For the 49th year, this company pays a bonus

By Charles Hillinger
Los Angeles Times Service

EUCLID, Ohio — Employees of Lincoln Electric Co. streamed out of the huge arc-welding equipment factory in this Cleveland suburb Friday laughing, shaking hands and congratulating one another.

The 2,634 workers had just been paid $41,197,311 in annual bonuses — an average $15,640 per employee, only slightly less then the average wage paid at the plant during 1982.

This is the 49th consecutive year Lincoln Electric has rewarded its employees with whopping bonus checks. Since 1934, the company has often paid more in annual bonuses than in regular wages.

In this recession year, Lincoln Electric is an example of an industrial plant programmed to cope with adversity.

Because of the company's 25 percent decline in sales this year — its most severe downturn since the 1930s — Lincoln Electric shortened its workweek, to 32 hours in February and to 30 hours in June.

But it has stood by its official policy of not laying off any workers who have been with the company two years. This policy, in effect for 30 years, guarantees company employees 75 percent of a normal workweek regardless of conditions.

Lincoln Electric's employees work under an economic incentive program, and all production personnel are paid on the basis of piece work.

Everyone working in the modern 40-acre factory and on its sales force throughout the country is rated for the year-end bonuses. These are based on production, work quality and cost-reduction ideas. The bonus checks vary widely from worker to worker.

"The harder you work, the bigger the bonus," explained Jerry Lumpkin, 27, a welder employed at the factory for 2½ years.

"Sure, you bust your butt, but you feel good at the end of the day, knowing you have accomplished something. You know you are turning out a quality product, something to be proud of, not ashamed of."

Lumpkin, married and father of two daughters, said he planned to buy some Lincoln Electric stock with his bonus money, do some shopping for the family and bank the rest.

"There's no other company in America like Lincoln Electric," insisted Sean Burke, 37, on the production line here 16 years. "I have bought three houses with my annual bonus checks. I may use this year's check as a down payment for another one."

Charlie Lytton, 73, for 30 years manager of Lincoln electric's Pittsburgh district office, has worked for the company 50 years. The company's retirement program includes full pay at age 65 for anyone who has been with the company 40 years.

There has never been mandatory retirement. An employee who keeps working after 65 can receive his retirement check, his regular paycheck and the year-end bonus as well.

"Every paycheck at Lincoln Electric is a good paycheck. The bonus check each year is best of all — it's a honey," said Lytton. "I love to work. They can't get rid of me. I started working here in 1931. I was here in '34 when the bonus plan went into effect. This is my 49th bonus check."

How does Lincoln Electric do it?

The 87-year-old company, with $468 million in sales in 1981 and earnings of $37.5 million, is a world leader in arc-welding equipment.

Because of high productivity, the company boasts, its unit labor cost is lower than that of competitors.

"The total philosophy of Lincoln Electric is James Lincoln's legacy," said Richard Sabo, head of education services. Lincoln, an electrical engineer, went to work in 1907 for the company that his older brother, John C. Lincoln, founded 12 years earlier.

James Lincoln established an advisory board of 29 elected representatives from throughout the company to meet with him every other week to discuss what could be done to improve the company. Lincoln was president from 1928 to 1954 and chairman of the board from 1954 until his death in 1965.

The group advisory board, with one member from management, continues to meet every other week with the president and general manager of the company to this day.