

MAY 20 1958

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MANAGEMENT REVIEW MEETING - SANDIA CORPORATION

SYMBOL: AOI:AB

Because of the absence of a Personnel Appendix in the Sandia contract, this office is not involved in staffing the variety of transactions which we are required to do in connection with other ALO contracts. With the exception of certain areas such as insurance and labor relations, we are, therefore, not in a position to evaluate the Contractor's performance in our field of activity.

Our major sources of information about Sandia industrial relations activities in the past year were:

1. AEC Audit Reports.
2. Follow-up sheets on Western Electric audits. (We are not furnished copies of the audit reports.)
3. Reports on employment, hours and earnings required by AEC plus Sandia's monthly report of Personnel on Roll.
4. Data presented in connection with requests for approval of insurance policies.
5. Discussions in connection with labor negotiations. These dealt with criticality of stoppages, AELMR Panel procedures, economic factors and other information needed to enable this office to keep ALO management and AEC Washington fully informed.
6. Discussions and correspondence in connection with test site compensation and travel policies.

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7. Discussions with Sandia and the Chief Claims Examiner, AEC Washington, on lump sum settlements awarded under Sandia's self-insured workmen's compensation program.
8. Speeches and discussion by Sandia staff members at the annual ALO Industrial Relations Conference.
9. The "Sandia Lab News".

The following are our comments to the extent that we are able to make any on the fields of activity ordinarily of concern to this office.

A. Organization and Staffing

The complex of organizational components concerned with industrial relations functions are located throughout the Superintendencies of (1) Personnel and Public Relations, (2) Industrial Relations, and (3) Accounting. It is far larger and more complicated than that of any other ALO contractor, and since our knowledge of its operations is only incidental and spotty, we are unable to evaluate the appropriateness of this organizational structure to the needs of Sandia Corporation

We have for the past several years expressed our concern over the large numbers of employees engaged in industrial relations functions in comparison with published industrial personnel ratios, ratios at other AT&T plants (Bell 1 : 58, Hawthorne 1 : 78 as of February 1955), and ratios of other ALO contractors. This situation remains unchanged. Currently, Sandia has a ratio of one employee in personnel work to 28 total employees; published industrial ratios are approximately 1 : 100; other ALO contractors range from approximately 1 : 50 to 1 : 125. Sandia has furnished us in writing a number of reasons to explain the unique conditions at Sandia which necessitate such an unusual personnel ratio. We are unable to evaluate these explanations without an extensive study.

B. Recruitment and Employment

Employees on roll increased from 6, 646 on 4/30/57 to 7, 163 on 4/30/58, an increase of 517. Expenditures for recruitment advertising for FY-58 were estimated at \$90,000. During FY-1957 a total

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of 217 recruitment trips were made, involving 88 trips by the Personnel organization and 182 trips by line organizations. Travel expenses for interviewees and new hires dropped from a monthly rate of \$24,415 for FY-57 to \$11,101 for the first 6 months of FY-58; however, over the same period costs of moving household goods increased from a rate of \$21,191 to \$23,054.

The above data are not sufficient for any evaluative comment on the recruitment and employment functions. A report of contractor recruiting costs will be required by AEC Washington beginning with FY-58. This report should make it possible to develop some appropriate comparisons.

C. Wage and Salary Administration

With the exception of bargaining unit and certain related jobs, salaries are administered on an ungraded basis, using various maturity curves. These curves, which serve as guides, are developed from market surveys, and the Wage and Salary Practices Division, currently having a staff of 8, also conducts other labor market research. AEC is not furnished copies of the maturity curves or survey data, except for the annual Albuquerque Area Wage Survey, covering bargaining unit jobs only. The purpose served by the latter survey is to identify the differential between Sandia and prevailing area wages; it is not used for wage administration, since the bargaining unit rates are negotiated.

In the absence of data on the Sandia salary structure, rates of merit increases or general adjustments, we are unable to evaluate this function.

D. Training

The training department, with a staff of approximately 25, is by far the most extensive program of its type in ALO. Within the past year a top-management development seminar and an apprenticeship program have been added to the variety of other programs in effect, including college tuition aid and university subsidy.

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Our acquaintance with the training function is limited primarily to discussions at our Industrial Relations Conference.

E. Labor Relations

Last July, a strike of 3 weeks' duration was settled by intervention of the AELMR Panel for the fifth successive year. The metal trades department of the AFL-CIO expressed protests that this strike placed the union (Metal Trades Council) in an unfair position, since it imposed no economic loss on the employer. This resulted in high-level discussions between the Department of Labor and the Panel which appear to have led to some modifications in Panel procedures. A complaint was also made locally to Senator Chavez that Sandia's policy is "anti-union". This may result in a Congressional investigation of Sandia labor relations. However, we find no indications of any anti-union practices by Sandia, nor any reason to believe that they have not attempted to bargain in good faith.

The statistics on grievances also give no indication of serious problems in labor relations. In 1957 a total of 56 grievances were filed by the three bargaining units -- 20 fewer than in 1956. Only one grievance went to arbitration.

Recently some friction arose when Sandia unilaterally announced a series of improved employee benefits applicable at once to bargaining units as well as salaried employees. The MTC and OEIU indicated that such benefits should have been "negotiated". This matter seems to have been settled amicably.

F. Employee Services

The "Sandia Lab News" is the most elaborate and professionally produced of the ALO house organs. It is also believed to be the most expensively produced, both on an aggregate and a per-capita basis. It is prepared by a full-time staff of at least four people.

Social and recreational programs for employees are carried on under the auspices of the Coronado Club, operated by a sub-contractor and partially subsidized by Sandia. In addition, certain special banquets are sponsored and awards presented in recognition of outstanding safety records and the like.

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G. Employee Relations

A major tool in employee relations is the Progress Review program, in which all ^{ungraded} employees ^{except higher-level supervisors} are interviewed annually by the Personnel Department. We understand that the results of these interviews are useful for evaluating the effectiveness of supervisors and the overall organization, as well as bringing to the attention of management problems connected with working conditions. We have no specific information about this program.

H. Insurance

Discussions have been held with Sandia regarding their policy of making lump sum settlements in workmen's compensation cases. We believe that some of these settlements may have been over-generous in relation to the Company's legal obligations, and that in general, lump sum settlements are not in keeping with progressive personnel policy, including Western Electric policy.

We are studying this matter and will discuss it further with Sandia.

Premiums on Sandia's comprehensive liability and out-of-state workmen's compensation insurance policies have increased substantially in the past year, despite an extremely low claims experience. We are exploring with the AEC Insurance Section the possibility of changing this coverage to a retrospective-rated basis.

I. Medical

Sandia operates an extensive industrial medical facility with a staff which has increased from 33 to 39 in the past year. This is more costly on a per capita basis than any similar ALO facility including LASL and Dow. In addition to providing clinical services, the facility conducts some bio-medical research.

J. Planning and Program Review

The Development, Results and Testing Division of the Personnel Department conducts extensive personnel research, evaluates

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the personnel program and develops new programs and techniques. It is staffed largely by professional psychologists.

Conclusion

Due to the nature of the Sandia contract, we do not have sufficient knowledge of personnel operations to evaluate these functions at the present time. We, therefore, are not in a position to suggest any specific agenda items. Instead, we propose that AEC ask Sandia to make a presentation to the meeting on how Sandia management evaluates the effectiveness of the various phases of the personnel program from the standpoint of results justifying the costs. In last year's management review meeting, Sandia made a presentation on the effectiveness of the personnel program, particularly in the areas of recruitment and turnover. We would like to see a similar presentation supporting the unusual personnel ratio and per capita cost of the program.

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