

INSTITUTE OF CURRENT WORLD AFFAIRS

RJB-22
The Bonus System

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Dear Mr. Nolte:

We are a society committed to high productivity. We still haven't found an acceptable way to measure a teacher's productivity, or a lawyer's, although lately there have been some unsuccessful attempts to bring the time study approach to productivity to municipal workers. However, it remains largely the world of the blue collar worker in which output is directly measured. On the assembly line the speed of the line controls productivity. For others, whose reaches, thrusts, and bends have been measured, piece rates are set and salaries based on productivity. At Western Electric there is a complicated system which combines an hourly wage with a bonus system based on rates and group productivity.

Before I even started work at Western Electric I knew my job description, bench hand, and my basic hourly wage, \$2.73 (raised during the summer to \$3.14). I was told that I would enter a group and, depending on that group's performance, I would receive a bonus. The bonus and how it was determined, were things I was anxious to find out about.

During the first days of training, rates and bonuses were frequently discussed. One of the women in my training session was an older woman with twelve years of service at Western Electric. She was being transferred to another job, and was relearning some basic skills. Quite quickly she assumed that we new workers knew little about the rates and bonus and that she should fill us in on what to expect.

"In here," she said, "the company will tell you that the productivity of your group will determine your bonus. Well," she said, "let me tell you the company will try to keep the bonus between 24% and 27%. You'll see most groups in here make somewhere in that range. If your group starts making more than that, then there's probably something wrong with the rates being set for your group and if you're making considerably less, there's probably something wrong. You'll see," she told one of the girls, "they'll keep on adjusting the rates until the bonus falls in that lower 20's range."

"Sometimes," she said, "you get a bonus which is way out of whack. It's usually because of the rate that a time study guy has made. Like I knew this one guy, we call guys like him Santas. He's a production engineer, and he sets

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very easy rates, rates where the group doesn't have to push itself to make a high bonus. I knew this guy pretty well. He was people oriented. His mother used to work in a plant, and he felt people had it tough, and he wasn't going to set very stiff rates. Anyway, after a couple of months he was switched to another job, and the company brought in a very tough person, which is something they typically do when they think the rates are too loose. He recalculated almost every rate in the shop and the bonus fell immediately back where the company likes it."

That was the only view of the bonus system I had until I joined the group I was to work with. When I began work I was curious to know what our group bonus was and what the rates on the boards I was going to make were. I was too uncomfortable with the new work, however, to ask. The first day I was having a tough time just trying to do the first job my supervisor had shown me. He had taken me over to a hand operated machine used to insert studs in a board. He effortlessly moved the board around, inserting 18 studs, 11 horizontally and 7 vertically. He showed me a pattern to follow and left me with a supply of boards and studs. I was surprised at how clumsy my hands felt. The board did not glide effortlessly for me. The holes where I was to insert the studs seemed at times much too small to receive the stud. It took me the whole day just to move the board around and remember which studs went vertically and which went horizontally. I hardly felt that I wanted to know what my rate was supposed to be.

If I was a little shy about asking about the rates, I didn't have to wait long to find out about the bonus. The second day of work our supervisor called the group together to discuss the last month's bonus.

Up to the last month my group had been paid a bonus of 20%. Our was a new job, and at Merrimack Valley on certain new jobs the workers, for periods up to 18 months, are not given a bonus based solely on what they produce. Our particular group received a 20% bonus for a year. The year was up and for the next several months we would be receiving a bonus which would combine what we earned with a managerial allowance. Finally we would move to the system where the bonus would be based solely on productivity.

Jack¹, our supervisor, called us all together and announced that the group had earned a 6.2% bonus, but with the addition of a managerial would again get 20%. Since this was what everyone had received for the past twelve months I was surprised at how angry Jack's remarks seemed to make people. Several women said that they couldn't believe that that's all they had earned.

Jack tried to mollify them by saying that he wouldn't be discouraged by that figure. He said, "I've never been in a group where the bonus had come in positive the first month off the managerial. In fact," he said, "I've been in groups where it's been as low as minus 20%."

This didn't seem to placate many people. One woman said she had been in a group before where she had earned 30%, and she was working harder in this new job. Several women seemed to agree with this.

1. All the names in this newsletter have been changed.

Again Jack tried to calm people. He said that we were working a new job and the rates would have to be adjusted. "I'm sure," he said, "that in the coming months the 6.2% will edge up to a much higher figure." Soon the meeting was over, and though the people didn't seem very pleased, they went back to work.

For the next few weeks several people complained about the bonus. One woman, who had surplused into this group, told me, "Dick, you wouldn't believe it. The last group I worked in I made a 30% bonus. That's right, 30%. I didn't like the job, or the boss, but we made a darn good bonus. I like it over here Dick," she said, "but not for this kind of bonus."

I kept hearing this type of remark. People generally seemed to like this job and our supervisor, but they didn't want to have to lose money as the price of a job they liked better. People kept complaining that the rates must be too tight, that that was the only reason we weren't making a decent bonus. I hesitated at first to ask about the rates, but as the days went by my confidence in my work slowly began to rise. I was still clumsy with some of the boards, but I began to feel comfortable with the other boards. So after about ten days I thought about asking Jack the rate on a board I was doing. I had worked on the same boards for the last two days, and I was generally applying myself. I asked the rate and Jack looked it up in his book and told me it was six an hour. I didn't say anything, but I said to myself: six an hour, that's crazy. I was pushing myself and was making two an hour. That afternoon I took only one bathroom break rather than my usual two, to try to increase my production, but I was still averaging about two boards an hour.

The next day I told Pauline how much trouble I was having even coming close to the rate. She said, "Don't ever come close to it, not until you've been here a long time. If you're doing the rate after being here for six months," she said, "then they'll think you can really do twice the rate once you've been here for a couple of years. I never made the rate when I started working here, I didn't care. Now I've been here a couple of years and I can make the rates. But I know if I began going over the rates too much they'd just pick the rate up on me."

I was curious as to how some of the other women felt about the rates so later, during lunch break, I told both Vicky and Lou, both of whom had more than 15 years of service, how I had worked so hard and not come close to making the rate. They both told me not to worry. Vicky said, "You know, in all the years I've been here I've never asked a rate. I do what I can, and if they don't like it, they can show me how to do better. I know how quick I am, and I'm as quick as anybody around. If they don't like what I can produce, they can show me a better way."

Lou said, "I put in a decent day's work. If they don't like it, they can tell me 'there's the door,' and I'll be out it. Anyway, I'm not going to put everything into the company—I'm saving a little for my old age."

I found in the next week or two that the other two men who started work when I did were also finding out about rates, and discovering that they weren't coming close to them. We talked to some of the older men about it. When Mike said he wasn't coming close to making one of the rates, Jerry said, "What do you care? Don't ask for the rates. Just do your job, nice and steady."

Don't kill yourself, they aren't paying you no \$6 an hour."

The next day I asked a process checker who had been with the company for nearly twenty years what she thought of the rates. She said, "When I first worked here I really thought the rates meant something. People would come and study your work for a few days and then they'd set rates. It seemed in those days that if you worked fairly diligently, you could make the rate. And if you really concentrated you could break the rates."

"But it's different now. They don't even need to send people down to watch you. They calculate certain motions that each board requires and they compute them up in some office and come out with a rate. It's not a very human system."

"I don't think," she continued, "people believe the rates they set have anything to do with what we're doing. People don't think the rates, or for that matter their performance, is connected with what they earn for bonus money. Now I can't prove anything," she said, "but I have a friend who knows an engineer and he told her that they compute bonuses up to two years in advance, so it really doesn't matter what you do."

When July's bonus was announced during the first week of August, I had been working at Western for nearly two months. In that time I hadn't met a person who worked on the floor who believed that the bonus system was directly tied to production. Everyone had his own explanation, but no one seemed to accept what the company said.

Because of this I was somewhat surprised at the anger with which the announcement of July's bonus was met. Jack called us together and told us we had earned 5% this past month, and that we would be given a 13% managerial, and thus be paid an 18% bonus. I could understand that people would be upset because they hadn't made more of a bonus and thus were losing money. People made plenty of remarks about the money they were losing. What was surprising was how personally a number of people took this announcement.

One woman said, "I'm not going to do another thing today. I've earned my 5%. This is ridiculous," she said, repeating herself, "hell, I'm not going to work anymore."

When other people made similar remarks Jack tried to explain that in the kind of miscellaneous work we did it was hard to make a high bonus at first. He said he was sure that with some sincere application--a phrase we were often to hear repeated--the bonus would, he was sure, begin to climb. He ended the meeting with that remark.

People went back to their work benches but work slowed down noticeably for the rest of the day, as people kept on complaining. One woman told me she was insulted. She had been with the company for more than 20 years, and now she was earning 18% when some people here for less than six months were making more than 27%

In the next few days people had a variety of reactions to the bonus, none of them very positive. One person said, "You know, they come down here and they say if the guys don't fool around with the girls so much and if the girls don't spend so much time in the bathroom, the bonuses would go up. That's a lot of crap. You can spend equal time working in two different departments and the bonus would be different by several percentages."

Anne said, "Look, I like working here, but I came here to make some money, and I don't like what's happening. I think it isn't fair for everyone to receive the same bonus in the same group. Either everybody in the plant should get the same bonus or there should be a piece rate system. I've worked in the mills and in a shoe factory," she said, "and people got paid for what they did. Those that worked less, got less, those that worked more, got more. I do good work in here and I'm penalized. It isn't fair. I'll tell you something, Dick, if those layouts would do what they're supposed to then we'd get somewhere. "

I felt everyone's frustration, but I didn't really have a reaction until the next week when we received our bonuses. July was a short working month, the plant being closed for two weeks, so everyone's bonus was low. Still, I was surprised when my check arrived and I only received \$4.42. Another worker quickly explained to me that new workers didn't fully share in the bonus. Instead, we were on some complicated learning curve, and for the first ten weeks we were paid some proportion of the earned bonus, and didn't share in any managerial allowance. I had worked fairly hard the first two months, and the first result that I could see was that I received \$4.42.

I guess what burned me and the two other new workers was that other new workers who had started when we did had gotten into groups earning 26, 27 and 28% bonuses. They were sharing in those bonuses while we were sharing in a 5% bonus. It was my first understanding of how people felt. I now felt insulted that all we had earned was 5%.

People kept complaining about the low bonus earned in July and finally Jack called the group together to discuss the bonus again. He said, that, like us, he was disappointed about the bonus, because he knew we were working hard. He was sure that if we kept working hard things would get better. He promised us that certain of the rates would be checked and reevaluated. Then he said, "I think one of the big problems is that you people aren't filling out your bogies correctly." Bogies are a personal record of the week's work. Each day you put down how many boards you've built, plus time spent waiting, setting up, and material handling. The week's bogies allow the supervisor to determine an efficiency rating which supposedly gives each person a sense of how well they are doing.

Jack said, "I think many of you aren't putting down all your waiting time, or set up time." He looked over at JoAnne and said, "Last week I know you went to a conference for an hour, and I didn't see that on your bogey. We have to begin putting down all the time we can get credit for when you aren't producing." Several women agreed that they hadn't put down everything they could charge on the bogies.

After the meeting one woman told me, "See, if we can't make our bonus with production, then we'll have to make a pencil bonus." I asked her what she

meant. She said, "You'll see. Although Jack didn't say it, he wants us to raise our efficiency, and one way to do it is by marking everything down."

I was still confused so I asked another worker named Jerry. He told me, "Look, we get certain credits for non-production activities like waiting time. Jack wants us to mark it all down. You'll learn to do more than Jack asks to pad your bogey, everyone does. If it takes you thirty minutes to set up, mark it down as 45. If you do that you'll see your bogey go real high."

I realized that up till now I hadn't taken the bogey too seriously. I had put down what I had completed but I didn't mark down all the time I spent doing other things. As a result, I discovered that my rate of efficiency was fluctuating between 32 and 50%. Also, Andy, another new worker, had been disturbed because his efficiency rate was 45%. He told me that he had hand inserted more than 1500 parts one day, and he couldn't believe that anyone could do it faster. He told me that one of the older men had told him that if he finished a job in 40 minutes, he should put down 40 minutes and then another 20 minutes for material handling.

That was the first I had heard of padding a bogey. I was to learn from other people to pace myself, that if I had a good day, I should put some of it down on my bogey and save some of the boards for another, less productive day.

I was determined to increase my efficiency rating. In the next week I began to put down all the time I took doing start up, or waiting to be set up. My efficiency went up the next week to 73% and the following week to 84%.

The amazing thing was that I felt much better, even though I didn't think I had worked much harder. I found that most people felt better as their efficiency ratings went up, but as far as I could tell people weren't working that differently.

Within two weeks of our group meeting the time study people began coming around for their first rounds of reevaluating the rates. One day they watched Pauline as she worked on a board. After they left she told me, "You see, I work steady, but I'm not going to kill myself, because once they set the rate you have to live with it."

That's what everyone said, don't work too hard when the time study people came, don't kill yourself, just work steady. Tom put it in stronger terms. He said, "I told those broads not to talk to those time study men. All they want to do is use us. I tell them if you want to talk to them, you might as well just open up your pocketbooks and let them take your money because they want to figure out ways to cut down further and further on your rate and why the hell should we help them do that?"

In my first two months I had been shown a variety of shortcuts on the boards I was building by older workers, such as tips on ways to make them more quickly and efficiently than by following the set pattern by working on four boards rather than one at a time.

One of the older men told me, "If those bastards come by don't push yourself. Just do your job, and remember, just do one board at a time. If you start impressing those guys they'll just push the rate up on you."

I was determined, if a time study man came to watch me, to cooperate as little as possible. What did I have to lose? One day one came by and began watching me. I found that I was getting very nervous. His presence made me uncomfortable and I found that instead of taking my time, I worked hard. I was sure I was trying to impress him.

There was a high level of anxiety in the shop till the end of the month. On the 31st of August I noticed after the afternoon break that everyone was crowded around Jack's desk. I walked over and heard that we had moved our earned bonus up to 10.3% this past month but we were only going to be given a 7.2% managerial and thus the month's bonus was 17.5%, down from last month's 18%.

I could hardly believe what I was hearing. Didn't the people upstairs who made the bonuses have any sense at all? We had supposedly doubled our earned bonus from last month, and as a reward they were cutting the managerial so we would make less. I thought this development placed Jack in an impossible situation. As the company's representative, he had to try to make sense out of something which escaped rational explanation. Surely the company could not intend to reward increased productivity with a declining bonus.

Jack could see the anger and hostility that was building up and wisely took us up to the cafeteria for a meeting, which lasted for about 45 minutes. Jack began the meeting by saying, "Look, if we can increase by 5.3% this month, maybe we can increase by 7% next month and we'll just keep heading up till we're making a good bonus." That didn't work. People just said "Heading up where? No matter what we produce, we just keep losing money."

Jack quickly shifted gears and said that it was true that some people were producing well, but not everyone was. He read some efficiency rates off of last week's bogies, ranging from 53 to 100%. He didn't attach anyone's name to the figures. Then he tried to put some group pressures on those producing at a low level by saying, "In a small group like this, if just three people screw up, don't do as well as they can, then your bonus is going to be hurt, much more than in a big group."

Before anyone could say anything, he said, "Haven't some of you worked harder these last few weeks? I know you must have, because we keep on getting better and better. Your bogies are better and better."

I was sure that someone would say something here, about the bonus going down when production was up, but no one did. Instead, to my surprise, a couple of women agreed that their bogies had improved.

Jack seized upon this agreement and ended the meeting by stressing how important it was that we all kept marking things down. He said he was proud of some people and wanted to help other people make it up to what they could do. He then said he would like to speak to each of us individually in the next couple of days.

He called me over to his desk late the next morning. He showed me my last week's bogey and told me I had made 78%. He told me I was a good worker and he knew in time I could make the 100% and above. That he was my supervisor and saying this made me feel better and dissipated some of my anger. I talked to a number of people and somehow Jack had been able to make most of them feel that they were doing better and could do even better.

Whatever personal anger had been dissipated at the meeting and in these personal sessions crept back into the life of the shop in the next few days. People were really bitter. The four new women who had recently been supplanted into this shop from coil winding each complained that they had made more in coil winding and were working harder in this shop. Several women talked about obtaining laterals to get out of this shop, into other shops. I was pretty certain that people wouldn't go through with it. One quickly becomes part of a group, and obtaining a lateral and going into another group is a big step. What did happen was people began turning against each other.

In the next couple of weeks arguments seemed to occur much more frequently between the 32 grade bench hands, like myself, and the process checkers. People began complaining that the process checkers were penalizing us and not helping us. Many of the women openly complained about the layouts, and one in particular.

There were even increasing complaints about Jack's supervision. Before this month, I had rarely heard any complaints about Jack. In fact, people said he was one of the best supervisors in the plant. But now, I heard several complaints that he wasn't tough enough. Dottie, a very pleasant woman whom I had never heard complain, told me, "I don't get up like some of these people. I sit here and I do my work. If people would stay in their own seats maybe we could make our bonuses."

Repeated poor bonuses had gotten the group to a point where people were turning on each other. I felt particularly hostile the next week when I discovered that another new worker, Michael, was receiving a bigger bonus check than I was for the last month because his bogies were repeatedly higher. I knew that his percentages were higher because he really pushed the pencil to pad his bogey.

After that I decided to play the game like everyone else. Up till then I had tried to limit the time I put down to actual time I spent away from work. I decided why bother, I might as well pad my bogey, because there was certainly no reward for keeping an accurate record of what I was doing.

In the next few weeks my efficiency rating kept going up. My efficiency went into the high 80's and then in the 90% range. What was absurd was that I really wasn't working any harder. In fact, I had decided not to kill myself, but I was pushing my pencil. Still, when I discovered my efficiency rating was up I did feel much better. Over the next month most people's efficiency ratings rose, and people seemed to feel better.

Even though people felt better, an anger which the group increasingly turned upon itself, remained until I left. Although our bogies kept improving, our bonus didn't markedly improve. The last month, just before I left for another job in the plant, Jack didn't even take us through a big meeting to discuss the bonus. He just told everyone what the bonus was and left it at that.

The bonus-rate system is very important both to the company and to the workers. Obviously the company wants to get as much production as possible out of workers. Instead of paying a straight salary, it attempts to stimulate extra production by paying a salary and a bonus for increased production. The company has a complicated system on which the bonus is calculated. It is a system based fundamentally on piece rate output compared to hours worked.

Ideally the company's system may have real integrity; it may allow the company to get increased productivity and it may pay people for that increased productivity. However, because of the way the system is operated and the almost total lack of understanding of the system on the shop floor, functionally the system has little operational integrity. It doesn't matter what fancy or complicated explanation the company can give for the system--people don't believe it. In the five months I worked in the shop, none of the people with whom I talked believed that his bonus was based purely on production.

I was told by several different people that the company would play with the bonus, especially in a recession period. "You'll see," someone said, "if times get tough out bonuses will start sliding downward." Another worker said, "That's right, and the only group they don't mess with are the people in the storerooms. They get a 30% bonus no matter what. The company knows that if it gets the people up there too mad they can mess everything up. All they have to do is start mixing the parts bins. But the rest of us, they fool around with our bonuses as much as they want."

This is unfortunate but is part of a general distrust reflecting a we-they feeling. The bonus system is looked upon as a system used by management to manipulate higher production. They always want more production and are unwilling to pay for it. We have to protect ourselves, and that means padding bogies, and not helping the time study people.

In a practical sense the element of the bonus system that workers most frequently encounter is the bogey. Management says it uses the bogey to keep a record of individual performance. Generally, workers learn that supervisors are more interested in a high percent on the bogies than in a true reflection of production. Most workers I met did not believe an accurately kept bogey would aid them, and therefore they tended to pad their bogies to make them look better. Without padding efficiency rates would obviously be lower. A worker does not have to be pushed very hard to realize that he or she can look better by using a pencil. Knowing how the bogies tend to be abused, one is skeptical of the basis of the bonus.

I was surprised at the ingenious ways workers have of beating a rate. No matter how rates are made, workers seem to find more efficient ways to do things. Most workers I met are willing to share these shortcuts with fellow workers, but reluctant to share them with the company. This is because there is a general belief that if you share such information with the company, it will just push up the rates, and not lead to monetary reward for the workers.

There seem to be many inequities to the bonus system. Workers with long service can be in a group with a poor bonus and receive substantially less than a relatively new worker in a high bonus group. Groups seemingly doing similar work can make different bonuses, and of course some people work better than others, and aren't paid individually for what they do.

On top of this, there are psychological pressures that the bonus system can bring forth. People come to work for many different reasons, but most are in the shops to make money. Money is very important to all the people I worked with. When we repeatedly received what was perceived as a low bonus, with no rational explanation, people began to turn on each other. They relieved the pressure the low bonus created by treating each other in hostile ways.

After saying all this, I personally believe that a group bonus could theoretically benefit both the company and the worker. First of all, I'm sure that people produce more with the enticement of extra pay. There is a special feeling at the end of the month when you get the bonus check. Somehow the money seems like extra earned money, a reward for good work.

Besides, I think the group bonus adds to the feeling of group solidarity, and I believe group solidarity cuts down on the anomie people might otherwise feel. A system of straight salary or being paid individually on a piece rate basis might have economic appeal to some, but it tends to isolate people even more than they are otherwise.

There can be little doubt that the current bonus system operated by management is effective in coaxing extra productivity. However, there can be little doubt that if the workers wanted to they could produce more. In order for the bonus system to generate optimum productivity there must be a belief on the part of the workers in the integrity of that system. At this point that belief does not seem to exist. Instead, the workers I spoke with believe that the bonus system is a manipulating device employed by management to procure extra production without fairly paying for that extra production. As long as this is the general belief, workers will resist the system.

Richard / Saly