

should be under the jurisdiction of the Planning Department. I believe that anyone who has given any thought to the question will see the reasonableness of this arrangement, and will also realize that it is a feature of management work which cannot be taken up and disposed of over night, but requires constant and continued attention.

The functions of the departments should be further divided into sections, as shown by the chart.

V. POLICY ON BONUS PAYMENTS

Every company should formulate a definite policy as to the principles on which it bases the payment of its employees. This is most essential before any of the employees are started in on any new method of payment which differs from that under which they were hired and have been working. Only too often do we find ill feeling existing between employees and the management due to the fact that there is a misunderstanding between them which could have been prevented had the management taken the time to clearly formulate its policy in writing. Furthermore, after this policy has been written up in definite form and taken up with the employees, it should be posted in every department working under the plan.

I submit the following policy governing bonus payments, which we have recommended to clients and have seen worked out with entire satisfaction. I therefore feel that it is worthy of consideration in connection with any undertaking to promulgate standards by the Society.

1. TIME ALLOWANCE

- A. A standard time will be set for all major operations of the department.
- B. Additional time will be allowed to compensate if any abnormal or unforeseen conditions arise on a job on which a standard time has been set.
- C. Each new employee who is put under instructions upon going on a job of bonus work will be given additional time allowance. The amount of additional time and the period over which this time applies will vary with the skill required to do the work, the length of time operator has been on the operation, and number of changes in the method of operating adopted as standard.
- D. A bonus will not be paid on the extra allowed time, but only on the *Standard Time* in which the work should be completed.

2. MONEY PAYMENTS

- A. A base rate or rate per hour will be set for each operation of the department. Each operator will receive the base rate of the operation on which he is regularly employed.

- B. The bonus will be a percentage addition to the Standard Time provided the time taken to do the job is equal or less than the time allowed, otherwise the operator will be paid at the base rate for time taken.
- C. When starting on bonus work, an operator who does not earn more than his present rate will be guaranteed this rate for a period of not more than three months. This will be called his Guaranteed Rate.
- D. When a bonus worker is required to work for *less than a day* on work of his own class which cannot be put on a bonus, he will be paid the Base Rate for the time actually put in on the work.
- E. When a bonus worker is required to work for a *day or longer* on work of his own class which cannot be put on a bonus, and if he has been earning his bonus 75% of his total working hours for the past period, he will be paid on the same basis as the average of his past month's earnings.
- F. When a bonus worker is transferred to a different class of work, he will be paid the Base Rate and Bonus on his regular work, provided the work is done within the standard time unless he can make more money on bonus on the new job.
- G. In case a bonus worker makes a mistake in his work, and does not rectify it at the time he does the work, he will not receive his bonus.

No bonus worker will be given additional time to correct his mistake.

If any work is discovered to be faulty by another department, the amount of bonus paid for the job in which the work is faulty will be deducted from bonus earned and not yet paid.

- H. The overseers or foremen will be on a Day Work basis with no bonus payments, as they represent the company and are responsible for the quality and quantity of the product.

VI. POLICY ON BASE RATE AND TOTAL EARNINGS

One of the big industrial problems of the day is how to determine what a fair day's pay should be. Here again the members of this Society should come together on some established plan of procedure. I shall not attempt to lay before you tonight any finished product, but will present a policy which has proved out not only in theory but in practice.

We all recognize that the base rate which is paid an employee should be a rate which is equivalent to a fair day's pay. Everybody should be willing to do this much, at least; and on the other hand, if a man receives a fair day's pay he should be willing to give a fair day's labor for it.

Furthermore, an additional compensation should be paid the employee over and above the base rate, provided his work is of the required quality and quantity. A bonus should not be paid in place of wages, nor unless it is earned through application and because the work is of determined quality.

The policy of "Base Rate and Total Earnings" referred to is as follows:

1. BASE RATE

The base rate should be the average rate paid in similar industries in the particular vicinity in which the industry is located.

2. BONUS

- A. The bonus should be paid as an additional compensation over the base rate to reimburse the employee for good quality and quantity production.
- B. The bonus should not be paid in place of wages.
- C. The smallest bonus which should be allowed employees is 20% of the amount of the base rate.
- D. A bonus should never be referred to as *lost*, but as "not allowed" or "not earned".

3. EARNINGS

In estimating the amount of earnings of employees when on bonus work, it should be figured that they earn their bonus in 85% of the jobs assigned to them. Conditions arise on every job making it impossible to give all the employees bonus work 100% of the time, and even the best workers may not make their bonus 100% of the time.

VII. A STANDARD BIBLIOGRAPHY

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