WAGE PAYMENT AND INCENTIVE PLANS USED BY DEPARTMENT AND DEPARTMENTIZED SPECIALTY STORES IN SIX NORTH CAROLINA CITIES

by

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TABLE OF CONTENTS

LIST OF TABLES

CHAPTER I

THE PROBLEM

Introduction

The compensation of salespeople by methods which are fair to the employee and satisfactory to the store itself is one of the major problems of retailing.

An inspection of the programs of the annual conventions of the National Retail Dry Goods Association for the last five years shows that the problem of finding satisfactory plans for compensating salespeople is still unsolved. At each of these national conventions the subject of wage payment and incentive plans for salespeople has come up for major discussions. As late as May 1950, the Store Management and Personnel Groups of this association gave a very prominent place to a panel discussion of "The Perfect Payment Plan for Salespeople" during the mid-year convention of these groups held in Detroit, Michigan.

A recent letter from the Assistant Manager of the Personnel Group of the National Retail Dry Goods Association bears out the fact that the Association still considers the problems of wage payment plans in the field of retailing as one of major importance. The following is a quotation from this letter.[1]

> . . . As you no doubt know, our own study of wage payment plans was made about ten years ago and is now out of print.

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1. Letter from Estelle Karpf, Assistant Manager, Personnel Group, National Retail Dry Goods Association, New York, N. Y., July 1, 1949.

We hope, that sometime, within the not too distant future, we shall be able to publish a new study on the topic.

In 1928, the Store Managers' Division of the National Retail Dry Goods Association requested the Wharton School of Finance and Commerce of the University of Pennsylvania to make a study of sales clerks compensation. Anne Bezanson and Miriam Hussey of the Industrial Research Department of the Wharton School made the study. The results of this study were published in book form in 1930 under the title of Wage Methods and Selling Costs.[1]

In 1938, the Store Management Division of the National Retail Dry Goods Association published, in pamphlet form, the results of a survey conducted by this division entitled, "Trends in Compensating Salespeople."[2] Other than these two studies the literature revealed very little of major consequence on the subject of Wage Payment Plans in the field of retailing.

Statement and Purpose of the Problem

This study is a scheduled or personal interview study of the basic wage payment and incentive plans in current use in the hosiery, ladies' ready-to-wear, men's furnishings, and house furnishings departments of eighteen department and departmentized specialty stores in six cities in the state of North Carolina. These six cities are Asheville, Charlotte, Winston-Salem, Greensboro, Durham, and Raleigh. The basic

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1. Anne Bezanson and Miriam Hussey, Wage Methods and Selling Costs, University of Pennsylvania Press, Philadelphia, Pa., 1930. p. 8.

2. O. Preston Robinson, Retail Personnel Problems, Prentice-Hall, Inc., New York, N. Y., 1940. p. 201.

wage payment plans are the straight salary, salary plus a commission on all sales, quota bonus, and straight commission with or without a drawing account. Bezanson and Hussey[1] state that the methods of payment in use in retail establishments may be classified under these four basic plans. Robinson[2] also states that the four types mentioned above are the most commonly used.

The purpose of the study is to determine current practices and trends in the use of the basic wage payment plans, other cash rewards, and the employee benefits offered by the stores included in the study. The major questions to which answers were sought are:

1. What trends are discernible in the wage payment plans in the hosiery, ladies' ready-to-wear, men's furnishings, and the house furnishings departments?
2. What are the comparative merits of the various basic wage payment plans which store management has used in the past four years or is using now?
3. What is the practice and trend in the use of P.M.'s or stims as extra cash rewards?
4. What employee benefit plans are currently used and what is the nature of these plans?

It was the original plan to limit the study to department stores, but in an effort to classify stores as department stores, a great deal of difficulty was encountered. The lack of a clear

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1. Bezanson and Hussey, loc. cit.

2. Robinson, loc. cit.

definition between department and departmentized specialty stores made it seem undesirable to try to draw a clear cut distinction for purposes of this study. It was therefore concluded that the stores selected should include both department stores and departmentized specialty stores. Wingate[1] calls attention to the fact that since the methods of operation and problems in the departmentized specialty stores are very similar to those of department stores, the trends in operation are practically the same.

This study is confined to the selling personnel. The problem of compensating non-selling employees has not been considered.

In the report of the National Retail Dry Goods Association survey,[2] it is pointed out that there is lack of standard terminology for the job classifications involved in relation to the actual duties involved in the non-selling field in retailing and that non-selling jobs in the retail stores are paid predominately on the straight salary method, and that actual wage scales prevailing in one community are of questionable value to other communities.

Sources of Data and Procedure

The data for the study were secured by a personal interview with the managers of the selected stores or with a person designated by the manager. In the latter situation, the personnel director of the store was the person selected. In two of the three instances in which

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1. John W. Wingate, Manual of Retail Terms, Prentice-Hall, Inc., New York, N. Y., 1931. p. 17.

2. Management Division, Trends in Compensating Salespeople, National Retail Dry Goods Association, New York, N. Y., 1938. p. 4.

the personnel director gave the desired information, the managers of the store also participated in the interview. A schedule was used during the interview.

Selection of Cities

One of the first steps in the approach to this study was to select the cities to be covered in the survey. This selection was based on the following factors: population, geographical locations within the state, and retail sales volumes. Hagstrom's Outline Map Series,[1] one of which was on North Carolina, was the basis for the selection of cities from population and geographical situation.

The information given by Hagstrom was based on the 1940 Census. This census listed one city in the state (Charlotte) as being the only city with a population of over 100,000. Four cities in the state were listed as having populations between 50,000 and 100,000. Four cities with populations between 25,000 and 50,000 were also listed.

The six cities selected for the study were Asheville, Charlotte, Durham, Greensboro, Raleigh, and Winston-Salem. This list includes the largest from standpoint of population (Charlotte), all four of the cities with populations between 50,000 and 100,000, and one of the four cities with populations between 25,000 and 50,000.

Geographically, the six cities represent an east-west coverage of approximately 300 miles. This distance is approximately three-fourths of the distance from east to west in the state.

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1. Hagstrom's Outline Map Series, North Carolina, Hagstrom Company, Inc., 20 Vesey Street, New York 7, N. Y., 1940.

The Census of Business Retail Trade, 1939,[1] lists North Carolina as having a population of 3,571,623. The six selected cities in the study contain approximately 11 per cent of this figure. The Census also lists the total retail sales of the state at $633,240,000. The six cities selected accounted for approximately 29 per cent of this total retail sales volume. Data were not available to the writer on the volume of sales for the stores selected.

The total retail stores in the state were listed in the Census as numbering 33,826. The six cities selected contain approximately 15 per cent of the total state's retail stores.

Selection of Stores

The department and departmentized specialty stores were selected on the basis of volume. The three largest stores, department or departmentized specialty stores, were selected in each of the six cities, making a total of eighteen stores. The data on exact volume of business done by individual stores in the state were not available. The help of the secretary of the local Merchants' Association, and the secretary of the local Chamber of Commerce was enlisted. These individuals are in a position, from the nature of their work, to rank the stores from a volume standpoint. Under the circumstances and for the purpose of this study, these rankings by the Merchants' Association secretary or the Chamber of Commerce secretary, were accepted.

Stores such as Sears, Roebuck and Company, and Montgomery Ward and Company, Incorporated, were not included in this study. McNair,

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1. Census of Business, Vol. I, Part 3, Retail Trade, 1939, Sixteenth Census of the United States, 1940.

Gragg, and Teele,[1] state that these two companies are mail-order houses and as such must be differentiated from department stores. These companies have successfully combined the operation of retail stores under the management of their mail-order establishments. The retail stores of Sears, Roebuck and Company, and Montgomery, Ward and Company, Incorporated are classified as retail divisions of the mail-order establishments.

Selection of Departments

The four departments selected in each of the stores are the hosiery department, the ladies' ready-to-wear department, the men's furnishings department, and the house furnishings department. These departments were selected because they represent the four departments which annually do the largest percentage of total store volume. That these four departments have the largest percentage of volume in comparison with total store volume is substantiated by the Federal Reserve Report for 1949.[2] This report shows that the hosiery, the ladies' ready-to-wear, men's furnishings, and house furnishings departments accounted for 61 per cent of the total annual sales of the stores. The report was based on the information furnished by 350 of the larger department and departmentized specialty stores located in various cities throughout the United States. This group of 350 stores accounted for

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1. Malcolm P. McNair, Charles I. Gragg, and Stanley F. Teele, Problems in Retailing, McGraw-Hill Book Company, Inc., New York, N. Y., 1937. pp. 6-7.

2. Federal Reserve Report, Department Store Sales by Departments, 1949, Board of Governors of the Federal Reserve System, Division of Research and Statistics, Washington, D. C., March 1950. pp. 3-5.

almost 50 per cent of the total department and departmentized specialty store sales in the United States during 1949.

The four departments were also selected from the standpoint of diversity. Diversity along these lines means diversity in price ranges, diversity in activity peaks, diversity in the departmental organization, and diversity in problems of inter-selling within the department itself.

The diversity aspect has been described by Bezanson and Hussey on the basis of their 1928 study. The following paragraphs summarize their comments on the diversity of the four departments selected for this study.

> . . . . The hosiery department offers the best comparison of wage payment plans between stores from the standpoint of price ranges and type of merchandise carried. This department normally follows the plan of wage payment generally prevailing throughout the store; the range of prices is not great, and the department carries about the same grade of merchandise in all months of the year.
>
> Ladies' ready-to-wear departments are likely to adopt a form of wage payment which is dependent upon sales. Ready-to-wear has a wide range in prices and there are many problems of interselling.
>
> From the standpoint of seasonality, the hosiery and ready-to-wear departments offer a good comparison. Hosiery has its peak of activity during the month of December when 15 to 20 per cent of the total annual sales of the department are handled. Ready-to-wear has less extreme peaks. There are two short cycles of business within each year in this department. These cycles take place during the fall and summer seasons. The differences in the seasons upon wage payment is pertinent. In the fall cycle when net sales are high, fewer customers are served per employee. In the summer season when net sales are lower, more customers are served. This factor of seasonality plays an important role in setting up a fair and equitable wage payment plan.
>
> In the men's furnishings departments, at least half of the stores paid the salespeople in these departments on a basis in which earnings varied directly with net sales.
>
> The house furnishings departments offered the least satisfactory comparison among stores because the departments

were so different in organization and combination of merchandise handled that different forms of wage-payment plans would be necessary to fit the individual situation.[1]

The Interview Schedule

In drawing up the interview schedule an effort was made to obtain a copy of the questionnaire used by the Management Division of the National Retail Dry Goods Association in its 1938 study.[2] Correspondence with the assistant manager of this division of the National Association revealed that a copy of the questionnaire was not in the association files nor could any suggestions be made as to where one could be obtained.[3] As a result the schedule was drawn up in line with the purposes of the study.

In its final form, the schedule provided for recording data concerning the following points:

1. Organization of each of the four departments as to the relationship with other departments and as to the internal breakdown.
2. Use of basic wage payment plans.
   a. By departments.
   b. By selling units within departments.
3. Changes in basic wage payment plans made during the

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1. Bezanson and Hussey, op. cit., pp. 2-3.

2. Management Division, Trends in Compensating Salespeople, National Retail Dry Goods Association, New York, N. Y., 1938.

3. Letter to the author from Estelle Karpf, Assistant Manager, Personnel Group, National Retail Dry Goods Association, New York, N. Y., July 1, 1949.

four-year period, 1946-1950, by departments and selling units within the departments.

4. Changes in basic wage payment plans being contemplated by departments and selling units within the departments.

5. Use of cash rewards other than basic payment plan.

   a. Extent of use of P.M.'s or stims by departments.

   b. Reasons advanced by management for using P.M.'s or stims.

   c. Management's preference between stims and mark-downs.

6. Management's opinion of present wage payment plans in the four departments and recommendations for changes, if any.

7. Employee benefits offered.

   a. Hospitalization.

   b. Group insurance.

      1. Contributory.

      2. Non-contributory.

   c. Paid vacations.

   d. Employee discounts.

   e. Recreation facilities.

   f. Paid sick leave.

   g. Pension plan.

   h. Employee magazines.

8. Administration of basic wage payment plans.

   a. Straight salary.

   b. Salary plus commission on all sales.

c. Quota-bonus.

d. Straight commission (Drawing Account).

The check lists used for the various items in the schedule are based upon recommendations made by Robinson[1] and supplemented with data from the Retail Personnel Primer.[2]

The schedule was validated by interviewing four managers of department or departmentized specialty stores. Each was asked if, in his opinion, the schedule covered the data necessary to fit the purpose of the study. There were several minor changes suggested by management. The schedule was revised along the suggested lines and mimeographed. A copy of the interview schedule is included in the Appendix.

Arranging and Conducting the Interview

Preliminary to the personal interview with the individual store managers, a letter bearing the signature of the head of the Business Education Department of the Woman's College, was sent to each manager of the selected stores. A copy of this letter is found in the Appendix.

To encourage an early response, a self-addressed stamped envelope and a check sheet for indicating the manager's willingness to grant an interview were enclosed.

The letter stated the nature of the contemplated study and the name of the individual who would conduct the interview. Each store

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1. O. Preston Robinson, Retail Personnel Problems, Prentice-Hall, Inc., New York, N. Y., 1940. pp. 193-233.

2. Bureau of Smaller Stores, The Retail Personnel Primer, National Retail Dry Goods Association, New York, N. Y., 1940. pp. 87-102.

was assured that the data given during the interview would be treated in such a manner that the data contributed could not be identified with any particular store. The letter further stated that an abstract summary of the findings would be furnished each of the cooperating stores if the manager so desired. Each manager was requested to indicate on the enclosed check sheet, the store's interest and willingness to cooperate and whether the particular store would be interested in receiving a summary of the findings. The completed blank bearing the manager's signature or the name of the person designated by him to give the necessary data, was to be mailed directly to the individual conducting the study.

The managers of sixteen of the eighteen selected stores returned the check sheets within a period of ten days. All sixteen of these signified the store's willingness to cooperate. A personal visit to the two managers who failed to return the completed blanks resulted in securing their approval and cooperation.

No set time was arranged for interviewing the various managers. A personal call at each store was made and in the majority of cases the managers readily granted the time necessary for the interview on the first call. In a few instances it was necessary to make a second visit in order to get the information.

Most of the interviews were held during the morning hours when customer traffic was generally not at a peak. During the first few minutes of the interview, the manager or a person designated by the manager, was briefed on the nature and objectives of the study. In every case the person being interviewed was assured that all information given would not be identified with the particular store.

Through the use of the schedule, the answers to the data sought were recorded. The schedule was so constructed that most of the information given could be recorded by a simple check. The average interview required approximately one hour.

Treatment of the Data

A separate work sheet was used for each major item on the interview schedule. The stores were designated by a number and each work sheet provided for tabulating the data for each store separately and consecutively.

Data concerning the basic wage payment plans were summarized on a six-column worksheet providing space for the store numbers, the names of the four departments, and comments. Space was provided under each of the four departments for writing in the basic wage payment plan used.

The data relative to changes in basic wage payment plans during the 1946-1950 period were recorded in a five-column worksheet. These columns were made up of the numbers of the stores, the names of the four departments with a "yes" or "no" sub-column construction under the heading of each department.

The nature of any changes in the basic wage payment plans were recorded in a five-column worksheet. A worksheet similar to the one described in the preceding paragraph was used. Any changes made were written in the spaces provided under the proper department.

A six-column worksheet was used for summarizing the manager's approval of the wage payment plan in use and the nature of change contemplated. In addition to a column for the store numbers and a column

for the four departments, a sixth column provided for summarizing comments.

In recording the extent of the use of P.M.'s or stims in the various stores a five-column worksheet was constructed. The first column contained the assigned numbers of the stores and the second, third, fourth, and fifth columns were headed by the names of the four departments. A two-column sub-division was made under each department headed by the words "Yes" and "No." The replies to the question on the use of P.M.'s or stims in the four departments were checked under the "Yes" and "No" columns.

In order to summarize the principal reasons for using P.M.'s or stims in the departments which were using these extra cash rewards, a worksheet with seven columns was used. The first column contained the assigned numbers of the stores. The second, third, fourth, fifth, and sixth columns were headed by the reasons usually advanced by stores for using these extra cash rewards. The seventh column was headed "Prefer Mark-Downs." All managers were asked if they preferred mark-downs to P.M.'s or stims. This information was recorded in the seventh column mentioned above.

The worksheet for tabulating the information on employee benefits offered by the various stores consisted of eight different parts. Separate column divisions were provided for each of the benefits included on the schedule. These benefits are hospitalization insurance, group insurance, paid vacations, employee discounts, recreation facilities, paid sick leave, pension plans, and employee magazines.

The column for hospitalization was a simple "yes" or "no" check. The column for group insurance contained space to record whether or not

the plan of insurance was contributory. The "Paid Vacations" column contained space for recording whether or not the store gave paid vacations, how long the salesperson had to work before becoming eligible for a paid vacation, and the maximum paid vacation offered by the various stores.

The "Employee Discounts" column contained information on regular and part time selling personnel. Space was provided for recording how long each group had to work before becoming eligible for employee discounts, the rate of the discount for each group and the variations in the discount rate by merchandise or departments.

Recreation facilities offered by the stores in the study were simply recorded under a single column headed "Recreation Facilities."

Paid sick leave policies of the stores were recorded in a column headed "Sick Leave Policy." Space was provided for checking whether or not the store had a policy regarding paid sick-leave, term of employment before being eligible for sick leave, and information pertinent to such leave policies.

One worksheet was devoted to pension and profit-sharing plans. The tabulations consisted of "yes" or "no" checks under the two headings. No effort was made to find out the details of any of the pension plans or profit-sharing plans of any of the stores. The purpose of this phase of the study was to determine whether or not the stores included in the study had a stated pension plan or a profit-sharing plan.

The publication of employee magazines or house organs was considered in this study as a form of employee benefits. A simple "yes" or "no" check under the heading "Employees Magazine" was used to record the information.

A part of the schedule was a sheet devoted to questions pertaining to the administration of each of the basic plans in use. If the particular department or departments operated under a straight salary method, the questions asked pertained only to the administration of this particular method. The same procedure was carried out for each of the basic plans found to be in use in the departments included in the study.

The worksheet on the administration of the various salary methods was drawn up by listing the questions from the schedule sheet and transferring the information about the different salary methods to the specific table.

Other Studies

As has been stated earlier in this report a search of the literature revealed only two studies dealing with the problem of wage payment plans in the retailing field.

Bezanson and Hussey,[1] in 1928-29, made a comprehensive survey of wage methods and selling costs. This study of sales clerks' compensation was undertaken at the request of the Store Managers' Division of the National Retail Dry Goods Association.

In this study, the hosiery, women's ready-to-wear, men's clothing, and house furnishings departments, were selected and the records of these departments were examined and analyzed. The records included the earnings of sales clerks, the volume of individual sales, the

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1. Bezanson and Hussey, loc. cit.

selling costs, the number of customers served, and the amount of goods returned after they were once purchased.

Table I shows in summary form, the number and percentage of stores using the various wage payment plans.

TABLE I

NUMBER AND PERCENTAGE OF STORES USING
VARIOUS WAGE PAYMENT PLANS
(BEZANSON AND HUSSEY 1928)

Method of Payment	Number of Stores	Percentage
Straight Salary	60	41
Salary Plus Commission	43	30
Quota-bonus	22	15
Straight Commission	5	4
Special Plan	9	6
Two or More Plans	6	4
All Methods	145	100

The study attempted to determine the merits of four basic wage payment plans through an analysis of earnings and output in similar departments in a selected group of representative stores. This study attempted to determine to what extent the problems of payment are peculiar to each local situation and the extent of the similar problems growing out of like merchandising problems in the representative stores. The study covered a one-year period. The conclusion reached in regard to the success of various wage systems was that a study

should be pursued over a longer period. This period, according to the recommendations should go through the "valleys" and "hills" of a business cycle.

Bezanson and Hussey found from the data obtained from a questionnaire sent to members of the National Retail Dry Goods Association by the Store Managers' Division that from a total of 145 stores, 60 stores were using the straight salary plan of payment. Stores using the salary plus commission on all sales numbered 43. The quota-bonus method was used in 22 stores. The straight commission plan was used by 5. Special plans which could not be classified under any of the basic plans were used in 9 stores. Combinations of two or more plans were found to be in use in 6 stores.

The study revealed that very few of the so-called bonus systems had a lengthy background, even within the same store. Three-fourths of all quota-bonus methods reported were found to have been installed since 1921, a period of only eight years. None of these wage payment methods at this time had been subjected to the strains of a severe depression.

A great deal of difference in wage payment plans among the stores included in the study was noted. Earnings were found to fluctuate considerably within the year covered by the study. This was particularly apparent in the stores operating on a commission plan or a bonus plan.

The evidence of the study was not conclusive in showing the effect of wage payment upon turnover in a locality. There was a hint that the commission form of payment drew employees away from the straight salary stores in busy periods.

The study showed that there was a definite need for standardization in wage payment plans in the retailing field.

The Management Division[1] of the National Retail Dry Goods Association published the results of a study of compensation methods and rates in use among its member stores in 1938.

The study revealed that most stores fitted into one or another of the four basic wage payment plans. It also revealed that some stores were operating under a general combination of two or more of the basic wage payment plans and could not be classified as using any one method in the majority of departments.

A definite trend toward the elimination of the practice of carrying deficits forward to the next quota period when using the quota-bonus method was brought out by the study. The answers on the questionnaire indicated that an increasing number of stores started each period with a "clean slate" for the employee who was being compensated under the quota-bonus method.

According to this study, the straight salary plan was, in 1938, preferred among department and specialty stores. Table II shows the number and percentage using the various wage payment plans.

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1. Management Division, op. cit., p. 21.

2. Ibid., p. 202.

TABLE II

NUMBER AND PERCENTAGE OF STORES USING
THE VARIOUS WAGE PAYMENT PLANS
(NRDGA 1938)

Method of Payment	Number of Stores	Percentage
Straight Salary	115	45
Salary Plus Commission	88	35
Quota-Bonus	31	12
Straight Commission	13	5
Combination	7	3
All Methods	254	100

Table III shows a comparison of the findings of the 1928 study in the use of the basic wage payment plans in retailing. While these two studies did not cover the same stores there would appear to be a marked change in the use of the basic wage payment methods from 1928 to 1938.

An inspection of the table shows an increase of 4 per cent in the use of the straight salary method. A very marked increase in the use of the quota-bonus method is revealed. This particular method showed an increase in its usage of 20 per cent. The salary plus commission method was apparently less in favor in the 1938 study as the table shows a decrease in its usage of 18 per cent.

The straight commission method of wage payment showed a slight increase of 1 per cent in usage.

The tendency to combine wage payment methods showsa decrease of 7 per cent.

TABLE III

A COMPARISON SHOWING THE PERCENTAGE OF INCREASE OR DECREASE IN THE USE OF THE BASIC WAGE PAYMENT PLANS BETWEEN THE 1928 STUDY AND THE 1938 STUDY

Method of Payment	Percentage of Stores Using in 1928 Study	Percentage of Stores Using in 1938 Study	Percentage Increase (+) or Decrease (-)
Straight Salary	41	45	+ 4
Salary Plus Commission	30	12	-18
Quota-bonus	15	35	+20
Straight Commission	4	5	+ 1
Combination	10	3	- 7

Definition of Terms

Unless indicated otherwise by the footnote references, the definitions of terms used are quotations from Wingate.[1] Terms are arranged alphabetically for easy reference.

Bonus. A special amount in addition to salary and commission paid as a reward for special or extraordinary effort or service.

Cafeteria. A self-service restaurant for employees where wholesome food is served at approximate cost.

Christmas Bonus. A special distribution, usually of money, made

1. John W. Wingate, Manual of Retail Terms, Prentice-Hall, Inc., New York, N. Y. 1931.

by a firm to its employees at Christmas time. A Christmas bonus may be either a flat sum arbitrarily determined by the management, or it may be a production or service bonus.

Commission. A method of compensation, where payment bears a fixed percentage relationship to sales.

Compensation of Salespersons. One of the subfunctional classifications of expense. It is subdivision of Selling Expense. It includes only salaries, wages, commission, bonuses, premiums, and suppers of salespeople.

Coworker. A synonym for employee, used by some stores to make employees have a greater respect for their jobs and greater loyalty toward the store.

Deficits.[1] The amount of dollar sales that the salesperson fails to make in order to earn the drawing account.

Department. A subdivision of one of the major divisions of a store. These are classified as selling and non-selling departments.

Department Store. A retail shopping institution organized into a number of selling divisions with consolidated ownership and management of many lines of merchandise in a single location. While convenience and specialty goods are carried, shopping goods are of chief importance, for the term is seldom applied to a departmentized store handling convenience goods. A distinction is often made between department store and departmentized specialty store. The latter generally does not carry the variety of lines found in the former.

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1. Bureau of Smaller Stores, op. cit., p. 99.

Departmentizing. The classification of goods into departments, a share of the total expenses being charged against the gross profits of each.

Departmentized Specialty Store. A store handling a limited line of related goods, but having an elaborate departmental organization such as that of department stores. The line consists often of women's ready-to-wear and accessories and sometimes of home furnishings. It is thus a cross between a unit or specialty store and a department store. Its methods of operation and problems are very similar to those of department stores.

Drawing Account. A fixed amount paid regularly as an advanced draft against commission.

Employee Benefits.[1] All activities which management undertake for the general welfare of employees. Such activities come under the heading of health services, recreational activities, benefit and insurance plans, savings and loan plans, and group relations.

Employee Discount. Discount on the retail price of goods granted to employees (and usually their dependents) as a form of additional compensation. The purpose in granting these discounts is to preserve good will and to induce employees to make a good appearance before customers.

Employee's Handbook. A small book given each employee, containing store rules and regulations and general information to assist the new worker in becoming acquainted with his new environment.

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1. Ibid., p. 132.

Employee's Magazine or House Organ.[1] A daily, weekly, or monthly bulletin, paper, or magazine published by the employees or management to give current events and news of interest within the store organization.

Extra Employee. Any employee who reports for duty one or a few days a week, or by call only, in contrast to a regular employee who reports every day.

Federal Reserve Board, Division of Research and Statistics, Washington, D. C. The Board publishes monthly indices of sales and stocks for different kinds of store organizations. For some of the Federal Reserve Districts, indices are compiled for individual departments in department stores.

Group Insurance. Insurance on life, health, or accident through one general contract covering all or a large number of the store force, paid for either by the company entirely, by the employees entirely, or by both according to some cooperative arrangement.

House Furnishings. All articles used in outfitting the home rather than the person. This is a major classification of goods entering into retail trade and sold by department and specialty stores.

Leased Department. A merchandise or service department in a store that has been rented for a period of years to outside management.

Mark-down. A reduction in the price of merchandise.

Mark-up. The difference between cost and selling price of merchandise.

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1. Ibid., p. 145.

National Retail Dry Goods Association, 225 West 34th Street, New York, N. Y. A voluntary, non-profit organization incorporated under the laws of New York State and consisting of some 3,000 retail dry goods and department stores throughout the United States. It is representative of the retail dry goods and department store trade in that it includes member stores with annual sales volumes from $30,000 a year up to $100,000,000, with an aggregate volume of approximately four billion dollars a year, an aggregate working force of about 500,000 people. Member stores are distinct and separately owned enterprises over which the N.R.D.G.A. exercises no power of coercion or control. The N.R.D.G.A. does not import or purchase merchandise for its members or in any way dictate, suggest, or exchange prices. It is simply a medium for aiding in the development of better distributive methods, and for the fostering of the retail dry goods craft.

The association maintains a permanent organization in New York with managing officials and the following bureaus in addition to the associate group bureaus: Research and Information, Trade Relations, Costume Art, Insurance, Better Fabrics Testing Bureau, Bulletin and Publicity. The association issues a monthly publication called The Bulletin. It has the following Associate Groups with a manager for each:

Merchandise Managers' Group

Store Managers' Group

Sales Promotion Division

Controllers' Congress

Traffic Group

Retail Delivery Association

Personnel Group

Import Managers' Group

These Associate Groups hold annual conventions and the association as a whole holds a convention every January.

Net Sales. Gross sales less any merchandise returns.

Non-Selling Department. Any department of a store engaged in work other than the direct selling of merchandise.

Payment Plans. Various methods of compensating employees for their services.

Pension. A stated retirement given for life to employees of long service with no requirement of present service to be rendered. The chief advantages of a pension plan are that it smooths the way for retirement and gives employees an approximate idea of how much income they may expect to receive after retirement.

Personnel Department. A department or group of departments performing the personnel work of the store, and reporting to the store manager.

Personnel Director. An executive in charge of the personnel department.

Personnel Record. A card or folder kept in the employment office on which is accumulated all information which it is desired to keep for each individual production and service to the organization.

Profit Sharing. A plan which permits an employee to participate in the earnings of a firm other than by his salary. It is often done through granting him the privilege of earning or purchasing a portion of the organization's stock.

P.M.'s or Stims. Abbreviation for Premium Money. It is a special amount of money which a store agrees to pay a salesman in addition to all other payments in return for having sold some particular piece of merchandise, usually that which has been long in stock.

Quota. A proportion assigned. The term is used most often in connection with sales to denote a volume figure that a store, a department, or a salesperson is expected to reach.

Quota Bonus. A bonus or commission paid for production or sales over a quota. It is technically not a bonus but a commission, because it is figured as a percentage of excess sales, rather than on some other basis.

Ready-to-Wear. Women's outer apparel ready to be worn at the time of sale. This is a major classification of goods entering into retail trade and sold by department and specialty stores.

Recreation Section of Welfare Department. One of the main divisions of welfare work that includes the supervision of recreation rooms, store library, store camp, outings, entertainments, dances, gymnasium, store clubs, and similar activities. It also assists in developing a pleasant environment on the job. It may supervise the publication of the house organ.

Rest Rooms. A broad term embracing lounging rooms, silence room, smoking rooms, dance hall, and roof garden for employees.

Retail Store. A distributing rather than a producing establishment selling goods directly to the consumer.

Retail Trade. Sales of all types of retailers and retail stores.

Salary. A remuneration received at regular intervals, usually every week of month.

Salary Plus Commission on All Net Sales.[1] Similar in effect to the straight salary method is the payment of the principal part of the salesperson's compensation in the form of a definite salary, and in addition the payment of a small percentage, usually one-half of one per cent or one per cent, on all net sales. Under this plan, the major part of the employee's income is based on what experience in a given department has proved to be minimum average production. The purpose of the percentage paid on all sales is of course to provide an incentive to the salesperson to sell more merchandise, keep down her returns, and increase her earnings. The range in salaries is determined for the most part by the past sales production record of individuals.

Sears, Roebuck & Company and Montgomery Ward & Company,[2] are general mail-order sellers. They operate both over-the-counter and mail order stores.

Seasonal Merchandise. Goods for which there is a recurring, seasonal demand rather than a regular demand throughout the year.

Selling Costs (Selling Expense). One of the five functional classifications of expense. It includes items having to do with direct selling, general selling, and delivery.

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1. Bureau of Smaller Stores, op. cit., p. 93.

2. Malcolm P. McNair, Charles I. Gragg, and Stanley F. Teele, op. cit., p. 7.

Selling Department. One of a number of subdivisions of the merchandise division of a store, that is engaged in the direct selling of merchandise.

Selling Personnel. Store employees who come in direct contact with the customer and actually sell the merchandise.

Slow-Selling Merchandise. Goods that have not sold as rapidly as experience indicates that type of merchandise should. In a technical sense, the term refers to goods that have been on hand over a set length of time and that should be cleared from stock by means of special efforts.

Special Sale. A selling event featuring merchandise at a special price. It may be a whole store, a floor, or a departmental event.

Store Library. A friendly, homey, well-lighted room for employees' use, containing books of fiction, periodicals, writing tables, and paper. Leading stores provide one or more copies of the better works on retailing subjects and on textiles and non-textiles.

Store Manager. Head of the store management division, one of the main divisions of a store. In a small store or chain unit, the term Store Manager refers to the manager of all functions of the store, not merely of service and operation.

Straight Commission (With or without a drawing account). Straight commission is the payment of a fixed part of each sales dollar to the salesperson as salary, and depends directly upon sales

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1. Bureau of Smaller Stores, loc. cit..

productivity for the employee's earnings. The planned selling cost for the individual department determines the rate of commission paid to the salesperson on all net sales. This plan is usually operated in conjunction with a drawing account--that is, a weekly advance to the employee--which is balanced against the amount of commissions earned during a given period, so that the employee receives later the difference between his total commissions and the amount which has been advanced to him.

Straight Salary.[1] The straight salary system of payment provides for a definite wage which is predicated upon the general performance of the salesperson and is not entirely dependent on her sales production.

Volume. A synonym for gross or net sales of a specified period, generally one year.

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1. The Retail Personnel Primer, op. cit., p. 92.

CHAPTER II

FINDINGS AND INTERPRETATIONS

All eighteen stores which were originally approached regarding participation in the study, enthusiastically provided the information sought.

In all of the participating stores the four departments; namely, hosiery, ladies' ready-to-wear, men's furnishings, and house furnishings, are organized as separate and distinct departments. In approximately 90 per cent of the cases the main departments are subdivided into selling units. In the ladies' ready-to-wear departments for instance, it is common practice to divide this major department into such selling units within the department as women's and misses' coats and suits, women's and misses' dresses, and women's and misses' ready-to-wear accessories such as neckwear and scarfs, handkerchiefs, underwear, slips, and negligees. Handbags and small leather goods are also classified as a selling unit of the ready-to-wear departments.

The fact that in the majority of the stores the four departments included in this study were divided into selling units had no effect on the basic wage payment plans in use in the stores. The interviews showed that the same basic wage plan set up for a department as a whole prevailed throughout the selling units within a department. An exception to this practice was found in only one store. The basic wage payment plan prevailing throughout this store was the straight salary plan but in the ladies' ready-to-wear department, a number of

the older salespeople were working on a straight commission basis without a drawing account. It was brought out during this particular interview that the individual salespeople on the straight commission plan in this department had succeeded in building up a customer following and at their own request were placed on a straight commission basis. The store manager in this instance, stated that the difference in wage payment plan in the department had not created any particular problems from the standpoint of administration or employee morale within the department.

Wage Payment Plans in Use

Table IV shows the basic wage payment plans in use in each of the four departments of the selected stores.

TABLE IV

BASIC WAGE PAYMENT PLANS USED IN FOUR DEPARTMENTS

Plan	Number of Stores			
	Hosiery	Ladies' Ready-to-Wear	Men's Furnishings	House Furnishings
Straight Salary	5	5	6[a]	5
Salary Plus Commission on All Sales (Net)	1	1	1	1
Quota-Bonus	1	1	1	1
Straight Commission With Drawing Account	11	11	10[b]	11
All Stores	18	18	18	18

a. Men's furnishings department of one store which uses straight commission with a drawing account in other three departments.

b. One store using the straight commission with drawing account in three departments uses the straight salary method in men's furnishings.

An inspection of Table ing on a straight commission basis on the straight salary method was brought out during this particular One store which uses commissic alespeople on the straight commission four departments uses the stra ceeded in building up a customer fol- ings department. The one stor t were placed on a straight commission all net sales uses this same p his instance, stated that the difference of the one store using the quc partment had not created any particular use the straight commission me f administration or employee morale conjunction with a drawing acc commission plan with a "draw" sixth store which uses the str ings department. With this or uniform in regard to the basic studied.

ment Plans in Use

sic wage payment plans in use in each of elected stores.

ABLE IV

ANS USED IN FOUR DEPARTMENTS

	Number of Stores		
	Ladies' Ready-to-Wear	Men's Furnishings	House Furnishings
	5	6[a]	5
	1	1	1
	1	1	1
	11	10[b]	11
	18	18	18

Straight Commission

The administrative p ol mission plan of wage payment w uniformity in regard to store shows that all stores using th The term "deficits" means the person fails to make in order ods over which deficits are al one month to one year. Two st a period of one month. At the celled by management and the s

ent of one store which uses straight com- count in other three departments.

ght commission with drawing account in three ight salary method in men's furnishings.

An inspection of Table IV shows that five of the stores operate on the straight salary method of wage payment plan in all departments. One store which uses commission with a drawing account in three of the four departments uses the straight salary method in the men's furnishings department. The one store using the salary plus commission on all net sales uses this same plan in all departments. The same is true of the one store using the quota-bonus method. Eleven of the group use the straight commission method of wage payment plan operated in conjunction with a drawing account. One store which uses the straight commission plan with a "draw" in three of the four departments, is the sixth store which uses the straight salary plan in the men's furnishings department. With this one exception, practice within stores is uniform in regard to the basic wage payment plan for all departments studied.

Straight Commission Plan with a Drawing Account

The administrative policies of stores using the straight commission plan of wage payment with a drawing account show a lack of uniformity in regard to store policy concerning deficits. This study shows that all stores using this plan allow deficits to accumulate. The term "deficits" means the amount of dollar sales that the salesperson fails to make in order to earn the drawing account. The periods over which deficits are allowed to accumulate show a range from one month to one year. Two stores allow deficits to accumulate over a period of one month. At the end of this time the deficits are cancelled by management and the salesperson starts the next month with a

clean record. Four stores allow deficits to accumulate over a three-month or quarterly period. The same procedure as mentioned above is followed at the end of this period. Two of the stores have a six-months deficit period. At the end of six months management cancels deficits and a new sales record is begun. The practice in three stores is to allow deficits to accumulate for a year before being cancelled by management.

All stores in which the straight commission plan with a drawing account is the basic plan, hold regular salary reviews. They also provide further training for salespeople who accumulate deficits. Interdepartmental transfers are made by all stores before finally terminating the employee for failure to earn the drawing account.

In the instances in which stores operate under the straight commission plan of wage payment used in conjunction with a drawing account, the term "drawing account" means a stipulated amount of money which the salesperson receives each pay period regardless of the amount of merchandise sold. This stipulated amount of pay is known in the retailing field as a "draw." The "draw" represents a percentage of expected earnings. This "draw" is adjusted periodically with actual sales volume and earnings. This periodic adjustment may be monthly, quarterly or semi-annually. According to Robinson,[1] it is common practice in department stores to have the straight commission plan of wage payment operate in conjunction with a drawing account.

The following tabulations show the advantages and disadvantages

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1. O. Preston Robinson, Retail Personnel Relations, Prentice-Hall, Inc., New York, N. Y., 1940. p. 214.

of the straight commission plan operated in conjunction with a drawing account. This listing is from the Retail Personnel Primer.[1]

ADVANTAGES	DISADVANTAGES
1. Easy to understand, employees can readily compute their earnings.	1. Great pressure on the employee through basic insecurity of income.
2. Minimum regular income insured by drawing account.	2. Likely to lose force as an incentive during dull periods when the salesperson is unable to earn drawing account and faces a steadily increasing deficit for a long period.
3. Effective incentive, since individual income depends directly on sales production.	3. Has been found not conducive, on the whole, to good morale and sound employee relations.
4. Service is speeded through quicker customer approach.	4. Customer service is likely to suffer through sales-grabbing, high pressure salesmanship, etc.
5. Direct selling cost remains constant regardless of fluctuations in sales volume.	5. Makes for internal operating difficulties, including tendency to neglect stock work and other non-selling activities, reluctance of salespeople to be transferred to departments with low commission rates or small sales, and poor reception of new sales clerks.
6. Excess salespeople are eliminated through desire of others to earn commissions.	

According to the 1938 study of the National Retail Dry Goods Association,[2] good administration can operate to eliminate many of the disadvantages of the straight commission plan with a drawing account. This is particularly true in cases where earnings are high and a satisfactory standard of customer service can be maintained.

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1. Bureau of Smaller Stores, The Retail Personnel Primer, National Retail Dry Goods Association, New York, N. Y., 1940. p. 99.

2. Management Division, Trends in Compensating Salespeople, National Retail Dry Goods Association, New York, N. Y., 1938. p. 15.

Straight Salary Method

In the administration of the straight salary method of wage payment, four of the five stores operating under this plan hold salary reviews at regular intervals. One of the four stores holds these reviews every three months. Three stores hold reviews semi-annually. In the other store, the salary reviews are spasmodic. Three stores in the group set a sales quota for the individual salesperson.

According to the Retail Personnel Primer,[1] the straight salary method of payment for employees is recommended for the smaller stores. In the same reference[2] is found the recommendation that an essential to the operation of the straight salary plan is the holding of salary reviews at regular intervals, usually once or twice a year for the purpose of adjusting salaries upward or downward in accord with the salesperson's record of performance.

The following advantages and disadvantages of the straight salary method of compensating salespeople are listed in The Retail Personnel Primer.[3]

ADVANTAGES	DISADVANTAGES
1. Easiest plan for the employee to understand.	1. Absence of automatic adjustment of salary to sales makes for inflexibility and less direct control of selling cost.
2. Provides definite income for employees, enabling them to budget their personal needs.	

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1. Bureau of Smaller Stores, op. cit., pp. 92-93.

2. Ibid., p. 92.

3. Ibid., p. 93.

3. Is the fairest system; the employee is not penalized for time spent in non-selling activities, or for management's fallibility in setting of quotas or commission rate.

4. Improves morale by eliminating economic pressure imposed by any incentive system.

5. By rewarding the employee for other efforts in addition to sales, it makes for better customer service.

6. Training is easier since employees do not resent time spent away from the floor.

7. Easier to transfer employees from one department to another.

8. Requires the simplest bookkeeping of any wage payment method.

2. No direct stimulus to increase sales.

3. Frequent personnel or salary reviews are necessary to insure reward for individual effort.

4. Difficulty of making decreases in the basic wage when individual performance warrants it.

The National Retail Dry Goods Association in its publication by the Management Division[1] recommends that careful reviews at definite intervals of the service and selling job done by the salesperson, and the recognition of both good and poor performance through salary adjustments, are necessary steps in the use of the straight salary plan. According to this same source, the recognition of individual effort and maintenance of high selling and service standards are dependent on good administration under the straight salary method of wage payment.

The Quota-Bonus Method

The one store which uses the quota-bonus method of compensating employees has a standard procedure for setting the quotas. The quotas

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1. Management Division, op. cit., p. 7.

set are based on the past five years' selling records for the departments. The employees of the different departments are given a quota each three-month period. Seasonal fluctuations in selling such as the Christmas period are taken into consideration in the breakdown of the yearly quota into quarterly periods. It is the policy of the store to charge the amount of any unmade quota during a three-month period to the next period. This practice continues over an annual period. At the end of this annual period or fiscal year, management cancels all unmade quotas and the salesperson starts with a clean record.

According to Bezanson and Hussey[1] it is customary in stores using the quota-bonus method, to pay the bonus for sales-over-quota at a lower rate than the rate used to set the quota.

In the one instance where the quota-bonus method is used, the salespeople are guaranteed a weekly wage and in addition receive a bonus for sales over and above a dollar sales quota. The plan is difficult to describe in general terms. Its use is dependent upon careful analysis of past performance.

Duncan and Phillips[2] point out that there are three steps involved in putting the quota-bonus plan into operation.

First, a quota must be determined. This quota is usually established on the basis of past sales records. To illustrate--if the records

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1. Bezanson and Hussey, Wage Methods and Selling Costs, University of Pennsylvania Press, Philadelphia, Pa., 1930. p. 10.

2. Delbert J. Duncan and Charles F. Phillips, Retailing Principles and Methods, Richard D. Irvin, Inc., Chicago, Illinois, 1947. p. 536.

indicate that weekly sales have averaged about $400 per salesperson, this figure may be taken as a quota.

Second, a basic salary must be established. As in setting the quota, the basic salary is usually determined on the basis of the wage-cost ratio. If this ratio, for instance, has averaged about 5 per cent, the basic salary will be established as 5 per cent of the quota.

Third, a decision must be made in regard to the percentage rate to be paid in excess of quota. In practice there seems to be a tendency to set this percentage rate considerably below the wage-cost ratio.

The store using the quota-bonus method discussed above uses the same percentage rate for sales over quota as the percentage rate set for making the quota.

The policy in this store is to pay the bonuses every three months. However, the full amount due is not paid in full. Seventy-five per cent of the bonuses earned during the three-month period is paid at the end of the period. According to management, this is a protective measure for the store. The remaining twenty-five per cent is held in reserve to apply to any unmade quota which a salesperson may accumulate in the next three-month period. This practice of holding twenty-five per cent of earned bonus continues through three-fourths of the store's fiscal period. All earned bonuses plus bonuses held in reserve are paid in full at the end of the fourth period or fiscal year.

In the Retail Personnel Primer,[1] it is pointed out that the department selling percentage, on which the quota is based, generally is

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1. Bureau of Smaller Stores, op. cit., pp. 95-97.

established by averaging the selling cost experience of the past five years for the particular department; in some cases shorter periods are used in fixing this figure. The anticipated selling cost percentage, or a slightly lower percentage designed to allow some leeway for such things as unidentifiable returns, is then used in conjunction with the employee's salary to establish the amount of sales which must be made to keep within a planned selling cost. For sales above this amount the salesperson is paid a bonus--usually at a lower rate than that used to determine the quota.

The Retail Personnel Primer[1] further points out that the predominant practice in setting quotas is to break down the quota by months in accordance with the percentage of the department's yearly volume expected in each month. A typical method of doing this is to take the average of three or five years sales of the regular full-time salespeople in a department and find the ratio of monthly to yearly sales. Average selling cost is also arrived at from these figures and a basic, or planned, selling cost determined for the department. Planned selling cost may vary slightly from the average selling cost shown by past experience, depending upon management's expectations for the coming year.

Planned selling cost percentage, divided into the employee's annual salary, gives the annual quota, which is allocated by months in proportion to the percentage of the year's volume done in each month.

Quotas may be set on a weekly basis, or for periods of three months, four months, six months, or a year. Variation in the quota to

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1. Bureau of Smaller Stores, op. cit., pp. 95-97.

allow for fluctuating sales volume is an important factor in the effectiveness of the quota-bonus system; a quota period longer than three months is the exception to general practice.

Since, under this plan, the bonus paid depends upon sales above those required to earn the weekly salary, some stores carry deficits in the quota forward until they are wiped out by sales over quota for the succeeding period, or until cancelled by management at stated intervals after one, two, three or more quota periods have elapsed. However, there is now a definite trend towards the elimination of the practice of carrying deficits forward to the next quota period, and an increasing number of stores start each period with a clean slate for the employees. This is desirable, since carrying the deficit eliminates the incentive toward greater production which the plan should provide. The basic wage paid to the employee under the quota-bonus system is governed to a large extent by the success or failure of the employee in meeting the quota. Continued failure to meet a reasonable quota is often followed by a downward revision of the individual's fixed weekly salary and the quota, whereas sales greatly in excess of quota call for a higher fixed weekly salary and an increased quota.

The rate of bonus paid over quota varies widely. Some stores pay the same rate of bonus for sales over quota as the selling percentage on which the quota is based. For example in a department with a 6 per cent quota rate, 6 per cent is also the bonus rate. This is the favorable extreme for the employee. The unfavorable extreme provides payment of as little as 1 per cent.

The advantages and disadvantages of the quota-bonus method of wage payment are given in the following tabulation:[1]

ADVANTAGES

1. Provides a regular income for employees through guaranteed weekly wage, with opportunities for higher earnings during certain periods in proportion to net sales.

2. Effective incentive, offering a direct stimulus to increase earnings by exceeding the quota and earning bonuses even in dull months.

3. Provides definite goal for employee.

4. When bonuses are earned, tends to reduce selling cost, since the bonus rate is usually lower than the selling cost percentage.

5. Encourages quicker approach to the customer.

6. Tends to eliminate overmanning of departments.

DISADVANTAGES

1. Difficult to understand--accumulation of deficits in slow periods likely to be discouraging.

2. Extremely difficult to administer equitably, because of the number of factors which must enter into the establishment of the quota. Employees are penalized for any mistakes management makes in setting the quotas.

3. Necessity of reaching quota may develop ill-will if employees feel quota is high or pressure too great.

4. Service to customers is likely to suffer through high pressure salesmanship, sales-grabbing, and neglect of "lookers" of small sales customers.

5. Creates numerous operating difficulties, making it almost impossible to transfer people from one department to another without complicated adjustments, and precludes any inter-departmental selling.

6. Salespeople resent time taken for training or non-selling duties.

7. Complicated to administer, requiring considerable detail work in setting of quotas and figuring of bonuses.

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1. Bureau of Smaller Stores, op. cit., p. 98.

Salary Plus Commission On All Sales (Net)

The administrative policies in the one store where salary plus commission on all net sales is the basic wage plan show a uniform rate of one per cent being paid on all net sales. The term "net sales" means the amount of sales after deducting merchandise returns. Salary reviews are held every six months.

According to The Personnel Primer[1] the plan of salary plus commission on all net sales is similar in effect to the straight salary method in that the payment of the principal part of the salesperson's compensation is in the form of a definite salary with an additional payment of a small percentage on net sales.

Under this plan, the major part of the employee's income is based on what experience in a given department has proved to be minimum average production. The purpose of the percentage paid on all sales is, of course, to provide an incentive to the salesperson to sell more merchandise, keep down returns, and increase earnings. The range in salaries is determined for the most part by the past sales production records of individuals.

The percentage paid on all sales usually is a uniform rate in all departments, and therefore increases in the weekly wage are the principal means of salary adjustment as in straight salary. Occasionally, the percentage paid is higher in certain departments--such as ready-to-wear, men's clothing, and furniture--to provide more incentive and greater rewards for the more specialized selling skill required.

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1. Ibid., pp. 93-94.

The following advantages and disadvantages as listed in The Retail Personnel Primer[1] of the salary plus commission on net sales plan are tabulated below.

DISADVANTAGES

1. Easy to understand.

2. Provides a fixed income for the employee, plus additional earnings through commission without great seasonal fluctuation.

3. Fair method of compensation, permitting recognition of factors other than sales in the setting of the basic salary.

4. Provides an incentive to increase earnings by additional sales.

5. Automatic character of commission does not make for pressure and nervous strain of the quota or straight commission systems.

6. Tends to encourage quicker approach to the customer.

7. Involves few operating difficulties since commissions are uniform in all departments. Because of desire of salespeople to earn commission, tends to reduce over-manning of departments.

8. Comparatively simple to administer.

DISADVANTAGES

1. Sets no goal for the employee; the poor as well as the good salesperson is rewarded, and therefore adequate recognition of individual differences can be provided only by adjustment of the basic wage as in straight salary.

2. Not always equitable, since selling opportunity is not always equal, due to location, inexpensive merchandise, heavy transactions with low average sales, and similar circumstances. Employees in low sales department may be underpaid; those in high sales, overpaid. Also employees in "Christmas" departments can profit unduly because of seasonal volume.

3. Adds to department selling cost percentages which means that either (1) lower base salaries are offered, placing the store at a disadvantage in the competitive labor market; or (2) if competitive salaries are met, management must provide supervision adequate to insure performance which will keep selling cost in line, as in straight salary.

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1. Ibid., p. 94.

Changes in Basic Wage Payment Plans over the Four-Year Period 1946-1950

Three stores have made changes in the basic wage payment plans during the four-year period 1946-1950. The changes made did not affect all four departments except in one instance. One store made a change from the straight salary method to straight commission with a drawing account. This change affected all departments.

One store which had been operating on straight commission with a drawing account made a change in the method of wage payment in the ladies' ready-to-wear department. The change was to the straight salary method but only in the one department.

The third change in basic wage payment plan took place in the hosiery department. The store had been operating on straight commission with a drawing account. The change made was from this method to salary plus commission on all net sales. The only department affected was hosiery.

Contemplated Changes in the Basic Wage Payment Plans

Very few changes in basic methods of wage payment are being contemplated by the stores included in the study. Two stores are planning to make a change in compensation plans which will affect all departments. At the time of the interviews these two stores were operating on the straight salary method of wage payment. The contemplated change in both instances is from straight salary to straight commission with a drawing account.

The only other contemplated change is one that will affect one department in one store. At the time of the interview the store was operating under straight commission with a drawing account throughout the store except in the men's furnishings department. The change being contemplated is from straight salary in this department to the wage payment method prevailing throughout the store--straight commission with a drawing account.

After the contemplated changes are made the wage payment plans in the four departments of the eighteen stores will be distributed as shown in Table V.

TABLE V

DISTRIBUTION OF BASIC WAGE PAYMENT PLANS IN FOUR DEPARTMENTS AFTER CONTEMPLATED CHANGES ARE MADE

Plan	Number of Stores			
	Hosiery	Ladies' Ready-to-Wear	Men's Furnishings	House Furnishings
Straight Salary	3	3	3	3
Salary Plus Commission on all Sales (Net)	1	1	1	1
Quota-Bonus	1	1	1	1
Straight Commission with Drawing Account	13	13	13	13
All Stores	18	18	18	18

A comparison between Table V and Table IV shows that the number of stores using the straight salary method will be reduced from five to three in all departments, except the men's furnishings. In the men's furnishings department which shows six stores operating on straight salary in Table IV, this number is reduced to three, as one store using the straight salary method in this department at the time of the interview is contemplating changing to commission with a drawing account, which is the method prevailing in the other three departments.

The number of stores using straight commission with drawing accounts will be increased from eleven to thirteen in three departments and from ten in the men's furnishings department to thirteen.

Use of P.M.'s or Stims

The following tabulation shows the extent to which "special task" incentives are used by the stores included in the study. These "special task" incentives are commonly known in the trade as "P.M.'s" or "stims." The letters "P" and "M" mean pin or prize money. The two terms "P.M.'s" and "stims" are synonymous. Both mean stimulators.[1] The following tabulation shows the number of stores using "P.M.'s" and the extent of use by departments.

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1. O. Preston Robinson, Retail Personnel Problems, Prentice-Hall, Inc., New York, N. Y., 1940. p. 225.

Total Stores Using P.M.'s or Stims	5
All Four Departments	3
Men's Furnishings Only	1
Hosiery Only	0
Ladies' Ready-to-Wear Only	0
Ladies' Ready-to-Wear and Men's Furnishings	1
House Furnishings Only	0

Three stores use P.M.'s or stims in all four departments. One store uses these special task incentives in the men's furnishings department only, and one store uses them in the ladies' ready-to-wear and in the men's furnishings departments. Thirteen stores or 72 per cent of the group included in the study do not make use of P.M.'s or stims in any of the four departments.

The principal reasons advanced by management for using P.M.'s or stims are to help move slow items, or to insure a quick clean-up of discontinued lines and odd sizes. Approximately 90 per cent of the managers stated that they prefer to take a regular mark-down rather than offer a P.M. or stim on merchandise. The chief reasons given for this preference was the fear that salespeople would put too much effort on moving merchandise with which customers might not be entirely satisfied. Management feels that offering stimulators on special merchandise leads to high pressure selling tactics and resulting customer dissatisfaction.

Robinson[1] states that most stores occasionally find it expedient to offer salespeople financial incentives for selling specific items of

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1. Loc. cit.

merchandise. These occasions might arise if management wished to introduce a new item or line of goods to its customers, to discontinue a line and speed up the sale of its few remaining items, to speed up the sale of slow-moving items, to move old stock, or to stimulate multiple unit sales.

According to this same author[1] special task incentives are normally most effective in achieving the immediate results desired. Whether or not such incentives are desirable management devices depends upon the conditions under which they are used. Robinson further points out that such special incentives as P.M.'s or stims should never be employed to move merchandise that customers would not otherwise buy. According to the same source, the mark-down is a better method of stimulating the demand for such items.

According to The Retail Personnel Primer,[2] P.M.'s are used primarily to help move slow items or to insure a quick clean-up of discontinued lines and odd sizes. They operate as rewards paid to salespeople for selling the items in question, a definite sum being specified in advance. The amount paid may be set arbitrarily and be the same regardless of the nature or the value of the merchandise; it may vary according to the value of the merchandise, although within fairly narrow limits; or it may be a constant percentage of the value of the merchandise. The amount set should be large enough to interest the salespeople; at the same time it should not be so large that sales of ordinary stock are

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1. Ibid., p. 226.

2. Bureau of Smaller Stores, op. cit., p. 102.

neglected or high pressure salesmanship is used. This same source stresses the fact that if P.M.'s are to be used effectively they should not be used too frequently.

Employee Benefits Offered

Employee benefits as the term is used in this study, designates all those efforts made by employers and by employees to bring about a greater degree of unity of interest and action. It covers such devices and activities as hospitalization insurance, group insurance, paid vacations, employee discounts, recreation facilities, sick leave with pay, pension plans, profit-sharing plans, and employee magazines or house organs. In this study all of the activities or devices mentioned are considered as incentives in addition to the salary plans and cash rewards offered by the participating stores.

Twelve of the eighteen stores have a hospitalization plan. Fifteen stores offer group insurance to their employees. Seven of this group of fifteen pay the entire cost of such insurance. The eight remaining stores offering group insurance have a contributory plan under which the employee contributes to the cost of such group insurance.

With regard to hospitalization and health insurance for retail store employees a quotation from The Retail Personnel Primer summarizes this very important phase of employee benefits in the following paragraphs:

> The expenses of an illness requiring hospitalization and extensive medical care are usually overwhelming for the average salaried employee. There is a growing movement toward providing insurance to cover these emergencies. While insurance to meet the costs of medical care is still available in most states only through profit making organizations and is

therefore too expensive for the average employee, hospitalization insurance has been organized through non-profit making groups on a very large scale, and has proved an effective plan for lessening the financial shock of any illness requiring hospital care.

The plans available vary from state to state. Most of them require that at least a minimum percentage of the employees of an organization join together. Policies are issued to provide hospital care for single people, or, at higher rates, to cover husband and wife or an entire family group.

As in the case of group insurance plans the hospitalization plans cost management only the effort of organizing the group and undertaking the bookkeeping involved in the salary deduction and payment of premiums. It has been the experience of small stores and other relatively small business organizations that there is a noticeable elevation of morale and increased efficiency when workers feel themselves protected against expensive illnesses or accidents.

Information as to the plan available in each locality can be obtained from the local chamber of commerce or from the state retail merchants' association. Inquiries may also be addressed to the Associated Hospital Service at 370 Lexington Avenue, New York City.[1]

Group insurance is the issuance of insurance at reduced rates to groups of employed people. According to The Retail Personnel Primer[2] it is one of the employee activities which is readily undertaken by the smaller store, since it need only involve the organization of a group sufficiently large to meet the insurance company's requirements, and does not cost the store anything—unless management chooses to pay a part or all of the premium.

Robinson[3] points out that while group life insurance in the

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1. Bureau of Smaller Stores, op. cit., p. 139.

2. Ibid., p. 138.

3. O. Preston Robinson, op. cit., pp. 435-436.

retailing field has been subjected to certain criticisms, it does have some important advantages. According to this author its advantages are:

1. No physical examination is required.

2. Age does not affect the amount of the premium.

3. Premiums are low.

Robinson[1] further states that the weaknesses of this type of life insurance, from the employee's point of view, are that the coverage is only term insurance; that it does not build up an estate through cash values; and that the possibilities of maturity in any individual case are remote. Robinson further comments on group insurance as follows:

> Stores introducing a group life insurance plan face the problem of selling their idea to their employees. Management's interest is undoubtedly unselfish. The store wants its employees to take advantage of the plan because of the benefits to them and because the insurance not only fosters better employee-employer relations but acts as a partial reward for continued service. But if the workers find that the monthly premiums, together with other deductions from salary, are burdensome, they are not likely to receive the plan with any enthusiasm. This has been the experience of many stores that have attempted to introduce group life insurance plans.[2]

Paid Vacations

All the stores included in the study provide for paid vacations. They differ with regard to employment prerequisite and length of employment.

Table VI shows the minimum employment periods before employees are eligible for the minimum paid vacations together with the number of

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1. Loc. cit.

2. Loc. cit.

stores requiring the particular periods and the minimum paid vacation for the various employment periods.

TABLE VI

MINIMUM PAID VACATION PERIODS AND EMPLOYMENT PREREQUISITE FOR ELIGIBILITY

Employment Period	Number of Stores Requiring This Period	Minimum Vacation for Employment Period
One Month	1	½ Day
Six Months	6	1 Week
Nine Months	3	1 Week
One Year	8 (5 (3	1 Week (5 Stores) 2 Weeks (3 Stores)

The minimum employment period ranges from one month to one year. One store gives one-half day paid vacation after a period of one month. This store allows one-half day for each month up to twelve months.

Six stores require the employee to work a period of six months before allowing any vacation. Three stores give one week after nine months employment. Eight stores require the employee to work one year before getting a paid vacation. In five of this group, one week is given while in three of the stores two weeks vacation with pay are given.

Table VII shows the maximum employment period before the employee is eligible for the maximum vacation with pay together with the number of stores requiring the particular maximum periods.

TABLE VII

MAXIMUM PAID VACATION PERIOD AND EMPLOYMENT PERIOD PREREQUISITE FOR ELIGIBILITY

Employment Period	Number of Stores Requiring This Period	Maximum Vacation for Employment Period
Nine Months	1	2 Weeks
One Year	8	2 Weeks
Two Years	6	2 Weeks
Three Years	2	2 Weeks
Ten Years	1	3 Weeks

An inspection of this table shows that the range in the employment period before the salesperson is eligible for the maximum paid vacation is from nine months to ten years. One store gives its maximum of two weeks at the end of nine months' employment. Eight stores require one year's employment; six stores, two years; two stores, three years. The one store in the group offering three weeks paid vacation requires a ten-year employment period in order for the salesperson to be eligible. The maximum paid vacation is two weeks in 94 per cent of the stores included in this study.

While vacations were at one time considered a kindness bestowed on employees by an indulgent management, it is now recognized that a paid vacation is an investment for management which pays good returns. Stores which give paid vacations have found that they are of great value in restoring vigor and efficiency, and in forestalling absences due to ill health. All progressive stores now have definite vacation schedules, and employees have learned to expect them. In formulating a vacation

policy, the small store should take into account the practices of other local businesses. The small store cannot afford to be less liberal in its vacation policy than other industries in the community.

A typical and practical vacation schedule is based on length of service. Employees who have been employed less than six months prior to September 1 of the year receive three days; those employed between six months and one year, one week; those employed from one to one and one-half years, receive one and a half week's vacation; those employed two years or more, two weeks.

Most vacations are given in the summertime when retail business is slow, and when people naturally prefer to have their time off. However, a certain amount of flexibility should be allowed, if possible, so that those who wish to do so may take part of their vacations at other seasons.[1]

Employee Discounts

> All of the stores in this study grant employee discounts to regularly-employed salespeople. With the exception of two stores, the group also extends this privilege to part-time and extra sales personnel. . . . The granting of employee discounts is now common practice in stores. Sometimes the discount privilege is extended to dependents of the employee, or members of the immediate family. The granting of the discount privilege is subject to certain regulations. Most stores require that employees be on the payroll for a specified number of weeks before receiving discounts. The waiting period is longer for part-time employees. Extras are given discounts in many stores only on the days on which they work, unless they have been associated with the store, on or off, over a long period.[2]

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1. Bureau of Smaller Stores, op. cit., p. 137.

2. Ibid., pp. 140-141.

Table VIII shows the length of the employment period for regular employees before they are eligible for an employee's discount together with the number of stores requiring each period.

TABLE VIII

EMPLOYMENT PERIOD PREREQUISITE FOR
EMPLOYEE DISCOUNT
(REGULAR EMPLOYEES)

Employment Period	Number of Stores
Discount Granted	
Immediately	6
After One Week	1
After Two Weeks	1
After One Month	8
After Two Months	2
All Periods	18

Six stores give an immediate discount to regularly employees sales personnel. One store requires one week's employment. Eight stores require regular employees to work one month before allowing any discount. Two stores require two months' employment before the employees are eligible for a discount.

All stores in this study have a policy with respect to the range in employee's discount. These policies are consistent in that the range

is from 15 per cent to 20 per cent. Eight stores allow 15 per cent and ten allow 20 per cent on employees purchases.

Table IX shows the length of the employment period for part-time or extra employees before they are eligible for an employee's discount together with the number of stores requiring each period.

TABLE IX

EMPLOYMENT PERIOD PREREQUISITE FOR EMPLOYEE DISCOUNT (PART-TIME OR EXTRAS)

Employment Period	Number of Stores
Not Eligible	2
On Working Days Only	1
Immediately	3
One Week	2
One Month	7
Two Months	2
Three Months	1
All Periods	18

Two stores do not allow any discount to part-time or extra employees. One store allows an employee discount only on working days. Three stores allow a discount immediately; two stores after one week or part-time employment and seven allow the part-time or extra employees a discount after one month of part-time employment. Two stores require two months employment and one requires three months part-time employment before allowing an employee discount.

The range in the discount rate for the part-time and extra employee is from no discount to 20 per cent. Two stores grant no discount to the part-time worker. Eight give a discount of 10 per cent; six allow 15 per cent; and two grant a 20 per cent discount to the part-time selling personnel.

There are some variations in the discount rates offered to the selling personnel. These variations take the form of special considerations according to types of merchandise purchased, the percentage of mark-up on the merchandise, whether the merchandise purchased is on sale, has been bought for a special promotion, or whether the employee is purchasing the merchandise for visible store wear.

Six stores allow the regular employee discounts on all merchandise in the store. This means that the discount rate applies whether the merchandise is reduced, carries a low mark-up, or was bought for a special sales promotion. One store reduces the employee discount rate on merchandise that carries a low mark-up. Five stores do not allow an employee discount of any kind on reduced merchandise. One store which allows 20 per cent discount to both regular and part-time workers reduces this rate to 15 per cent on basement merchandise. Three stores increase the established employee discount rate on merchandise purchased for visible store wear. The range of discount rate in these three cases is from cost plus 10 per cent to 33 1/3 per cent discount.

Robinson[1] states that from a personnel point of view, the practice of granting discounts to employees who purchase merchandise in the store

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1. O. Preston Robinson, op. cit., p. 437.

should be considered as an employee participation device. According to this author, a recent study of the employee discount policies of larger stores, the managers of 53 of 80 stores studies said they promote employee business actively. The reasons given by these managers for allowing employee discounts are as follows:

> Eighteen reported that merchandise must be "sold" to employees before employees can sell it to customers. Two of this number replied that they considered it an unfavorable reflection on their own merchandise when their employees shop elsewhere.
>
> Thirteen stated that they promote employee business because it affords unusually good advertising. One of these stores pointed out that it believes that the enthusiasm of its employees for its merchandise is directly advantageous. This store suggested, conversely, that it is detrimental to the store if the name of another retailer appears on the purchase of its employees. Two stores in the group emphasized that their employees in effect demonstrate the store's merchandise to their friends and acquaintances, thus touching large areas.
>
> Ten stores responded that they encourage employee business because it gives the employees' salaries a broader purchasing power.
>
> Six stores suggested that they invite employee purchases because these purchases tend to foster good will toward, and loyalty to, the stores.
>
> Fifteen stores reported that they seek employee business because it is profitable.
>
> The amount of discounts granted varies considerably in different stores. In some, employees are given a 10 per cent reduction on everything they buy in the store. In others, the discount is 20 per cent on wearing apparel and 10 per cent on other merchandise. Some stores vary this procedure slightly by allowing 20 per cent discount on all articles that could be worn visibly at work and 10 per cent on other goods. Some few stores grant a 20 per cent discount on all merchandise. In most stores the discount is allowable only to the employees. In a few instances, however, the privilege is extended to those dependent upon the worker's salary.
>
> Although employee discounts create certain problems of accounting and control, the system has much to recommend it

from a personnel administration point of view. It broadens the worker's salary level, stimulates his interest in and knowledge of store merchandise, and gives him a deeper feeling of participation in the store's work.[1]

Recreational Facilities Offered

The term "Recreational Facilities" as used in this study means the social, athletic, and general recreational activities sponsored by the stores.

Table X shows the extent of the recreational facilities offered by the stores included in the study.

TABLE X

EXTENT OF RECREATIONAL FACILITIES

Recreational Facilities Offered	Number of Stores
None	11
Baseball and Bowling	1*
Recreational Center	1
Employees Lounge Only	5
Cafeteria Only	1

*Same store provides use of recreational center.

Eleven stores offer no recreational facilities or activities for the employees. One store sponsors a store baseball team and a store bowling team. The members of these athletic teams are store employees. This same store offers the use of a recreational center where employees and their families may hold social functions.

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1. Ibid., pp. 437-438.

Five stores have employee lounges. The term "Employee Lounge" means a room or designated place where employees may gather to relax during the rest period or one suitable for use by employees who carry their lunches. One of these five lounges is a roof lounge. This lounge is used primarily by employees during their rest periods.

One store in the group maintains an employee cafeteria. Breakfast snacks and luncheons are served at cost. Only employees of the store are permitted to use this cafeteria.

Paid Sick Leave

Fourteen stores have stated sick leave policies. Four stores do not have any provisions for paying the employee for time lost due to sickness.

Table XI shows the employment-period policy of the stores having sick leave policies together with the maximum sick leave period with pay.

TABLE XI

EMPLOYMENT PERIOD ELIGIBILITY AND MAXIMUM PAID SICK LEAVE

Employment Period	Number of Stores	Maximum Sick Leave Annually
One Month	1	6 Days
Three Months	4	10 Weeks[a]
Six Months	4	6 Days to 13 Weeks[b]
Nine Months	1	6 Days
One Year	4	6-12 Days[c]

a. Three stores allow ten weeks, one store treats each case individually.
b. Thirteen weeks where plan is operated in conjunction with group insurance.
c. Two stores allow six days annually; two allow twelve days.

One store requires an employment period of one month before any payment is made for sick leave. The maximum annual sick leave in this case is six days. Four stores require an employment period of three months before provision is made to pay for time lost due to illness. The maximum sick leave is ten weeks in three of the stores in this grouping. One store treats each case individually with no set maximum. Stores allowing a maximum of ten weeks operate the sick leave policy in conjunction with group insurance.

Four stores require six months' employment before allowing sick leave with pay. The maximum annual sick leave is from six days to thirteen weeks. Two of this group having the maximum of thirteen weeks operate the sick leave policy in conjunction with group insurance. One of the four requiring six months' employment has no maximum but treats each case individually. The other store grants a maximum of six days annually.

The one store requiring nine months' employment before being eligible for sick leave with pay has a maximum of six days annually. In this particular store the employee gets the equivalent in cash for all or any part of the annual sick leave not used.

Four stores require a period of one year's employment before the sick leave policy goes into effect. The range is from six days to twelve days maximum. Two stores have a maximum of six days. In one of these stores the employee gets the equivalent in cash for all or any part of the maximum sick leave not used. The remaining two stores in this grouping allow twelve days sick leave annually. In both cases all or any part of the maximum annual sick leave not used is accumulated indefinitely.

According to Duncan and Phillips,[1] improving working conditions is really one step toward improving the health of the store's employees. Stores have improved working conditions considerably during the past decade. In spite of this improvement there is still a lot of absenteeism caused by poor health, and stores need to do more. It has to be recognized, however, that basically the employee is responsible for his own health.

Pension and Profit-Sharing Plans

The current practices of the stores in this study with regard to pension and profit-sharing plans show a definite tendency toward the latter. Twelve stores in the group have a form of one or the other. Of these twelve, ten stores have profit-sharing plans in lieu of a more formal pension plan. Two of the twelve have formal pension plans. In this type of plan the employer and the employees cooperate in building the retirement. Because the worker contributes to the fund, he has a definite contractual right to it. In the event of separation before retirement age, his share of the fund becomes a credit payable as a lump sum or as a present or future annuity.

The development of sound pension plans in the retailing field has been a slow process. According to Robinson a few business leaders have entertained the unfortunate belief that the purpose of a pension system is to make formal provisions for administering financial relief to superannuated workers who are no longer able to produce profitably. Such a point of view has had a distinctive effect upon the development

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1. Delbert J. Duncan and Charles F. Phillips, op. cit., p. 550.

of sound pension plans and upon the employee's attitude toward them. A good pension plan is not a gratuity. Its real purposes are:

1. To improve efficiency by removing one cause of worry.
2. To pay a deferred wage earned during the productive years.
3. To eliminate the superannuated worker.
4. To build morale and confidence.[1]

In the ten stores having profit-sharing plans, these plans are of the informal noncontractual type. No agreement exists between management and the employees. Management only contributes to the profit-sharing plan.

Profit sharing grew out of the hope of management that such a plan would result in cooperation of effort. As a result, many farsighted companies have worked out plans whereby the workers share in the financial success of the businesses.

According to Robinson[1] there has been no general adoption of the principle of profit sharing in the retailing field. Only a few stores have operated such plans. Many store managements, however, follow the plan of sharing profits with certain classes of workers and executives.

Robinson does point out that thoughtfully conceived profit-sharing plans are theoretically sound, and that they have operated with admirable success in some organizations. This author states

> . . . . Profit-sharing plans do not solve the problems of employee participation. Profits in retail stores are neither regular or substantial. A well-managed, average store cannot

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1. O. Preston Robinson, op. cit., pp. 423-424.

2. Ibid., p. 419.

> hope to earn a net profit higher than 2 per cent of its sales volume. Payrolls in most retail stores range from 14 to 18 per cent of sales volume. If one-half of the entire average profits were turned back to the workers, the individual salary increases would range only from 5 to 7 per cent. It is extremely doubtful that such an incentive would be ample to give workers a feeling of participation with management in the accomplishment of the business.[1]

Robinson[2] further points out that a practical pension plan should do much to remove the cause of worker discontent and to forestall labor difficulties. When the pension plan is combined with other enlightened employee activities, it provides a real incentive to worker unity of interest.

Employee Magazines

An employee magazine, as the title implies, is a publication issued by an organization or by its employees and dealing with the activities of the members of the staff as well as with subjects related to the mutual contact of workers on their jobs. The magazine may be sponsored by management or by the workers.[3]

Five stores have employees publications. These vary from a printed type to a mimeographed leaflet. The remaining stores do not have an employee publication of any kind.

According to The Retail Personnel Primer, if a publication of the sort mentioned above is well planned it can be an important factor in maintaining employee morale. Its greatest use is in the store which

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1. Loc. cit.
2. Ibid., p. 424.
3. Ibid., p. 441.

is too large for top management to be in direct contact with all employees. It need not be complicated in format as a great deal can be accomplished with the mimeograph. It should be gotten out by the employees themselves or by the training director or similar executive.

Topics which can be covered in an employee's magazine are:

1. Announcements of management policy.
2. Announcements of plans for sales.
3. Store changes.
4. Expansions.
5. News about activities of individual employees.
6. Current merchandise information.
7. Announcements of contests.
8. Any other subjects in which a large proportion of the readers are likely to be interested.

Many stores combine the employee's magazine with training bulletins, thus accomplishing two things at once, while keeping expense down.[1]

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1. Bureau of Smaller Stores, op. cit., pp. 145-146.

CHAPTER III

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The purpose of this study was to determine current practices and trends in the use of the basic wage payment and incentive plans in the hosiery, ladies' ready-to-wear, men's furnishings, and house furnishings departments in the leading department and departmentized specialty store fields in six cities in the state of North Carolina.

A comparison between the use of the basic wage payment plans as found in this study was made with the findings of a study made a decade ago in an effort to determine if there were any discernible trends in the use of the basic wage payment methods.

In determining the extent of usage of other cash rewards in addition to the basic wage, a phase of the study was concerned with the use of P.M.'s or stims as extra rewards. An answer was sought to the question, "What is the practice and trend in the use of "stimulators" as incentives?"

Another phase of the study was concerned primarily with the "employee benefits" field. Here the major question was "What are department and departmentized specialty stores in the state doing in the field of employee benefits?" Are the practices in this field in line with the recommendations of recognized authorities in the field?

The study was confined to the selling personnel of the participating stores. The problem of compensating non-selling personnel was not considered since the predominant wage payment method in the non-selling

field in retailing is the straight salary method according to a survey conducted by the National Retail Dry Goods Association, and as such would have no bearing on the purpose of the study as outlined above.

The data were gathered from personal interviews with the managers of eighteen selected stores. In three instances the managers designated the personnel directors of the stores to supply the necessary information but in two of these instances the managers were present during the interview. A schedule was used during the interview.

The cities selected represented the six leading cities in the state from the standpoint of population both in the 1940 and 1950 census. In addition to the population factor, retail sales volume and geographical locations were considered in the selection. The six cities selected accounted for 29 per cent of the retail sales volume in the state, and contained approximately 15 per cent of the total retail stores in the state. Geographically the selected group represented an east-west coverage of approximately 300 miles or three-fourths of the distance from east to west in the state.

The stores were selected on the basis of volume. Secretaries of local Merchants' Associations and in one or two instances, the secretaries of the Chamber of Commerce, gave the ranking by volume of the three department or departmentized stores in their respective city. This rating by volume was accepted since the data on the exact volume of business done by individual stores in the state were not available.

The four departments selected in each of the stores were hosiery, ladies' ready-to-wear, men's furnishings, and house furnishings departments. These departments were selected because they represent the four

departments which annually do the largest percentage of total store volume. In addition to the volume factor, the diversity aspect was considered in the selection of the departments--diversity in price ranges, diversity in activity peaks, diversity in the departmented organization, and diversity in problems of inter-selling.

The items comprising the check lists used in the schedule were derived in the main from Retail Personnel Problems[1] and The Retail Personnel Primer.[2]

In order to validate the schedule, four managers of department and departmentized stores were interviewed. These managers suggested several minor changes which necessitated making revisions in the schedule form.

In order to get the reaction of the managers of the selected stores to a study of such a nature, a letter bearing the signature of the head of the Business Education Department at The Woman's College was sent to each. A self-addressed stamped envelope and a check sheet for indicating the manager's willingness to grant an interview were enclosed. In the majority of cases, the check sheets were returned promptly indicating willingness to cooperate. Two personal contacts were necessary in order to assure participation of all stores selected.

The data sought were recorded on the schedule during the interview. A worksheet for tabulating the information obtained was constructed

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1. O. Preston Robinson, Retail Personnel Problems, Prentice-Hall, Inc., New York, 1940.

2. Bureau of Smaller Stores, The Retail Personnel Primer, National Retail Dry Goods Association, New York, 1940.

in such a way that the data for each store could be recorded separately and consecutively.

Findings

With one exception, the stores included in this study have a uniform plan of wage payment for all departments and divisions within departments. Eleven stores or approximately 60 per cent use the straight commission plan with a drawing account in all departments; five stores or approximately 28 per cent use the straight salary plan throughout the store; one store uses salary plus commission on all net sales, and one store uses the quota-bonus method.

The trend in the use of the four basic wage payment plans as evidenced by a few changes made during the four-year period preceding this study and anticipated by managers interviewed is in the direction of the straight commission plan operated in conjunction with a drawing account.

While all stores using the straight commission plan with a drawing account allow deficits to accumulate, there is a lack of uniformity in regard to the length of periods over which deficits are allowed to accumulate. Two stores allow a one-month deficit period; four stores allow a three-month deficit period; two stores allow a six-month deficit period; and three stores a one-year deficit period.

All of the eleven stores using the straight commission plan with a drawing account wage plan hold regular salary reviews. The period for holding these reviews varies from three months to one year. Seven stores

hold salary reviews every six months; one store, every three months, and three stores hold salary reviews once each year.

Management of all eleven stores using the plan of straight commission with a drawing account provide further training for salespeople who have difficulty in making the "draw." Efforts are made by all eleven stores to transfer employees from one department to another in an endeavor to better fit the individual to the job. Continued failure to "make the draw" results in either a reduction of the amount advanced or dismissal.

Sixteen of the eighteen stores set quotas for the departments. These departmental quotas are broken down into quotas for the individual salespeople. The two stores which do not set quotas operate on the straight salary method.

The one store operating on the quota-bonus method of wage payment bases the quota set for each department on the past five years' selling records. A quota is set for each employee every three-month period. Unmade quotas are charged to the next period. This practice of charging deficits to the next period goes through the fiscal year. All accumulated deficits are cancelled by management at the end of the fiscal year. The store pays the same percentage rate for sales over quota as the rate used to set the quota. Bonuses are paid at the end of each three-month period. In administering the wage plan, the total bonus earned in the three-month period is not paid in full. Twenty-five per cent is held in reserve. Reserve bonuses are applied to offset unmade quotas during the year but are paid in full at the end of the year.

A uniform rate of 1 per cent is paid on all net sales in the one store operating on salary plus commission on all net sales. Salary reviews are held every six months.

Very few changes in basic wage payment plans have been made by the stores studied during the four-year period, 1946-1950. In only one instance did the change affect all departments. The change in this store was from straight salary to commission with a drawing account. One other store changed the wage payment plan in one department. This change took place in the ready-to-wear department and was from commission with drawing account to straight salary. The third change in wage payment plan during the four-year period took place in the hosiery department of one store. The change was from straight commission with drawing account to salary plus commission on all net sales.

Very few changes in basic wage payment plans are being contemplated by management. Two stores in the group are planning major changes. The changes are from the straight salary to straight commission with a drawing account. In one other instance a change from straight salary to straight commission with drawing account is being considered in the men's furnishings department.

"P.M.'s" or "stims" are not used to any great extent in the four departments of the stores included in the study. Thirteen stores or approximately 70 per cent of the group do not use "P.M.'s" or "stims" in any departments. Three stores use these extra cash rewards in all four departments. One store uses these special task incentives in the men's furnishings department and another uses them in the ladies' ready-to-wear department in addition to using them in the men's furnishings department.

Approximately 90 per cent of the managers interviewed stated that they preferred to take a regular mark-down in preference to offering "P.M.'s" or "stims."

The majority of stores have a hospitalization plan. Twelve of the eighteen stores, or 66 2/3 per cent, provide such a plan. Fifteen, or approximately 80 per cent of the stores, make group insurance available to their employees. Seven of these stores pay the entire cost of the insurance. Each of the remaining eight pays 60 per cent while the employees pay 40 per cent.

The policy of granting paid vacations is adhered to by all eighteen stores. The minimum employment period for eligibility ranges from one month to one year. Eight stores or approximately 50 per cent of the group require a one-year employment period; six stores require a six-month period; three stores require a nine-month employment period; and one store grants a half-day vacation with pay for each month of employment up to twelve months.

The maximum paid vacation in seventeen, or 95 per cent of the stores included in the study, is two weeks. One store gives a three-week vacation period after the tenth year of continuous employment.

All stores included in the study grant employee discounts to regularly employed salespeople. Sixteen, or approximately 90 per cent, extend this privilege to part-time and "extra" sales personnel. The employment period prerequisite for the discount privilege in the case of regular employees varies from granting the privilege immediately to a two-month employment period. Six stores, or 33 1/3 per cent of the group, allow the discount privilege to regular employees immediately.

Eight stores require a one-month employment period; two stores, a two-month employment period; one store, a two-week employment period; and one store a one-week employment period. The rate of discount is either 15 or 20 per cent. Eight stores allow 15 per cent and ten grant 20 per cent.

The employment period prerequisite for the discount privilege in the case of part-time or "extra" employees varies from an immediate discount in the case of three stores to a three-month employment period in one store. Two stores allow no discount privileges to part-time workers; one store allows the privilege on working days only; two give the discount after a one-week employment period; seven grant the privilege after a one-month employment period and two after a two-month employment period. The range of discount is from 10 to 20 per cent. Eight stores, or 50 per cent of the group allowing the part-time or "extra" employees a discount, allow 10 per cent; six allow 15 per cent; and two grant 20 per cent.

Policies among the stores lack uniformity with regard to discount rate allowed on different types of merchandise purchased by employees. Six stores, or 33 1/3 per cent of the group, allow regular employee discounts on all merchandise. Five stores, or approximately 28 per cent, do not allow an employee discount on any kind of reduced merchandise. One store which has a 20 per cent discount rate, reduces this to 15 per cent on basement merchandise. Only three stores, or approximately 17 per cent of the group, increase the established employee discount rate on merchandise purchased for visible store wear. One store allows the employees to purchase merchandise for visible store wear at cost plus 10 per cent. Two stores grant a straight 33 1/3 per cent discount on

all merchandise purchased by employees for visible store wear.

With regard to providing or sponsoring recreational activities the stores included in this study do very little. Eleven stores, or approximately 60 per cent, do not sponsor or promote any recreational facilities or activities. One store in the group does sponsor store baseball and bowling teams. This same store provides a recreational center for employees and their families. Approximately 33 1/3 per cent of the group provide employee lounges. One store operates an employee cafeteria.

Fourteen stores, or approximately 80 per cent, stated sick leave policies. The other four stores make no provisions for paid sick leave. The employment period for eligibility ranges from a month to one year. One store requires an employment period of one month; four require a three-month employment period; four require a six-month employment period; one requires a nine-month employment period; and four require a one-year employment period. The range in maximum paid sick leave is from six days to thirteen weeks annually. In the latter case the paid sick leave plan is operated in conjunction with group insurance.

Two stores in the group give their employees the equivalent in cash for all or any part of the annual sick leave not used. Two stores allow unused sick leave to accumulate indefinitely.

The study reveals that the majority of stores have some kind of a pension or profit-sharing plan. The majority of stores reported profit-sharing plans. Of twelve stores having pension or profit-sharing

plans, ten have the latter. Six stores, or 33 1/3 per cent of the group included in the study, have no pension or profit-sharing plans.

Only one store has a regularly published and printed employee magazine or house organ. Four stores sponsor employee bulletins. These are mimeographed but are not issued regularly. Thirteen of the stores do not have any form of employee publication.

Conclusions

The findings of this study show that the straight commission plan of wage payment operated in conjunction with a drawing account is the basic wage payment plan used by a majority of the stores. The use of this form of wage payment is in agreement with practice recommended by authorities in retailing and is consistent with the trend indicated in the studies and literature reviewed.

All stores tend to have an overall store policy regarding basic wage payment plans which provides for uniformity throughout the departments studied and divisions within the departments. This uniformity is not recommended by authorities who state that in many stores throughout the country more than one payment plan is used, the payment method being varied to suit the needs of a particular department or group of departments. This allows for flexibility.

In regard to the practice of allowing deficits to accumulate in the administration of the straight commission plan with drawing account, all stores included in this study follow the practices of stores generally, in that deficits are carried over for varying periods. The range of carry-over is from one month to one year. According to authorities

in the field, deficits are usually accumulated until cancelled by commissions earned.

Stores using the commission plan of wage payment with a drawing account follow recommended practice in that regular salary reviews are held, additional training is provided, and inter-departmental transfers are made before the amount of the drawing account is reduced or the employee's services terminated. These efforts on the part of management lead toward better employer-employee relations.

The study shows that regardless of the basic wage payment plan used in the various stores it is common practice to set quotas for the department and then break down the department quota into individual quotas for the salespeople. This practice is in line with the practice reported in previous studies.

In the only instance where the quota-bonus method was the basic wage payment method, the store was administering the payment plan in line with the pattern set by stores using this method with the exception that the rate paid for sales over quota was the same as the rate used for setting the quota. When the same rate is paid for sales over quota as the rate set for the quota, the employees enjoy the favorable extreme. Authorities report that some stores set the rate for sales over quota as low as 1 per cent. This practice is an unfavorable extreme for employees.

The stores included in the study follow the pattern of stores generally in the matter of giving paid vacations. All stores have vacation schedules which are based on length of service. There is very little flexibility in the vacation schedules. Most vacations are given in the summertime.

In the administration of employee discount policies, the stores do not hold their employees to a strict accounting for purchases made. Management agrees that there is undoubtedly some abuse of the discount privileges in regard to employee purchases but does not consider it to be serious enough to attempt to check closely on such purchases.

The one store which uses salary plus commission on all net sales as the basic wage payment plan, pays the same percentage rate in all departments. This policy is in agreement with recommendations of authorities in the field.

Management has been reluctant to make any major changes in the basic wage payment plan during the period 1946 to 1950. The same attitude or feeling is prevalent in regard to reported anticipated changes in the basic wage payment plans in the immediate future.

The majority of stores included in this study do not favor the use of "P.M.'s" or "stims." The preference is to take a regular markdown. Authorities in the field recommend the use of "P.M.'s" or "stims" to move slow items, or insure a quick clean-up of discontinued lines and odd sizes. The same authorities state that the amount of the "P.M." or "stim" should be large enough to interest the salespeople but not so large that sales of ordinary stocks are neglected or high pressure salesmanship is used.

Hospitalization and group insurance plans are in force in the majority of stores. Management is divided about equally on the matter of whether the plan should be contributory. According to writers who have reported on the practices in the field, most hospitalization and group insurance plans are paid for in full by the employees. Opinion is divided as to whether this is good policy.

Very little is being done by the selected group of stores in regard to recreational activities. This is contrary to the general trend as evidenced by writings on the subject.

The majority of stores are liberal in the administration of store policy on paid sick leave. There is evidence in the findings to show a trend to operate the sick leave policies in conjunction with hospitalization and group insurance.

The practice of giving the equivalent in cash for unused sick leave on the part of two stores is contrary to general practice according to authorities in the field. It is also contrary to general practice to allow sick leave to accumulate indefinitely.

The majority of stores included in this study have profit-sharing plans rather than pension plans. This is consistent with general practice as evidenced by the literature in the field.

Stores in the group do very little in regard to encouraging the publication of employee magazines or house organs. Authorities agree that a house organ or magazine finds its greatest use in stores which are too large for top management to be in direct contact with all employees. Due to the size of the stores included in this study, management as a rule had close contact with most of the employees. This fact undoubtedly accounts for the few efforts made to sponsor a house organ or an employee magazine.

Recommendations

In the light of the results of this study, the following recommendations are made:

Management should make a very careful study of the effects of using the same basic wage plan in all departments throughout the store. Some individual salespeople in particular departments may be handicapped from the standpoint of earnings as a result of uniformity of the basic wage plan. The payment method should be varied to suit the needs and conditions of departments.

In the administration of the straight commission wage payment plan operated in conjunction with a drawing account, it is recommended that the period for allowing deficits to accumulate should be a maximum of three months. An increasing number of stores in the department and departmentized specialty fields start each three-month period with a clean slate for the employees. This is desirable practice since it tends to increase production. Carrying deficits over relatively long periods eliminates the incentive feature of the plan.

Regardless of the basic wage payment plan in use in the stores, it is recommended that regular salary reviews be held. These reviews should be held at least once or twice each year. This is one way of assuring the employee that his record is receiving attention. It also assures recognition of individual effort.

When formulating a vacation policy, stores should take into consideration the practices of other local businesses. They cannot afford to be less liberal than other industries. It is recommended that a greater amount of flexibility be allowed with regard to the time of year when vacations are given. If any employees wish to take their vacations at periods of the year other than during the usual summer period, the vacation policy should be flexible enough to permit them to do so.

Management should seriously consider the advisability of granting a higher discount rate to employees who purchase merchandise for visible wear in the store. If a higher discount rate were granted for purchases of this nature, management would be in a better position to enforce dress regulations. Since customers are affected by a salesperson's appearance, management cannot afford to neglect this vital matter of store dress and appearance. Authorities generally agree that it is good policy to allow a substantial discount on merchandise purchased by employees for visible store wear.

It is recommended that management give more attention to sponsoring employee activities. Undertakings of this nature promote the physical and emotional fitness of employees. There should not be any aspect of charity or paternalism on the part of management in the promotion of such employee activities. Each employee activity is an investment, not a luxury, and will pay dividends to management in terms of greater efficiency and improved morale. There is ample proof of this in the fact that the largest stores in the country and industrial concerns of comparable importance have given much attention to provisions for employee welfare. If these companies find such activities worth continuing it is because they more than pay for themselves in the long run.

The practice of allowing the equivalent in cash to employees for unused sick leave may defeat the real purpose of having a paid sick leave policy. In stores where this practice prevails, it is recommended that management eliminate the policy of giving the employee the cash equivalent for unused paid sick leave. Inefficiency resulting from the

employee reporting for work when not in good physical health is likely to prove more costly in the final analysis.

In lieu of this practice of allowing the cash equivalent for unused sick leave, it is recommended that unused sick leave be allowed to accumulate indefinitely. This will lead to a feeling of greater security on the part of the employee toward loss of income through sickness.

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APPENDIX

March 1, 1950

Mr. Donald Hayden, Manager
The Anchor Company
Winston-Salem, North Carolina

Dear Mr. Hayden:

One of the current studies being undertaken at the Woman's College Center of the Consolidated University of North Carolina is a study of Wage Payment Plans and Incentives in use among a selected group of department and departmentized specialty stores in the six metropolitan areas of the state.

The study is to be confined to the four major departments usually found in such a group, namely, Ladies' Ready-To-Wear, Men's Clothing, Hosiery, and House Furnishings.

W. G. Slattery, Teacher Trainer in the Distributive Education Service at Woman's College, is to make the survey. The survey will be in the nature of a personal interview by Mr. Slattery with the manager or a person designated by the manager. The data will be treated in such a way that they will not be identified with any particular store.

The researcher, if you desire, will provide you with a summary abstract of the findings. A full copy of the report will be made available for your inspection through the library at Woman's College.

We would like to know if your organization would cooperate in a study of this nature and if so, whether you would be interested in obtaining an abstract summary of the findings. This would be furnished free of charge.

I am enclosing a blank and a self-addressed envelope for your convenience. Please mail your answer to Mr. Slattery.

Very truly yours,

Vance T. Littlejohn
Head

VTL:ml

enclosures

Wage Payment Plans and Incentives

In Current Use

Department and Departmentized Specialty Stores

State of North Carolina

( ) Our store is **definitely** interested in a study of this nature and would be very glad to cooperate.

( ) We are interested in obtaining an abstract summary of the findings.

(It is understood that all data obtained in this survey will be treated in such a way that the data will not be identified with any particular store.)

Store: _____

Manager or Designated Person: _____

WAGE PAYMENT AND INCENTIVE PLANS

SCHEDULE

Firm Name ---------- Address ----------

Name and Title of Person Interviewed ----------

Date and Hour of Interview ----------

---

1. Does the store have the four departments listed below set up as separate departments?

Hosiery	Ladies' Ready-To-Wear	Men's Furnishings	House Furnishings
( ) Yes ( ) No	( ) Yes ( ) No	( ) Yes ( ) No	( ) Yes ( ) No

2. If any of the four departments have separate selling units within the department, which departments are so set up and what are the selling units in each?

Hosiery	Ladies' Ready-To-Wear	Men's Furnishings	House Furnishings
a.	a.	a.	a.
b.	b.	b.	b.
c.	c.	c.	c.
d.	d.	d.	d.

3. What is the basic wage payment plan used in:

Hosiery	Ladies' Ready-To-Wear	Men's Furnishings	House Furnishings
a. Straight Salary	a. Straight Salary	a. Straight Salary	a. Straight Salary
b. Salary plus commission on all sales	b. Salary plus commission on all sales	b. Salary plus commission on all sales	b. Salary plus commission on all sales
c. Quota Bonus	c. Quota Bonus	c. Quota Bonus	c. Quota Bonus
d. Straight Commission without a drawing account	d. Straight Commission without a drawing account	d. Straight Commission without a drawing account	d. Straight Commission without a drawing account.
e. Special Plan	e. Special plan	e. Special plan	e. Special plan
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

4. If any of the above departments have separate selling units within the department is the same basic wage payment plan for the department used in all selling units?

( ) Yes
( ) No

5. If the answer is "No", what is the wage payment plan used in each of the selling units?

Department	Selling Unit	Wage Plan

6. To what extent are P.M.'s or stims used in:

Hosiery	Ladies' Ready-To-Wear	Men's Furnishings	House Furnishings
( ) All Units	( ) All Units	( ) All Units	( ) All Units
( ) Some Units	( ) Some Units	( ) Some Units	( ) Some Units
( ) No Units	( ) No Units	( ) No Units	( ) No Units

7. For what purposes, if any, do you recommend the use of P.M.'s?

a. To introduce a new item or line of goods.
b. To discontinue a line.
c. Speed up sale of few remaining items of discontinued line.
d. Speed up sale of slow-moving items
e. To move old stock.
f. Others:

_____

_____

_____

_____

8. Have any changes in the basic wage payment plan been made during the last four years in:

Hosiery	Ladies' Ready-To-Wear	Men's Furnishings	House Furnishings
( ) Yes ( ) No	( ) Yes ( ) No	( ) Yes ( ) No	( ) Yes ( ) No

If changes have been made what was the change and what was the reason for making the change?

Hosiery	Ladies' Ready-To-Wear	Men's Furnishings	House Furnishings
Units Affected	Units Affected	Units Affected	Units Affected
1.	1.	1.	1.
2.	2.	2.	2.
From:	From:	From:	From:
To:	To:	To:	To:
Reasons:	Reasons:	Reasons:	Reasons:
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

9. Are any changes being contemplated in the basic wage payment plans in the four departments?

( ) Yes
( ) No

If the answer is "Yes" what will be the effect on:

Hosiery	Ladies' Ready-To-Wear	Men's Furnishings	House Furnishings
Units Affected	Units Affected	Units Affected	Units Affected
1.	1.	1.	1.
2.	2.	2.	2.
From:	From:	From:	From:
To:	To:	To:	To:
Reasons:	Reasons:	Reasons:	Reasons:
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

10. If you are not contemplating any changes in the basic wage payment plans are you satisfied with the present plans in all of the departments.

( ) Yes
( ) No

If answer is "No", with which are you dissatisfied?

Hosiery	Ladies' Ready-To-Wear	Men's Furnishings	House Furnishings
( ) All Units ( ) Some Units ( ) No Units	( ) All Units ( ) Some Units ( ) No Units	( ) All Units ( ) Some Units ( ) No Units	( ) All Units ( ) Some Units ( ) No Units

What are your objections to the present plans and what recommendations would you make concerning:

Hosiery	Ladies' Ready-To-Wear	Men's Furnishings	House Furnishings
Objections: _____ _____ _____	Objections: _____ _____ _____	Objections: _____ _____ _____	Objections: _____ _____ _____
Recommendations: From: ____ To: ____	Recommendations: From: _____ To: _____	Recommendations: From: _____ To: _____	Recommendations: From: _____ To: _____

11. Which of the following incentives, in addition to the salary plan and cash rewards, does the store offer?

( ) Yes ( ) No Hospitalization
( ) Yes ( ) No Group Insurance
( ) Yes ( ) No Contributory
( ) Yes ( ) No Paid Vacations
Length of employment before being eligible _____ years.
Maximum paid vacation for selling personnel _____ years.
( ) Yes ( ) No Employee Discounts
Length of employment before being eligible _____
Percentage rate _____
Variation, if any _____
( ) Yes ( ) No Recreation Facilities
_____
_____
( ) Yes ( ) No Sick Leave with pay
Length of employment before being eligible _____ years.
Maximum with pay _____
( ) Yes ( ) No Pension Plan _____
( ) Yes ( ) No Contributory _____
( ) Yes ( ) No Employees Magazine

Others:

_____
_____
_____

QUESTIONS TO BE USED IN CONJUNCTION WITH THE SCHEDULE SHEET

Where Straight Salary Is Used

1. Are salary reviews held at regular intervals?

---

2. Is a sales quota set for the department?

---

3. Does the amount of salary paid reflect the anticipated selling cost of the individual department? ---

4. Is the amount of salary paid equivalent to or lower than the departmental selling cost? ---

Where Salary Plus Commission On All Sales Is Paid

1. What is the percentage rate paid? ---

2. Is this a uniform rate on all net sales? ---

(If the commission rate varies, the plan has to be classified as a special plan)

3. If the rate is not uniform, what is the variation? ---

Where the Quota-Bonus Method Is Used

1. Is there a standard procedure for setting the departmental percentages?

---

2. Upon how many years experience is it set? ---

3. Is the unmade quota charged to the next period? ---

4. What is the procedure in case of failure to make the quota? ---

---

5. Is there any additional plan with more incentive after the quota has been reached?

If so, what is the plan? ---

Where Straight Commission Is Used

1. Is the plan operated in conjunction with a drawing account? ---

2. Are deficits accumulated until wiped out by commission earned? ---

If not what is the procedure? ---

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3. What happens when a salesperson constantly fails to earn the "draw"?

UNCTION WITH THE SCHEDULE SHEET

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