

Correspondence and report on a conference to resolve a
labor-management conflict over piece work rates. 1940.

C O P Y

November 22, 1940

Mr. George DuVal, President
Western Electric Employees' Association, Inc.
Kearny, New Jersey

Dear Mr. DuVal:

Confirming our conversation of October 25th and subsequent telephone conversation of October 30th, the requested piece work rate conferences between Management representatives and representatives of the Labor Organizations representing employees in the Manufacturing Department will be held in Chicago on Wednesday, January 8, 1941, at 9:30 A.M.

It was agreed in our discussion that the subjects to be considered at this conference will be confined to the following piece work questions which were brought up by the Labor representatives at the October 11th meeting of the National Committee.

- (1) That the 15% increment on piece work be a minimum ✓
on all jobs in a work group.
- (2) That employees in a piece work group who may be OK
on development work should not share in the
piece work earnings, but should be paid average
earnings by the Company while engaged on such
work.
- (3) Vacation pay to piece workers should be made on ✓
the basis of June average earnings and not the
fiscal month preceding that in which piece
workers take their vacations at other than
shutdown periods.
- (4) It was contended that piece work jobs are ✓
permitted to run for a considerable period
before piece work rates are established and
until the individual employees in the group
develop skills and short-cuts to such a high
degree that there are little incentive earnings
left to be realized. It was therefore contended
that piece work rates should be established by
the company for a work group earlier than hereto-
fore.

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- (5) The "average operator" used in timing an operation should be one who has not developed these skills and short-cuts out of long experience in a work group prior to the establishment of piece rates. ✓
- (6) A joint Management and Labor committee should be set up to approve the established piece rates, to be followed by a 30-day trial period to determine reactions of employees to the change and to promote confidence in changes made. ✓
- (7) It was held that the set-up time on jobs where small lots are turned out is not covered in piece work rates. ✓
- (8) Minor changes in operation or methods should not lead to a change in piece work rates. ✓
- (9) Operators on operations where output is machine-controlled should not participate in group piece work earnings, as there are no incentive earnings to be realized. Management should therefore pay such employees average piece work earnings. ✓
- (10) It was proposed that duplicate copies of time analysis sheets be available to representatives of the Labor organization in each department. ✓
- (11) Delays should be eliminated in handling grievances involving piece work matters. ✓ 171
- (12) Some people prepare jobs before starting time and after quitting time. Some employees take home parts that they and their families work on to facilitate work next day. ✓

As I pointed out during our conversation of October 25th, the Management representatives will be authorized to negotiate with the group appointed by the Labor organizations on matters of piece work policy affecting more than one location. They will not be authorized to negotiate regarding questions of local application.

Yours very truly,

(Signed) W. F. Hosford

Vice President

C O P Y

MR. D. LEVINGER
Information.
W. F. Hosford

WESTERN ELECTRIC EMPLOYEES ASSOCIATION

November 25, 1940

Mr. W. F. Hosford, Vice President
Western Electric Company
195 Broadway
New York City

Dear Mr. Hosford:

Replying to your letter of November 22, 1940, we wish to add the following subjects which pertain to company policies and piece work:

1. Rates should not be cut on jobs which have only changed code numbers and where job remains materially the same. ✓
2. Only part of job or operation changed should be restudied with the purpose of changing a rate. (It having been decided after discussion with the Labor Representatives just what the part affected really is.) ✓
3. Where new piece work jobs are introduced it must first be agreed by Representatives and Management that the expected hourly output can be met by an average experienced operator before a rate is accepted. ✓
4. Where a group of employees object to the introduction of piece rates on their job, or jobs, this objection be sustained. ✓
5. Where piece rates have been rejected Management will not use bogies established on same to act as speed-up system. ✓
6. Management will refrain from any attempt to influence any individual or group on piece work except through the Labor Representatives.

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NEW 7. Average earnings to be paid employees during
period of bargaining between Management and
Association on job being changed.

#10 8. Employee must be given piece work layout.

These subjects were presented to Mr. H. Beal, Kearny Works,
for agreement but he suggested that inasmuch as these subjects
pertain to management policies on piece work, they should be presented
at the National Committee Piece Work Conference to be held January 8,
1941 at Chicago.

Yours truly,

(Signed) G. DuVal, President

CONFIDENTIAL

OBSERVATIONS CONCERNING THE JANUARY CONFERENCE ON PIECE RATES

From an examination of the items listed on the agenda for the forthcoming conference on piece rates, two observations may be made. The first is that the manner in which some of the items are stated suggests that the Association has an inadequate understanding of the structure and function of the piece work system. Some of the topics overlap or cover the same ground, others apparently have not been thought through very far. It appears as though the Association is striving to present a strong case without quite knowing how to do so. It also looks as though most of the items on the agenda could be disposed of rather easily if taken at their face value and argued at that level.

The second observation concerns the emotional tone in which some of the items are worded. The language used and the kinds of demands which are made seem to reflect an attitude of antagonism which may not be conducive to a conference discussion. Certainly such language does not reflect a state of mind which would be very receptive to a logical presentation of evidence by Management however well prepared it might be.

These two observations suggest the following conclusions: First, that any attempt to deal with the items listed at their face value might in effect be taking advantage of the Association's lack of discernment in presenting its case, at least it might be so construed by them. As a result, the emotional resistance already noted on their part might be increased rather than diminished and the conference could get nowhere in such an atmosphere.

The second conclusion suggested is that if there is to be a real meeting of minds, the problem needs to be restated. Some insight needs to be gained into the nature of the problem the urgency of which has prompted the Association to ask not only for specific policies regarding practice but also for a control which quite obviously would make it exceedingly difficult to keep the shop in an efficient operating condition.

In an effort to provide a basis for a statement of this problem, the personnel counselors were asked to select observations based on their experience with employees, lower line supervisors, and Association representatives which throw light on piece rate disturbances. It is felt that this approach has provided a description of some of the basic problems in our piece rate situation which are not readily apparent. The analysis also supplies some clues which may be useful in working out a sound position for Management in conducting the conference. This material will be presented in the remainder of this report. We have felt it necessary to include a good deal of descriptive material in order to clarify the points developed and bring out some of the significant trends leading up to the present day situation. However, a general summary will be found on pages 13 to 15. The material is organized under the following general headings:

1. Conditions under which complaints about piece rates arise.
2. Effect of piece rates problems upon relations between employees, supervisors, and Association representatives.
3. The development of present day attitudes toward piece rates.
4. Summary - Statement of the problem.
5. Implications for the conference.
6. Suggestions for further study of the problem.

1. Conditions Under Which Complaints About Piece Rates Arise

1.1 The most pronounced disturbances occur whenever a new rate is introduced which materially alters the accustomed work habits of an employee or group. Feelings of uneasiness begin as soon as the employee learns that his job is to be studied or restudied and they persist with varying intensity until output or earnings are re-established at a level that is satisfactory to all concerned. Critical attitudes are particularly noticeable whenever a piece rate is introduced into a situation which is in the process of adjusting to a major technical change. With this combination of changes, the disturbances often develop to a point where a group fails to make an effort to improve performance and effect the adjustment which is necessary to bring about an improvement in performance.

The more serious types of disturbance often extends beyond the employee group that is specifically affected. Expressions of sympathy and personal concern are often observed in other employee groups that are closely associated with the group affected. They are also occasionally observed in the immediate supervisory group as the supervisor's problem of getting the work out is seriously affected.

1.2 Piece rates are often criticized when a drop in earnings occurs unless the change is understandable and acceptable to all concerned. It is often felt that rates should be set that compensate for the changed condition.

We also note critical attitudes whenever the earnings of one group are lower than the earnings of another group doing similar work or when one employee or a group of employees feels that they have worked harder than they did during the previous month and yet find that they are to be paid less.

- 1.3 Employees who are personally unstable tend to be very outspoken in their complaints. These people are likely to be disturbed by any change that may have occurred in their personal situation, such as financial troubles, family troubles, downgradings, technical change, etc. However, we have observed that whenever these people are located in piece work groups they almost always include complaints that relate directly to the piece rate in their expression of dissatisfaction.

To summarize briefly, we find complaints coming from a variety of sources, some of them are related directly to the administration of the piece rate system but many of them arise from sources that are not at all related to it. Some of these disturbances seem to be based on specific things that could be changed but the source of many of them is so indefinite that it would be difficult to make any change in policy that would materially alter them.

2. Effect of Piece Rates Problems Upon Relations Between Employees, Supervisors, and Association Representatives

- 2.1 As might be expected, the relation between the employee and his immediate supervisor is most likely to become disturbed whenever a piece rate problem occurs. These disturbances

vary considerably but they are most pronounced whenever the supervisor develops personal feelings of insecurity in the process. This kind of uncertainty comes about from indications that he is not making a satisfactory showing and that his superiors and Management are expecting more progress than he is able to show. At these times he is likely either to issue a great many direct orders that result in open antagonisms or to feel compelled to make changes in the work and in the personnel in the hope that something will bring about an improvement. We find him becoming a strict disciplinarian issuing orders abruptly such as "Don't leave the job;" "Don't talk;" "Start promptly;" and "Work 'til quitting time." In other cases he may feel the necessity of passing on orders "verbatim" thereby unconsciously disclaiming any personal responsibility for them. As might be expected, this kind of change in behavior often tends to increase the disturbance as it leaves the employee feeling that his immediate supervisor is unwilling to do anything to help him. In some cases also, the supervisor tends to keep in the background as soon as the employee has taken the problem to the Association. This change in behavior is quite noticeable to employees and it leaves them feeling that they have only the Association to look to for support.

2.2 The supervisor's relations with his superior and with other supervisors also tend to become disturbed in the same manner as his relations with employees. He is likely to become quite active, to make excessive demands for cooperation and

to be unduly critical whenever anything brings about delays in the work.

2.3 In the employee group itself, the personnel counselors also observe considerable change when a piece rate problem occurs. We note a stronger type of internal organization - a tendency to form strong cliques which bring pressure on other employees and a tendency to ostracize anyone who tries to make the rate. They ask questions and demand explanations for activities that ordinarily would pass without notice. They seem to get little satisfaction from their work and their pessimism generally develops into feelings of having been degraded or let down by someone or something.

2.4 In considering changes which occur in the Association representative's relations, we find him feeling under considerable pressure and he is likely to appear to be openly antagonistic in his relations with employees, supervisors, and often with Management. This change appears to be due to the following sequence of events which occur in connection with nearly every piece rate complaint.

The Association representative more often than not receives statements of the problems from employees that are conflicting and so vaguely stated that they are not very useful.

Their problems as expressed must then be restated in a way so that the Association can present the complaint to Management. This usually involves considerable time and effort for he must present his case first to the Association and convince them that it is sound and then secure their help

in bargaining with Management. After this is done he feels obligated to obtain some concession that will be acceptable to the employee. During the time that he is bargaining, he must also be ready at any time to advise employees as to the progress he is making. In this sort of a situation, employee demands are always in excess of what the representative feels he can accomplish so that he must either appear openly antagonistic to Management or be in a position to tell employees that their complaint is not justified. As might be expected, he usually finds that Management has a better understanding than he has of the conditions under which the rate was set and that it is exceedingly difficult to find a flaw in their logic. Also, in terms of the complaint, the answer he receives is usually unsatisfactory. This means that he cannot get anything with reference to the complaint that he can carry back to his constituents. We also note that because of the size of the representative's territory, that he is ordinarily involved in a good deal of this activity. He finds himself frequently faced with the problem of either taking employee complaints regarding piece rates up the line or telling them that they do not have a case. This is particularly noticeable with reference to members of the board of directors who act as advisers in connection with most employee complaints.

The above observations indicate that piece rate disturbances bring about a noticeable change in the relations of almost everyone involved. The tendency on the part of the employee toward defensive

behavior creates administrative problems for the supervisor so that in some cases at least it is difficult to secure an efficiency that will bring about an adjustment. The supervisor, while feeling the entire responsibility for effecting improvements in efficiency, tends to feel less responsible for securing either an adjustment in the piece rate itself or some concession that will be satisfactory to employees while they are learning to work with them. A large part of this responsibility has been taken over by the Association. Due to the lack of authority in the Association representatives' relations with employees, their difficulties in stating the employee complaint to Management and the problems involved in bringing back a concession that will appear satisfactory to employees, their position has frequently become unsatisfactory to employees, supervisors and themselves.

3. The Development of Present Day Attitudes Toward Piece Rates

So far we have attempted to develop the following points:

- (1) There are usually disturbances of varying degrees of intensity, depending upon conditions, whenever new piece rates are introduced.
- (2) That a good many complaints about piece rates are really not concerned with the piece rate as much as with other conditions.
- (3) That there has been a marked change in the relations between supervisor and employee and between employee and Association representative such that the representative now bears the brunt of employee dissatisfaction in this area.
- (4) That the Association's demands for more control with reference to piece rates grows out of the pressures the representatives are under in meeting the demands of their constituents.
- (5) That the supervisor no longer functions effectively in relation to piece rate disturbances.

In our opinion, the most outstanding point to be considered, concerns the supervisor's position as described above. What has brought about this change in his feeling of responsibility for piece rates problems which arise in his organization? In order to answer this question, it is necessary to go back a few years and sketch in some of the changes in practice which seem to be directly related to this problem. These changes in practice have been introduced within the experience of many of our longer service employees and supervisors. They are presented more or less in chronological order in spite of the fact that actually there was some overlapping and that most of the changes were introduced gradually.

3.1 Some time ago when most of the work was on straight piece work or definite group piece work, the following conditions existed:

- a. Piece rates were either established by comparison or more directly upon the actual timings of time study men than at present. This enabled employees either to be satisfied with a rate because of previous experience with a similar rate or to see a direct relation between the time it took them to do a job when the job was timed and the piece rate. Employee attitudes toward the rate, good or bad, were largely determined by these observations.
- b. Most piece rates were set on each operation. This gave employees and supervisors something that they felt was definite to talk about whenever a rate was thought to be too low.
- c. Many rate setters were selected from the shop and because of their shop experience were able to establish relations which tended to make employees feel that the timings were fair and that they had allowed for difficulties that the employee experienced in doing the job which were not observable to one who was not familiar with the work.
- d. Employee complaints about piece rates were taken directly to the supervisor who then felt responsible

for either showing an employee how a rate could be met or in taking the problem to the piece rate setter. The adjustment which was finally effected came about gradually but during the entire time the employee could get something definite from the supervisor regarding the status of his complaint.

- e. During this time, because of "fat rates" which resulted in inefficiencies and abnormally high earnings, it was difficult to move employees from one job to another because movement usually resulted in a temporary loss in earnings. Variations in possible earnings made certain jobs desirable and others undesirable and supervisors often had to force employees to work on undesirable jobs. Because of this, considerable feeling developed that supervisors were partial, that they showed favoritism, etc. In other words, many of the complaints which might have been directed toward the piece rate system were directed toward the supervisor.

During this early period, complaints about piece rates were comparatively unimportant and adjustments were usually worked out through the combined efforts of the supervisor and the piece rate setter. However, other difficulties were created involving employee efficiency, cost and other difficulties in the administration of the system. Due to these problems, group piece work was introduced and more emphasis was placed on accurate timings.

3.2 The following observations are concerned with the early phase of group piece work:

- a. The hourly rate became important to employees and as the hourly rate now determined the amount an employee could earn, it soon replaced average earnings as a symbol of status.
- b. At that time bogs were set by the supervisor according to what he felt employees could produce, and thus the bogey replaced the piece rate as an object of complaint.
- c. During this period, piece rate setting became more scientific, time standards were introduced and rates began to be set on a total assembly or a combination of operations. More careful studies were made in an effort to set rates which would yield a uniform return.

- d. Supervisors began to feel more and more responsible for keeping earnings stable and less responsible for seeing that each rate was right. They found also, about this time, that the time study man did not set the rate exclusively from time studies. In many cases their interpretation of these changes were in effect that time study methods had become so complex that complaints about rates were difficult to adjust satisfactorily. They also found that their complaints sometimes resulted in inefficiencies being noted on the job for which they felt responsible. All of these activities made it "dangerous" and difficult to carry on an activity which they formerly handled.

During this period, we note a gradual shift in employee and supervisory thinking from the piece rate to the hourly rate, the bogey and the importance of maintaining stable earnings. We also observed more scientific methods being employed in setting piece rates which tended to make it more difficult for the supervisor to secure adjustments. This resulted in a lessening of his efforts or, in other words, a withdrawal from his former position.

3.5 More recently the following changes seem significant:

- a. With the development of the Product Shop and the recent activity in introducing improved methods, we observed employees becoming more and more concerned about piece rates. In part this change in attitude is due to the amount of the physical change that was necessary and the many new rates that were required. But, in addition, in the functional shop a major change in design meant that the employees affected by new rates were scattered throughout several shops so that the only group affected materially was the final assembly. Under the Product Shop set-up, the groups affected were more localized and therefore developing satisfactory returns on rates became more difficult as several occupations are involved. Certain small groups of employees became a drag on the balance of the groups, therefore friction between employees arose which resulted in protests regarding the rates.
- b. During this time also it was found that the bogey supervisors set were not based on anything tangible so that whenever new rates were set they began to use the

expected hourly output figure which was based on the piece rate. This meant that with each change in rate, the employee was given the new expected hourly output rate. As might be expected, many of these were thought to be wrong and therefore the rate was considered wrong. As a result of this, many employees have had recent experiences in working on "wrong rates" when what really bothered them was the bogey.

- c. With reference to supervisory activity, the trend noted in the previous section appeared to continue. However, during this time the supervisor-employee relations were affected in many shops by three level supervision. The supervisor found that he had less time to spend with employees so in many cases their contacts tended to become more formal and as a consequence their answers to employee complaints about piece rates became less satisfactory to employees. The employee in turn began to depend more and more upon the Association representative.
- d. In addition, during this time, time rates replaced money rates and while actually this change did not involve piece rates, our control of labor cost which formerly under money rates involved only the piece rate, now depended upon maintaining a stable balance in the average hourly rate. Supervisory efforts to maintain this balance brought about some modification in former practice. These modifications were closely associated in employee thinking with piece rate practices so that they developed a tendency to complain whenever anything happened which adversely affected their earnings.

In this section attention has been called to certain structural changes in our situation which were important in relation to current employee and supervisor attitudes toward piece rates. The problem became complicated by the introduction of the Product Shop and the use of the expected hourly outputs which were determined by time study methods in place of the more informal bogey set by the supervisor. Three level supervision made it more difficult for the supervisor to maintain intimate personal relations with employees and time rates resulted in restrictions in setting the hourly rate

which helped to further aggravate piece rate disturbances and to direct more attention to anything which adversely affected earnings.

4. Summary - Statement of the Problem

As might be expected from the above, a strong feeling of antagonism has developed toward piece rates in the minds of employee, the supervisor, and the Association. This antagonism is apparently much more real to the Association than it is to the employee and the supervisor because the employees as individuals are not so continually required to bring about adjustments in a disturbed situation. Also a good deal of their disturbed feelings can be dissipated in expressions of antagonism toward Management and the Association. Most of the Association representatives have been forced repeatedly to respond in some way to employee complaints and more often than not they find themselves inadequately equipped to bargain effectively. This inadequacy has developed to a point where considerable feeling of emotional frustration is expressed by representatives and some employees feel that a strong outside union would be more effective. The items on the agenda indicate that the Association feels the only solution for them is to force Management into a position in which they must agree to specific restriction in practices. They feel that Management must agree to prove that a rate is right whenever a complaint is made and that Management must agree to give the Association a better control and a better bargaining position. However, consideration of the problem that seems to be indicated in the above observation makes it appear quite obvious that concessions in this direction would only aggravate the problem that appears to exist.

That problem might be stated as follows: A considerable amount of uneasiness and insecurity on the part of employees and supervisors has developed due to the fact that a system which was originally intended to compensate employees adequately for services rendered and to provide a stable control of labor cost is now operating in a manner which tends to direct a considerable amount of employee and supervisory attention toward the piece rate. The supervisor who formerly acted to keep things stable has become more or less impotent. As a result we are now observing a new force, the Association, attempting to strengthen itself sufficiently so that it can perform the stabilizing functions in this area formerly performed by the supervisor. It was apparent that the supervisor was able to handle the adjustment problem under straight piece work. It was also apparent that when group piece work started, he was able to operate it with comparatively few serious complaints about the piece rate. This was accomplished primarily because the bogey was established by the supervisor and it was not dependent in any way upon the piece rate.

The problem from an employee relations point of view then becomes that of reversing a trend which has been developing over the past few years and which has resulted in the supervisor acting as a less effective agency in adjusting piece rate disturbances. It now looks as though it is necessary to restore him to a position so that he can act quickly and effectively in connection with problems that arise. If this change could be effected we would at the same time remove many of the pressures that are now being directed toward

the Association so that it would hear fewer employee complaints. In addition, it might be expected that the Association would take the complaints it does hear to the immediate supervisor for adjustment. As a result, we should find that the Association would be less interested in obtaining the kind of control that it is now asking for.

B. Implications for the Conference

The foregoing analysis of our piece rates situation suggests that it would be unwise to deal with the items on the agenda at their face value with the idea of knocking them off one after another. Undoubtedly the topics will have to be discussed in order but the purpose should be different. It would also appear to be unwise to make any concessions or commitments at this time. The chief aim of the conference should be directed toward accomplishing the following results:

1. A better understanding of the problems confronting the Management by the Association.
2. A better understanding of the problems confronting the Association by the Management.
3. A definite program for further study of the problem which will take into account the problems brought out by the Association.

With reference to the first two of these objectives, the following more detailed suggestions are offered as to the kinds of statements that might be made:

- a. Encourage as much talk as possible regarding the major function of a piece rate method of payment. Its aim is only to (1) pay employees adequately and in direct relation to the effort and skill expended, and (2) to insure an efficient shop.
- b. Point out that employees working on piece work are now better paid than other piece workers in the area and that they are much better paid than employees working

for other concerns who are paid under a day work or incentive system.

- c. In order to assure this and to try to assure a fair wage for all pay groups, it has been necessary to make a real effort to set rates accurately. Whenever we fail to do this, problems develop of one sort or another which result in employee complaints and a difficult bargaining job for the Association.
- d. It is quite obvious that we have not yet found a way to do this that is satisfactory. There have been too many complaints and there is too much variation in the earning possibilities in piece rates.
- e. In order that we might be sure that employees do not suffer unduly because of these mistakes or because of temporary difficulties which we know will soon be overcome, we have paid allowances. This method we know is not entirely satisfactory but it is more practical than anything else that has been suggested to date.
- f. We are aware of the fact that the Association is in a difficult position with regard to piece rate complaints. This difficulty comes about largely because Management and the supervisors have not been as successful as they would like to be in getting a new rate into operation.
- g. However, we are not sure as yet that the changes in policies that the Association is asking for are the best way out. If possible, we would like the Association to elaborate on their suggestions and discuss the manner in which they would work if their requests were granted.
- h. Advise them that Management is about ready to make some experiments with regard to the manner in which piece rates are introduced which will be discussed in detail with the local representatives so that the experiments may be observed by both sides.
- i. Set a date for another meeting in six months.

6. Suggestions for Further Study of the Problem.

With reference to the third objective of the conference suggested, namely, that of working out a definite program for further study, it appears that such a study should be aimed at restoring the line supervisor to a more effective position as regards piece rates. Such a study might best be thought of as an experiment, the object of

which would be that of introducing correct rates from Management's viewpoint and at the same time dissipating the difficulties the Association now experiences in securing adjustments on complaints that may arise. The experiment should be kept entirely in Management's hands but the Association should be informed of what is being done and the district representative in the organization selected for experiment would, of course, be included in it.

The following steps are suggested:

- a. Select a shop in which a considerable amount of time study work is going on.
- b. Arrange for a conference between the time study man and the first line supervisor to discuss inefficiencies in manufacturing process which are apparent. Secure an agreement as to the changes to be made.
- c. In that conference, the time study man should plan to give the supervisor a rough idea of the probable expected output on the job but the supervisor should be free to set his own baggys. Point out that he will probably be able to get more out of one operation and less out of another but that the rate set will be based on those expected figures.
- d. Send the final rate to the supervisor for approval. Ask him to make a careful check of the final rate to see that no mistake is made.
- e. Let the line organization set the time when the new rate will be put into operation so that too much of a loss in earnings does not occur.
- f. Establish a definite policy for the payment of allowances so that no loss in take-home occurs on a job that is under development or whose efficiency is considerably below that which will be required by the new rate.
- g. Advise the Association that the section and department chiefs are to be responsible for seeing to it that rates are right and that allowance payments are fair. Ask them to keep in touch with the supervisor so that he may be given an opportunity to straighten out any complaint they get before they take it up the line.

AMH:WJD:F

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