TAB

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Money in the Wastebasket

Are you and your staff buried in paper work? Are files of worthless papers clogging up high-cost office space? Are you wasting money on microfilming? This article shows how some managements are cleaning house with estimated savings up to $100,000 a year.

Money in the Wastebasket

by Perrin Stryker

A clean-topped desk has long been the symbol of American executive efficiency. The assumption has been that an efficient manager is one who stays clear of paper work and devotes himself to decisions, policies, and people that will make money for his company. But the fact is that the work of executives is cluttered with paper. Moreover, some managements have lately begun to realize that a far better symbol of executive efficiency would be a full wastebasket, and are acting accordingly.

Yet paper work remains undoubtedly the least efficient operation in U.S. industry, largely because executives have paid little attention to the papers choking up their offices. Though the president's desk may remain relatively bare, he and his staff normally spend most of their time creating or shuttling memoranda, letters, and reports, and their briefcases bulge with reading matter to be absorbed at night. Furthermore, management is responsible for the torrent of paper work that is originated, multiplied, and pumped through the channels of business offices and eventually poured into the files.

Business today moves on this flood of paper. And most managements, bent on raising productivity, sales, or what not, have accepted as inevitable—and often as a sign of healthy growth—the expansion of clerical production. In 1920 employees in manufacturing industries outnumbered clerical workers by about four to one; today, the ratio is only two to one. In fact, there are now as many clerical employees (nearly eight million) as there are agricultural workers. The introduction of carbon paper in the nineteenth century gave paper work its greatest boost, ushering in what Luther Gulick, a management engineer, calls the "carboniferous and neo-lithographic age." In Europe some companies have restricted the fetish for making carbon copies by a simple system of colored pencils.* But carbon copies are a standard addiction in the U.S., and paper work everywhere has been successively expanded by typewriters, duplicators, tabulators, and a whole slew of other office machines.

No one knows how large the output of paper work is, but it is unquestionably mountainous. When Westinghouse decided to clear out its dead files ten years ago it destroyed 120 carloads of miscellaneous papers and transferred another 300 carloads to a five-story archives building. Similarly, Equitable Life in 1938 found that its accumulation of old papers would make a pile fifty-one times as high as the Empire State Building. Though a continuing housecleaning program has since reduced the pile by more than half, the company's store of correspondence is increasing at the rate of 5 per cent a year.

The accumulation of business papers began to get the attention of many other managements two or three years ago. When the atom-bomb scare in 1949 sent companies rushing to microfilm their corporate records, many executives saw their paper-work problems for the first time. And the shortage of office space has made many realize how much their office and filing systems were costing. Some companies,

**Instead of rewriting a subordinate's report and distributing copies around the office, some European managers are required to write their comments and criticisms on the original paper, with each management level using a different colored pencil. When the boss gets the final paper he has a revealing cross section of his staff's thinking and judgment.*

Filing by Law

Most companies retain records far longer than is legally necessary. Their most impelling reasons for doing so are federal, state, and local laws setting up minimum—and often conflicting—retention periods for specific papers. In addition, such agencies as the ICC, FPC, and CAB have established several thousand detailed regulations of their own. Following is a sample list of federal requirements:

Type of record	*Years to be kept*	*Legal authority*
Receipts, inventories, and delivery records	Two	Controlled Materials Plan
Employee earning cards	Three	Fair Labor Standards Act
Employee earning cards	Four	Walsh-Healey, Fed. Social Security, and Fed. Unemployment Tax acts
Time cards	Two	Fair Labor Standards Act
Time cards	Four	Walsh-Healey Act
Bills of lading	Two	Fair Labor Standards Act
Payroll records	Three	Anti-kickback regulations
Flight-movement records	Six	CAB
Freight reports	Two	ICC
Repair reports	Six	FPC

like Equitable, have done their own housecleaning. Some have hired experts from Remington Rand, Shaw-Walker, and other office-equipment makers to show them what to do. And some have turned their problems over to an outfit named National Records Management Council, Inc., of New York, which specializes in slicing the useless fat out of hoarded papers, both in government and industry.

It was the director of N.R.M.C., Emmett J. Leahy, who headed up the Hoover Commission task force on federal paper work. On that job Leahy's crew of records specialists applied their housecleaning techniques to the government's pile of 18,500,000 cubic feet of files. By last year, under Leahy's program, federal agencies were annually destroying 2,500,000 cubic feet of records (the equivalent of more than 1,600,000 file drawers); by last June they had reclaimed for active use some 57,000 file cabinets, 78,000 transfer cases, and 1,400,000 square feet of office and storage space (50 per cent more rentable space than is in Manhattan's Chrysler Building) and had moved 1,300,000 cubic feet of papers to Federal Records Centers. All told, federal agencies had saved nearly $5,500,000 in paper-work expense.

On a smaller scale, N.R.M.C. has demonstrated its money-saving tactics to two state governments (Michigan and Rhode Island), three cities (New York, Detroit, and San Francisco), and more than forty corporations. Executives as well as bureaucrats have been amazed to discover that they can cut their office files down by two-thirds or more by destroying up to half their old records and shifting much of the rest into low-cost archives. (For a picture of what happened to the files of Pan American World Airways, see the chart below.) Monsanto Chemical, an N.R.M.C. client, not only recovered thousands of square feet of office space, but cut its normal expenditures for file cabinets from $12,500 to zero the first year, and in addition abolished a $30,000 microfilming program.

Even more important than such savings is the fact that management is finally finding out how inefficient paper-work operations really are, and, in a few cases, is beginning to practice what records specialists call "birth control." The simplest tool for this is what the military services have called the circular file, or File #13—the wastebasket.

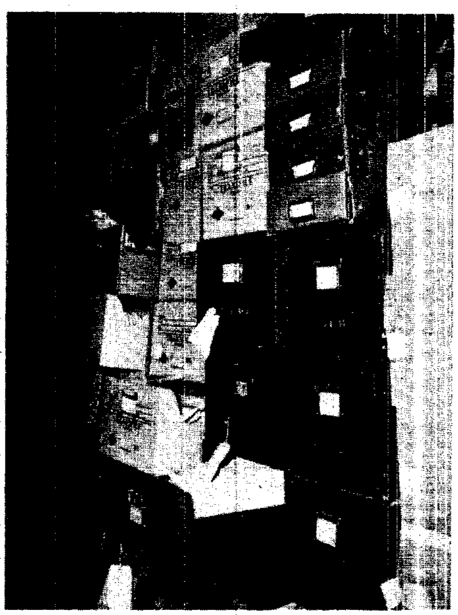
The high cost of filing

The economics of creating, handling, and filing office papers is still pretty sketchy, but some figures that Remington Rand has worked out show how much economy is possible. The cost of producing the average business letter, for instance, ranges from 80 cents to $1.30, and carbon copies of correspondence comprise about one-third of the 3,000 to 4,000 pieces of paper in the ordinary file drawer. To create the contents of such a drawer costs nearly $1,000.

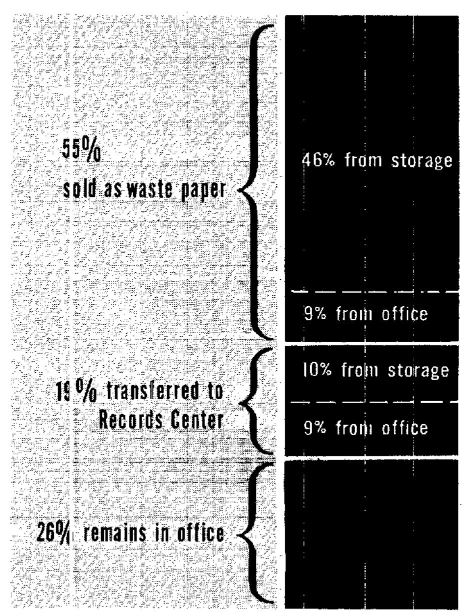
This is only the beginning, for Remington Rand has figured that the average cost of maintaining one four-drawer file runs around $288 a year, and ranges from $88 up to $640, depending on clerical salaries (about 80 per cent of the total) and the number of drawers handled by each clerk. These maintenance figures do not include overhead costs of supervision, building maintenance, taxes, or working space for the clerks. Even without such overhead, the annual upkeep on fifty file cabinets would be nearly $12,000.

These figures acquire their real meaning, however, when they are related to the use that a company's management makes of its filing system. According to National Records Management Council, 95 per cent of all corporate paper work over a year old is never referred to. What is more, N.R.M.C. says that 95 per cent of the references made are to papers less than five years old. An analysis by the late Coleman L. Maze, an office-management consultant, has shown that for every hundred pieces of paper filed, from one to thirty may be called back for reference, and he held that if this reference ratio is 100:20 or better the filing system is "probably good." However, if the ratio falls below 10 per cent, there is a greater "likelihood that separate [i.e., duplicate] files exist. When the reference is close to 1 per

How Pan Am Threw Out Over Half Its Records



The uselessness of old files has been demonstrated time and again by National Records Management Council, Inc., of New York, a non-profit organization started in 1947 with a $35,000 Rockefeller grant. N.R.M.C. did a typical job for Pan American World Airways, whose records were originally in the state indicated by the photograph at left. All records were inventoried, indexed, and appraised and some were transferred to the Business Archives Center (operated in Manhattan under N.R.M.C.'s direction). N.R.M.C. then got Pan Am to approve throwing out over half its files. So far, about a hundred tons of waste paper have been sold for $4,500. The chart at right shows the disposition of the files. Monthly storage charges on nearly 12,000 file drawers are only about 10 cents per drawer. But Pan Am thinks the chief benefit is B.A.C.'s reference service, which, at an average cost of 22 cents per search, gives cheap, fast access to old records.



cent it is likely that the main files will be only dead storage."

The practice of keeping tons of old papers on file is found in many of the best-managed companies in the U.S. Thus du Pont by 1951 had filled its "Hall of Records" with some 280 million pieces of old paper, of which 45 per cent were war records. To take care of its normal future accumulation, du Pont either had to reorganize its record keeping or build a 28,000-square-foot addition (estimated cost, $336,000) to its storehouse. Du Pont called in N.R.M.C. to help set up a new system of record storage and control, and found that the reference ratio on its war records was infinitesimally small: an average of one reference out of each 1,000 pieces once every 576 years. This discovery alone enabled du Pont to store these files more compactly and, with other space-saving ideas, eliminated the need for building an addition to du Pont's archives.

Rating by ratio

In addition to reference ratios, N.R.M.C. has three other measures for assessing a company's files. These are ratios between the number of employees and the number of cubic feet of records in the office and in storage. The first ratio to be aimed at—and one rarely found—is a fifty-fifty division of a company's files between its offices and its archives. Another yardstick is the over-all ratio that N. R. M. C. considers favorable for general offices of manufacturing and sales organizations—i.e., about five cubic feet of records per employee, with only two and a half cubic feet kept in the office. At plant locations, however, the ratio should be about one and a half cubic feet per employee, with only half a cubic foot filed in the office.

In specific departments within general offices, N.R.M.C. has found that still other, much higher, ratios are allowable. However, in many companies the purchasing and accounting departments, commonly the leading corporate paper-hoarders, retain as much as fifteen or twenty cubic feet of records for every office worker. Such ratios are unhealthy, N.R.M.C. contends, and it has shown that an efficient retention and disposal program can quickly sweat a 20:1 ratio down to 10:1. With "birth control" methods, this can be further cut to perhaps 7:1, which N.R.M.C. thinks is about as low a ratio for this type of office as one can hope for.

If a large company follows its recommendations N.R.M.C. estimates that savings can go as high as $100,000 the first year. And a third or more of such savings would be in released space, which would represent a permanent reduction in overhead. Economies of this magnitude were projected for Bethlehem Steel, but like many other N.R.M.C. clients still in the process of reorganizing their files, Bethlehem is not yet willing to disclose what its housecleaning program has saved.

Wastepaper pays

Many companies, however, have already gained sizable cash returns from the sale of wastepaper alone. In the cleanup of Worthington Corp.'s files, 154 tons of discarded paper work were sold for $3,400. Indeed, before wastepaper prices dropped in 1951, the sale of dead files frequently nearly covered the N.R.M.C. fees.

N.R.M.C. can tell, after a brief look at a company's records, how much time and money a job will require. For example, N.R.M.C.'s contract with Pan American World Airways typically covered two separate operations. The first was to make an inventory and an alphabetical index of all records. This work was not to take more than eight weeks, at a cost of $300 a week. The second operation was to appraise all records and get the company's legal counsel, top executives, and department heads to approve all recommendations for destroying old records and shifting much of the rest to the Business Archives Center, which is separately operated in Manhattan by N.R.M.C.'s Leahy. (See caption page 4 .) This work was not to take more than six weeks, at $500 a week. Total for the job: $5,400.

The savings to Pan Am—at least $26,000 a year—include not only wastepaper sales, low storage charges, and reclaimed office space and file cabinets, but a notable reduction in the company's expenditures for filing equipment: from $16,660 to $180 the first year. And since the latter expense represented a single purchase of special fireproof cabinets, it did not invalidate N.R.M.C.'s promise that Pan Am would not have to buy any new filing equipment for two years.

Such promises are now a standard part of N.R.M.C.'s operations. N.R.M.C. hasn't had enough experience yet to tell how many cabinets a company may have to buy eventually, but it is certain that future purchases will not steadily increase as past purchases usually have. Aluminum Co. of Canada's bill for filing equipment rose from approximately $5,000 in 1950 to $8,000 in 1951 and was headed for the $10,000-a-year level last year when N.R.M.C.'s survey showed that future purchases could be postponed for at least three years.

Advice from a file maker

In view of this, it might seem strange that sellers of file cabinets, such as Shaw-Walker, should have long been recommending to corporations that they clean out their accumulated papers. However, as Shaw-Walker's Vice President Fred Townsend points out, by advising a client how to cut down on its files, his company hopes to win the client's permanent good will—and future orders for other office equipment. Moreover, file cabinets are not a major part of the office-equipment business. They accounted for less than 35 per cent of Shaw-Walker's business last year.

Shaw-Walker's consulting services cost its clients an average of $150 a day, but a consultant may save a company so much that the client is anxious to retain his services permanently. One consultant has been on a job for over eighteen months and the company won't let Shaw-Walker take him off. "His services and recommendations have only cost us $45,000 so far," the client argues, "and he's saved us half a million already."

Benefits of this sort have not been achieved merely by cutting down the files. Shaw-Walker's men also analyze office methods and sometimes find that companies have needlessly raised their paper-work costs by installing too many business machines. In one over-mechanized company, the consultant persuaded management to throw out seven billing machines worth over $30,000 and replace them with electric typewriters and low-cost clerical help. However, a former Shaw-Walker consultant admits that "as often as we'd pull out machines, twice as often we'd throw new ones in."

Films vs. files

Since the tendency to mechanize the office is well developed in most companies, many have tried to solve their filing problems with microfilming machines. U.S. Steel, for instance, has not only spent large sums on microfilming but has equipped three million cubic feet of storage space in an abandoned cave in western Pennsylvania where it is keeping microfilmed records *and* original records. There is no doubt that microfilming old files can save space. One roll of 16-mm. film, which takes up only twelve cubic inches of space, will carry the photographic images of 3,000 letters, or roughly three-fourths the contents of a file drawer. The condensation ratio is about 99:1.

But it may be much cheaper and easier to store the original records. The cost of preparing, filming, inspecting, and indexing the contents of a four-drawer cabinet runs to $80 or more. For $80 a company could store the contents of one cabinet in N.R.M.C.'s low-cost storage equipment for fifty-three years in space renting for $1 per square foot. Aside from the fact that few records need to be kept for years on end, microfilming has other disadvantages. Microfilmed files are hard to read and to index, and it usually takes much longer to find microfilmed references than it does to find references in an ordinary paper file. Also, unless certain precautionary steps are taken, microfilmed records are still questionable legal evidence.

But the greatest disadvantage of microfilming files is that it perpetuates management's habit of keeping old records. Companies that are setting up retention and disposal programs are at least beginning to break that habit. The most effective way to break it, however, is to prevent paper work from accumulating in the first place.

Big money in forms

Of the many different birth-control techniques now applied to paper work, perhaps the most common are those resulting from efforts to simplify and speed up office procedures, particularly the control of forms. Thus a Shaw-Walker consultant (now operating independently as Robert M. Shaw Associates) devised form letters for Carbon Black Export, Inc., which replaced individually written letters, each form letter eliminating four carbon copies from the files. This, plus some other changes, enabled Carbon Black to cut an executive and three clerks from its office staff, move to smaller, less expensive quarters, and slice annual operating costs by some $25,000. Similarly, General Foods adopted a twelve-part billing form in 1949 to replace the separate forms and records of five different departments, and thereby eliminated five billing managers and $500,000 a year in overhead.

The control of forms is not, however, as easy as it sounds, for new forms are always being born. "People will ask for a form to suit a special purpose," says Fred R. Jones, assistant to a General Foods vice president, "and after a while they move on—but the form stays." His company has a system for reviewing forms every six months, but even so, some useless ones slip by. The control of carbon copies of memoranda is equally difficult. General Foods' policy is to send only one copy of a memorandum to the company's centralized files. Despite this, Jones estimates that every secretary maintains three or four drawers of papers so she can get material for her boss in a hurry.

Curbing the brass

Executives, in Jones's opinion, are the worst paper savers because "they work on an individualistic basis, and don't realize how much paper work they create." One way General Foods tries to curb the growth of records is to avoid giving any department extra space that might tempt a manager to install more filing cabinets. Before any new cabinets are supplied, office managers go through the old ones to see what papers can be thrown out to give a department more filing space. At Equitable Life, correspondence files are weeded out every third year, and only 5 per cent are retained.

A far more rigid control of management's files has been established in Procter & Gamble's Cincinnati offices. Back in 1932, P. & G.'s filing methods were revamped when the company (1) abolished its system of centralized files and (2) prevented executives from building up their own files by restricting each correspondence "dictator" to one file drawer. Since then, yearly audits of correspondence files and a tight control over requisitions for filing equipment (which must be approved by a P. & G. officer) have so changed management's filing habits that, on the average, one drawer holds the paper work of four dictators.

The manager of P. & G.'s district-office service department, I. J. Berni, has persuaded many of the company's executives to adopt some of the ways he uses to reduce his correspondence files. One way is to answer letters, and especially interoffice memoranda, by writing a brief reply in longhand on the face of the original letter, which is then returned to the sender. If a longer reply is required, it is simply typed at the bottom or on the back of the original. To make dictators aware of their responsibility for creating excess paper work, instructions have been issued to many P. & G. stenographers not to make any carbon copies of letters unless the dictator specifically requests them to do so. Berni also recommends that every executive regularly thin out those files that are to be kept, and for himself maintain only "suspense" files, i.e., papers on subjects being handled, and "as soon as the last letter has been written which closes the file, consign the entire file to the wastebasket."

Calculated risks

Reducing correspondence files, however, is much easier than cutting down on the mass of daily business records in an office. For almost all managements still consider such paper work essential to proper corporate control. Even P. & G.'s auditors constantly check the filing practices of all district sales offices, and an office manager will be rated on how many records he keeps and how well he keeps them. Detailed records on salesmen's expenses and their coupon accounts, for instance, must be kept to the penny, because, as one manager said, "P. & G. wants to keep temptation away from its salesmen."

This insistence on paper work for the sake of honesty is found in most companies, but it may often be quite unnecessary. For example, there is one company whose employees collect as much as $500,000 in a day, and the company deposits the money as a lump sum without retaining the identity of the individual collections. The bank merely verifies the total, and charges the company for any counterfeit bills or shortages in the total. Since 1949 these have cost the company less than $250 a year—and the company saves as much as $20,000 a year in banking charges, in addition to substantial paper-work savings.

The kind of calculated risks a company will take with paper work depends to some extent, of course, on the kind of business it is doing. Thus the *Reader's Digest* does not keep about 30 per cent of its subscribers' orders, transcribing the necessary information to stencil records. But the risk is slight, and since the magazine carries no advertising, it does not have to document its circulation figures as other publishers do. However, some companies take considerable risk in order to bypass a lot of paper detail. For example, Sears, Roebuck & Co. has for thirty-five years been sending the customer's original order and the company's bill right back with the goods asked for. Sears has found this "very practical" and, keeping only a record of the total bill, takes the risk of having to refill the orders of customers who claim they didn't receive shipments.

Similarly, the experience of United Parcel Service, which delivers packages for well-established stores in twelve metropolitan areas, shows how much paper work can be avoided if management insists on using the telephone whenever possible. "We don't get as many as 375 letters from our local customers in a year," one of United Parcel's managers says, "but we do make twenty times that many personal contacts." The results are visible in the company's files: e.g., though United Parcel has done business with Altman's in Manhattan since 1932, its complete correspondence file on this customer is less than three inches thick. Further evidence of the company's attitude toward paper work is the fact that though the New York office deals with nearly 400 stores the entire national management staff of forty men has the assistance of only four secretaries.

The urge for protection

For various reasons, however, few companies are yet willing to take the risks of attacking their paper-work problems. Sometimes management simply may not be aware of office inefficiencies, but more often managers build up their files either to protect their positions and decisions against future criticism, or to enhance their status. "Empire building," according to Shaw-Walker's Vice President Townsend, "is the worst ailment in American business." The "desire to serve customers" is another reason given for clinging to old papers. National City Bank, for example, retains the customer's monthly deposit tickets for six years. But the most common arguments for keeping records are that (1) laws—especially federal laws—make it necessary; (2) past records will protect the company against lawsuits.

Corporate anxiety over possible litigation has increased, of course, with the increase in antitrust suits and government regulations in the last twenty years. Where suits have arisen, old files have been generally considered a good protection. Two years ago when a federal grand jury began investigating the pricing practices of the soap industry, Lever Brothers was able to produce its own old price schedules, back to 1924, and it had kept records of published information on competitors' prices for many years. Procter & Gamble, on the other hand, had regularly disposed of its old schedules, but its recent records were apparently good enough as evidence since the grand jury found no cause for action and closed its investigation last November. P. & G. is now relying on the same records to disprove the monopoly charges that the Justice Department brought against P. & G., Lever Brothers, and Colgate-Palmolive-Peet in December.

The extent to which managements are inclined to protect themselves with old files was revealed by a national survey of fifty-five companies made by a Chicago file specialist, Record Controls, Inc. A tabulation of their retention schedules on 111 common business papers showed that the shortest retention period (one month) was applied to only two papers (receiving reports and tabulating-machine cards), and the average periods for even these records were 4.4 and 2.4 years respectively. Three kinds of papers (stockholders' minutes, property papers, and time-study reports) were retained permanently by all fifty-five companies, and nearly all permanently kept seven other kinds (expired labor contracts, ledgers and journals, executive minutes, patents, copyrights and trademarks, canceled stock certificates and transfers, federal and property tax records, capital-expense vouchers). In fact, the only records that no company kept permanently were bills of lading, traffic correspondence, express receipts, freight drafts, stores inventories, and sales slips.

How long and how much?

The survey also demonstrated how widely management disagrees about the length of time any record should be kept. Some random samples: retention periods for "acknowledgements" ranged from six months to permanent (four companies), with the average at 3.7 years; for expired contracts, from five to twenty-five years, with the average at 9.8 years; for drawings, from five to permanent (twenty-one companies), with the average at ten years.

Such disparities are to some extent due to varying local laws and statutes of limitations. But in the majority of cases, management strongly tends to play it safe by giving records a much longer term of life than is legally necessary. For example: the Fair Labor Standards

Act requires companies to keep incoming and outgoing shipping records for two years; yet among the companies in this survey the average retention period for shipping tickets is 5.6 years, and two companies keep them forever.

Management's overcautious hoarding of papers, in short, seems to bear as little relation to law as it does to efficiency. Procter & Gamble's Berni suggests that executives would be less inclined to accumulate papers if, before filing anything, they asked themselves: "How much added cost would the company be called upon to assume if this material were not available." And if they can't calculate the risk, they might try a slow, safe method P. & G. has used to reduce retention periods. The period on one type of record, which had been kept for six years and filled several hundred file cabinets, was reduced first to three years, then to one year, then to six months. The period is now down to three months and still the company has suffered no inconvenience or loss. As one top P. & G. executive said, "We will never know whether or not we have gone far enough with our program until we are hurt—and we haven't been hurt yet." Plainly, all that management seems to need to solve its paperwork problems is a little capitalistic risk-taking. END