Employee Benefits and Morale : A Case Study

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EMPLOYEE BENEFITS AND MORALE :
A CASE STUDY

by
John Bohan Laughlin

A Thesis Submitted to the Faculty of the Institute of Social and Industrial Relations of Loyola University in Partial Fulfillment of the Requirements for the Degree of Master of Social and Industrial Relations

June
1955
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CHAPTER I

INTRODUCTION

In labor relations today, the real conflict between management and labor is the same as it has always been. Generally, the worker wants security and management wants an efficient, profitable enterprise. Security for the worker is confidence that he can satisfy his social as well as economic needs. Efficient, profitable production has traditionally meant machinery to the industrialist, and he has centered his attention, perhaps, away from the worker, to this source.

While, on the face of it, the two goals do not seem to be diametrically opposed, because it is clear that business profits provide the funds for expansion, permanent employment and attendant security, nevertheless, the worker's attitude toward the profit system, whether by machine or by men, is that it is exploitative. Often the worker has been conditioned by personal experience that the economic welfare of the company and his own are not identical. Similarly, management has learned, sadly, that often what the worker


2 Partners in Production, a Report by the Labor Committee of the Twentieth Century Fund, assisted by Osgood Nichols, New York, 1949, 119.
really wants and what he claims he wants are not the same; 3 too, the costs involved may not be compatible with the economic welfare of the firm.

And so the conflict rages with powerful energies being dissipated.

If all these same efforts could be directed along the lines of investigation pioneered by Mayo and the Harvard Business School group at Western Electric's Hawthorne Plant, 4 or could be channelled to work in conjunction with the studies currently undertaken by the Survey Research Center at the University of Michigan, 5 let the reader imagine the strides which could be made toward the causal conditions of worker satisfaction, productivity, and motivation. Herein lies the key to permanent industrial peace, some observers agree. 6


5 Human Relations Program of the Survey Research Center, University of Michigan, Ann Arbor. Similar studies are being conducted at many other schools as well.

Because it is a case study, this treatment will not be exhaustive, but simply illustrative for the most part. This study concerns a firm whose labor-management relations, in the opinion of this writer, could serve as a pattern for progress in the battle-wrought industrial relations field. The workers at this plant, as the reader will learn, are good producers and, if attendance, accident rate, punctuality and turnover are any indication of morale, certainly they are happy. Their wages are well above average for their industry, and their health, welfare and pension program is unexcelled.

Therefore, this study will endeavor to investigate employee benefits to the extent that they might help create identification with the company, reduce turnover, increase job satisfaction or even productivity.

In other words, with respect to the major conflict between worker and management, here is a case where no perceptible conflict exists.

The procedure for this particular treatment will involve: (1) establishing the fact that the workers of the case company, which will be identified for the purposes of this paper as the W. Company, enjoy superior benefits, which means a recitation of the benefits and superior treatment compared with benefits of other similar industry, (2) establishing absenteeism, turnover and other indices
of employee morale and comparing these rates with similar
outside data, and, finally, (3) an effort will be made to
determine whether or not the benefits pertain, even remotely,
to morale and efficiency as measured by the indicators
mentioned.

Of course, it should be understood from the outset
that some of the terms used herein have a variety of mean-
ings in the literature and that empirically, at least,
students of this field have failed to evaluate them com-
pletely. This is understandable, because authorities have
never completely solved the problem of defining the criteria.

For example, most of the objective indices of
morale, like absenteeism, turnover, etc., do not exactly
measure the concept. But they appear to be related, even
though the nature of the relationship is obscure.

One research group 7 defines morale as "the sum
of satisfactions which the individual experiences because
of his membership and involvement in an organization".
Morale, by one writer, is expressed as "regularity of at-
tendance". 8 Another definition is "an automatic totaling

7 Robert L. Kahn and Nancy C. Morse, "The Relation
of Productivity to Morale", Survey Research Center, Univer-
sity of Michigan, from Proceedings of the Fourth Annual
Meeting, Industrial Relations Association, 1951.

8 Acton Society Trust, Size and Morale, London,
1953, as cited in Economist, 169:983 December 26, 1953.
by employees of a host of instincts and reasons into the one overpowering idea that what they are doing deserves and demands to be done well". 9 Others do not bother to define the term, or refer to it simply as esprit de corps.

Or, as an instance, let the reader endeavor to evaluate productivity, measure its performance and compare, if he will, performance with the standard. Indeed, this is no mean task. 10

But this work will not be concerned with that problem. It is mentioned to enlighten the reader, so that (1) he may appreciate the basic problems involved for researchers in formulating a solution to the perennial conflict referred to above, and that (2) he may better understand the peculiar approach of this limited treatise: presenting a factual case study of a real answer to the problem and leaving the social-psychological research to those better equipped to handle it.

In fact, the writer would suggest that this case company might prove to be for an accomplished researcher what a rare garden is to a fine botanist.

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9 Taken from class notes, Practical Psychology, Loyola University, Chicago, 1950 (Mr. Amft, Instructor).

CHAPTER II

BRIEF HISTORY OF THE EMPLOYEE BENEFITS OF THE W. COMPANY

The particular company to be studied is a non-union, metal fabricating plant located in the Midwest, having about nine hundred employees.

In 1926, the founder of the W. Company, backed by a United States patent, a few loyal friends and the trusted assistance of his two younger brothers, left a top executive chair in a company which he had helped expand to test a radical, long-nurtured idea.

Ingenuity was his vehicle when he developed a system which revolutionized methods of packaging and preserving foods in glass; old-fashioned wisdom and understanding were his guides in formulating his own brand of employee relations.

Here was a man who helped usher the technological era into the food industry, but schemed to keep the shadows of automation from frustrating his own workers. He had, himself, known the human warmth of a small shop relationship; he saw its material, technical drawbacks, and also its social-psychological advantages.

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1 Information had in personal interviews with the Personnel Manager of the W. Co.
In his own shop, he closed the gap, which was widening all over the country between management and the worker, by instilling a sense of fellowship, of familiarity, of belonging, between the "boss" and the participating members of the team.

In the year mentioned above, a small shop opened its doors on "Goose Island" in Chicago. A few local residents were hired who, incidentally, followed the company to its present site on the Northwest side of the city, and are still part of the organization. Even in the beginning, the pay was good and the newly hired introduced other members of their families into the fast-growing concern.

This was the beginning of a company policy, i.e., to hire, if qualified, relatives and close friends of employees. As a personnel practice, this is still frowned upon by a good many experts, 2 but at this company it has, apparently, helped knit the team closer together.

Today the "small shop" has almost nine hundred members but the same basic philosophy governs the personnel policies.

As is common, even today, in the food industry, seasonal fluctuations plagued the early workers of the W. Company. As soon as the young firm was established and out

of "the red", it pressed its customers to permit pre-
required manufacture, and where no commitment was given,
the company built up a stock to alleviate the seasonal
unemployment of its workers.

No formal, fixed personnel policy was in effect in
the beginning. But the philosophy was there and was
expressed in the perceptible attitude management had for the
employee. From the first day, the workers had their free
lunch and free uniforms. Many of the early benefits were
personal kindnesses which grew from the inception of the
company like the Christmas bonus, paid sick leave, wedding
and birth gifts, paid jury time, severance pay and similar
benevolent gestures.

As the company grew, more liberalized time-off-
with-pay practices became standard, such as paid vacations,
paid holidays, paid rest periods and lunch periods and pre-
mium pay for time worked in excess of forty hours. Because,
at this particular time, unemployment was at its peak, such
benefits were not the outgrowth of any pressure from any
source.

The first-aid facilities and medical program began
shortly after the company moved in 1932. The formal health
and welfare plans got their start for the plant workers in
1936, and this same year the vacation policy was revamped
to eliminate inequities. In 1939 plans were afoot to
provide some sort of formal retirement program.

In 1940, it became apparent that some of the young male employess of military age would be affected by the Service Draft, so the military service benefits came into being.

About the same time, a labor union contacted some of the workers and succeeded in petitioning for an election. ³ The union, without employer interference, suffered an overwhelming defeat. Records indicate that the vote was eight to one against the union; election results were uncontested.

The present pension plan was formally introduced in 1942.

Few major changes in employee benefits have occurred since that time. A good many revisions have been effected to equate the benefits of the plant worker and the office worker, and many more are in the offing, but, largely, the benefits which were initially instituted have stood enduringly through the years.

³ NLRB Case Number 13R1465, Automobile Workers of America, 286 AFL.
CHAPTER III

EMPLOYEE BENEFITS OFFERED
BY THE W. COMPANY

In this chapter the writer will outline what he considers the unique, extensive employee benefit program enjoyed by all of the employees of the W. Company. He proposes to make limited comparisons with published data of programs in other plants in the industry.

The comparisons are limited in the sense that, unfortunately, it is extremely difficult to find benefits which are perfectly parallel.

No effort will be made to present a detailed cost comparison of these benefits with other companies, despite the fact that the literature largely relates to cost. Apparently, employee benefits have been a subject of research only since employers first learned that labor costs could no longer be measured by hourly wage rates. Nevertheless, cost comparisons have been misleading because of the wide variation in composition of the work force, hours worked, base rates, and lack of a standard definition.

Benefits for the purpose of this work will encompass the broad area called "rewards for work" and will include both financial, to a limited degree, and non-financial compensation. However, since the non-financial aspect is often referred to
fringe benefits, the writer proposes this definition of fringe benefits: practices which give the employees pay for time not worked, i.e., payment for pensions, group insurance, recreation, cafeteria service, etc.

Today, the average fringe benefit payment among 594 manufacturing firms polled in this country was ascertained to be 16.8 per cent of the payroll; expressed as dollars per year per employee, it amounted to $667.00. ¹ Similar fringe benefit payments for the W. Company constitute 28.2 per cent of the payroll and amounted to $1,359.00 per year per employee.

A brief glance at the bar chart (Figure 1) on page 12 will indicate the W. Company's standing among sixty-four metal fabricating firms irrespective of size. The average fringe payment expressed as per cent of payroll for the metal fabricating industry of a like size and in the same region as W. Company is 14.2 per cent. ²

Briefly, W. Company benefits include the pension plan, the Christmas bonus, group hospitalization, life insurance, disability pay and sick leave, vacations and

² Ibid.
FIGURE 1

DISTRIBUTION OF FRINGE PAYMENTS AS PERCENT OF PAYROLL

IN METAL FABRICATING INDUSTRY

holidays, office meal and plant cafeteria, wedding and birth gifts, employee activities, legal service and income tax assistance, credit union aid, house organ, counseling, military service gifts, medical service, work clothes and safety equipment.

In keeping with the broad definition of benefits, financial rewards, including wages, will be scantly touched upon in addition to the fringe benefits mentioned which will be specified for ready reference in groupings termed time-off-with-pay, health and security benefits and miscellaneous.

Wages and Premium Pay

To begin with, wage surveys conducted by the W. Company indicate that their straight time hourly pay rates are as high as any manufacturing plant in the region (Illinois, Indiana, Michigan, Wisconsin and Iowa), and higher than any plant in the adjacent area.\(^3\) To substantiate this statement a wage survey of the Chicago area last year\(^4\) showed that the average general stenographer works 39.0 hours for $58.50. At the W. Company, a stenographer's starting salary is $65.00 for a similar work period. This same survey indicated, for


example, that the average hourly pay rate for a shipping and receiving clerk was $1.77. The W. Company pays this same category over $2.00 per hour.

It should be added with respect to wages at this company that the range between starting and top wages for a particular job is very wide to allow for merit increases. 5

With regard to shift differentials and premium pay, this firm pays a 10 per cent bonus for the shift working 3 P. M. to 11 P. M. and the shift operating from 11 P. M. to 7 A. M. gets a 20 per cent bonus. The bonus rate is based on the straight time hourly rate, but any overtime would include the premium pay. The overtime rate is time and one-half over forty hours.

**Bonus**

Regardless of tenure of service, each worker on the payroll at Christmas receives a bonus ranging from ten dollars up to 15 per cent of his annual base pay. Annual base pay is computed from the highest hourly rate the employee received during the year. The bonus amount increases at the rate of 1 per cent per year from a base of 5 per cent on the worker's third Christmas with the company up to 15 per cent after thirteen years.

The bonus is a gift, freely given, and is in no way related to the annual profits of the organization. In fact, the stockholders of the company have sacrificed dividends in the past while the Christmas bonus has continued for the employees. In a way, nevertheless, it might be regarded as a kind of profit-sharing, because it is tied to efficiency and low-cost operation indirectly. Indeed, however, it is much more liberal than most profit-sharing programs which, for the most part, are bound to a profit formula.

The military leave bonus is accorded any employee called to active service in the armed forces of the United States. Ten dollars is paid any employee who has been with the company less than one month; $25.00 for less than six months' service; full month's pay for less than one year; and, if the worker has been with the company a year or more, he receives three months' pay. In addition, each Christmas he receives from the firm a $25.00 check and for the duration of his tour of duty maintains, of course, his seniority with respect to company benefits. Finally, as a small gesture, the


company pays for a subscription to one of the local newspapers to be delivered to the employee wherever he may be stationed. He receives this in addition to the weekly house organ.

A gesture of reward for service is presented by the President of the company in the form of a fine, gold, jeweled Hamilton wristwatch for ten years, and a rather large diamond ring for twenty-five years service.

Of four hundred and forty-four manufacturing firms surveyed recently by the National Industrial Conference Board, it is interesting to observe that only 33 per cent present year-end bonuses; 30 per cent give a military leave bonus and 7 per cent have a longevity reward. Some of the year-end bonuses recorded in the survey: the company presented to the worker $5.00 for six months, and $75.00 after twenty years' service; some paid one week's pay for six months and two weeks' pay for one year or more; and one firm paid four weeks' pay for three months or more.

**Time-Off-With-Pay**

With respect to time-off-with-pay practices, it is noteworthy to observe that Government boards and agencies established during the last World War have been singularly responsible for initiating the concerted trend in industry

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9 Ibid., 33.
for paid holidays and the liberalized vacation practices which are now considered standard for the hourly worker. 10 Surveys show that in 1940 only 9.6 per cent of the companies polled granted paid holidays to hourly workers, but a 1946 check by the same agency indicated 41.7 per cent of these firms were granting paid holidays to their factory workers. 11

However, by contrast, let the reader note that the W. Company instituted its liberal employee benefits relating to time-off-with-pay as early as 1928 when it was just starting out.

Even as recently as 1953, surveys indicate that salaried employees in 65.4 per cent of the companies and hourly workers in more than 40 per cent of the companies polled got neither an extra day nor pay for holidays which fell on Saturday. 12

Six paid holidays at the W. Company are New Year's Day, Decoration Day, July Fourth, Labor Day, Thanksgiving Day, and Christmas, and the plant is closed on these days. If the date falls on a Saturday or Sunday, the previous Friday or following Monday is observed with eight hours of regular pay provided all employees.

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11 Ibid., 4.

12 Ibid., 5.
In the plant, to be eligible for this pay, the employee must have worked at least one day during the week in which the holiday occurs. Of course, any worker absent on legitimate vacation or disability injury is exempt from this regulation. Since the average hourly holiday work-week is thirty-two hours, all hours worked in excess of thirty-two are paid overtime rates.

The duration of an employee's paid vacation is based on length of service at the W. Company. Commencing with the date of hire, it is earned at the rate of three and one-third hours per month. But after twenty-four months of continuous service, earned vacation is accumulated at the rate of six and two-thirds hours per month. The marked difference between this program and the usual "one year, one week; three years, two weeks" arrangement is simply that this is much more equitable. Under the latter arrangement, an employee who had worked 364 days could conceivably receive nothing, while another worker who happened to be employed one day longer would receive a full week's vacation pay. Thus the W. Company's vacation policy not only corrects an inequity but provides a new employee with a sense of belonging, even though he may have been with the firm only a short time.

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Earned vacation time is paid an employee at the time of separation, should a worker be separated, unless the worker has tenure with the company of less than six months. This regulation is designed to protect the company against the flood of young high school girls who work for a few months in the summer. These people are hired on a temporary basis and understand the provision.

To be sure, the company has fixed policies, but its interpretations are not rigid. For example, recently a group of workers desired their vacations together in February. A few of these people would not have earned their full vacation until November and December of the same year, yet these employees were trusted with the full payment and were extended their vacation period.

In addition to earned vacation pay, the separation pay plan provides one week's pay for less than one year of service with the W. Company and two weeks' pay for two years or more.

To all members who are called for jury duty, the W. Company pays whatever they would have earned in a normal work-week. For hourly employees, this includes the shift bonus.

All rest periods, lunch periods and wash time are paid. Rest periods are given in proportion to the fatigue factor on the job, and for individuals they range from one-
half hour to two hours a day. For example, in the Production Department rest periods are of twenty minutes duration and are as frequent as every two and one-half hours for the women operators, who incidentally, rotate into four different jobs in the two and one-half hour period.

Finally, with respect to time-off-with-pay benefits, salaried employees are permitted time off for death or illness in the family, marriage, medical appointments, and other important personal reasons. It should be added that, at this time, management is making an effort to permit these same features for the plant hourly workers.

For time-off-with-pay practices at a glance, a chart has been prepared showing the practices of eighteen metal fabricating companies. It simply indicates what percentage of the total companies surveyed practice the benefits, regardless of degree. The chart is shown in Figure 2.

Health and Security Benefits

The W. Company Trust Agreement is the formal document which protects the employees with five years of service and guides the trustees in administering the pension plan. It provides, aside from and in addition to Federal Old Age Benefits, and state benefits, (1) a life-time income for all regular members who remain with the company to retirement.
FIGURE 2

SOME TIME-OFF-WITH-PAY PRACTICES FOR HOURLY WORKERS:

PERCENT OF EIGHTEEN METAL FABRICATING COMPANIES

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age, \(^{14}\) (2) benefits to dependents of participants who die before or after reaching retirement, and (3) cash benefits or deferred life income in a reduced amount for participants whose service with the company terminates before retirement.

This is not a group plan. The annuities through which retirement income is provided are in the form of individual policies.

No contribution is made by the worker; the total cost is paid by the company, and, because of the employee's vested rights in the agreement, he is not tied to the company.

After the participant has been in the plan for a period of five years, he begins to accumulate a specific percentage of the cash surrender value of the annuities purchased for him at the rate of ten per cent a year. (However, if an employee is fifty-five years of age, or over, when he enters the plan, he begins vesting immediately at the rate of ten per cent yearly.) This means that any member of the plan who has been a participant for fifteen years can, if he wishes to leave the company, take the entire (100 per cent) cash value of all his policies with him.

The amount of retirement income, of course, is based on the income of the participant, but any decrease in compensation will not affect benefits established upon the basis of higher compensation.

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\(^{14}\) Retirement at age 65 is not compulsory. All information regarding plan taken from privately published W. Company brochure, "Your Pension Plan", 1953.
The W. Company has paid well over two million dollars into the plan and carries about five million dollars worth of insurance coverage for the participants.

Insurance coverage for an individual in the plan is approximately 100 times the monthly retirement income. For example, if a worker's average yearly compensation is $6,500.00, his monthly retirement income, not including Social Security, would be about $150.00 and the death benefits would be then $15,000.00. For those workers who are unable to pass insurance physical examinations, the company purchases retirement annuities so that no member of the plan has to worry about death benefits for his survivors.

It is interesting to observe that ninety-eight out of every one hundred participants have passed the insurance physical and enjoy full insurance coverage.

According to a national survey conducted by the National Industrial Conference Board 15 last year of 444 firms, only 64 per cent had any semblance of a pension program. Another survey by the Chamber of Commerce 16 reports that, of sixty-four metal fabricating plants polled, twenty-one had no pension plan. Even more appalling is the fact that in

16 Chamber of Comm. of U.S., Fringe Benefits, 1953, 12.
Chicago, which ranks third in the national labor market and, by area, second highest in the Midwest for level of workers' pay, less than half of the plant workers are covered by pension programs. 17 The writer suggests that possibly, this fact is due to labor mobility in Chicago.

Another group which surveyed four hundred collective bargaining agreements 18 learned that compulsory retirement age sixty-five was a part of over 33 per cent of the contracts and that a minimum monthly retirement income of $100.00, including Social Security, was most common - 45 per cent of the agreements specified that amount. However, they indicated that there was a growing number which would provide maximum benefits of between $120.00 and $185.00 per month.

A few contrasting facts, too, are described in a recent pension survey done by Iron Age last Fall. In most plans surveyed "a fifteen-year waiting period was standard for the employee to become eligible, though this might range from a low one year in one case to twenty-five years of service". Most used "a Social Security offset basis for payment", and "were set up under trustees (rather than group annuity contracts or individual policies)". 19

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Next on the health and security benefits program are the insurance features. Protection against loss of life and time, and coverage for dependents is provided by the W. Company through life insurance, accident and sickness, hospitalization, surgical, maternity, medical coverage and polio insurance.

This protection provides for:

1. Accident and sickness weekly benefits in the amount of 70 per cent of gross wages up to fifty-two weeks.

2. Hospital daily benefits, (board, nursing, x-ray, laboratory, incidentals, etc.), including maternity, $9.00 for thirty-one days.

3. Out-patient therapeutic service and ambulance benefits, including maternity, $100.00.

4. Surgical benefits, including maternity, $200.00.

5. Daily doctor visits, $3.00 for thirty-one days.


7. Polio expense benefit is the aggregate of all benefits plus $5,000.00.
(8) Life insurance, ranging from $1,000.00 to $10,000.00, depending on wage bracket.

This policy, of course, is in addition to insurance coverage under the pension plan.

Accident and sickness weekly benefits are payable under the Group Disability Policy, beginning with the first day of disability, if due to accidental bodily injury, and beginning with the eighth day, if due to sickness. Of course, the benefits accrue irrespective of whether the illness or disability is occupational or non-occupational.

Such benefits are payable for not more than the number of weeks during any one period as indicated in the following table:

<table>
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<th>Employment Period</th>
<th>Maximum Number of Weeks</th>
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<td>Less than 30 days</td>
<td>0</td>
</tr>
<tr>
<td>30 days but less than 1 year</td>
<td>3</td>
</tr>
<tr>
<td>1 year but less than 3 years</td>
<td>9</td>
</tr>
<tr>
<td>3 years but less than 5 years</td>
<td>18</td>
</tr>
<tr>
<td>5 years but less than 10 years</td>
<td>26</td>
</tr>
<tr>
<td>10 years and over</td>
<td>52</td>
</tr>
</tbody>
</table>
The above accident and disability program is not in lieu of Workmen's Compensation, but since the legal obligation under that Act is considered grossly inadequate, the W. Company pays 75 per cent of the worker's regular pay immediately upon disability and will provide the difference between what the worker receives from the State and his regular pay for the duration of the disability.

What is more, if the employee has ten or more years service, the company pays the regular forty-hour rate, providing the absence is two weeks or longer. This liberal feature not only applies for illness and disability, but is applicable in other extenuating circumstances as well, i.e., where the employee would be kept from work for a reason beyond his control and the duration for which such an employee will receive his pay check is determined by an advisory personnel committee.

Industrial Conference Board \textsuperscript{21} last year had some sort of
hospitalization for their workers, most plans did not include
dependents, only $44$ per cent had medical coverage, and $12$ per
cent had some kind of polio coverage.

\textbf{Services and Miscellaneous Benefits}

Somewhat allied to the health and security benefits, and not the least among the many services offered the W.
Company employees, is the medical and health service which
provides a registered nurse in a fully equipped First Aid Room
twenty-four hours a day, along with the services of an M.D.
during appointed hours. In addition to the curative aspect
of the health program, the company offers a preventative
feature to all, which begins with a complete physical exam-
ination and includes periodic medical examinations, chest
X-Rays and visual tests. Immunization shots for disease, colds
and other allergies are offered free of charge on a voluntary
basis.

For personnel at the executive level, an annual
medical examination is performed at the local hospital and
includes electrocardiogram, X-Ray, blood tests, etc.

As another service to their employees, the W.
Company provides legal counsel to all free of charge, but
reserves the right to refuse to allow company attorneys to

appear in court in behalf of any worker unless it is felt that the worker is being victimized.

Further, the company provides, in the early part of each year, a Certified Public Accountant, who will assist any employee with his Income Tax Return. The service is available on all three work shifts.

A very important fringe benefit provided is the employee activities program. The company sponsors annual dances, banquets and dinners, picnics, and golf outings at the finest hotels, country clubs and private beaches. It promotes athletic and recreational programs which are completely company supported. And it encourages its personnel to organize recreationally by contributing to the funds for private social and athletic endeavors of the workers.

Probably one of the more valuable benefits is the office dining room and plant lunchroom. The W. Company maintains a cafeteria for the plant workers and provides free coffee, soup and ice cream, as well as iced tea and lemonade in the summer. Also in the plant lunchroom, there are facilities for purchasing sandwiches and other desserts. The office dining room provides, at noon, a complete hot meal with table service at no charge.

The company newspaper and the counseling service offered by the personnel department provide the formal avenues of communication between top management and the employee.
The credit union is usually not considered a fringe benefit because it is normally a completely employee-sponsored feature. The W. Company, however, supplies all the funds for the personnel, forms and other things necessary to operate successfully. Board meetings are held on company time, loans are repayable through payroll deductions, and the firm has been known to extend loans without interest to the credit union. Such benefits permit an interest rate currently of 5 per cent to all shareholders. Normal rates of other unions average about 3 per cent. 22

In addition to these benefits, the company issues free work clothes and safety equipment, gives cash rewards for suggestions, and allows discounts on purchases made through the firm name.

A minor benefit which is enjoyed by the employees if the company gift for weddings, births, etc. All women retiring for maternity receive a complete layette from the President and new fathers are presented with a cash gift. Cash is also given to all members of the company being married. In the event of illness or death in the immediate family of an employee, flowers are sent.

22 Personal interview with secretary of the Illinois Credit Union League, Chicago.
Finally, the W. Company sponsors a community service because it feels a responsibility to the people in the area. This civic-minded activity takes the form of a local youth betterment program. In 1951, the firm set about to organize a Little League movement in the neighborhood and has purchased all equipment and complete uniforms for twenty full teams. Besides offering the service of many of its own personnel as coaches, managers and umpires, the company Personnel Manager personally directs the activities of this group of more than three hundred youngsters in the community.

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23 The Little League is a national movement to reduce delinquency and confines its activities to teaching and scheduling hard-ball games for boys aged 9-12 years. The area sponsored by the W. Company comprises two districts of about 15,000 population each.
CHAPTER IV

EMPLOYEE MORALE

This chapter will concern itself with establishing the nature of morale and outlining some of its known objective indices. After it has established morale as measured by these indices, it will endeavor to present the rates of absenteeism, turnover, and accidents, among other things, to aid in determining the workers' level of morale at the subject company.

Sentiments and attitudes of the worker on the job can, and do, affect output. 1 Morale for this study can be "an attitude of satisfaction with the desire to continue in and the willingness to strive for the goals of a particular organization". 2 So, in the manner of a syllogism, it can be said that the "morale of a worker in a production plant has a direct effect on output". 3


Observers, however, disagree as to whether or not morale can be measured; most claim it can, but concur that they do not yet know an exact method for measuring it directly.

As a substitute technique, questionnaires and attitude surveys have been employed extensively. Unless such audits are conducted as an independent poll by an outside consulting firm and unless responses are anonymous, their worth is questioned. Even at best, the scales are usually validated by "judges" who make conjecture in the final analysis.

As far as this work is concerned, an extensive survey was not used, principally, because time did not permit the construction, pre-testing, and administration of a reliable questionnaire, and, because it was felt that a sketchy effort would be worse than none. However, a small sample of forty workers was interviewed to test one component of morale, which will be discussed later in the chapter.

Attendance

An estimate of morale can be had by measuring the objective indicators of satisfied workers, and attendance.

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is the most commonly used index. 5

Absenteism is generally defined simply as the failure to report on the job when scheduled to work. Basically, absenteism is sub-divided into unavoidable and avoidable. It is interesting to note that unavoidable absenteism accounts for about one-half of the total. 6 This means, of course, that 50 per cent is avoidable, which is referred to often in the literature as unexcused. Normally, the absen­tee rate is computed by dividing the number of daily absent­ees during a period by the average number of employees times the number of work days in that period. Since the rate is expressed usually in per cent, this figure is multiplied by 100.

Absenteism is a factor related to morale and is readily measured and commonly available in most plants. Several studies have established the relationship. 7 These


studies have established that absenteeism in its relation to job satisfaction cannot be treated as a unitary value, however. The same absenteeism behavior has different meanings when performed by different ages, sexes, physical conditions and avocational interests. But, generally, a high rate of unexcused absenteeism is related to low job satisfaction.

One investigation 8 learned recently that the absentee rate in a continuous process plant increases with each shift, i.e., if the day shift was 2.5 per cent, the afternoon shift would be 3.0 per cent and the midnight shift 3.5 per cent.

Another study 9 found supervision, work associates and job satisfaction were directly related to absences. These same factors have been related to morale in different investigations already referred to above.

According to the Merchants and Manufacturers survey, referred to earlier, the metal fabricating industry for the test period showed an absentee rate of 2.7 per cent for the male hourly worker and 3.1 per cent for the female hourly worker.

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For a like period, the W. Company had a rate of 0.047 per cent. It should be added that the W. Company employs an average of eight women hourly employees to two men. Further evidence of the case company's phenomenally low rate is the fact that, during the late war years of 1944 and 1945, W. Company's absentee rate was under 2 per cent.

**Turnover**

Another objective index of morale established in industrial field tests and studies is turnover. 10

Turnover "refers to the gross movement of workers in and out of employment status with respect to individual firms." 11 The "ins" are termed accessions and the "outs" separations. Separations are divided into quits (voluntary) and discharges, lay-offs and miscellaneous (involuntary). The voluntary separations, or quits, are termination of employment for: other jobs, return to school, ill health, marriage, maternity, dissatisfaction, retirement (except by pension plan), unauthorized absences in excess of seven consecutive days, and failure to report after being hired. Turnover, then, simply measures the ratio of accessions and separations to the


11 United States Department of Labor, Turnover and Absenteeism, Washington, October, 1951, 2.
total employment during the month. Therefore, to compute the separation rate, the number of separations during the month is divided by the total number of workers on the payroll nearest the fifteenth of the same month. 12 Again, if expressed in per cent, this figure is multiplied by 100.

Special importance in the literature is attached to voluntary changes (quits) of employment, since they involve positive action by the employee. The decision of a worker to continue with an organization in spite of annoyances is influenced, surely, by work attitudes. An employee whose attitude is one of dissatisfaction with his duties, dislike for the immediate supervisor, or resentment of the way he is treated is more likely to quit his job, or do such poor work that he is discharged. 13

In the event the worker succeeds in having himself dismissed, of course, the separation is carried as involuntary, so that, while the quit rate is important, the discharge rate, too, may reflect a definite reaction to personnel policy and practice. 14


When Kerr 15 first tried to find the correlates of turnover, he discovered the only factors which correlated significantly at the 5 per cent level were wages, monotony, and promotions. Later he listed the relationship of some forty variables with a specific dimension of turnover which he termed avoidable separation rate. The results revealed significant tendencies for departments highest in per cent of workers quitting the company for avoidable reasons to be those departments which are: high in per cent of females among the hourly-paid workers, low in social prestige for the average job, high in job monotony, and low in morale. 16

This study of Kerr's also concurred with many others, 17 when it revealed that young people and people under "close" supervision quit more frequently.

That the tendency to turnover can be predicted in an individual applicant for work by measuring likes and dislikes is certainly an indication of turnover's relation to job satisfaction. For example, the Prudential Insurance Company


16 Ibid., 368

found that young high-school-girl graduates who place less importance on company benefits and are proud of the firm they work for usually stay on the job. 18

Earlier, under the subject of absenteeism, it has been mentioned that 80 per cent of the production force at the W. Company are women. In the light of some of the studies referred to, it is interesting to observe that the age range of the case company women runs between eighteen and sixty. While the mean age of the regular full-time workers is about twenty-six years, this average drops to twenty during the summer months when the company hires a flood of young high school girls. The reader, therefore, should remember that this restless group is reflected in the turnover figures of the W. Company, and that the quit rate for return to school and a variety of other "teenage" reasons is out of proportion, especially in the Fall of the year, which was the survey period used for comparison with the metal fabricating industry in the following table:

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TABLE II
PER CENT OF LABOR TURNOVER
OCTOBER 1954

<table>
<thead>
<tr>
<th>Types of Separation</th>
<th>Metal Fabricating Industry</th>
<th>W. Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quit</td>
<td>1.0</td>
<td>0.77</td>
</tr>
<tr>
<td>Discharge</td>
<td>0.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Lay-Off</td>
<td>2.4</td>
<td>1.88</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.2</td>
<td>0.11</td>
</tr>
<tr>
<td>Total</td>
<td>3.9</td>
<td>2.76</td>
</tr>
</tbody>
</table>

The information in TABLE II for the Metal Fabricating Industry was taken from the February 1955 issue of The Monthly Labor Review, published by the Bureau of Labor Statistics. The month of October was the latest month for which complete data had been published.

At any rate, it should be expected, if the antecedent studies have any validity at all, that at the W. Company there are strong forces at work to swell the turnover rate. But as it happens, even under those circumstances, it is much below the industry average. As a matter of fact, about 75 per cent of the workers at W. Company have been there five years or more.
Productivity

The definition of productivity which best describes human efficiency is suggested by Poffenberger. 19 "Perfect human efficiency is reached with the production of the maximum output of the highest quality in the shortest time with the least expenditure of energy and with the maximum satisfaction." Some of the critical dimensions of human efficiency virtually defy quantification. 20 Despite this, a number of studies have been concluded which have tried to evaluate productivity in terms of output and some, more recently, have been concerned with the other, perhaps more important, aspect of employee efficiency, i.e., input and the resultant worker satisfactions. 21 These studies suggest that production increments are due more to attitudes and feelings, or morale, 22 rather than altered work conditions per se.


The morale and, consequently, the efficiency of any modern industrial enterprise is in no small degree determined by the incentives provided for superior work. Basically, men work for some reward. The monetary, social or intrinsic value placed upon that reward is an ever-present consideration to all members of an organization, from the general manager down to the lowest supply boy or janitor. What men want, what they expect, and what they get in exchange for their efforts contribute mightily to industrial peace and discord.  

This statement epitomizes the evidence found in many scientific investigations 24 and reflects the hypothesis of this case study to a great extent.

It is the aim of this particular portion of the work to measure the various indices of morale, and, thereby, indicate the morale level of the workers of the W. Company.

But while the concept of productivity has been shown to be directly associated with satisfaction on the job, it remains difficult to measure directly either or both. Especially, it is difficult to measure human efficiency exclusive of the machine with which the worker is identified. In fact, due to the automatic nature of the machine, for the most part, productivity can be measured only in terms of

23 Berrien, Practical Psychology, 263.

24 Katz, and whatever faction he represents at the U. of Mich. Res. Center would take sharp issue with "rewards", which, he contends, are compensatory and do not replace the frustrations and deprivations of the job itself. See Katz, Morale and Motivation, Survey Res. Center U. of Mich., 4-5.
machine output. To the extent that the operator is responsible for the high output and high quality of the product through the machine, only to that degree can operator efficiency be calculated in this particular situation.

In other words, at the W. Company machine "downtime" does not affect the pay of the machine operator, because no worker is on an incentive pay system. Yet machine downtime in the Production Department is negligible.

In conjunction with this, production efficiency averages 88 per cent and has never fallen below 81 per cent for any month. And it must be pointed out that these figures are not figments, i.e., if a machine's stroke is timed at 300 per minute, 1,800 units is 100 per cent efficiency for that machine and operator, with no allowance for fatigue, mechanical failure and other items used to secure net working time in setting incentive rates and establishing production efficiency for publication.

Accidents

Accident occurrences affect employee morale just as good morale reduces accidents in an industrial plant. It has been ascertained that 48 per cent of the accidents are due to improper attitude. 25 Another study has indicated that those

most liked by their work associates had few accidents compared to those least liked. 26 Just such social factors have been directly related to job satisfaction and morale. 27 But, to date, "little has been said of wages . . . benefits . . . and other things that relate morale to its obvious effect upon the occurrence of accidents". 28

Accident frequency rates are used as a measure for comparison. Accident frequency is the average number of disabled work injuries for each million employee-hours worked. The Bureau of Labor Statistics of the United States Department of Labor published a bulletin entitled "Work Injuries in the United States During 1952" in which it shows the average accident frequency rate for manufacturing as 14.3. For the same year in Fabricated Metal Products the rate was 18.1 and for the Tincans and other Tinware category, the same measure is 11.2. For that period the W. Company rate was 6.01. It is interesting to observe, further, that medium-size plants


27 Bullock, Social Factors, 55.

28 H. W. Heinrich, Industrial Accident Prevention, New York, 1941, 126.
usually have the highest rates. 29

Morale Test

At the beginning of this chapter, mention was made of a new technique for measuring employee morale. This test was successfully made by University of Michigan researchers in 1952 in an attitude study of employees of a large public utility in Detroit, 30 and confirmation of its worth was effected by another study published last Fall. 31

Briefly, the assumption is that in factory departments where supervisors are employee-centered, morale is high. So stereotyped, positive statements, about the manner in which "the boss" supervises, are made and employee responses indicate the morale level.

The test results shown in TABLE III were secured from brief, personal interviews with forty-one young women in the production department of the case company. The average age was twenty-three years and the average time with the company was 2.3 years. The sample was small, designedly, because the test had been pre-tested and found quite valuable in any size

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30  Mann and Baumgartel, Absences and Employee Attitudes, Ann Arbor, Dec. 1952.

31  Johnson, "Relationship of Employee Morale to Ability to Predict Responses", Jour. of App'd. Psyc., XXXIX, 320-323.
sample by researchers mentioned above.

In the hope that they would not identify him with the company or their supervisors, the girls selected for the sample were picked by sight as unfamiliar to this investigator.

The information received, it was explained, was being used only for school work; that the company had no interest in the answers and that the supervisors would not learn of the responses from the interrogator.

The interview was short and informal. The respondents were asked their ages, how long they had been members of the W. Company, and finally, whether or not they thought their supervisor had (1) recommended them for a pay raise or transfer, if sought; (2) kept them informed on what is happening in the company; (3) told them how well they were doing; and (4) listened to their complaints.

Of the forty-one girls approached, only one was non-committal or did not know, and her replies were considered negative in computing the percentage of positive responses. Another girl failed to complete the interview and her partial replies were not included in the results.

Results are shown in TABLE III on the following page:
TABLE III
FORTY EMPLOYEE RESPONSES TO STATEMENTS
ABOUT SUPERVISORY PRACTICES

<table>
<thead>
<tr>
<th>Statement About Supervisor</th>
<th>Per Cent Replying &quot;Yes&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Recommends transfer and pay increases.</td>
<td>87.5</td>
</tr>
<tr>
<td>(2) Keeps you informed about what is happening in the company.</td>
<td>77.5</td>
</tr>
<tr>
<td>(3) Tells you how well you are doing.</td>
<td>75.0</td>
</tr>
<tr>
<td>(4) Listens to your complaints.</td>
<td>97.5</td>
</tr>
</tbody>
</table>

It is not intended to imply that the foregoing factors or indicators are all the indices of employee morale. This grouping is illustrative of those which have been found operating in the case company, and, to be sure, they are not complete.
CHAPTER V

SUMMARY AND CONCLUSION

This study has presented the superior financial rewards and employee benefits which exist at the W. Company. Further, it has demonstrated objective indices of happy, productive workers, such as, attendance, separation, accident rate, production rate and, finally, via personal interview, a rather modified morale survey has indicated the high level of job satisfaction as measured.

Now the facts are not questioned regarding high morale and superior benefits, but does a causal relationship exist? Can it be concluded from facts presented in this investigation that rewards in the form of employee benefits meet and resolve all the human problems arising from the industrial organizational structure?

No effort, of course, was made to imply such an all-encompassing relationship.

But an endeavor is being made here to indicate that insofar as this company and these employees are concerned, worker satisfaction has been achieved and the teamwork which dispels conflict in labor-management relations and yields this kind of production, attendance, etc., is obviously a monument to the company's program, without reference to the degree of causal relationship.
To bolster the contention of this company's management that employee benefits are related to morale, the reader has been referred to a number of sources. Not the most recent, but foremost among these was the survey conducted by the N.I.C.B. in 1947, a peak employment year, which indicated that, to the worker, job security was most important and vacation and holiday practices and employee benefits were considered most frequently in the four rankings below the top. ¹ On the reasonable assumption that increased production will support increased wages and benefits, this company has set out and proved that in their situation the converse is also sound.

Is it not fair to conclude that here is a program, nay, a philosophy, if the reader will, that is effective? Indeed, it is not alone the program but the humane thought that produced the program which has achieved a happy, industrious and, as it happens, an efficient work force. Therefore, it would appear that the genuine attitude of management toward his employees produces a responsive, similar attitude.²

This would explain why some companies which have instituted lavish benefit programs have, at the same time,

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¹ N.I.C.B., Inc., Factors Affecting Employee Morale
failed to evoke a readiness to work among their employees. Workers are sensitive beings. 3 They sense insincerity. A management which abolishes, for example, piece work and incentive because it is detrimental to the worker can readily be differentiated from an employer who halts piece work because it hurts the quality of his product, regardless of the reason given.

To be sure, financial motivation is not the whole answer regarding work. 4 Early researchers learned that human efficiency is affected by many factors besides the monetary one. Conspicuously, they mention working conditions, 5 communications and innate capacity, which, of course, is, in turn, affected by the mechanical element in production. But whether production is by machine or by hand, predominantly, worker cooperation is essential. And so the early

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3 Mayo, Social Problems, 125.


5 Ibid., 4. Wyatt cites the case of the wrappers: wrapping was regarded as neat and productive, while unwrapping was aimless and destructive. At the end of nine weeks, improvement due to practice was 53 per cent on wrapping and the decrease of production was 36 per cent in unwrapping. At the end of forty-five weeks under an incentive system, the output on wrapping was more than trebled, but there was no improvement in unwrapping.
students of industrial psychology learned what later investigations corroborated: a job is normally disliked and the efficiency of the worker drops when the job fails to harmonize with the wants and needs of the worker.

The part played, then, by benefits such as frequent rest periods is that they break boredom, to a limited extent, and allow for free conversational opportunity, which, in a recent study, was found to have a marked significance. Service benefits, such as recreational programs, dances, dinners, picnics and the like, certainly afford an opportunity for the individual workers to coalesce into a social group, from which, some industrial sociologists claim, has had the only real basis for morale and good productivity.

Whether or not such facilities as cafeteria, credit unions, medical, legal and many kindred services are more beneficial to the company than to the employee is debatable, but, regardless, they lead to genuine satisfactions on the part of the employees. Despite what Katz says about the

6 Morse, Satisfactions in the White Collar Job, 182.
8 Mayo, The Social Problems, 10; Viteles, Motivation and Morale
9 Katz, Morale and Motivation, 2.
plant bowling alley not giving the same sort of satisfaction to the assembly worker that he once derived from his craft skills, no one can argue that some satisfaction evolves, albeit compensatory.

The point is clear at this time that fringe benefits alone are not the complete solution to work incentives either, 10 but that they increase the satisfaction level and are conducive to morale building is unquestioned. The point of contention among the authorities today seems to be whether or not morale is related to productivity. 11 Some would like to effect changes in the work process, reverting the present organizational structure to the era of hand skills.

If one primary conclusion could be drawn from this case study, it would be, in the opinion of this writer, that management can resolve the labor-management conflict, which each group independently regards as a private dilemma, by means of tapping men's will to work. The W. Company did this by showing a real respect for individual persons, sharing


responsibilities and privileges and, in the main, mixing a little benevolence with a lot of understanding right from the start, so that management's motives were never under suspicion.

By the very nature of this case study, it has tried to present actual practices which have been successful in producing harmony and teamwork at the W. Company, without explaining completely why the pattern has worked. Possibly, the same end could be achieved, as advocated by others in other ways, so this pattern should not be interpreted as being the sole solution. However, in this respect it might be regarded as a kind of recipe book, giving the ingredients and the manner of mixing to create, at least in the "kitchen" where it was examined, an ideal organization.

Finally, the question has been posed, do superior worker benefits "skim the cream of the labor crop"? On the basis of this study, the author would have to reply in the affirmative with this qualification: a good deal depends on the attitudes and personalities involved.

Alluring work rewards may very well attract the best workers but these people will not behave at the maximum work level, except under optimum conditions, and the conditions relate to the feelings which employees develop for their company and their fellow workers. Therefore, it would not be correct to conclude that superior benefits, of them-
selves, evoke job satisfaction and increased productivity. For example, it has been established that while fringe benefit payments are above average in large companies, it is not correspondingly true that workers in large companies are happier and more productive.

But benefits given in the spirit of cooperative sharing, which allays distrust, and benefits which satisfy the security needs, both economic and social, of the worker have demonstrated, at least at the W. Company, that they do "skim the cream" and retain it, too.

At last it should be mentioned that no intent was made to negate or minimize the other aspects of the company's personnel functions which were not a part of this study: the artful appraisal program, which selects and places workers, quite obviously plays a major role in job satisfaction and attendant high productivity. The author is cognizant, too, that no space was given to the known fact

12 U. S. Cham. of Com., Fringe Benefits 1953, 6.

13 Acton Soc. Trust, Size and Morale, as cited in Economist CLXIX, 984.
that working conditions influence morale, and that little, perhaps too little, mention was made of all-important communications which, in no small measure, facilitate and foster understanding. Counseling, needless to say, and training programs at all levels, each have their role.

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14 Tiffin, Industrial Psychology, 325.
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The personnel manager was interviewed particularly with reference to employee attendance, separation and accident data, as well as historical information. Similarly, the writer consulted with the assistant comptroller about costs and with the production superintendent regarding production efficiency. The company credit union secretary, and the secretary of the Illinois Credit Union League in Chicago, were also interviewed.

Specifically, the pension plan information was furnished by the trustees of the plan together with a late pamphlet which they had circulated among the employees in 1953 entitled Your Pension Plan, W. Company, Chicago.

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