

EMPLOYEE AND  
COMMUNITY INTERESTS  
OF  
LAGO



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LAGO OIL & TRANSPORT COMPANY, LIMITED

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*Aruba, Netherlands West Indies*

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THE CREATOR has filled the earth with materials for man's use. But to man himself has been left the task of developing these materials into things that will satisfy his needs. Grains of wheat will not nourish us until they have been ground into flour and baked into bread. Wool will not clothe us until it has been spun, woven, cut, and sewn.

From the human point of view, the gifts of providence, as they occur naturally, are only *potential* wealth. Knowledge, disciplined skill, and effort must be applied to change them into *usable* wealth. By changing the form and qualities of natural materials, men add greatly to their value.

In nearly all instances the creation of this additional value requires tools—the milling rollers, oven, and pan to convert wheat into bread; the spindle, loom, and needle to convert wool into clothing; or ax, saw, and hammer to make trees into chairs and tables.

A tremendously large, varied, and complex tool is an oil refinery. It is the instrument by which nature's gift of petroleum is changed into products to lessen man's toil; to move the cars, planes, and ships which permit him to go rapidly and easily from place to place; to give him light against darkness and protection against cold and heat.

As human beings would be weak without tools, so are tools useless without human beings. Important as the oven, loom, and ax are, they need people to operate them. The same thing is true of a refinery.

This booklet tells about one of the world's greatest refineries—that



of Lago Oil & Transport Company, at Aruba, Netherlands West Indies  
—about the people who operate it, and the relationships among them.

#### *BEGINNINGS AND GROWTH OF THE COMPANY*

The history of oil operations in Aruba goes back to the mid-1920's. A few years earlier, production of crude petroleum had begun in Lake Maracaibo, Venezuela. Oilmen were seeking a location where a large and safe harbor could be built for ships to move the oil to market. After inspection of many possible sites, the southeast corner of the island of Aruba was chosen. The spot offered many advantages. It was not far from the oil fields; although some dredging would be necessary, the water at Aruba was already of good depth; and a barrier reef paralleling the shore could provide sheltered anchorage. To build the harbor, men and materials were brought from great distances, and months of labor went into the job.

A few years after the harbor was finished, consideration was being given to building a refinery in the general region. The trans-shipping station already created at Aruba seemed the most logical and economical location, and refinery construction was started in 1928. By January, 1929, a few pieces of equipment were in operation.

Three years later, with the world economy in the grip of depression, Lago was offered for sale. Standard Oil Company (New Jersey) bought it, and, despite the continued low rate of business activity, the refinery was enlarged over the following years. Tons and tons of equipment were brought into the island, financed with funds provided by Jersey Standard from the United States. For fourteen years Lago paid not a penny of dividends to its owners, the company's entire earnings being used to repay the costs of this work.

Today, the Lago refinery at Aruba is the second largest in the world in capacity. The expansion carried out during the 1930's was so skillfully planned that the plant is generally regarded as one of

the most efficient oil-processing installations to be found anywhere.

During the period in which Lago was being built to its present scale, there was growth also in the number of jobs the company had to fill. At present, Lago provides employment for approximately 7,200 men and women.

Lago is an important link in a chain of petroleum operations which include, on the one end, the finding and development of continuous supplies of crude oil and, on the other, distributing finished products at prices and with a service which will retain buyers against the competition of products offered by other oil companies. In performing its function in the world oil business, Lago creates wealth. The company is, in fact, a major generator of income in Aruba—both public, in the form of taxes, and private, in the form of wages paid to its employees.

In a number of ways a corporation is like a person. It can own property, appeal to courts for the protection afforded by the law, or be haled into court and held to judgment if it infringes the law. As a corporate person residing in Aruba, Lago recognizes and accepts the responsibilities which a conscientious individual would accept. Lago's management believes the company has a duty to be interested actively in the welfare of the community and to contribute its fair share to the protection and advancement of the community's best interests.

### *EMPLOYMENT POLICIES*

Lago believes it has a responsibility to provide employment opportunities to the full extent that is economically reasonable. Particularly, it believes it should make such opportunities available to the people among whom it lives—the Arubans.

The company's policy is to hire, insofar as is practical, people whose home is Aruba and whose natural bonds are in the area. It is, in fact, a stated policy that, other things being equal, preference will be given in filling job openings, first, to Arubans; second, to persons born in other

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islands of the Netherlands West Indies; third, to persons born in Surinam; and fourth, to persons of other nationality.

The effects of this policy can be seen in employee statistics. Lago employees can be grouped under four broad headings: apprentices, regular employees (those paid on an hourly-wage basis), staff employees (paid on a salary basis), and so-called foreign staff or expatriates. In 1945 staff and regular employees numbered 5,747, of which 32 per cent were Arubans. In January, 1952, the two groups totaled 6,441, of which 42 per cent were Arubans. It is also interesting to note that over the three-year span, 1949-52, the number of Aruban employees increased by 633 individuals, despite the fact that the total of staff and regular employees declined by 952.

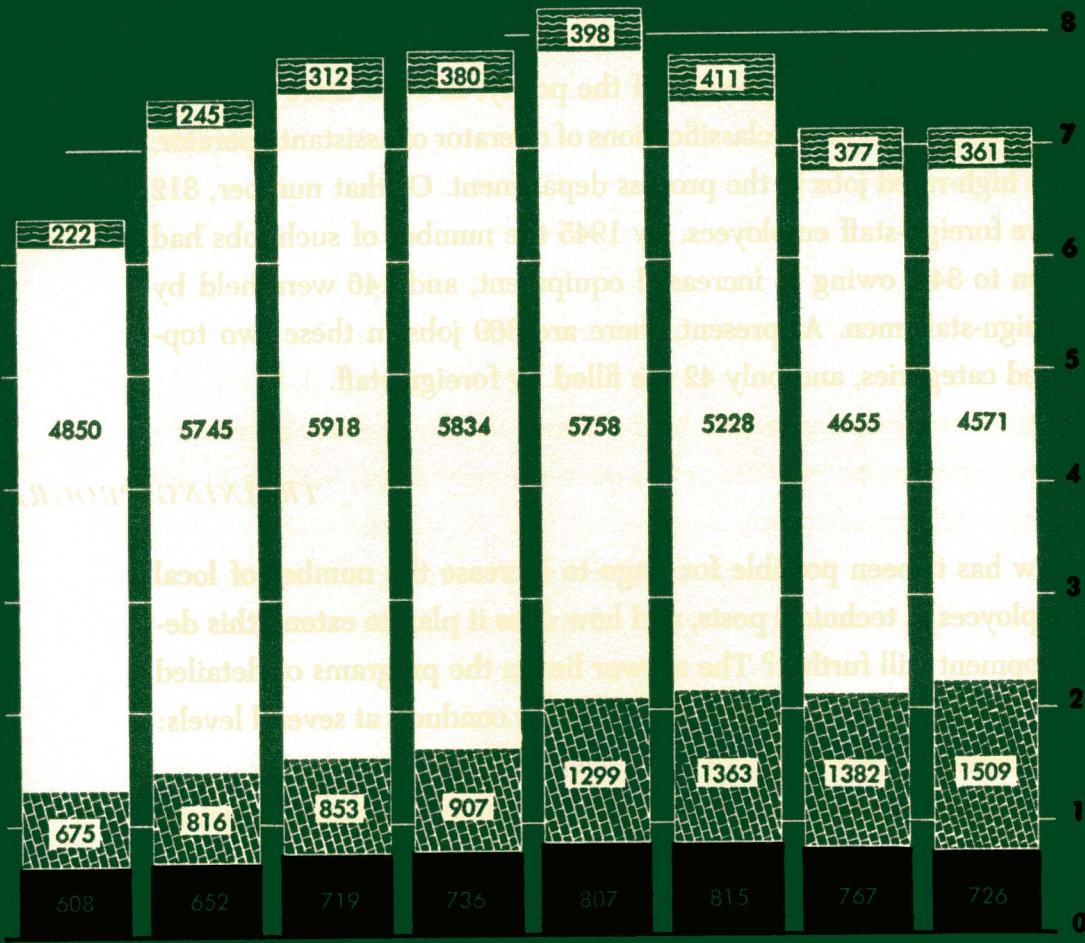
Although Lago believes that its employment policies should make special provision for the community of which the company is a part, Lago also provides employment opportunities for others. At present there are on the pay rolls—many of them in high-rated jobs—more than 3,500 persons who are non-Arubans but whose origins are in the Caribbean area.

As a corporate resident of Aruba, Lago works not alone to provide employment opportunities but to open the way to posts of increased responsibility and income.

Anyone who visits a modern refinery and looks about him carefully will perceive that it is a complex of massive and interrelated equipment. Its processes involve the use of large amounts of electrical power, numerous chemical reactions, careful control of high pressures and temperatures. If the business is to earn the profits which will enable it to continue in existence, operations must be kept at a high level of capacity and carried on with the fewest interruptions possible. This entails long-range planning, based on the gathering and evaluation of reports from many parts of the world. It requires detailed and precise scheduling of receipt of crude supplies, of storage and outward shipments. It is obvious that operation and administra-

# Number of Lago Employees

1945-1952



<b>TOTALS</b>	<b>6355</b>	<b>7458</b>	<b>7802</b>	<b>7857</b>	<b>8262</b>	<b>7817</b>	<b>7181</b>	<b>7167</b>
JAN. 1	1945	1946	1947	1948	1949	1950	1951	1952



tion of a great refinery can be done only by trained and experienced persons.

When the Lago refinery was built at Aruba, the population of the small island included few persons with the training necessary to fill the technical and administrative jobs. The posts were, therefore, filled with experienced United States citizens and Europeans brought to Aruba for the purpose. Over the years, however, and again as a matter of considered policy, Lago has been replacing this essential expatriate personnel as rapidly as possible. It may be noted that such a course has since been endorsed as a principle by the International Labor Organization, an agency of the United Nations Organization.

As illustration of the results of the policy, in 1939 there were 324 Lago employees in the classifications of operator or assistant operator, two high-rated jobs in the process department. Of that number, 312 were foreign-staff employees. By 1945 the number of such jobs had risen to 348, owing to increased equipment, and 146 were held by foreign-staff men. At present, there are 369 jobs in these two top-rated categories, and only 42 are filled by foreign staff.

#### *TRAINING PROGRAMS*

How has it been possible for Lago to increase the number of local employees in technical posts, and how does it plan to extend this development still further? The answer lies in the programs of detailed and thorough training which the company conducts at several levels: vocational, job, and supervisory.

It was early recognized that, to meet Lago's need for skilled workers and supervisors over the long-range future, the training of youths would be necessary. In 1935, therefore, the company embarked on a program of formal apprentice training. There were about 30 pupils in the Lago Vocational School at its beginning seventeen years ago; today there are 360.

At the end of each academic year in the public and parochial schools on Aruba, all Aruban boys who have reached fourteen years of age and have satisfactorily completed six classes in accredited schools may apply for places as students in the Lago Vocational School. The applicants are given intelligence, mechanical aptitude, and mathematics tests and are personally interviewed.

The boys selected receive four years of instruction combining academic subjects at the secondary-school level with vocational subjects. In all, sixteen subjects are taught, including English and mathematics; mechanical drawing; machine, carpenter, electrical, and sheet metal shop practice; physics and physical education. Over the past several years two boys have been selected from the graduating classes to go to the United States, with all expenses paid, for one year of more advanced vocational study. All the students, throughout the entire four years of schooling, receive wages.

The cost of educating one boy for the four years is approximately Fls. 13,000, and, in 1951, the total school budget was more than one million guilders. In light of the recent establishment by the government of the Aruba Trade School, the curriculum and age level of students at the Lago Vocational School will be raised. Together, the two schools will make possible an integrated educational program of mutual benefit to the company and community.

Besides creating a reservoir of skills for the future, Lago is interested in increasing the skills of men and women already on its pay rolls. This is accomplished through a program of on-the-job training which is carried on continually, most of it on an individual basis with full-time instructors at the place of work. It is estimated that between 70 and 80 per cent of the entire force now working at the refinery has had training of this kind.

To impart certain skills which can be gained more readily in formalized instruction away from the actual place of work, the company has also set up classroom job training. At present, almost 400 persons

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are taking part in 34 different courses of this type. This training, as well as on-the-job training, is given on company time, with the employees receiving their regular rates of pay while continuing to learn.

The company has always felt that its supervisory personnel represents the key to sound management as well as good employee relations. As early as 1938, training courses for supervisors were instituted. These range from courses of formal instruction to discussion groups on policy and administration matters. The formal courses include such subjects as Modern Supervisory Practices and Modern Management Practices. Instruction in administration of the working agreement with the employees' bargaining agency, particularly the grievance procedure, has accounted for excellent supervisory performance in these matters. In addition, conference leadership programs and studies in Papiamento are offered. For the 550 people in the management group, which includes all supervisors, training is practically continuous.

Although, as already pointed out, Lago gives preference to Arubans in hiring regular and staff employees, once non-Arubans are employed in those categories, they enjoy all the advantages that pertain to the groups generally. Except for the apprentice training offered in the Lago Vocational School, non-Arubans can avail themselves of the training programs that equip employees for posts of increased responsibility. They are eligible for the same benefit programs and receive the same rates of compensation.

#### *EMPLOYEE REPRESENTATION*

To provide a regular means for exchange of views and ideas on a wide range of company matters, there has evolved at Lago an extensive system of committees and councils in which designated members of management meet with elected representatives of the employees. The beginnings of the committee system date back to 1936, and today

there are six such formally instituted bodies to deal with subjects of mutual management and staff and regular employee interest.

The agency for collective bargaining on wages, hours, and working conditions is the Lago Employee Council. The working conditions and other matters agreed upon by management and the Council are set forth in a written contract. District representatives of the LEC also function to aid individual employees to present and resolve any grievances they may have.

On matters not directly connected with working questions, co-operative effort is developed through mutual advice and consultation with the Special Problems Advisory Committee (on employee benefits and perquisites), the Lago Commissary Advisory Committee (on customer matters), and the Lago Sport Park Board (on operation of the sport park and recreation matters).

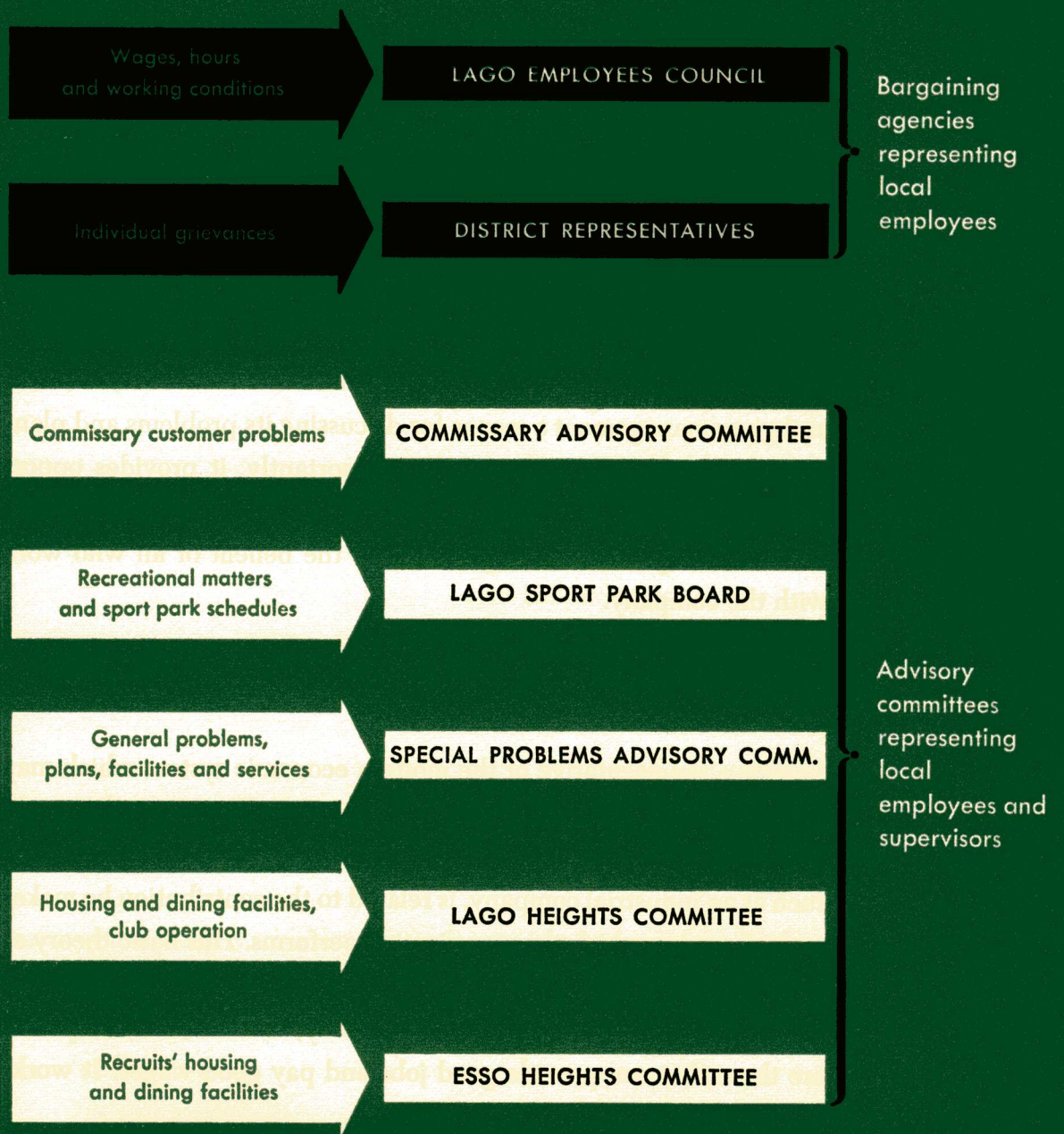
The committee system establishes a democratic method for employees to express their opinions on matters which concern them and gives management a means for discussing its problems and plans with the other employees. No less importantly, it provides opportunity for all to have better understanding of Lago's tasks and policies. Thus it promotes co-operation, to the benefit of all who work with the company.

#### *PRINCIPLES OF REMUNERATION*

Lago is a representative of the modern economic system which may be described as democratic competitive capitalism. Under this system, the individual's remuneration from an economic organization, such as an industrial company, is related to the contribution he makes to the function which the organization performs. This basic theory of remuneration is logical. It stimulates efficiency in the separate companies that go to make up a total economy, and efficient companies are those that can provide good jobs and pay good wages. It works

# *Lago's Employee Representation Plan*

**FOR STAFF AND REGULAR EMPLOYEES**



to the benefit of employees. It provides incentive for the individual worker to advance himself within the organization. It results in benefit to society by giving the worker a reason to make his greatest possible contribution to the economy as a whole. The result is to improve workers' living standards by the only sound way of doing so over the long term—namely, by increasing the quantities of goods produced.

Compensation in any company consists not only of money paid to employees but also of any perquisites or services furnished to them which result in expense for the employer. This fact is not always recognized. But competent managements must count not only the actual pay rolls but also the expenses of various services as employment costs.

The amounts which a management can allocate to employment costs are fundamentally influenced by two things: the prices the company gets for its products, and the costs of its operations over and above those relating to employment.

In turn, the prices the company receives are governed by competition. In the case of the oil industry, a major factor is the condition of the world oil market. If a company attempts to increase its income by raising prices above those of its competitors, it loses market position and, as a consequence, does not have more money to allocate to employment costs but has less.

The nonemployment costs of a company, except for taxes and some other expenses, are governed to a considerable degree by the efficiency of its operations. At a particular level of income, a highly efficient company will have more money to provide wages and benefits for its employees than an inefficient company. And efficiency is the result of skillful management, loyal and well-trained employees, and capital investment in the best types of equipment.

Since employment costs must be regarded in total, it follows that the more money a company spends for perquisites and other employee services, the less it can pay in wages and salaries; and the more it pays in wages and salaries, the less it can devote to perquisites and services.

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The balance that is struck between these two elements of compensation will depend on a number of circumstances.

Lago has constantly endeavored to achieve a combination of direct remuneration on the one hand and employee services and benefit programs on the other which would be economically sound and most satisfactory for the personnel. Fundamentally, the company subscribes to the philosophy of assisting employees to act independently within a general community framework. The various employee programs, for example, are designed to aid the participants to accumulate savings, or to provide them with other means, which they can use with the widest possible range of personal choice.\*

Healthy community growth is promoted by the development of a multiplicity of agencies to furnish basic services—agencies, for example, such as associations of private citizens, companies formed for the express purpose of performing particular functions, and special departments of government. When the Lago refinery was first established at Aruba, the island had a relatively small population and comparatively little industrial background. The company therefore supplied facilities not directly related to its petroleum business, in order that they could be immediately available to the growing number of employees. As early as 1938, however, the company aided the establishment of an agency, the Home Building Foundation, to undertake some of the housing activities which the company itself carried on previously. Lago believes that developments of this kind best serve the long-range welfare of the community, with the company devoting its energies and resources primarily to its own business, at the same time aiding the development of other agencies and, after they are established, continuing to give them the support due from a public-spirited resident of the island.

\*In this booklet, various Lago employee plans are described only in broad outline. Statements here do not modify or replace the formal terms of these programs, which may be found in the company's official booklets and publications.

## VACATIONS AND VACATION SAVINGS PLAN

The various employee programs at Lago apply to all regular and staff personnel on exactly the same basis. That is, the benefits to individuals vary only as the programs are applied to various levels of earnings or lengths of service, but the requirements for eligibility, percentages used for computations, and so forth, are the same for all.

All regular and staff employees, for example, receive generous vacations during which they continue to receive their normal pay. Since Lago employees include many persons whose original homes are not Aruba, and who have a natural desire to return on occasion to their relatives and friends in distant places, the vacation program, worked out in collaboration with employees' elected representatives, takes this factor into account.

Each employee is entitled to two weeks' regular vacation annually. Further, a three weeks' "bonus" vacation is granted at the end of four years of employment, four weeks at the end of the eighth year, and five weeks at the end of the twelfth year and of every four-year period thereafter. These so-called "bonus" vacations are in addition to the regular vacations. An employee has the option of taking his regular vacations each year, or of accumulating them to add to his "bonus" vacation every fourth year. Since it is generally recognized that periodic breaks in routine are conducive to health and good spirits, the program does not permit accumulation of the total regular vacations but requires that an employee take at least one week's regular vacation during his first four-year period, and two weeks in each subsequent four-year period. All the balance of regular vacation time, however, may be accumulated and taken at four-year intervals.

Besides receiving paid vacations, regular and staff employees of Lago can take advantage of a Vacation Savings Plan. Under this Plan, a person may authorize the company to set aside for his credit 1, 2, 3, or 3½ per cent of his pay. To this saving the company adds, when



a "bonus" vacation is due, an equal amount, guilder for guilder. An employee may withdraw the sum to his credit at the end of each four-year period of employment. If he should leave the company at any time between "bonus" vacations, his own savings in the Plan, plus interest, would be turned over to him.

Over 99 per cent of the employees participate in this Plan. Although, in accordance with Lago's philosophy of employee programs, they may spend their withdrawals from the Vacation Savings Plan for any purpose they want, a great many use it for vacation expenses. As illustration of the way the Plan aids vacations, a laborer at the lowest end of the pay scale can, if he is in the Plan for the maximum percentage, accumulate from his own pay savings of Fls.\* 414 over four years; the company adds another Fls. 414. The total amount of Fls. 828 is sufficient to cover the cost of a round trip by air to Port au Prince for the employee, his wife, and two minor children. A tradesman helper A, with wife and two children, could cover the fare for himself, wife, and two children on a round trip to Georgetown, British Guiana; a senior clerk and family could go to New York and back, and have something to spare.

#### *THE THRIFT PLAN*

No less popular with employees than the Vacation Savings Plan is the Thrift Plan established by the company to assist employees in gathering long-term savings. Under this Plan, an employee may authorize the company to set aside 2, 4, 6, 8, or 10 per cent of his regular pay, to which the company then adds 1, 1½, 2, 2½, or 3 per cent. These "regular" contributions by the company are augmented by "extra contributions," which may be made in varying amounts yearly, depending on economic conditions and the company's earnings. It is worth noting that over the past ten years the company's regular and

\*In N. W. I. a guilder or florin equals \$.53 in U. S. currency.

extra contributions, taken together, have amounted to somewhat *more* than the employee's own contributions.

At semiannual intervals, a participant in the Thrift Plan may withdraw sums up to two-thirds of his own contributions, plus two-thirds of the company's extra contributions to his account, plus two-thirds of his pro rata share of the Fund's earnings. One-third of his own contributions, plus one-third of the company's extra contributions, plus one-third of his pro rata share of the Fund's earnings, plus *all* the company's regular contributions are payable to the employee only when he leaves Lago. Once credited to his account, however, sums in the Thrift Fund are irrevocably his and cannot be taken from him no matter what the cause of his leaving the company. In the event of his death, any amount standing to his credit is payable to his heirs.

A person can use his Thrift Fund balance as collateral for short-term loans at low rates of interest, or for long-term loans for special uses such as purchase or improvement of a home.

The Thrift Plan, like the Vacation Savings Plan, is entirely voluntary. No employee is obliged to enter it, but more than 99 per cent are enrolled. How savings grow under the Plan is exemplified by the actual case of an employee who entered the Plan in 1939 when he was a fireman and is now an operator on the stills. This employee's contributions in eleven years have amounted to Fls. 6,330; the company's regular and extra contributions to his account have amounted to Fls. 8,106—making total savings of Fls. 14,436.

## *HEALTH AND SAFETY*

To furnish medical services on the scale required by a large industrial establishment, Lago has a hospital and a combined Plant and Marine dispensary. Facilities include pharmacy, medical laboratory, X-ray equipment, physiotherapy units, basal metabolism machines and

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electrocardiograph, operating rooms, delivery rooms, and a urological room. A new three-story building, to permit the transfer of present bed-space to the most modern-type structure, is being erected and is expected to be completed in the latter part of 1952. Plans are also being made for building a new Plant dispensary. The medical department has 236 employees, of whom 22 are physicians and 105 are nurses. Over the years Lago's medical department has made an enormous contribution to the health, sanitation, and general well-being of employees and their families.

In the event of sickness, an employee's income is not cut off by his inability to work, but is kept on through a program of benefit payments. Sickness benefits amount to 50 per cent of normal pay while an employee is hospitalized, or 70 per cent of normal pay if he is treated at home. During the first two years of employment, the benefits are payable for a maximum of ten weeks, the benefit period increasing with longer employment up to a full year for persons who have been with Lago ten years or more.

All first-class mechanics, or equivalent in other departments, and all staff employees receive full earnings for the first week of disability. Benefits for wage-earners begin after three days of the onset of disability, unless the disability lasts for fourteen days or longer, in which case benefits start from the first day.

To protect employees from industrial accidents, Lago spares no effort to provide safe equipment, eliminate hazardous conditions, and give the employee information on accident prevention. All Lago employees are proud of the results. For example, in 1947, there were eighty-three injuries resulting in lost time, representing a frequency rate of 4.69. (Frequency rate is the number of disabling injuries per million man-hours worked.) In 1951, there were only twenty-five lost-time injuries, representing a frequency rate of 1.45. It is interesting to note how this record compares with others in the petroleum refining industry where there is comparable exposure to risk of accident.

In 1951, when the accident frequency rate for Lago was 1.45, all refineries in the United States which participated in an accident prevention contest sponsored by the National Safety Council had an average rate of 5.1.

In 1951, Lago experienced a record period of sixty-seven days (3.1 million man-hours of work) without a single injury or accident serious enough to cause loss of time. The light oils division of the process department has an accident-free record dating back to 1948 and the technical service division to 1945.

Most of the employees today are safer on their jobs than off them. However, if an employee does sustain injury as the result of an industrial accident, he is assured of the best medical attention available and liberal cash benefits. These benefits amount to 100 per cent of normal earnings during the first week of the benefit period and, over the next nine weeks, 70 per cent of earnings if the employee is hospitalized, or 100 per cent if treated at home. For any balance of benefit period, the benefits amount to 50 per cent of normal earnings while hospitalized, or 70 per cent if treated at home. For any additional benefit period stipulated by the Curacao Accident Regulations, benefits are 50 per cent of earnings. The period over which benefits are payable varies with the length of employment, in accord with the scale for sickness benefits.

#### *SURVIVOR BENEFITS AND ANNUITIES*

If an employee dies after being with the company a year or more, his widow, children, or dependent parents receive Survivor Benefits. These benefits amount to one-half the deceased employee's monthly earnings, payable to his eligible survivor over a period ranging from six months, in the case of an employee with one year's service, to a maximum of two years for an employee with ten or more years of service. The Survivor Benefits program is provided to all employees

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without cost to them. In addition to such benefits, the eligible survivors of a person who dies while in Lago's employ receive, in lump sums, any amounts standing to his credit in the Thrift Plan or Vacation Savings Plan. Annuitants are also covered by the Survivor Benefits program. Eligible survivors of an annuitant who dies before reaching his sixty-first birthday receive the same benefits as would be paid to survivors of an active employee. After an annuitant's sixty-first birthday the rate of benefits to his survivors decreases on a sliding scale to a minimum of 50 per cent of what would be paid in the case of an active employee.

To see how this works out in practice, take as example an employee who started to work with Lago in 1938 and whose death occurred in 1951. Assuming that his average earnings during his thirteen years of employment amounted to Fls. 425 per month, which is an approximate average for Lago employees as a group, and that he made maximum contributions to the Thrift Plan and no withdrawals, his family would receive a lump sum from the Thrift Plan of approximately Fls. 15,000 and, in addition, Survivor Benefits of Fls. 212.50 per month for two years.

A further program recently instituted by Lago establishes annuities for employees to provide income in their later years. This Retirement Plan covers all regular and staff employees, and its entire cost is borne by Lago. Under this Plan, normal retirement age is set at sixty, although an employee may, on his own option, retire at age fifty-five if he has had twenty-five years of service. In special cases, and with company approval, an employee may retire at age fifty with fifteen years of service. At normal retirement age the employee receives an annual income for the balance of his life equal to 1½ per cent of his average annual earnings multiplied by the number of years of his employment. If he retires before he reaches sixty, the amount of his annuity is discounted in accordance with standard actuarial tables.

After a person has worked with the company for fifteen years, the

annuity credit standing to his account belongs to him even if he leaves the company for any reason. Thus, someone who began working with Lago at the age of twenty and who left when forty years old would have a paid-up annuity which would mature and begin paying him at age sixty an annual income equivalent to 30 per cent (1½ per cent times twenty years) of his average annual earnings while he was working with Lago.

The Retirement Plan is a valuable program not only for Aruban employees but, particularly, for non-Arubans who return to their home areas after working with Lago. The Plan was established September 1, 1948, at which time all persons then on the pay rolls were given credit for past service at their rates of pay on that date. At the present time there are 106 living annuitants of the company, and this number is increasing each year.

If, as a result of sickness or accident, an employee with fifteen or more years of service is rendered permanently unable to work, he immediately receives an undiscounted annuity income, payable for the rest of his life. For example, if an employee came to work with Lago when he was twenty years old, was permanently disabled at forty, and had average earnings of Fls. 425 per month over the twenty years of his employment, he would receive on termination from active service 30 per cent of his earnings (1½ per cent times twenty years) or Fls. 127.50 per month for the rest of his life. He would also receive any sum standing to his account in the Thrift Plan. His family would still be protected under the Survivor Benefit Plan for one year.

#### *WAGE RATES*

Lago's policy with respect to wage rates is to pay at least the prevailing wage for similar work in the area. A check of wages for representative jobs in the Caribbean is made periodically to ensure that this policy is being followed.

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Workers are, of course, concerned with what their wages will buy—that is, with real wages as well as money wages—and the company also takes the cost of living into account either in wage rates or in a cost-of-living bonus. In 1941, Lago began a continuing study of the cost of living on Aruba, and surveys are made quarterly. During the time these surveys have been taken, inflation has raised living costs in all parts of the world. Counting the cost of living in 1941 as 100, the index for Aruba stood at 235 in early 1952. However, Lago's wage rates have kept pace with this rise, and, today, its employees are receiving the highest wages in the company's history. In fact, counting average wages in 1941 as 100, the average wage rate stands today at 247.75, or more than twelve points above the cost-of-living index.

Lago's rated pay schedule starts with the category of yardman at Fls. 1.26 per hour (approximately Fls. 250 per month) and ranges upward through various jobs to first class tradesman at Fls. 2.44 per hour (approximately Fls. 477 per month) and operator at Fls. 3.48 per hour (approximately Fls. 727 per month). These rates are supplemented by any cost-of-living bonus payable in a particular quarter. It is interesting to note that, over the years, the rates of personnel toward the lower end of the pay-scale have tended to increase somewhat faster than rates at the higher end of the scale.

Overtime is paid at 1½ times an employee's regular rate for work performed in excess of eight hours a day or forty-eight hours in a week. Shift differentials and special work premiums are paid to regular and staff employees according to stated regulations. Employees are also paid for eight holidays per year: New Year's Day, Good Friday, Easter Monday, Queen's Birthday, Ascension Day, Whit Monday, Christmas Day, and Second Christmas Day.

Of the 7,200 employees at present working with Lago, there are only 400 in the category of unskilled refinery labor. Most of the jobs call for semiskilled or skilled workmen, the reason being that Lago has kept in the forefront of modern developments in industry.

## HOME OWNERSHIP

Upon first coming to Aruba, Lago found it necessary to build housing for employees. The first houses put up were for the expatriate personnel whom the company brought to the island to start the operation. But, by the middle 1930's, the growing numbers of regular and staff employees made additional housing necessary, and Lago erected some 150 dwellings and attendant facilities on land held under long lease on Lago Heights.

However, in line with its evolving philosophy of assisting employees to express their personal tastes and lead their lives as individuals in a regular community, the company began studies which led to the establishment in 1938 of the Home Building Foundation.

The Home Building Foundation is a legal entity entirely separate from Lago Oil & Transport Company. It is, in essence, a revolving fund to carry on low-cost construction of houses and permit their sale to employees under highly favorable terms. In operation, the Foundation builds houses on land which it has acquired outside the Lago concession area, and sells these houses to employees under a contract calling for monthly payments that are little more than would be required to rent a similar dwelling. The purchaser's payments to the Foundation are made by deductions from his earnings which he authorizes Lago to make on his behalf. At the end of two years, on the average, the employee has acquired a sufficient equity in his home to support a regular mortgage loan from a bank. In this way, the Foundation recovers its outlay and has capital for the construction of additional housing. The bank loans are liquidated in approximately eight years from the time of original purchase of a house. The Foundation obtains its capital by borrowing from the Lago Thrift Fund, with the company underwriting these loans.

To date, 357 homes have been built in nine different locations on the island. Present plans call for approximately eighty additional houses.



The Home Building Foundation has had many advantages for company employees and for the Aruban community generally. By developing housing in various locations on the island, the project tends to distribute population more evenly. It encourages normal community growth, since other people subsequently build houses in the same general area, and businesses, churches, and other elements of a wholesome community tend to arise in the neighborhood. For the individual it makes possible the deep personal satisfaction of home ownership. For the island's economy, it has meant the development of highly competent contractors and well-stocked building supplies companies.

#### *COMMUNITY SERVICE*

In the early days of the refinery, recreational facilities on Aruba, particularly those for team sports, were naturally very limited, and, with the growth of Lago's personnel, it was decided to help remedy this condition. In the latter part of the 1930's, the company developed a large sport park in San Nicolas. Following the war, a grandstand was constructed in the park, together with washrooms, lockers, and store-rooms. A complete children's playground was recently added.

Plans are now well advanced to equip the park with lighting so that it will be possible to conduct sports activities at night. Extensions to the grandstand to increase its seating capacity from 750 to 1,500 are in progress. The park is used by some fifteen to twenty teams in baseball, softball, soccer, and cricket, as well as a ten-team league in korfbal. Each year an Olympiad of track and field sports is held.

Recently Lago assisted in the engineering of lighting facilities at the Stadium Wilhelmina at Oranjestad and donated the necessary installation to make possible all types of sports at that location at night. Through additional assistance to boys' clubs and athletic organizations on the island, the company has greatly encouraged recreation through organized sports.

By financial and other support to churches, the library, the hospital, and various philanthropic organizations, Lago has aided the progress of the spiritual and cultural life of Aruba.

To ally itself still further with Aruban life, the company conducts tours for schools, clubs, and other groups through its plant. It publishes a biweekly newspaper, *Aruba Esso News*, to report on its activities to its employees and to the rest of the community. In addition, realizing the importance of its activities to the island's economy and well-being, Lago issues statements of any important actions it plans to the local press.

### *A TEAM OF MANY NATIONALITIES*

Lago's staff and regular employees comprise people of thirteen nationalities, originating from forty-three different islands or countries. The largest single group is made up of Arubans, the second largest comes from Grenada, and the third from St. Vincent. More than 60 per cent are Netherlands citizens; slightly more than 30 per cent are British subjects.

Expatriate personnel also comprise thirteen different nationalities, the majority, however, coming from the United States, the Netherlands, or Great Britain. Rates of pay and employee programs for this group take into account the fact that their origins are outside the Caribbean region, and that they must be offered inducement to leave the environment in which they were born and matured and to which they are still attached by ties of friendship and customs.

Although, in 1939, expatriates accounted for approximately 20 per cent of the employee force in the refinery as a whole, today 10 per cent of the total employment of about 7,200 persons is foreign staff. Somewhat more than half of the expatriates are in the management group at Lago. The management group, which includes first-line supervisors, numbers around 550 employees, of whom approximately

one out of four is locally hired. Through staff meetings, this entire management group participates in the formulation of company policies. It seems likely that the continued operation of the company's policies of training and upgrading will bring about the filling of more and more of the higher-rated posts by locally hired personnel.

#### *PROMOTING THE MUTUAL INTEREST*

The foregoing pages offer a view of Lago, not in terms of distillation towers, storage tanks, and other equipment but rather in terms of people and the management's philosophy concerning people.

Lago's chief asset is the men and women working in the company. Recognizing this, Lago strives to be a good employer. It endeavors to pay good wages, to bargain fairly, to offer training which will assist employees to do their jobs better and to fit themselves for higher posts. It acts to give individuals the opportunity to develop according to their own talents and desires.

Above all else, Lago feels its recognition of the human element makes it an adaptable company. Its life, like the lives of individuals, is affected by new circumstances and new opportunities for progress. It tries always to act in ways that will most help the future of the people with whom it is associated. It endeavors to set its policies and to carry on its operations in conformity with the long-term mutual interest of Lago and Aruba.

*July 1, 1952.*