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Personnel Practices in Georgia Manufacturing Companies— Development and Compensation

This article is the second in a series of four articles which examine various aspects of personnel practices in Georgia manufacturing companies.

IN THE LAST decade and a half, manufacturing employment in Georgia climbed by more than 39%. This growth, coupled with environmental changes, has brought major challenges to the offices of personnel managers throughout the state. The present research focuses on how personnel managers of Georgia's largest manufacturers have faced these challenges. Methodol-

ogy and research design are covered more completely in the first part of this study.

Material in this portion of the study is separated into two major areas: development and compensation. Results are further broken down by type of personnel: professional, including managers, engineers, professional and technical workers; skilled, including craftsmen,

clerical, and service workers; and unskilled, including laborers and service workers.

Study participants were asked to identify the basic purposes of training efforts conducted by their respective firms. Improvement of skills required on the job was a dominant purpose for all three categories of personnel (Exhibit 1). It was second in only the professional category; 66% of the respondents observed that improving leadership capabilities was the primary objective of their training for professional people. Generally, responses indicating the training program objectives for the professional category are what might be expected for such positions—the strengthening of the variables relating to interpersonal relations and leadership.

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Similarly, the expected goals of skill improvement can be seen from analysis of the other personnel classes.

Each firm was also asked to indicate the time devoted to other than on-the-job training per year by category of employees. Results were not what one might expect after evaluation of the data in Exhibit 1. Skilled employees spent an average of 3 weeks in other types of training, while professional and unskilled employees spent an average of 1.8 and 1.2 weeks, respectively.

A wide variety of training methods are available to businesses, ranging from on-the-job to very sophisticated psychological efforts. As indicated in Exhibit 2, on-the-job training methods are the most widely used by Georgia's largest manufacturers, especially in the skilled and unskilled areas. These results are consistent with a study of 167 national firms, of which 56% reported that on-the-job training was "much" used.¹ Training methods appear to be closely related to type of personnel and also seem to be consistent with training objectives discussed earlier. Only 4 firms reported using technical courses for unskilled employee training; roughly two thirds of the firms reported utilization of such courses for professional and skilled employees. Special assignments were used by 20 of the reporting firms at the professional level; only 6 used this device for skilled workers and only 4 used it for the unskilled. Job rotation, an often cited means of job enrichment and executive development, is not employed extensively in Georgia's largest manufacturing firms although the results approximate the degree of use of this tool by firms surveyed in another state.²

Development and training programs are not the only means of improving job performance in business. Performance appraisal is another tool designed to ensure optimum employee effort and can be used successfully to stimulate improvement. It is of note that a large number of Georgia manufacturers (as many as one third in regard to unskilled personnel) employ no formal evaluative process (Exhibit 3). This means that in many instances no systematic procedures are used to evaluate employee performance. Evaluation in those instances is thus left to informal methods or not performed at all for some reason (e.g., due to constraints of a union contract).

Almost one half of Georgia's largest manufacturers rely on some form of

Exhibit 1: Percent of Firms With Various Training Program Objectives by Type of Personnel (N=29)

Basic Purpose of Training Program	Percent of Firms		
	Professional Personnel	Skilled Personnel	Unskilled Personnel
Improve skills	62	83	55
General education	24	14	17
Improve interpersonal relations	55	24	28
Improve leadership	66	17	—
Improve morale	—	—	21

Exhibit 2: Percent of Firms Using Various Training Methods by Type of Personnel (N=29)

Training Methods	Percent of Firms		
	Professional Personnel	Skilled Personnel	Unskilled Personnel
None	0	0	3
On-the-job	69	90	90
Technical courses	66	69	14
Job rotation	24	17	24
Special assignments	69	21	10
Lecture by executives	45	24	10
Lecture by consultants	41	17	10
Case studies	7	0	0
Sensitivity training	14	7	10

Note: 7% cited other additional training methods.

Exhibit 3: Percent of Firms Using Various Performance Appraisal Methods by Type of Personnel (N=29)

Performance Appraisal Methods	Percent of Firms		
	Professional Personnel	Skilled Personnel	Unskilled Personnel
None	7	21	34
Management by objectives	48	14	—
Ranking	24	14	10
Checklists	41	31	31
Graphic scales	3	0	3
Grade distribution	7	7	1
Critical incidents	7	3	7
Other methods	3	0	3

Exhibit 4: Percent of Firms Using Various Job and Wage Promotion Factors by Type of Personnel (N=29)

Promotion Factors	Percent of Firms		
	Professional Personnel	Skilled Personnel	Unskilled Personnel
None	0	0	3
Seniority	31	79	86
Ability	100	90	83
Examination	0	0	0

Exhibit 5: Percent of Firms Using Various Job Evaluation Methods by Type of Personnel (N=29)

Job Evaluation Methods	Percent of Firms		
	Professional Personnel	Skilled Personnel	Unskilled Personnel
None	14	7	14
Ranking	28	21	21
Point system	34	24	21
Job grading	28	34	28
Factor comparison	24	14	14
Meet union scale	0	17	21
Other	3	10	7

Exhibit 6: Percent of Firms Using Various Incentive Programs by Type of Personnel (N=29)

Incentive Programs	Percent of Firms		
	Professional Personnel	Skilled Personnel	Unskilled Personnel
None	24	31	41
Profit sharing	24	17	17
Stock option or purchase	41	21	21
Individual efficiency bonus	17	3	3
Group efficiency bonus	14	10	3
Piece rate	—	41	21
Other	14	10	10

Exhibit 7: Percent of Firms Using Various Types of Fringe Benefits by Type of Personnel (N=29)

Fringe Benefits Offered	Percent of Firms		
	Professional Personnel	Skilled Personnel	Unskilled Personnel
None	3	3	0
Life insurance	100	100	100
Health/accident insurance	97	97	97
Sick pay	90	69	69
Severance pay	55	31	28
Vacation pay	100	100	100
Supplementary unemployment benefits	34	34	31
Travel pay	76	17	14

management by objectives for appraising performance of professional employees; and 40% draw appraisal information for professionals from checklists. The checklist method is the most important tool for rating skilled and unskilled employees. Graphic rating scales, mentioned by experts as the most often used merit rating device, are employed by only one of the responding Georgia firms, an important deviation from expected results.

Although a number of firms do not use appraisal methods, wage increases and promotions were reported to be determined almost completely on the basis of merit and seniority (Exhibit 4). These findings are incongruent with those obtained in Exhibit 3. For example, 83% of the responding firms report that promotions for unskilled workers are given on ability (Exhibit 4), but 34% report the use of no performance appraisal methods to measure ability of

unskilled workers (Exhibit 3). These results might well indicate that respondents are aware that promotions *should* be made on ability but, due to unionization or other constraints, 86% promote on seniority at the unskilled level. The 83% reporting promotions based on ability at this level must include a large portion who *wish* they could promote on ability or who only pay lip service to the idea.

The amount of pay an employee receives for his services is important to him for a variety of reasons, and it is of equal significance to the manager. Therefore, it is logical to assume that an analysis of compensation programs is worthwhile. Recent research on compensation has been directed toward the effects of pay on equity and on motivation—one element important to the employee, the other to the employer.

Compensation provides a measure of an employee's relative worth to the organization and serves as a basis for judging whether the pay he receives is equitable in terms of what he perceives his contributions to be.³ Employees must feel that their pay is equitable if management is to expect them to remain with the firm. Therefore, it is contingent on management to establish a consistent base pay structure for all job classifications. Job evaluation provides a systematic method for achieving this goal. As seen in Exhibit 5, 93% of the responding firms use some type of determination system for skilled jobs, and 86% apply job evaluation to professional and unskilled jobs.

Within the professional job category, the point system is the most important job evaluation method used, followed by job grading and job ranking, of equal significance. Emphasis on use of the point system is consistent with findings nationally, even though it is recognized to be the most difficult method to employ.⁴ The point system method of evaluation by Georgia manufacturers was not reported in less than second position for any personnel category. Georgia manufacturers are evidently making a concerted effort to establish equitable base pay structures for all personnel.

At the skilled and unskilled levels, the job grading method is the most important technique used, as reflected by the 34% and 28% of the firms, respectively. Many firms employ more than one technique, as a check on the

primary device or as a means of strengthening the findings developed from the primary instrument. A national study compared three techniques—the point system, factor comparison system, and the ranking method—and found an intercorrelation of .94.⁵

As a means of recognizing individual effort, the use of incentives is evidenced for the professional and skilled categories, but approximately 40% of the respondents report no incentive system at the unskilled level (Exhibit 6). Stock option or purchase plans are the most often used device at the professional level. The piece rate system is most popular in the skilled category.

For each of the three types of employees, at least one fourth of the largest manufacturers in the state make no use of incentive programs. This is particularly significant in light of the findings of behavioral scientists concerned with individual motivation. On the other hand, profit sharing is employed as an incentive stimulus by approximately 20% of the Georgia responding firms.

Supplementary benefits exist in 97% of the reporting firms (Exhibit 7). One executive apparently feels that life insurance programs and vacation pay are not fringe benefits but a regular cost of

doing business, as all respondents report some form of program in these two areas. Life insurance programs, vacation pay, and health/accident insurance are the most popular benefit programs. The least popular are supplementary unemployment benefits, severance pay, and travel pay. The latter generally are acquired through collective bargaining. The most popular programs found in Georgia manufacturing firms tend to be in line with those found on a national scale.⁶

Summary

Results of the section of this study dealing with development and compensation in Georgia's largest manufacturing firms reflect both consistency and deviation from results found on a national basis. Skills improvement is the major objective of training programs; and the dominant training method, on-the-job training, mirrors this goal. Management by objectives and checklists are favored means of performance evaluation; there is little use of graphic rating scales.

For job evaluation, Georgia's largest producing firms rely on the point system (consistent with national surveys), job grading, and ranking systems (incon-

sistent with national findings). Personnel classification is an important determinant of the evaluation method used.

Incentive systems tend to be more prevalent for the professional and skilled categories; but for the various employment categories, 24% to 41% of reporting firms employ no incentive device. Again, the classification of personnel is found to be a significant factor in the use or nonuse of incentive measures.

1. National Industrial Conference Board, *Developing Managerial Competence*, Studies in Personnel Policy, no. 189 (New York, NICB, 1964), p. 126.

2. Edwin B. Flippo et al., "Personnel Practices in Arizona Manufacturing Companies: Development and Compensation," *Arizona Review*, November 1972, pp. 9-10.

3. Herbert J. Chruden and Arthur W. Sherman, Jr., *Personnel Management*, 4th ed. (Cincinnati, South-Western Publishing Co., 1972), pp. 521-522.

4. Flippo, "Personnel Practices," p. 12.

5. Thomas Atchinson and Wendell French, "Pay Systems for Scientists and Engineers," *Industrial Relations*, October 1967, p. 49.

6. James N. Houff, "Supplementary Wage Benefits in Metropolitan Areas," *Monthly Labor Review*, June 1968, p. 46.

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