designated by him, and the Chief Executive of the Association, or some one designated by him, who shall meet for the purpose of discussing the grievance or dispute and of obtaining a final decision thereon. In the event these two executives, or their appointees, are unable to agree upon the terms and settlement of such dispute they shall agree upon a method and procedure of arbitration for the settlement of such dispute or grievance. The award of such arbitration shall be binding upon the employees and the Company. It is further understood that the whole course of arbitration shall not exceed sixty (60) days from and after the time the question or questions in dispute are referred to the President of the Company and the Chief Executive of the Association under this paragraph."

Most companies which negotiate with different forms of employee organizations in different plants realize the need for having equally satisfactory methods of handling individual appeals throughout the company. Some have met this need by issuing a statement of policy for all plants. A few other companies have attempted to standardize this clause in their agreements with trade unions and independent associations, and, in plants in which there is no employee organization, have posted a memorandum to the same effect on bulletin boards for employee guidance. All of these stipulate that a grievance shall be presented by the individual employee or his representative to the various levels of supervision in the plant, to the principal executive officer of the company, and, if necessary, to arbitration. The personnel director may enter the procedure as a member of the appeal board, or in the intermediary approach to top management. One agreement states:

"Any grievance in connection with wages, hours or working conditions may be taken up by the employee with the departmental foreman. If a satisfactory agreement cannot be reached with the foreman, the grievance may then be referred to the district committeeman for handling; or if desired the matter may be referred to the district committeeman in the first instance.

"The district committeeman should endeavor to work out a solution with the foreman and if not successful, the matter should then be taken up with other supervisors until the personnel director is reached. If the grievance cannot be settled at this point, it should then be referred to the Union's Negotiations Committee which may then present the matter to the Company's Management Committee."

The direct participation of the industrial relations staff in adjustment of individual grievances appears to be less frequent than its participation in negotiations. Yet there are enough instances of the inclusion of the industrial relations department in the procedure outlined to raise again the question of staff-line responsibility. Many personnel directors feel that that procedure is best which includes them only as advisers to the line executives. They suggest, however, that when employees have no organization, direct appeal to the personnel manager may provide a useful safety valve. One executive stated that he felt this would continue to be necessary for some time after an employee organization had been established, until line supervisors and employee agents became accustomed to joint dealing. Many other executives agree with this point of view, but feel that the more important industrial relations problem is to develop in the whole line organization the ability to handle grievances as they arise.

VII. COMPANY PLANS FOR EMPLOYEE SECURITY

A. ACCIDENT PREVENTION

THE assurance of safe conditions of work is an important personnel function and at the same time an integral part of operating management. While practically always considered a specific responsibility of line supervision, the need for special advisory service and centralized control is generally accepted. After a quarter of a century of progress, accident prevention stands out as one of the best coordinated personnel activities.

The typical safety organization includes a supervisor responsible for technical improvements as well as for the coordination of the safety program, and a cooperating committee (or committees) composed of department heads, foremen and sometimes employees. In more than half of the companies surveyed, the safety organization is a division of the personnel department. In some of the smaller companies, the safety supervisor is directly responsible to the superintendent, general manager, or vice-president in charge of production. In some of the larger companies, the safety organization is directly under a vice-president or president. Only a few companies reported that accident prevention was wholly the responsibility of line supervision with no central coordination.

There seems to be very little divergence in practice between safety work under a special supervisor within the industrial relations department, and under a similar supervisor directly responsible to a line executive. For example, one company with a special safety organization within the personnel department states:

"The Accident Prevention Bureau of the Personnel Department coordinates all the safety and accident prevention work of the subsidiary companies. Accident prevention is considered an operating problem."

Another company whose main personnel department is limited strictly to staff service has issued a standard practice memorandum on accident prevention principles and safety organization. Excerpts from it show the allocation of responsibility for safety:

"As an operating function accident prevention work should be carried on as part and parcel of normal, routine operating responsibility. Certain tools or aids may be made available to management, such as safety committees, safety posters, meetings of employees and safety contacts, but these should be so

organized and so conducted that the continuing responsibility of foremen for accident prevention is clearly recognized. . . .

"Safety Organization

"In each Company and Division of the Corporation there should be a general safety committee composed of the heads of the various departments and the company physician with the plant manager as chairman and the person in charge of industrial relations as secretary. This committee should meet monthly to give consideration to and act upon safety work as follows:

"Accident Prevention Principles and Safety Organization

1. Review all accidents which have occurred, giving special attention to responsibility and recommendations of foremen or of departmental safety committees on measures to prevent recurrence;
2. Review the reports and recommendations of departmental safety committees relating to the elimination of unsafe conditions and practices;
3. Develop company standards for the guarding of mechanical equipment and elimination of physical hazards and rules and regulations for the safety of employees;
4. Outline educational methods and direct the safety program;
5. Study and apply accident experience tabulated by the person in charge of industrial relations as to causes of accidents, responsibility, accident frequency and severity rates.

"In each of the major departments the foremen should act as a safety committee for the department, meeting monthly under the chairmanship of the department head. Since the department heads serve on the general safety committee, the general policies and program of activities formulated by that committee for the company as a whole may be discussed with the departmental committees, which will be expected to carry them out."

This standard practice form was prepared by the main industrial relations office in cooperation with the general safety committees, and the plant personnel directors serve as secretaries of the local safety committee. It is evident from this and similar statements of practice that accident prevention is definitely within the realm of industrial relations coordination whether the staff supervision comes directly from the headquarters personnel department or by way of the plant manager. Although the division of line and staff responsibility varies, most common arrangement allocates inspection and technical problems, records, preparation of supervisory standards, educational material and reports to the special safety staff. Maintenance of safe working conditions and safe methods of work is the responsibility of operating management. Accident records show proof of the successful results of this plan of cooperative staff and line functioning.

B. MEDICAL DEPARTMENT

The amount of medical service and methods of administration vary considerably among the companies studied. The most common organi-

zation is a medical division within the main personnel department, with coordination of local medical activities through this division. Exceptions to this type of organization are frequent, however. In the smaller companies, the doctor or nurse in charge of the plant clinic may report to the superintendent or general manager. In larger companies, the medical department sometimes reports directly to the president or executive committee.

The medical service of companies with less than 3,000 employees is carried on by a staff varying from one full-time nurse and a doctor on call to a full-time doctor, two full-time nurses, and medical specialists available at certain hours each week. One of the larger of these clinics was reported to cover the following activities as well as first aid:

“Semi-annual examinations for higher executives—annual for lower ones. Annual examination for all employees who request it. Physical examinations made before employing any new people, or whenever they are transferred from one class of work to another, or regular examinations if some new process or product causes a hazard with which we are not familiar.”

The typical medical organization among the larger companies consists of a small headquarters staff under a chief medical director, who advises on policies, sets standards and coordinates the work of the local units, and the various plant staffs which carry on the actual medical service. The headquarters staff is part of the main industrial relations department in the majority of companies, but in a few cases is directly under the president. The local medical department, while guided as to scope of activities and standards by the central medical staff, is in most companies responsible to the plant manager.

The size of the medical organization and the scope of activities within the separate operating units depend largely on the size of the plant or division. In some companies, the local medical unit may range from a dispensary, with a trained nurse in charge and a doctor on call, to an elaborate physical plant with a large staff of doctors, nurses and technicians. The latter organization is the predominating one in this group. The following description suggests the size and scope of activities of these large local units:

“The general duties of the . . . Medical Department are:

1. To supervise health and physical conditions of all employees.
2. To prevent and to recognize infectious diseases. . . .
3. Study of an early recognition of occupational diseases. . . .
4. To treat all plant injuries and occupational diseases.
5. To make necessary routine physical examinations.
6. To inspect and make recommendations concerning general sanitary conditions.

7. To learn plant operations and hazards so that recommendations may be made to minimize those hazards.
8. To treat all patients presenting themselves with minor ailments whether these are definite Company accidents or non-occupational illnesses. . . ."

In the smaller, single-unit companies, there seems to be a definite correlation between the extent of medical service and the position of the medical staff in the organization. The medical division directly under the personnel department usually gives the broader medical service, including pre-employment physical examinations, consultation concerning ambulatory illnesses, and visiting nurse service, as well as first aid. In the larger companies, uniformity in medical service throughout all the operating divisions depends upon the existence of a central medical staff. Whether the central medical staff is responsible to the chief industrial relations officer or to a higher executive is apparently not considered a vital question. It is agreed, however, that there must be close coordination between the medical service and other industrial relations activities. The fact that the majority of companies place the medical division in the industrial relations department suggests that coordination is more easily obtained when all the industrial relations functions are cleared through one responsible staff officer.

C. INSURANCE AND BENEFIT PLANS

The plans offering financial protection against the hazards of ill health and death include group life, accident and sickness insurance, mutual benefit associations and company benefit plans. Mutual benefit associations are found in more than half of the companies with less than 3,000 employees, but in considerably less than half of the larger companies studied. Group life insurance plans have been established in slightly more than one-third of the smaller companies, and in three-fourths of the larger companies. Group sickness and accident insurance was reported much less frequently, and company benefit plans were found in but eight companies.

Mutual benefit associations are usually employee-administered with varying degrees of advisory service and control by management. In a few companies in which the benefit association receives a liberal subsidization from the management, the association is administered by a joint board. Some members of the board are elected by the employees, some appointed by the president or treasurer of the company. In other associations, where the subsidization ranges from emergency assistance to an amount equal to half of the total dues, management's contact is invariably through a member of the industrial relations staff. In the smaller companies, the personnel director may handle this activity; in the larger companies, the activity is a responsibility of the local plant

personnel office or of a "supervisor of welfare" or "director of employee service" in the centralized personnel organization.

The supervision of group life and sickness insurance is a function of the personnel department in a majority of the companies in which these plans have been established. In a few cases, these plans are administered by a special insurance committee, by the insurance or payroll department, or by the treasurer. The inauguration of the plan, publicity among the employees, and the handling of individual problems are usually the responsibility of the personnel department or of a special committee on which the personnel department is represented. When the plan is administered by another staff department, coordination between the two staff departments and between them and the line executives is secured by means of an advisory committee.

Sickness benefit plans which are wholly company financed are invariably administered by a special board or committee, which may also administer the pension plan. The industrial relations director is usually a member of this board or committee, and in two cases is chairman. In the large companies, the personnel department's responsibility often continues into the local plant through representation on the plant benefit committee.

D. ANNUITY PLANS

Definitely established retirement plans are much more frequent among the companies with more than 3,000 employees than in the smaller companies. Less than half of the latter have a pension plan, while slightly more than two-thirds of the larger companies studied have some system for paying annuities to retired employees. Moreover, only half of the plans in the smaller companies are formally-established and funded. Among the larger companies, more than two-thirds of the plans are of this type.

When pensions are granted only at the discretion of management, the personnel department usually accumulates service records and other data which are necessary to determine the employee's qualifications for an annuity. Recommendations are required from the personnel director and the line executives concerned, and final authorization for individual pensions is given by the president or board of directors.

When annuity plans are definitely formulated and funded, the scheme as a whole is administered by a special committee or board of trustees. The personnel director is sometimes a member of this committee or board, and usually serves as liaison officer between the employees and the board. In one company in which a special board of trustees controls the fund and administers the plan, local pension matters are handled by plant reviewing boards composed of the superintendent and

two members elected by the employees. This is the only case reported of employee participation in pension administration.

In the case of contributory annuity contracts with insurance companies, the necessary contact between employee, employer, and insurance company is often the joint responsibility of the personnel and payroll departments. The following excerpt from the industrial relations manual of one company indicates the degree of participation of both local and main industrial relations departments in a reinsured plan:

“When an employee becomes eligible for normal retirement, the Application for Annuity is prepared in duplicate by the local Industrial Relations Department, or in the Manager’s Office where there is no Industrial Relations office. The number of the employee’s policy, which should be mentioned, may be found on the Application. It is approved by the Department Head, Division Manager or Works Superintendent, and by the Local Industrial Relations Manager, if any. The original is then sent to the main Industrial Relations Department for submission to the Annuity & Insurance Committee for approval and necessary action.

“When an employee is being considered for optional retirement, the application is prepared in duplicate as above. The reasons are set forth in detail and the recommendation is then sent to the main Industrial Relations Department. This Department reviews and investigates and refers it to the Annuity & Insurance Committee for consideration and recommendation, if any, to the Board of Directors.”

Collecting information concerning the inauguration of new pension plans or changes in existing plans is definitely a function of the personnel department. While the problems involved are sometimes beyond the resources of the personnel research staff, the personnel director collates available data, suggests what further special study may be necessary, and makes recommendations to the policy-forming group.

E. EMPLOYEE SAVINGS

Employee savings plans have been initiated both by management and employees. However, since a company assumes some responsibility in approving an employee savings plan as well as sponsoring one, the personnel department usually studies any plan suggested and makes recommendations for or against executive approval. This advisory service to management in deciding upon a new plan or changes in an old one is the most important personnel function connected with employee savings. Depending upon the type of plan, the personnel department also participates in its administration to some degree by giving it publicity and offering advisory service to the individual employee or to the savings organization.

The most common form of savings plan among industrial employees

is the credit union. More than half of the companies studied had credit unions in one or more of their plants. Among the companies with less than 3,000 employees, bank deposit plans came next in frequency. In the larger companies, employee savings funds administered by the treasurer or a special board of trustees exceeded the bank deposit plans. Altogether only six employee stock ownership plans were reported.

Aside from the preparation of recommendations prior to the establishment of a plan or the direction of publicity in connection with its inauguration, the personnel department has comparatively little responsibility for the functioning of an employee savings plan. Most credit unions have been organized and are managed by the employees. However, in a few cases, the personnel department encouraged their development throughout the company by supplying data on organization procedure, and offering them management aid in the form of payroll deductions and free office space. Whatever the degree of participation in the formation of the credit unions, the personnel director frequently serves as adviser to the organization. Bank deposit plans involve a company only to the extent of handling payroll deductions and deposits. Company investment and employee stock ownership plans are usually administered by the chief financial officer of the company or by a special committee or board of trustees. The industrial relations director is a member of such an administrative body only in a few cases.

Even though personnel departments are seldom directly concerned with the administration of employee savings plans, experience during the past ten years has shown that the personnel staff is likely to be involved in the human problems connected with the functioning of such plans. Personnel directors may not be in any way responsible for the investment of employee funds, but they have seen many evidences of the effects of losses under such programs upon employee security and attitudes. Although staff officers for management, many personnel men feel that when questions arise concerning employee savings programs, they can best help the company and its employees by basing recommendations primarily upon a consideration of the employees' savings needs and abilities.

VIII. SUMMARY

DESCRPTIONS of policies and practices presented in this report show a wide variation in almost every phase of industrial relations, even in companies of the same industry and with approximately the same number of employees. This variation is normal in a rapidly developing area of industrial management. Every company has special aims and needs to which the particular form of industrial relations organization and policies must be adjusted. Variations in policies and techniques provide an accumulation of contrasting experience which is of value in measuring relative success or failure and hastening the evolution to improved techniques. Moreover industrial relations problems are fundamentally human problems, and their solution will always involve a changing complex of personal attitudes, habits, and desires.

And yet there are certain basic principles which appear to be essential to the successful development of an industrial relations program in any company. The most significant principle is acceptance of the fact that industrial relations is an important and integral part of management. This has been stated over and over again and, in theory, has been accepted by most industrial leaders who have been at all concerned with personnel problems. The best evidence of its soundness is found in the success of industrial relations in those companies which have followed this principle. The integration of the industrial relations program with general management depends finally upon the day-to-day relationships involved in all the operations of a company. But certain underlying conditions determine to a considerable degree whether or not these relationships are satisfactory and effective. These essential conditions include:

1. The industrial relations manager as a chief staff officer of equal status with vice-presidents in charge of manufacturing and sales.
2. The formulation of industrial relations policies *after* adequate discussion with line executives, supervisors and representatives of the employees.
3. The maintenance of definite and coordinated channels of information on the company's personnel policies to line executives, supervisors and employees.
4. The responsibility of each operating executive and line supervisor for adherence to industrial relations policies in his unit of the organization.

A. CHANGING CONCEPTS OF THE FUNCTION OF THE INDUSTRIAL RELATIONS SPECIALIST

Considering industrial relations as a specific but integral part of general management inevitably leads to the question of the relationship of the industrial relations specialist to the whole organization. The individual chiefly responsible for the industrial relations function throughout the company is frequently an important staff officer, and is being given such a status in more and more companies. But the very circumstances which have given impetus to the higher status have also brought new elements of confusion concerning the precise position and functions of the industrial relations manager or personnel director. Many chief executives seem to expect the head of industrial relations to serve successfully as adviser to top management, as special bargaining agent, as a director of research, and as administrator of many widely-scattered activities. Even if a sufficiently large personnel staff is provided to enable the industrial relations director to assume these various responsibilities, it is a question whether, in the long run, industrial relations might not be strengthened by allocating some of these duties to the line organization.

Various concepts of the position of the industrial relations specialist have made him the agent for line executives in such matters as employment, training, and accident prevention; the liaison officer between management and employees in welfare, grievances, employee representation, and employee security plans; the liaison officer between top management and supervisors in foreman training; and finally staff officer directing research in personnel problems and advising chief executives in personnel policies. Both intelligent industrial leadership and circumstances and attitudes beyond the control of a company have been factors in clarifying these concepts. For example, as paternalism became less acceptable to employees and the public, the "welfare" aspects of the personnel function declined in importance. With increasing employee organization, matters of mutual concern to employees and management have been more often handled directly by chief operating executives and union agents or other elected representatives of the employees. It is accepted, however, that the industrial relations specialist is thoroughly acquainted with all these matters and able to advise the operating executives in regard to them. Although definitely a part of management, he must understand employee attitudes and be sympathetic to their problems, and it is his responsibility to see that operating management gives due consideration to the employees' interests and points of view.

Management has had to be its own critic in the matter of the relationship of the personnel department to the line organization. In all

companies with any considerable personnel organization, the personnel specialist continues to play two rôles, that of adviser to the chief executive officers and that of assistant to the line executives. In the smaller companies, one man usually handles both aspects of personnel, with most of his time being given to service to line executives. In some of the larger companies, the chief industrial relations executive is the administrator of line services as well as supervisor of personnel research and adviser to top management. In others, he serves principally as staff officer to top management. In this capacity, he helps in policy formation, develops standardized procedures throughout the company and coordinates policies and practices between plants. This type of personnel organization seems to be gaining in favor, and many industrial relations specialists believe that the advisory service to the chief executive is by far the most important personnel function.

Service to line executives undoubtedly continues to be an important part of the personnel specialists' job, but in the large companies, the service aspect is likely to be distinct from the advisory and coordinating aspects. The predominating practice seems to be to place the responsibility for plant industrial relations with the chief executive of the plant, although he, in turn, may delegate much of that responsibility to the local personnel staff.

It is apparent that industrial relations is a staff function operating most successfully when it is an aid to all levels of general management. The specialist who is working with top management must necessarily give advice on the formulation of policies and help to put them into effect by developing standard practices and expediting uniform interpretation. The specialist who is staff assistant to the operating executive will work for uniform interpretation in line supervision and may himself be in charge of certain service activities. To give satisfactory service to plant or headquarters officers, the industrial relations specialist must be continually in close personal contact with employees and line executives.

B. NEW INFLUENCES IN POLICY DETERMINATION

Changes in methods of policy determination apparently are following two diverse tendencies with one purpose in view—greater uniformity of industrial relations policies and practices. On the one hand, there is a wider spread of participation in policy formation; on the other, an increasing centralization of policy control. Proposed policy changes are now discussed by more executives and employee groups than previously, and at the same time companies are generally adopting labor policies for the whole organization rather than permitting them to be determined by each plant or division. Neither of these trends is new, but it is ap-

parent that the increasing importance of group relations has been the immediate cause of their accelerated development.

This increased use of consultative processes in the formation of industrial relations policy involves both greater participation of the lower levels of management and more opportunities for employee expression. The companies which have established procedures for encouraging line executives and supervisors to share in policy formation have found such procedures doubly beneficial: the policy-forming group profits by discussion with management representatives closer to the line of action, and line executives gain an insight into company policies which is essential for uniform interpretation.

Employees now have the right by law to discuss with management matters of mutual concern. Many industrial relations officers feel that the wise employer will go beyond the legal requirement; that he will discuss problems with employee organizations before grievances arise rather than awaiting more or less violent protests concerning particular company policies. Whether or not required in trade agreements, it has been found helpful to consult the officers of employee organizations on such matters as job classification, promotion, and layoff. Such consultation has been found to give employees a better knowledge of company problems and a greater confidence in management's integrity. It also provides a sounder basis for management decision.

Many of the companies here studied have long associated good personnel management with good business, and have attempted to secure uniform working conditions throughout the whole company. Even companies which considered labor relations the separate problem of each plant have almost invariably established such plans as pensions, employee stock ownership and vacations for wage earners on an organization-wide basis. In fact, most policies which involved the company financially were considered within the scope of central policy control. Thus, when, through a strike or a Labor Board case, the chief executives suddenly recognized the effect of employee attitudes and group relations on production costs, such matters promptly became of concern to the policy-forming group. In other cases, where the relations between employees and employer have been wholly amicable, increasing employee organization and the trend towards signed agreements have been factors leading towards greater centralized control in labor policies.

C. OUTSTANDING PROBLEMS IN ADMINISTRATION

Present procedures in industrial relations administration reflect varying degrees of development in policies and organization. For example, employment has been handled as a special personnel function for a longer time than any other one activity, and procedures in connection

with it are now fairly well standardized. In contrast, group relations, an area in which company policy has been slow in developing, are handled differently in almost every company and in many cases in the various plants of the same company. A few activities seem to have become well integrated with the operating organization, and procedures in connection with them are apparently working satisfactorily in the majority of companies studied. Procedures controlling other activities have proved much less satisfactory.

Among the personnel functions which seem to have reached a fair degree of standardization in administration are employment methods and accident prevention, and, to a lesser degree, job classification and wage standardization. In all of these, the distinction between line and staff responsibilities are clear in most of the companies. That part of the activity which is most efficiently handled outside the regular production unit, or which requires special research, is administered by the industrial relations department, by a committee on which the industrial relations department is represented, or by another special service department. That part of the activity which is essential to the control of the operating unit remains the responsibility of the supervisor or department head.

Certain procedures which are less clearly defined are transfer and promotion, termination, adjustment of individual grievances, and employee training. Although in many companies these are apparently handled without careful planning as to company policy or definite provision for administration, enough companies have developed successful procedures in these matters to provide a volume of experience on which other companies may draw in improving their own practices.

The two most important personnel functions which seem to be difficult problems in almost every company are responsibility for group relations and training of supervisors and executives. Every industrial executive recognizes the importance of these problems, and yet in comparatively few of the one hundred companies have steps been taken to develop an effective program in executive training or to allocate definitely the responsibility for negotiations with employee organizations and for the administration of agreements.

Negotiations with employee organizations have been carried on by such diverse company representatives as plant superintendents, industrial relations director, manager of public relations, and chairman of the board of directors. Industrial relations officers who have had experience with a variety of company procedures in collective bargaining point out the primary need for a clear determination of responsibility for the handling of negotiations. They feel that the company representative who negotiates the agreement must also have adequate authority to

assure its successful administration; that, while the industrial relations staff can be of great service to the negotiator, the line executives who are to be held responsible for carrying out its provisions must be consulted during the development of the agreement.

Union agreements usually include provisions specifying the procedure to be followed in case of disputes concerning the interpretation of an agreement. The many difficulties which have arisen in the past few years have indicated the inadequacies of such provisions in covering the innumerable questions of policy and procedure that may arise when both employee representatives and management are inexperienced in collective dealing. Those companies which have had the longest experience with collective negotiation have found that the successful administration of an agreement depends both upon the clarity of the terms of the agreement and upon the understanding of its intent by the employees and the supervisors. They have also come to realize that one of the most difficult problems for management is to select and develop supervisors who are able to handle grievances as matters for joint consideration.

Many different methods have been tried in foreman training and satisfactory results have often been reported. Successful experience in a comprehensive program of supervisory *and* executive training is, however, much less common. The few companies that have been attacking this problem for a number of years find that it calls for a much broader approach than is indicated by the usual meaning of the word training; that it involves the whole question of the integration of the industrial relations program with the operating organization. To have any chance of success, it is emphasized, the program for executive development must emanate from top management. The planning along this line must be a joint venture of the industrial relations staff and the operating executives from president down to first-line supervisors. The administration of the program may consist principally in a clarification of the relation of each operating executive to the entire organization, including the allocation of responsibility for industrial relations. Whatever the method of attack on this problem, many executives believe that further progress in industrial relations depends to a large extent upon its solution.

SELECTED BIBLIOGRAPHY

THE following references are suggested as useful supplementary reading to the preceding report. A few of them contain short descriptions of practice, but for the most part they treat in a broader and more theoretical way the problems considered herein from a practical and factual point of view. As the study has been limited to a consideration of the relationships and responsibilities involved in the determination of industrial relations policies and their administration, so the references were chosen because of their contribution to a solution of the problems of organization and administration. The Industrial Relations Section will be glad to prepare in answer to specific requests more inclusive bibliographies on any aspect of industrial relations administration.

GENERAL TEXTS AND DESCRIPTIONS OF THE PERSONNEL FUNCTION

Baridon, Felix E. and Earl H. Loomis. *Personnel problems; methods of analysis and control*. New York. McGraw-Hill Book Co., Inc. (330 W. 42nd St.). 1931. 452 pp.

Written by two personnel executives, this book aims to present the problems of personnel management in a non-theoretical manner. Chapter IX describes specific aids to centralized personnel control.

Tead, Ordway and Henry C. Metcalf. *Personnel administration; its principles and practice*. New York. McGraw-Hill Book Co., Inc. 1933 (third edition, revised). 519 pp.

The book as a whole emphasizes the principles upon which personnel management is based. Chapters I, III and IV summarize the scope of the personnel function and its relation to general management.

Walters, J. E. *Applied personnel administration*. New York. John Wiley & Sons, Inc. (440 Fourth Ave.). 1931. 338 pp.

Chapter V outlines the functions of the personnel department and describes in detail the personnel organization in two large companies.

Watkins, Gordon S. and Paul A. Dodd. *The management of labor relations*. New York. McGraw-Hill Book Co., Inc. (330 W. 42nd St.). 1938. 780 pp.

Chapters IV and V discuss the problems involved in the establishment of a personnel department and in the development of centralized control of human relations.

Metropolitan Life Insurance Company, Policyholders Service Bureau (1 Madison Ave.). *Functions of the personnel director*. New York. 1937. 38 pp.

A compact description of typical personnel policies with an analysis of the allocation of responsibility for specific personnel functions.

Tiedemann, T. H. A. "Executive responsibility for industrial relations." *Proceedings Nineteenth Annual Convention*. American Gas Association (420 Lexington Ave., New York). 1938. pp. 102-107.

Discusses the various philosophies upon which labor relations are based, and describes six elements essential to sound industrial relations. These include a labor policy, organization for industrial relations, and supervisory responsibility.

DISCUSSIONS RELATING TO POLICY DETERMINATION

Balderston, C. Canby. *Executive guidance of industrial relations; an analysis of the experience of twenty-five companies*. Philadelphia. University of Pennsylvania Press. 1935. 435 pp.

Part II, Chapter I, "Factors underlying personnel decisions" has particular bearing upon the subject of the determination of labor policies.

STUDIES IN THE THEORY OF ORGANIZATION AND ADMINISTRATION

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