CRITICAL ANALYSIS

of

ORGANIZATION and MANAGEMENT

in the

REAL ESTATE BROKERAGE BUSINESS

by

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A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN THE DIVISION OF ESTATE MANAGEMENT.

We accept this thesis as conforming to the required standard

THE UNIVERSITY OF BRITISH COLUMBIA

APRIL 20, 1965
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Date  April 27, 1965
ABSTRACT

In recent years the real estate business has been subject to a great deal of criticism concerning the organization and management of the business. However, there has been limited evidence to support the criticisms. It was the purpose of this thesis to analyze data which had been collected concerning the real estate business and determine if the business is poorly organized and managed. If the evidence supported the criticisms, an attempt would be made to determine whether improvements were possible within the existing structure of the business or whether improvements will depend on a change in the structure.

Information concerning the real estate business was collected and analyzed under the following headings:

(a) Organization of the Real Estate firms.

(b) Recruiting, Selecting and Training Real Estate Salesmen.

(c) Compensation Plans for Real Estate Salesmen and Managers.

(d) The Real Estate Salesmen - Characteristics and Work Habits.

The data for this study was collected from the members of the Vancouver Real Estate Board. A total of 192 firms employing 1200 salesmen were included. This represented 66% of the firms and 97% of the salesmen in the study area. The geographic area included Vancouver, District of North Vancouver, West Vancouver, Burnaby, Richmond, Surrey, Port Moody and Coquitlam.

In order to collect the required data, two questionnaires were used. One questionnaire was completed by the agent or manager, the other was completed by the salesmen. In addition, each manager or agent was interviewed. The Vancouver Real Estate Board handled the mailing of the questionnaires, each of which was accompanied by a covering letter from one of the executive
members of the Board soliciting full cooperation.

A total return of 152 usable firm questionnaires representing a 79.1% was received. The return from the salesmen was considerably lower. Only 415 usable questionnaires, representing a 37.5% return were received. The data was coded and tabulated by the I.B.M. 7040 computer.

Based on the data obtained it was found that the real estate firms were poorly managed. In particular the areas of recruiting, selecting, training, compensating and supervising salesmen were poorly handled. At present the real estate firms appear to hire unlimited numbers of salesmen without due regard to their chances of succeeding in the real estate business. This has resulted in an excess number of salesmen entering the real estate business. Many of the new recruits have left the real estate business after a short period of time, resulting in a high turnover of salesmen. In addition to the excess number of salesmen, many of the new recruits are entirely unsuited to the real estate business.

The real estate firms have failed to provide proper training for their salesmen. The pre-licensing course, which new recruits are required to complete, does not include sales training. Because of the high turnover of salesmen and the fact that the salesmen are not paid a salary, the firms appear unwilling to train their salesmen. Without proper training the salesmen require considerably more time to become efficient. During this "Trial and error" period the salesmen earn a relatively low income. This has further increased the turnover of salesmen.

Many of the problems facing the real estate business appear to be related to the form of compensation used for the salesmen. At present all salesmen are paid on a straight commission basis. This has limited the firms.
monetary costs for salesmen and enabled the firms to employ large numbers of salesmen without concern as to their success. The commission plan has also made it very difficult for new salesmen to remain in the real estate business because of the low income for the initial few months.

The salesmen were analyzed to determine what type of men and women enter the real estate business. It was found that the average salesman enters the real estate business in his late thirties and the average number of years experience in the real estate business is six and one-half years. The average salesman earns approximately $4,950 per year, however, they must work approximately sixty hours per week to earn this income. The salesmen enjoy few fringe benefits such as medical insurance, pension plans or group life insurance so the income of $4,950 represents their total monetary return.

There appears to be a need for substantial improvements in the real estate business and these improvements are possible within the existing structure of the business. Many of the improvements can be made by the individual managers and agents without any support from the other agents. Improvements are possible in the firm's recruiting, selecting and training methods. A change in the form of compensation would require the support of the majority of the agents since the local real estate boards usually establish standards of compensation. However, the agents need not wait until group action is taken, many improvements are possible and necessary on an individual basis.
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ACKNOWLEDGEMENTS

The writer would like to express his gratitude to those individuals whose co-operation made it possible to complete this study. In particular, the writer wishes to thank Professor P.H. White without whose valuable assistance and advice this study could not have been successfully completed and to the members of the Vancouver Real Estate Board for their kind co-operation. In addition, special thanks are expressed to Dr. V.V. Murray for his assistance in preparing the questionnaires for this study.
CHAPTER I
INTRODUCTION

A. Purpose of the Study

As of August 31, 1964, there were 773 real estate brokerage firms employing 2,425 salesmen in the province of British Columbia. In common with most small business firms little is known about the structure, organization, and management of these firms. The available information falls far below any acceptable standard. The real estate business has seldom been the subject of interest for any comprehensive study from an organizational or managerial point of view.

Members of the real estate business and others concerned with the business are aware of the need for more detailed information. However, the sources of available data and the quality of the data is still incommensurate to the significance of the real estate business. In terms of dollar volume, total transfers of real estate in Canada for 1963 were estimated to be about $5 billion in value. This involves approximately 519,000 transactions.\(^1\) To this figure may be added the value of new mortgages registered in Canada. In 1962 the value of mortgage registrations was $3.07 billion involving 313,407 mortgages. In 1963 there were 341,001 mortgages involving an estimated $3.5 billion.\(^2\)

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2 Central Mortgage and Housing Corporation, Canadian Housing Statistics, 1963, P. 55, Table 63.
Thus in terms of dollar value the real estate business involved approximately $8.5 billion in 1963. This does not include the value of new construction which in 1963 was $7.6 billion.

There are a number of factors contributing to the growth of the real estate business. The population of Canada is growing and at the same time is shifting to urban areas. The population in Canada increased from 14.0 million in 1951 to 18.2 million in 1961, an increase of 30.2%. At the same time the number of households in Canada increased from 3.4 million to 4.5 million, an increase of 34.4%. During the ten year period, 1951 - 1961, the number of occupied rural dwellings increased by only 1.2% while the number of occupied urban dwellings increased from 2.15 million to 3.27 million, and increase of 52.1%. This urbanization of the population will increase the demand for the higher priced urban dwellings.

One other major factor contributing to the growth in the real estate business has been the growth in home ownership. During the ten year period, 1951 - 1961, the number of owner occupied dwellings in Canada increased from 2.17 million to 3.00 million, a 34% increase. This increase in owner-occupied dwellings is one of the major factors contributing to the real estate business because the owner-occupied dwellings are transferred more frequently than dwellings occupied under other tenure.


5 Op. Cit., Central Mortgage and Housing Corporation, p. 35.

6 Ibid p. 27, Table 23.
As the importance of the real estate business continues to grow, the need for reliable information becomes more urgent. In recent years the real estate business has been subject to a great deal of criticism concerning its organization and operation. One such critic, Mr. R. Wilson, Past President of the Calgary Real Estate Board Cooperative Limited, stated:

Observations made during my ten years in Real Estate have convinced me that real estate firms in general are lacking in organization. Complete and proper organization is essential in all large firms, but few real estate agents recognize that the need is just as important to them. Many real estate firms have been forced to close up simply because they were not properly organized.\(^7\)

Opinions such as this are commonplace in the real estate business, but in the absence of evidence it is impossible to determine the weight which should be given to them. Therefore, it is the purpose of this thesis to analyze data which has been collected concerning the real estate business and determine if the business is poorly organized and inefficient in its operations. If the data supports the charges that the real estate business is poorly organized and inefficient in its operations, an attempt will be made to determine whether any substantial improvements appear possible within the existing framework or whether improvements will depend on a change in the framework.

It is the specific purpose of this theses to secure data on the following points regarding the real estate brokerage business:

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\(^7\) R. Wilson, "Management of a Real Estate Office", The Canadian Realtor, Volume 7, October 1961, p. 9.
1. General background information which may explain how the present structure of the real estate business developed. This will include a review of the development of the various real estate associations and boards.

2. Specific data regarding the internal organization of the firms.

3. Specific information regarding the recruiting, selecting and hiring procedures used by management.

4. The training program for sales personnel.

5. The methods of compensation used to compensate sales personnel.

6. The type of supervision exercised within each real estate brokerage firm.

7. The personal characteristics of the licensed salesmen.

It must be recognized at the outset that complete information will not be available for each of the seven points. For example, no attempt will be made to examine the "style" of the managers in the business. Only the organizational structure within which the managers operate will be examined. In addition the last point regarding the personal characteristics of the salesmen is incomplete. Since it was not possible to interview a sample of the salesmen a questionnaire was used. The use of a questionnaire has limited the type of information which can be collected. Factors such as maturity, desire, personality and satisfaction could not be measured. On the other hand factors such as age, sex, earnings, education and work experience can be determined by use of a questionnaire.

B. Importance of this Study.

The available data regarding the real estate business in general is very meager. The available data regarding the organization and management is even more scarce. There are a few sources the practising real estate
agent may use to obtain reliable information. Since the success of a real estate firm depends to a considerable degree on proper organization and efficient management it is imperative that the firms have current and reliable data to which to refer. It is possible that through careful analysis of the data concerning the organization and management practices the real estate business may obtain relevant information on which to base future changes.

In addition to the important task of gathering current data, this survey may indicate other areas in which future research may be done. Since this is one of the few studies directly related to the problems of organization and management in the real estate business, it seems likely that other studies will follow.

C. Scope of the Survey.

The evaluation of organization and management problems in the real estate brokerage business requires contact with a great many individual firms. The firms included in the survey were selected from the active and financial membership of the Vancouver Real Estate Board. The active and financial members include 289 firms, 488 agents and nominees and 1,226 salesmen. This total was reduced by the elimination of:

1. 33 member firms which are not primarily involved in the real estate brokerage business. These firms include Trust Companies, Life Insurance Companies and Mortgage Companies.

2. 64 member firms which do not presently employ salesmen. It was felt that these firms would not contribute sufficiently accurate information of the nature required for this study.

Active and financial membership represent approximately 95% of the total membership. The remaining 5% represents honorary members and associate members from outside of the Vancouver area. Members of the Vancouver Real Estate Board represent 98% of all real estate brokerage firms.
The final survey sample includes 192 firms, employing 369 agents and 1,200 salesmen. This represents 66% of the firms and 97% of the salesmen in the study area. The geographic area includes Vancouver City, District of North Vancouver, West Vancouver, Burnaby, Richmond, Surrey, Port Moody and Coquitlam.

D. Other Studies.

As stated earlier, the literature available in this area is relatively meager. The studies listed below cover one or more of the areas included in this survey.


The more general texts in the field of real estate have chapters or portions of chapters devoted to the organization and operation of real estate brokerage firms. However, the information is of a very general nature. In addition, there are a number of short addresses and reports. Once again the information contained in these articles is very meager.

E. Definition of Terms.

1. **Real Estate Agent.** An agent is a person who on behalf of another, for a fee, purchases, sells, exchanges, leases or rents real estate or negotiates mortgage financing or manages property and includes a person who receives a fee for listing real estate for sale. The agent is a person properly licenced to act in the capacity of a middleman in real estate transactions.
2. Real Estate Salesman. A real estate salesman is an individual employed by an agent, properly licenced, to carry out the activities referred to in the definition of agent. The important difference is that a salesman must be employed by an agent. The salesman cannot act on his own.

3. Licensee. A licensee is a person licensed under the Real Estate Act to act as a salesman or an agent.

4. Real Estate Agency or Brokerage Firm. This is a business firm specializing in those activities listed under the definition of agent. The terms agency and brokerage are used interchangeably. The agency may vary from a firm of one agent and no salesmen to a firm employing several agents and one hundred salesmen. Some agencies specialized in certain functions and areas; others offer a complete line of services.

5. Nominee. A nominee is a person nominated by a corporation or partnership to represent the corporation. A nominee has exactly the same qualifications as an agent. A firm may have more than one agent or nominee.

6. Real Estate Business. Throughout this study the term "real estate business" is used to include all activities relating to real estate. This includes the transfer of real property, mortgage financing and construction of real property.

7. Gross Commissions. Gross commissions includes all commissions earned by a real estate salesman before they are split between the firm and the salesman. This includes commissions received for the sales of real property, arranging mortgage financing and, where properly licensed, the commission received on property insurance.
CHAPTER II

THE REAL ESTATE BUSINESS

A. Scope of the Real Estate Business.

The real estate business includes a wide variety of participants. The direct participants include the various types of buyers and sellers, the traders or speculators, the investors and the builders. The market intermediaries include the mortgage lenders, the trust companies which act for estates, the lawyer who provides the much needed legal advice and the real estate brokerage firms or real estate agency. Of these, the real estate agency is the main intermediary providing a wide range of necessary services, including a contact with the other market intermediaries.

The real estate brokerage firm or agency exists because they perform a service to the public, a service for which people are willing to pay. The services offered can be classified into three categories.

1. Marketing. The principle service offered by the real estate agency is that of marketing real property. The agency seldom acts as a principal, the most common practice is for the agent or salesman to act as a middleman to bring the vendor and purchaser together. The normal practice is for the vendor to employ the services of an agent or salesman to locate potential purchasers for the property. This applies equally to leasing and development.

2. Financing. The real estate licensee acts on behalf of a client to obtain mortgage financing for a property or development. The agency does not provide the funds, they simply seek out a mortgage lender who is willing to provide the funds to the
prospective borrower.

3. Specialized Services. The real estate agency also provides a number of specialized services. Appraising is one such service. Since the value of each parcel of property must be determined, the services of a specialist are required. Often the appraisal is performed in connection with the marketing service, however, it is possible to separate the two activities. Another type of specialized service is that of property management. The licensee will manage a piece of property, usually income producing property, for the owner. These are the two main specialized services, others include supplying property insurance and assisting in property development.

There are a number of factors contributing to the growth and development of the real estate business. To begin with the commodity, real property, has certain characteristics which distinguish it from other commodities. Real property is limited in quantity, immobile, indestructible and heterogeneous. No unit of real property is identical to any other unit of property. Secondly, the legal characteristics of real property are complex. Property may be subject to numerous legal claims such as leases, liens, mortgages, and easements. Real property is local in nature since it is fixed in location. The supply of and demand for real property is entirely determined by local conditions. These factors all contribute to the fact that real property is not well adapted to easy trading.

The great majority of property transactions are between buyers and sellers who are not familiar with market prices and the mechanics of real estate transactions. This statement applies particularly to the housing market but it is also true to a lesser extent to commercial and industrial
property. Real estate is offered for sale for the most part by owners who are not in the business of trading in real property and who are involved in a very few real estate transactions during their lifetime. Also buyers and sellers are normally motivated by factors other than economic ones, especially in the residential market.

Some other factors contributing to the growth in the number of real estate agents are the complicated cases of property ownership, the absentee owners, and the scattered ownership of real property. Unlike the market for stocks and bonds, there is little uniformity of real property, the market is local in nature and there is little centralization of information.

It is in a market such as that just described that the real estate broker or agent performs a useful service to the public. Because of their special knowledge of the real estate market, the agents and salesmen are equipped to advise clients and to assist owners in securing the best price for their properties. The agent is a useful "middleman" in transactions involving "haggling" and "horse-trading". The agent acts on behalf of the clients to obtain legal assistance when required, to arrange for mortgage financing and to provide property insurance. This saves the property owners time and money since they do not have to contact these various market intermediaries individually.

The large number of real estate agents and salesmen is, in part, a direct result of the market imperfectious. If the sale of real property was as simple as the sale of an automobile or furniture there would be no need for so many agents. However, the heterogeneous nature of the product and the complex nature of the transactions require the services of an intermediary.

The normal practice is for the agent or salesman to receive a commission for his services. This commission is generally based on results
achieved. The vendor of property is generally responsible for paying the compensation to the agent, however, it is possible for a purchaser to employ the services of an agent. In cases of mortgage financing, the agent generally charges a percentage of the funds raised, for leases or sale of property the lessor or vendor generally pays a percentage of the value. For the more specialized services such as appraising the agent generally charges a flat fee unless the appraisal is done in connection with a listing.

B. Importance of the Real Estate Business.

The importance of the real estate business to our economy is clearly evident. Unfortunately the diverse ownership of real estate and the problems in assessing the value of real estate have hindered the collection of accurate data. One of the most significant estimates of the value of real estate in Canada was made by Mr. O.J. Firestone in 1949. Mr. Firestone estimated the value of residential real estate in Canada was at that time $15.3 billion. This sum included Newfoundland, Yukon and the Northwest Territories. To this amount of $15.3 billion must be added the unknown value of all industrial, commercial, agricultural and undeveloped real estate. The value of residential real estate alone was almost equal to Canada's funded debt which as of March 1949 was $15.6 billion.

Another estimate of the capital value of residential real estate in Canada was made in one of the studies for the Royal Commission on Canada's Economic Prospects. However, as with Firestone's study, this information

1 O.J. Firestone, Residential Real Estate in Canada, University of Toronto Press, Toronto, Ontario, 1951.

2 Ibid, p. 77.


is now outdated. One method of determining the present value of residential real estate in Canada would be to start with Firestone's estimate, add the value of all new residential construction since 1949, subtract the value of all demolitions and adjust for changes in the price levels. This is the method used by Messeieurs Grebler, Blank and Winnick in their estimate of the value of real estate in the United States.\(^5\) There are several disadvantages to this method of calculating capital value. Firstly, there is no accurate data concerning the value of demolitions. Secondly, there is no assurance that the value of residential property will change directly with the price level changes. Thirdly, this estimate includes only residential property. There is no available information regarding the value of non-residential property.

Fortunately the capital value is only one measure of the importance of real estate. Measured in terms of annual sales volume, 519,453 real estate transfers valued at approximately $5.0 billion took place in 1963.\(^6\) This is an average of $9,400 per transfer. A sales volume of $5.0 billion makes the real estate business one of the largest businesses in Canada. Real estate transfers have increased from 10.2% of Gross National Expenditure in 1951 to approximately 11.4% in 1963.

To the value of transfers must be added the value of mortgages since the real estate licensees are instrumental in obtaining these funds. In 1963, 341,000 mortgages were registered for a value of approximately $3.5 billion.


TABLE I

REAL ESTATE TRANSFERS IN CANADA

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBER</th>
<th>AMOUNT(000's)</th>
<th>AVERAGE AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>441,784</td>
<td>$2,164,477</td>
<td>$4,899</td>
</tr>
<tr>
<td>1952</td>
<td>442,685</td>
<td>2,245,553</td>
<td>5,073</td>
</tr>
<tr>
<td>1953</td>
<td>480,696</td>
<td>2,688,550</td>
<td>5,593</td>
</tr>
<tr>
<td>1954</td>
<td>463,031</td>
<td>2,959,141</td>
<td>6,391</td>
</tr>
<tr>
<td>1955</td>
<td>491,119</td>
<td>3,453,692</td>
<td>7,032</td>
</tr>
<tr>
<td>1956</td>
<td>507,179</td>
<td>3,871,953</td>
<td>7,634</td>
</tr>
<tr>
<td>1957</td>
<td>484,691</td>
<td>3,638,540</td>
<td>7,507</td>
</tr>
<tr>
<td>1958</td>
<td>527,708</td>
<td>4,330,161</td>
<td>8,206</td>
</tr>
<tr>
<td>1959</td>
<td>550,544</td>
<td>4,959,878</td>
<td>9,009</td>
</tr>
<tr>
<td>1960</td>
<td>475,631</td>
<td>4,113,808</td>
<td>8,649</td>
</tr>
<tr>
<td>1961</td>
<td>475,619</td>
<td>4,408,315</td>
<td>9,267</td>
</tr>
<tr>
<td>1962</td>
<td>482,988</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td>1964</td>
<td>519,453</td>
<td>5,000,000</td>
<td>9,400</td>
</tr>
</tbody>
</table>


b Not available

c Estimated by O.J. Firestone.

This does not include the value of mortgages which were not registered.

Total mortgage registrations have increased from 5.1% of Gross National Expenditure in 1951 to 7.9% in 1963.

Depending on the definition of real estate which is used, it may be desirable to include the value of capital expenditure in real estate. In 1963 the value of all construction expenditure for Canada was $7.6 billion.

### TABLE II

**MORTGAGE REGISTRATIONS IN CANADA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number Registered</th>
<th>Value</th>
<th>Average Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>209,575</td>
<td>$1,082,278</td>
<td>$5,164</td>
</tr>
<tr>
<td>1952</td>
<td>216,537</td>
<td>1,252,835</td>
<td>5,786</td>
</tr>
<tr>
<td>1953</td>
<td>246,680</td>
<td>1,429,174</td>
<td>5,808</td>
</tr>
<tr>
<td>1954</td>
<td>266,314</td>
<td>1,854,286</td>
<td>6,963</td>
</tr>
<tr>
<td>1955</td>
<td>299,160</td>
<td>2,444,740</td>
<td>8,172</td>
</tr>
<tr>
<td>1956</td>
<td>306,305</td>
<td>2,830,373</td>
<td>9,240</td>
</tr>
<tr>
<td>1957</td>
<td>281,655</td>
<td>2,299,114</td>
<td>8,163</td>
</tr>
<tr>
<td>1958</td>
<td>334,754</td>
<td>2,889,013</td>
<td>8,630</td>
</tr>
<tr>
<td>1959</td>
<td>338,173</td>
<td>3,311,432</td>
<td>9,792</td>
</tr>
<tr>
<td>1960</td>
<td>289,726</td>
<td>2,646,265</td>
<td>9,134</td>
</tr>
<tr>
<td>1961</td>
<td>323,008</td>
<td>3,158,982</td>
<td>9,779</td>
</tr>
<tr>
<td>1962</td>
<td>313,407</td>
<td>3,078,064</td>
<td>9,821</td>
</tr>
<tr>
<td>1963a</td>
<td>341,001</td>
<td>3,500,000</td>
<td>c</td>
</tr>
</tbody>
</table>

b Estimated.
c Not available.

### TABLE III

**VALUE OF ALL CONSTRUCTION EXPENDITURE IN CANADA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Value of all Construction Expenditure ($000,000)</th>
<th>Gross National Expenditure ($000,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>3,858</td>
<td>21,170</td>
</tr>
<tr>
<td>1952</td>
<td>4,444</td>
<td>23,995</td>
</tr>
<tr>
<td>1953</td>
<td>4,826</td>
<td>25,020</td>
</tr>
<tr>
<td>1954</td>
<td>4,842</td>
<td>24,871</td>
</tr>
<tr>
<td>1955</td>
<td>5,305</td>
<td>27,132</td>
</tr>
<tr>
<td>1956</td>
<td>6,454</td>
<td>30,585</td>
</tr>
<tr>
<td>1957</td>
<td>7,021</td>
<td>31,909</td>
</tr>
<tr>
<td>1958</td>
<td>7,092</td>
<td>32,894</td>
</tr>
<tr>
<td>1959</td>
<td>7,076</td>
<td>34,915</td>
</tr>
<tr>
<td>1960</td>
<td>6,884</td>
<td>36,254</td>
</tr>
<tr>
<td>1961</td>
<td>6,973</td>
<td>37,421</td>
</tr>
<tr>
<td>1962</td>
<td>7,295</td>
<td>40,401</td>
</tr>
<tr>
<td>1963b</td>
<td>7,695</td>
<td>43,000</td>
</tr>
</tbody>
</table>

a Canadian Housing Statistics, p. 21 and 22.
b Estimated.
In 1962 the value of capital expenditure in real estate was approximately 17.4% of the Gross National Expenditure. This is a slight drop from 18.4% in 1951.

Depending which definition of the real estate business is used, the value in Canada for 1963 was $5.0 billion on transfers of existing property or $8.5 billion if mortgage registrations are included or $16.0 billion if the new capital expenditures are included. This is approximately 37.2% of the 1963 Gross National Expenditure.

The total possible value of business available to the real estate business in 1963 was $16.0 billion, however, this was not all handled by real estate firms. There is no way of determining the value of business transacted by real estate firms as opposed to private transactions. Real estate transfers handled on the multiple listing services across Canada was valued at $675 million in 1963, however, there is no means of knowing the value of exclusive or open listings handled by independent real estate firms.

Even in the absence of any one measure which indicates the value of real estate in Canada, the transfers, mortgage registrations, and construction expenditures point out the significance of real estate to our economy. Even though the real estate licensee is not involved in every transfer, mortgage or construction expenditure, they are principle market intermediaries in this diverse area of business.

C. Development of the Real Estate Business

The history of early real estate companies in North America is very sparse. So are the details on early real estate practices. During the early days of settlement in North America there was no need for real estate brokers as they are known today. Early colonization was carried out by large colonial firms such as the Hudson's Bay Company - which were awarded large tracts of
land by the British Crown. This land encompassed most of the area known today as the prairie provinces and British Columbia. Similar colonial firms held large tracts of land in the eastern areas of Canada and United States.

During the era of the large colonial firms there was no need for real estate brokers. Land was sparsely populated and mainly held by the colonial firms. The most important step towards the modern form of land transfer and ownership was taken when ownership of land shifted from the colonizing companies to the government and subsequently to the individuals. Such a step was taken in Canada in 1868 when as part of the process of forming the Dominion of Canada the British Government purchased the enormous land ownership rights of the Hudson's Bay Company and turned it over to the new Canadian Government. The similar shift in ownership was slower in the United States.

It is very difficult to determine at what point the real estate broker appeared in North America. The establishment of individual land ownership paved the way for the broker; however, during early years the population was too sparse to support a full time broker. The settlers usually were able to purchase land from the governments on easy terms so there was no need to purchase land from other settlers. Sales of property in a small community did not require the use of a broker. Buyers and sellers knew one another and transactions were relatively uncomplicated since property transferred infrequently.

The first persons engaged in real estate were usually principals not brokers. However, there were a number of agents employed by large land owners. These land agents began to appear in the larger urban areas as early as 1794.  

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Property management, as a separate phase of real estate, began about the same time. In Philadelphia, as early as 1809, Mr. S. Hains established a relatively large real estate brokerage firm. By 1848, real estate finance was established as a specialized business. By 1890 the real estate business included appraisal, negotiating and making leases, collecting rents, handling real estate sales and arranging mortgage financing.

Inexperienced men flocked into the real estate business. At this time entry into the real estate business was fairly simple. There were no licenses required, the capital requirement was very low and there were few regulations governing the activities of real estate salesmen. About the only capital required was enough to purchase the necessary stationery supplies and perhaps purchase an occasional advertisement. The opportunities for fraud increased. Losses due to incompetent real estate agents were increasing. It was reported in 1883, by Mr. B. Weil, that Milwaukee had 12 or 14 good agents and 10 or 15 who were only land sharks with no offices and no homes. Land frauds and land speculation became a serious problem. This was particularly true during the land booms of Florida, California and even in British Columbia.

To encourage improved real estate practices, local real estate associations, known as Real Estate Boards, were established. The first known Association was established in Chicago, 1872. Similar associations were established in Cincinnati in 1886; St. Louis in 1877; New York in 1883 and Denver in 1887. Little is known about the early development in

9 Ibid, p. 38.
11 Ibid, pp. 39 - 42.
Canada, however, there were at least two boards established before 1892.\textsuperscript{12} The first National Association of Real Estate Boards was formed in the United States in 1892. This was a short lived association since it was discontinued in 1894. A new association, The National Association of Real Estate Exchanges, was formed in 1908. Total membership was 1,435 individuals or firms. The name was changed in 1916 to the National Association of Real Estate Boards. The Canadian Boards continued to be part of the American Association until 1943 when the Canadian Association of Real Estate Boards was formed.

The early National Association was plagued by a number of problems. Funds were in short supply, communication was slow and development of local boards was still in the early stages. However, the National Association formed in 1908 continued to the present time. By 1915 the National Association had developed a code of ethics for use by its members. This was one of the principle purposes of the association and it was a major step towards improving the ethics of the real estate firms.

The next major step in the development of the real estate business was the establishment of a licensing system. By the 1870's a number of cities has started to issue real estate licenses as a source of revenue which required no examination or qualifications. These early licenses were not sponsored by the real estate boards. However, by 1902 the real estate boards recognized the value of a licensing system. The first state laws to be enacted was in California in 1913 but this act was held unconstitutional. The first license systems to be permanently established were enacted in 1919. Two states, California and Michigan led the way.\textsuperscript{13} The first licensing laws

\textsuperscript{12} Ibid, p. 45. Two boards from eastern Canada were present at a National Meeting in Chicago.

\textsuperscript{13} Ibid, p. 108.
in Canada were enacted in 1920 in the province of British Columbia. It is interesting to note that most of the early licensing laws developed in areas where great land booms had taken place or where the areas were heavily populated. Today licensing laws are an integrated part of the real estate business in most of the United States and the provinces of Canada.

D. Development of the Real Estate Business in British Columbia.

Prior to 1860 there was no need for real estate brokers in British Columbia. The Hudson's Bay Company was still the most prominent land owner. After British Columbia became a province of Canada, the importance of the Hudson's Bay Company was reduced. The majority of the land formally held by the Hudson's Bay Company was vested in the province. Individuals wishing to purchase property could deal directly with the provincial government or the Canadian Pacific Railway which was granted large tracts of land by the federal government. Land was readily available and terms were reasonable. There was no need to purchase land from the other settlers.

.....land on the Gold Colony (Northern British Columbia) should be made available for settlement on easy terms. In 1859, he opened the country lands for sale by public auction, fixing the upset price at ten shillings per acre.

Shortly before the fire of 1886, the C.P.R. started to sell lots along Granville Street. The corner lots as far south as Robson Street were put on the market for $1,200 and the inside lots for $1,000.....not many were sold before the fire but more were taken after the fire.

In 1849 Vancouver Island was still in the hands of the Hudson's Bay Company. Land could be purchased at a price of £1 per acre. In early 1849 there were only about twenty settlers on the Island, all located at least ten

16 Province Newspaper, September 17, 1919, Vancouver, British Columbia.
miles outside of Victoria. The first public auction of land in British Columbia was held in the Fort Langley area. 3,294 lots, size 64 by 120 feet, were sold at an upset price of $100 per lot. Because of the competitive bidding, prices went as high as $725 per lot. Ten percent of the price was down payment, the balance the balance to be paid within one month.

In order to keep up with the growing demand for land, it was necessary to establish pre-emptive rights. This authorized any person to occupy up to 160 acres of land and improve the land providing the settlers would pay ten shillings an acre whenever a survey was completed and the title granted. This ordinance was designed to encourage settlement, not speculation. There was widespread fear and concern over the possibility of an influx of land speculators. The pre-emptive rights only applied to unsurveyed lands.

At the time British Columbia joined the Confederation, there were only about eleven thousand settlers in the province. These settlers lived mainly in the lower mainland area and on Vancouver Island. There were approximately 22,000 acres under cultivation, out of a total of 230,000,000 acres.

It was in these conditions that the real estate brokerage firm made its first appearance in British Columbia. One of the earliest real estate firms in British Columbia was established in Victoria in 1883. The firm, Richards, Akroyd and Gall Limited, moved to Granville Township in 1885. This firm drew up their first deed in 1883 for two lots in Port Moody at $75 per lot.

19 This ordinance was adopted in 1870.
By 1891, the Daily News-Advertiser, a newspaper distributed in the Vancouver area, carried five page advertisements for a number of real estate firms.\textsuperscript{22} By 1903 the Province Newspaper carried real estate advertisements for at least six different real estate firms and several mortgage lending companies.\textsuperscript{23}

In order to set these developments in perspective with other developments in British Columbia, it is interesting to note that the first bank in British Columbia was established in Victoria in 1862.\textsuperscript{24} The first train from eastern Canada arrived in Vancouver in 1886.

The most active period in the real estate business occurred between the years 1902 and 1914. This was the period of the land boom in British Columbia. Although the land boom in Vancouver did not start until 1907 the fever was building as early as 1902.\textsuperscript{25} By 1910 there was a large influx of foreign capital into the Vancouver area. By 1911 a rush of speculative buying broke out in Vancouver and in the Central and Northern parts of the province.

As late as 1914, 144 syndicates held land for speculative purposes....By this time disturbing reports of swindling of misguided English purchasers and settlers were circulating throughout the provinces.\textsuperscript{26}

It was in the year 1909 that the real estate boom reached a new high in transactions. 1406 real estate transactions took place in Vancouver.\textsuperscript{27}

Although the real estate business became best known by the speculative transactions and fraudulent dealings, these occurred in relatively few

\textsuperscript{22} Daily News-Advertiser, Wednesday November 4, 1891.
\textsuperscript{23} Province Newspaper, September 1903, Classified Section
\textsuperscript{24} Op. Cit. Native Sons of British Columbia, p. 45.
\textsuperscript{25} Province Newspaper, January 15, 1902.
\textsuperscript{26} Romance of Vancouver, Op. Cit., p. 359.
\textsuperscript{27} Province Newspaper, March 22, 1909.
situations. The newspapers headlined the sensational stories about land frauds and malpractives. Lots were advertised and sold on the top of Grouse Mountain, represented as wonderful investments. Real estate agents operated from tents, homes and stores. There was no attempt to limit the number of real estate salesmen. It was during the real estate boom in Vancouver and throughout the province of British Columbia that the real estate business received its bad name. The price of lots in Vancouver increased rapidly. In 1904 lots on Granville Street between Robson and Georgia sold for $7,000. By 1910 lots in the same area were selling for over $100,000. In 1910 the owner of a corner lot on Granville and Robson refused to sell for $250,000, however, the lot sold in 1916 for $122,500. The corner of Granville and Helmcken was refused for $125,000 in 1912, but sold in 1917 for $40,000.28

This speculative fever spread throughout the entire area. The real estate salesmen did not have to resort to fraudulent practices to promote sales. It was more a matter of ignorance, optimism and mass fever. However, any thought that all real estate salesmen were fraudulent was far from correct. The following quotation appears to be a fair summary of the condition of real estate business in the earlier 1900's.

A great deal of the real estate game is thoroughly legitimate, and many of the men in it are thoroughly honest, but by far the greater number are ignorant or impossible optimists. The game offers splendid chances for swindlers. Once a boom starts, men come out of their barbers' shops, from pick and shovel work, from behind bars and their numbers are augmented by many ex-gaol birds, who often succeed in persuading honest buyers and statesmen to let them have a little money, and lend them credit on their names. Very naturally the bankers, the great carrying companies, and the sound business men deplore real estate as its whole effect is to enrich the men dealing in it, making it harder for everyone to live and leaving the country poor.29


Although the real estate business was held to be a disreputable and dishonest business, this did not apply to all real estate salesmen. Unfortunately the action of a few promoters, speculators and dishonest salesmen caused the entire business to suffer. There were, however, a group of real estate businessmen who were very concerned about the real estate practice in British Columbia. Attempts were made to form associations to improve the character of the real estate business and to protect the public at large. Because of the number of real estate firms, the lack of license requirements and the calibre of individuals in the business, progress was very slow.

In 1920 the first real estate licensing laws were passed in the province of British Columbia. Between the years 1920 and 1956 substantial improvements were made in the real estate business. Local real estate boards were established throughout the province. The information regarding the development of the real estate boards is the real estate business in British Columbia has lead the way in Canada.

Although improvements were continually made throughout the period 1920 - 1956, the most important step taken was the introduction of the various real estate acts designed to protect the public from the irresponsible and fraudulent acts of the real estate salesmen and agents. During this time the attention of those concerned with the real estate business was directed at formulating procedures to protect the public and improve the business ethics rather than concerning themselves with methods of improving the efficiency and organization of the real estate business.

E. Government Regulations and Professional Organizations.

The real estate business was first subjected to provincial control in 1920. The purpose of this act was to ensure that all real estate agents and salesmen in the province were properly licensed. The requirements to obtain a license were very meager. The main intent of the act appears to have been to regulate certain operating methods and actions. The act was valuable to the extent that any active agent or salesman who was not granted a license or who had their license revoked could not operate in the real estate business. Although the 1920 Act did not transform the real estate business into a profession, it was a big step in the right direction.

Between the years 1920 - 1958 there were numerous improvements in the provincial acts regulating real estate agents and salesmen. Rather than trace these changes, it is of more immediate concern to review the provisions of the current act and determine to what extent the act affects the operation of the real estate firms.

The current real estate act, as with all the previous acts is mainly concerned with the regulating the activities of real estate agents and salesmen so as to protect the public. In fulfilling this purpose certain sections of the act necessarily affect the operation and management of the firms. It is these sections of the act which are of particular interest at this time. In addition to the Act, it is necessary to review the Regulations Under the Real Estate Act.

31 Province of British Columbia, An Act to provide for the Licensing of Real Estate Salesmen, R.S.B.C. 1920 Chapter 48.
32 Province of British Columbia, Real Estate Act, R.S.B.C., Chapter 330, 1958.
33 Province of British Columbia, Regulations Under the Real Estate Act, Order in Council, 1920, May 1961, As Amended.
1. Real Estate Act.

Section 4 (1) No person shall act or hold himself out as an agent unless he is the holder of a valid and subsisting agent's license issued to him under this Act by the Superintendent.

(2) No person shall act or hold himself out as a salesman unless he is the holder of a valid and subsisting salesman's license issued to him under this Act by the Superintendent, and unless he is employed by an agent.

(4) If it appears to the Superintendent that the applicant is not a suitable person to be licensed, or that the person nominated by the applicant under section 5 is not a suitable person to exercise the rights and privileges under the license, and that the application should be refused, the Superintendent shall refuse to issue the license.

Subsections (1) and (2) clearly state that no individual can act as an agent or salesman unless properly licensed, subject to a few exceptions noted in Section 3 of the Act. In addition no salesmen are permitted to operate on their own. Every salesman must be employed by a properly licensed agent. In order to obtain a salesman's license, an individual must satisfy the qualification set forth in the Regulation. These will be discussed later in the chapter. Subsection (4) grants the Superintendent power to refuse a license if, in his opinion, the applicant is not a suitable person to be licensed.

Section 20 of the Real Estate Act establishes the necessary power to discipline real estate licensees. In particular sub-section 20-7, 20-8, and 20-9 grant the Superintendent power to suspend or cancel a license.

20-7 The Superintendent may, whether or not an inquiry has been held or a report has been made under this section, and whether or not any complaint has been made, suspend or cancel a license where in his opinion suspension or cancellation is in the public interest.
20-8 Where a person appointed by the Superintendent or by the Council to examine the books and records of a licensee reports that in his opinion there has been an infraction of this Act or the regulations relating to accounts, the Superintendent may forthwith suspend the license of the licensee pending the result of the inquiry under this section.

20-9 The Superintendent may,
(a) where the license of a person has been suspended or cancelled; or
(b) where disciplinary action against a person has commenced or is about to commence under this section; or
(c) where criminal proceedings or proceedings in respect of a violation of this Act or the regulations are about to be or have been instituted against a person, which in the opinion of the Superintendent are connected with or arise out of a real-estate transaction, in writing or by telegram direct
(d) any person having on deposit or under control or for safe-keeping any funds or securities of the person referred to in clause (a), (b), or (c) to hold the funds or securities; or
(e) the person referred to in clause (a), (b), or (c)
   (i) to refrain from withdrawing funds or securities from any other person having any of them on deposit, under control, or for safe-keeping;

Sections 30 and 32 of the Real Estate Act states that no agent shall employ the services of an unlicensed salesman nor shall the agent pay commissions to an unlicensed salesman. This is because the success of the Act depends on the effectiveness of the licensing system. It is also impossible for an unlicensed agent or salesman to recover any unpaid commissions in the courts (Section 37).
Section 30. Payment of commission to persons not licensed prohibited.

30. No licensee, and no officer, agent, or employee of a licensee, shall directly or indirectly pay or allow, or offer or agree to pay or allow, any commission or other compensation or thing of value to any person for acting, or attempting or assuming to act, as an agent or salesman, unless at the time he so acts, or attempts or assumes to act, that person holds a license as may be appropriate under this Act; and every person who violates any provision of this section, or who knowingly receives any commission, compensation, or thing of value paid or allowed in violation of this section, is guilty of an offence against this Act, but nothing in this section applies to the payment by a duly authorized agent to an agent duly licensed or otherwise authorized by law as such in a jurisdiction other than British Columbia of a commission or other compensation with respect to the sale of real estate in the province.
1958, c.47, s.31; 1961, c.54, s.21.

Section 32. Employment of unlicensed salesman or nominee.

32. No agent shall employ or engage the salesman or nominee of another agent or any unlicensed salesman or nominee in any real-estate transaction, and no agent shall pay a commission or other remuneration to any such salesman or nominee.
1958, c.47, s.34; 1961, c.54, s.23.

Sections 35 and 36 limit the type of remuneration receivable by the real estate agent.

Section 35. Commission and remuneration, scale of.

35. All commission or other remuneration payable to an agent in respect of the sale of any real estate shall be upon an agreed amount or percentage of the sale price; and where no agreement as to the amount of the commission has been entered into, the rate of commission or other basis or amount of remuneration shall be that generally prevailing in the community where the real estate is situate. 1958, c.47, s.36.

36. No licensee shall request or enter into an agreement for the payment to him of commission or other remuneration based on the difference between the price at which any real estate is listed for sale and the actual sale price thereof, and no licensee is entitled to retain any commission or other remuneration so computed. 1958, c.47, s.37; 1961, c.54, s.24.

Although these sections do not serious limit the methods of remuneration used, they do eliminate the possibility of undervaluing property in anticipation of receiving a high profit based on the difference between a
listed price and the actual sale price. In the absence of any agreement the rate of commission that generally prevails in the community shall apply. Sections 35 and 36 only apply to the sale of real estate.

Section 41-(b) of the Act establishes the responsibilities of the agent in respect to his salesmen.

41-(b). where an offence is committed by a licensee, the director, partner, officer, nominee, employee, or agent in charge of the business of the agent at the place at which the offence is committed or in charge of the real-estate transaction in connection with which the offence is committed is prima facie deemed to be a party to the offence so committed and is personally liable to the penalties prescribed for the offence as a principal offender; and the records of the agent are as against the director, partner, officer, nominee, employee, or agent prima facie evidence of the facts and transactions therein recorded, set out, or indicated; but nothing in this section relieves the licensee or the person who actually committed the offence from liability therefor;

It is because of this prima facie responsibility that the agent should provide proper supervision for his salesmen. One offense committed by a salesman could cause serious difficulties for the agent involved. This does not mean that the salesman responsible for the offense would not also be punished.

These are the main sections of the Act which affect or influence the management of a real estate firm. There are other sections which require the agent to maintain sales records (Section 15-1) and trust accounts (Section 15-2). Other sections affect the handling of agreements for sale (Section 29) and requirements for bonding salesmen.

2. Regulations Under the Real Estate Act.

The Regulations are as important, in many respects, as the Real Estate Act. Various regulations have an effect on the management of the real estate firms.
Regulations 4.01. Every person who applies for a license under the Act, and if a partnership or corporation each nominee thereof, shall

(a) be a bona fide resident of British Columbia;
(b) be of the full age of twenty-one years in the case of an agent or nominee and of eighteen years in the case of a salesman;
(c) be of good reputation, and in the case of an applicant for license as an agent be in sound financial circumstances;
(d) have an appropriate knowledge of the books of account required in the operation of a real estate business;
(e) have an understanding of the obligations between principal and agent, of the principles of real estate practice and canons of business ethics pertaining thereto, as well as an understanding of the provisions of the Act;
(f) have passed such examination or examinations as shall have been prescribed by the Council and approved by the Superintendent.

These regulations affect the recruiting policies of the firm. The applicants must be eighteen years of age, a bona fide resident of British Columbia, of good reputation and at present complete the pre-licensing course at the University of British Columbia. Therefore, a recruiting firm must abide by the regulations and at the same time satisfy themselves that their applicants can pass the pre-licensing courses. If the applicant fails the course, the license will not be granted. In addition, every applicant for a license must have references from three people who will vouch for his integrity, good business, reputation and good character. (Section 4.05)

Regulations 4.02. No person shall be licensed as an agent unless, for not less than two years during the five years immediately preceding his application,

(a) he has served as an agent or salesman licensed under the Act or the Real-estate Agents' Licensing Act; and
(b) each of his nominees, if a nominee is required, has served as an agent or salesman licensed or nominee qualified under the Act or the Real-estate Agents' Licensing Act.

Section 4.02 of the Regulations sets out the requirements for an agent's license. Although the activities of the agents are not of immediate
concern, it can be seen that the requirements for an agent’s license may prevent some salesmen from opening their own office.

Sections 5.01, 5.02 and 5.03 affect the advertisement policies of real estate firms.

Regulations Section 5.01. A licensee shall not publish, or cause or permit to be published, an advertisement for the purchase, sale, exchange, or rental of real estate other than an advertisement.

(a) for the purchase, sale, exchange, or rental of real estate by or for himself and not in his capacity as licensee; and

(b) that does not set forth the name, address, or telephone number of any place of business where he is engaged in his capacity as licensee, unless the advertisement displays his name as the person advertising and, if he is not an agent, the name of the agent who is his employer.

5.02. No licensee shall place a "For Rent" or "For Sale" sign on property without the consent of the owner or the authorized agent of the owner. Although these regulations are not stringent, they do eliminate the possibility of intentionally false statements.

There is nothing in the regulations to discourage unethical advertisements.

Section 6.01 regulates the establishment of branch offices. A branch office cannot be established unless there is an agent or nominee in charge of the office.

6.01. No agent shall operate a branch office unless the location and the manager thereof are approved by the Superintendent, and unless he is the holder of a valid and subsisting license for such branch office issued to him by the Superintendent.

There are a number of other regulations which affect the organization and management of a real estate office.

9.03. A corporation to which an agent's license is issued shall have, as its main business, the conduct of real estate or real estate and insurance.

9.13. It shall be a condition of every salesman's license that the salesman shall not engage in any business, profession, or employment other than that of;

(a) a real-estate salesmen;
(b) an insurance salesman;
(c) an insurance agent;
and the Superintendent may, in the event of failure to comply with the clause, suspend or cancel the license of the salesman. Any suspension of a license under this clause may be for a fixed period or for an indefinite period terminable when the salesman has ceased to engage in another business, profession, or employment.

Sections 9.03 and 9.13 are designed to eliminate part time real estate agents and salesmen. This was one of the major problems in the recent history of the real estate business and the Regulations appear to have eliminated this problem to a certain extent. Part time real estate salesmen still work in the business, however, they do not have another job. These include married women and semi-retired individuals.

There are the main sections of the Act and the Regulations which affect the management and organization of real estate firms. It can be said that all sections of the Act and Regulations affect the management, however, the sections sited appear to have the most direct affect on those management practices which are considered in this study. It must be kept in mind that the purpose of the Act and Regulations is not to improve the efficiency and management of the firm, this is only a side effect.

In addition to the changes that have been brought about by the Real Estate Act, the various boards, associations and institutes within the province have helped influence the activities of the real estate firms. In British Columbia, there are three levels of organization. There are local real estate boards, a provincial association and affiliation to the national association.

The local real estate is an association of real estate firms (and other firms such as mortgage lenders) who carry on their business in a given locality. At present there are eight real estate boards in the province. The boundaries of the real estate boards do not necessarily correspond to any political boundaries. Membership to local real estate boards is entirely
voluntary, however, the introduction of multiple listing service by the boards has caused membership to increase. Membership to the Vancouver Real Estate Board in 1964 was 98% of all eligible firms.

The objects or purposes of the local real estate boards vary. The Vancouver Real Estate Board has listed twenty objects in its constitution. The most important objects are:

(b) to do all things necessary to promote interest in the marketing of Real Estate in all its aspects, and to advance and improve the relations of the members of the Society with the public.

c) to advance and promote the interests of those engaged in the Real Estate business as brokers, agents, salesmen, valuators, appraisers, examiners and experts and to increase public confidence in and respect for those engaged in the calling of the real estate agent.

d) to encourage the use of the designation "REALTOR" by the members of the Society and to encourage and promote the acceptance by the general public of such designation and such use thereof and to protect, as far as practical the exclusive use thereof by the members of this Society and other societies and organizations, members of the Canadian Association of Real Estate Boards.

e) to encourage the study of real estate in all its aspects and to promote the exchange of views between the members of the Society by affording opportunities for discussion, correspondence and attendance at lectures for the reading of papers and to disseminate useful information by circulation among the members of publications, data and forms.

(p) to adopt a code of ethics and standards of business conduct to which all members shall be required to conform.

As the boards become more powerful, in the sense that membership becomes more necessary, they may be able to suggest or enforce management changes.

34 Vancouver Real Estate Board, Constitution and By-Laws, 1962, As Amended, pp. 5 - 6.
Such a move is currently underway in the Vancouver Real Estate Board which is attempting to establish a minimum salary for all salesmen working for member firms.

In 1962 the various real estate groups in British Columbia were consolidated under one body, the Real Estate Institute of British Columbia. The Institute includes the functions of the former British Columbia Association of Real Estate Boards. The Institute is made up of three separate division. (See Chart 1, page 37).

(a) Realtor Membership Division. This division replaces the former British Columbia Association of Real Estate Boards. Membership comprises all local real estate boards in the province and individual members from areas which are not served by local board. The chief purpose of this division is to serve the interest of local boards on a provincial wide basis. At present this division represents 3287 agents and Salesmen.35

(b) Provincial Membership Division. All licensed agents and nominees of the province may belong. This division elects representatives to serve on the Real Estate Council of British Columbia. Although Chart 1, page 37 shows the Real Estate Council as part of this division, their function is separate from this division.

(c) Professional Membership Division. This division requires special qualifications by experience or education of its members who may be agents, nominees, salesmen or others associated with the real estate business.

The Real Estate Council of British Columbia is a body set up by the Real Estate Act to advise and assist the Superintendent of Insurance. The Council is in practice elected by members of the Provincial Membership Division of the Institute. The duties of the Council include:

(a) Advise the Superintendent in the exercise of his powers.
(b) Supervise the educational qualifications of agents and salesmen.
(c) Publish and distribute licensees and other information.
(d) Handle inquiries and hearings regarding complaints relating to the Act or the Regulations.

The Canadian Association of Real Estate Boards is a national association bringing together the various local boards throughout Canada. This association was formed in 1943. The method of membership is similar to that of the Realtor Division of the Real Estate Institute of British Columbia. Although membership to the Canadian Association is obtained through membership of local boards rather than provincial association, support is given to the latter by requiring that all boards seeking membership to the Canadian Association must be members in good standing of the appropriate provincial organizations. Membership in the Canadian Association of Real Estate Boards in 1962 included 72 local boards and 12,683 members.

36 Province of British Columbia, Real Estate Act, R.S.B.C. 1958, Chapter 330, Section 14.
The objects of the Canadian Association are similar to those of the provincial organizations except they relate to Canada. As part of the requirements, all members are obliged to abide by the Code of Ethics (Appendix A). In practice, most local boards have adopted a more stringent Code. The Code of Ethics of the Canadian Association is, therefore, the minimum standard of behavior for the local boards which are members of the Association. In an attempt to improve the standards of the real estate business, the Association formed a branch known as the Canadian Institute of Realtors. Membership is similar to the Professional Division of the Real Estate Institute of British Columbia.

In an attempt to distinguish members of the Canadian Association of Real Estate Boards from non-members, the term "Realtor" has been adopted. This name implies:

- The name is a pledge and its authorized use by real estate dealers is a guarantee of integrity and efficient service.

Although every effort has been made in the past years to improve the ethics in the real estate business and protect the public, there has been relatively little progress made in improving the efficiency of the firms. The future development of the real estate associations and organizations may be able to make major contributions to this end.

In addition to the associations and boards which have been formed throughout the province, the salesmen in British Columbia have organized the first union in Canada for real estate salesmen. The union, "The Vancouver Real Estate Salesmen's Union, Number 1570" was granted a charter by the Canadian Labour Congress.
The union was organized to assist the real estate salesmen to improve their working conditions. In particular the union was concerned with:

(a) obtaining Workman's compensation for real estate salesmen.
(b) Obtaining Unemployment Insurance benefits.
(c) Obtaining minimum wage protection.
(d) Obtaining a medical care scheme.
(e) Obtaining holiday pay and a pension plan.

In addition the union attempted to obtain a greater voice for the real estate salesmen in the Real Estate Council and the Vancouver Real Estate Board. It was the union's contention that the Council and the Vancouver Board were nothing more than "associations of the agents (employers) having as part of their Constitution and By-laws a Charley McCarthy set up to supposedly look after the interest of the salesmen". 37

The union, despite terrific opposition from almost all the agents, applied for certification with two agents. The union, although certified, has not been successful in the Vancouver area. Membership has been limited to a handful of salesmen. Under present conditions it is unlikely the union will be a strong force. However, if or when the salesmen receive a minimum salary, the union may have another opportunity to attempt to organize the salesmen.

37 W. Reid, The Address to the Vancouver Real Estate Salesmen's Union, 1961, Unpublished.
CHART 1

CANADA

CANADIAN ASSOCIATION OF REAL ESTATE BOARDS

BRITISH COLUMBIA

REAL ESTATE INSTITUTE OF BRITISH COLUMBIA

Function - To act as the professional real estate society in British Columbia
Governing Body - Board of 12 directors, 4 from each division

PROVINCIAL MEMBERSHIP DIVISION

- Open to all agents and nominees
- Elects a body for nomination to the Real Estate Council

REALTOR MEMBERSHIP DIVISION

- Local Real Estate Boards and individuals where no boards exist
- Designed to co-ordinate the work of the various boards

PROFESSIONAL DIVISION

- Open only to persons with the required qualifications
- Designed to establish real estate as a profession
CHAPTER III
FIELD COVERAGE AND METHOD OF SURVEY

A. Designing and Handling of the Questionnaires.

In order to provide a wide coverage of firms and salesmen, it seemed desirable to use two separate questionnaires. These questionnaires were prepared with the help of Professor P.H. White and Professor V.V. Murray of the University of British Columbia and the Joint Broker - Salesman Committee of the Vancouver Real Estate Board. The Broker - Salesman Committee also assisted in the handling of the questionnaire.

The first questionnaire, Appendix B, was designed to obtain information regarding the management and organization of the brokerage firms. The firm questionnaire included specific and open-end questions. The specific questions included:

1. Qualifications required of new salesmen.
2. Type of recruiting procedures.
3. Type and nature of the training program.
4. Compensation plans and other motivating factors for salesmen.
5. Compensation plans and other motivating factors for sales managers.
6. Success of the firm. This was measured by the earnings of each employee of the firm and the turnover in salesmen.
7. Size of the firm in terms of the number of salesmen, managers and number of offices.
8. Type of internal organization.
9. Type of legal organization.
The open-end questions offered an opportunity to express personal opinions regarding the problems in the real estate brokerage business.

The salesmen's questionnaire, Appendix C, was more specific in nature. The salesmen were questioned on:

1. Age, sex, and marital status.
2. Background - formal education, work experience, reason for entering the real estate business.
3. Working habits in terms of hours, days worked and the type of property sold.
4. Experience in the real estate business.
5. Annual earnings from the real estate business.

Provision was made for opinions regarding the real estate business by way of an open-end question.

Between May 24 and June 30, 1964, the questionnaires were mailed from the office of the Vancouver Real Estate Board. Questionnaires were mailed to 192 firms and 1,200 salesmen. The questionnaires, which were all directed to the agent or nominee of the firm, were accompanied by an explanatory letter from Mr. J. Boultbee, President of the Vancouver Real Estate Board. (See Appendix D). Mr. W. Clarke, President of the Salesman's Division of the Vancouver Real Estate Board, sent a letter directly to each salesman explaining the nature of the survey and soliciting full co-operation. (See Appendix E). In addition, notices were included in the publications of the Vancouver Real Estate Board.

Once the questionnaires were sent out, the agent or nominee of each firm was contacted by phone to arrange an interview. The agent was asked to complete the questionnaire prior to the interview, thus permitting more time during the interview to discuss and clarify the answers. The salesmen were asked to complete the questionnaires individually and either hand them
The interview technique was used to gather data from the firms, however, there was no attempt made to interview the salesmen. There are a number of advantages in using the interview technique.

Although the interview and the questionnaire both rely heavily on the validity of verbal reports, there is more opportunity in the interviewing situation to appraise their validity than there is in the questionnaire.

The interview also insured a high percentage of returns from the firms. The representatives, responsible for the firm questionnaire, were encouraged to complete the questionnaire in detail. The problem of partially completed questionnaires was minimized by the use of a personal interview. In addition, the person interviewed often offered additional valuable information not directly related to the questions on the questionnaire.

It should be mentioned that there were other questions which could have been included in the questionnaires. However, the Joint Broker-Salesmen Committee advised that certain questions should be avoided. It was suggested that the agents and salesmen may resent some particular questions. In order to ensure the full support of the committee, and at the same time avoid irritating any agents or salesmen, some questions which appeared confidential were eliminated. There were still a few agents and salesmen who felt the final questionnaires were too personal and for this reason they refused to complete them.

Some of the questions which were excluded from the survey were:
(a) Salesmen's Questionnaire.

1. What other sources of income do you have at the present?

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2. What percent of your total income comes from the real estate business?

3. Evaluate your immediate supervisor. (This question was to be broken down into separate parts).

(b) Firm's Questionnaire.

1. What percent of the firm's income is derived from real estate commissions?

2. What is the percent breakdown of the firm's expenses? i.e. salary, rent advertising.

B. Size and Nature of the Sample.

The entire sample was selected from the current (1964) membership of the Vancouver Real Estate Board. As of April, 1964, the active or financial membership included 289 firms and 1,226 salesmen. Prior to the mailing of the questionnaires, 33 firms representing 26 salesmen were eliminated because their operations were not primarily that of real estate brokerage. The majority of these firms were Trust Companies, Mortgage Brokers and Life Insurance companies. An additional 64 firms were eliminated because they did not employ salesmen. The final sample included 192 firms employing 1,200 salesmen. The majority of the firms were located in Vancouver, Burnaby, North Vancouver and West Vancouver.

A total return of 152 usable firm questionnaires, representing a 79.1% return was received. This is a satisfactory sample which is truly representative of the brokerage business in Greater Vancouver. All sizes of firms are represented, as well as all areas. There was no particular type or size of firm which refused to complete the questionnaire.

2 Membership of the Vancouver Real Estate Board represents approximately 98% of the brokerage firms and salesmen within the area.
TABLE IV

GEOGRAPHICAL COVERAGE OF THE QUESTIONNAIRE AS OF JUNE 1964 *

<table>
<thead>
<tr>
<th>Firms</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>146</td>
<td>275</td>
<td>895</td>
</tr>
<tr>
<td>West Vancouver</td>
<td>10</td>
<td>45</td>
<td>87</td>
</tr>
<tr>
<td>North Vancouver</td>
<td>11</td>
<td>57</td>
<td>82</td>
</tr>
<tr>
<td>Burnaby</td>
<td>18</td>
<td>81</td>
<td>108</td>
</tr>
<tr>
<td>Richmond</td>
<td>3</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Port Coquitlam</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Port Moody</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Ladner</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>192</td>
<td>936</td>
<td>1200</td>
</tr>
</tbody>
</table>

* Any firm having more than one office was treated as a single firm located at the head office site.

This high return is due, in part, to the fact that the agents were interviewed.

The return from the salesmen was somewhat disappointing. Only 415 usable questionnaires, representing a 35.7% return, were received. This return excludes 30 partially completed questionnaires which were not usable. There were a number of salesmen who refused to answer specific questions, especially regarding their income for the years 1961 to 1963. However, these questionnaires are useful despite the failure to answer all questions.

This low return from the salesmen reflects, in part, their attitude towards the business. However, it is only fair to mention that one cause contributing to the low return was not within the control of the salesmen. Several firms, representing approximately 100 salesmen, refused to support the survey and did not give their salesmen an opportunity to complete the
questionnaires. In addition, there were a limited number of salesmen who were away on holidays during the period this survey was conducted.

It is unfortunate that the low income salesmen appear to be the largest group missing from the sample results. Income figures from this sample do not have either the same distribution as the income distribution reported by the firms or the survey completed earlier by the Vancouver Real Estate Board.\(^3\) It will be necessary to bear this shortcoming to mind throughout this thesis. However, the information will still indicate the personal characteristics of the real estate salesman, success being measured by income earned.

C. Survey Tabulation.

After the questionnaires were collected the data was coded onto I.B.M. sheets to permit tabulation. Many of the answers required editing and classifying before they could be coded. Once the questionnaires were coded they were processed on the I.B.M. 7040 computer to determine:

1. The frequency distribution of the answers and a percentage distribution of the answers. (Univariate tables)

2. Relationship between the success of the salesman, measured by his 1963 income\(^4\) from the real estate business, and the personal characteristics and work habits of the salesman. (Bivariate tables including horizontal and vertical percentages. The chi-squared relationship of each was determined).

3. Relationship between the success of the Salesman, measured by his 1963 income\(^4\) from the real estate business, and the management

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3 See Table XXXVII, p. 119

4 The income for salesmen working less than one year was prorated to an annual income. There was no attempt made to adjust for seasonal variations in real estate income since the salesmen started work at various times. It is felt that the effect of seasonal variations would be averaged out for the new mem.
practices of the firms. (Bivariate tables including horizontal and vertical percentages. The chi-squared relationship of each was determined).

The purpose of points 2 and 3 is to determine if there are any personal characteristics or management practices which tend to result in a more successful salesman. Success in point 2 is measured by the 1963 income of the salesman, as reported by the salesman. Success in point 3 is measured by the 1963 income of the salesman, as reported by the firm. Income reported by the firm was used in point 3 for several reasons. It is a more accurate figure, since it includes incomes for all salesmen, even those not answering questionnaires. Also there is no need to have additional personal information concerning the salesman to complete point 3. In point 2 it is necessary to use income reported by the salesmen so the comparison between the salesmen's characteristics and their incomes is possible.

There are a number of shortcomings in the use of income as a measure of success. To begin, income on an annual basis does not give consideration to the variations in time actually worked. Some salesmen work a full day, six days a week, every week of the year to earn $5,000. Another salesman may earn $5,000 in half this time and then stop working for six months. Income per year also fails to measure the efficiency of each salesman. Two salesmen working identical time periods do not necessarily accomplish the same results. Also there are many salesmen who are less interested in the immediate return but who are building sound customer relations which will return income in the future. Other salesmen are overly concerned with making money today and often ignore their future potential. Despite these shortcomings, income for the year is still the most useful available measure of success. It is an indication, a very
tangible indication, of the work accomplished by the salesman. It is also one of the few measures available to a researcher unless time permits the researcher to go into the field and work with the salesman.

A multivariate contingency tabulation and chi-squared test was used in order to determine if there is a relationship between the 1963 income of salesmen and the other factors considered. The multivariate contingency tabulation is a two-way classification specifying varying numbers of discrete categories in each of two dimensions. From this it is possible to observe the frequencies of the data.

The second problem is to determine whether the two principles of classification are independent of one another. Is the 1963 income of the salesmen related to any personal characteristics, habits or employer practices? In order to solve this problem it is necessary to set up the hypothesis that in the population of salesmen from which the sample is drawn the two principles of classification are unrelated. This hypothesis is tested against the observations made in the survey. From the hypothesis made, a series of expected or theoretical frequencies are derived. This series is compared with the observed frequencies from the sample.

Once the theoretical frequency and the observed frequency are prepared, it is necessary to calculate the differences, if any exist, and explain the case of these difference. This is the purpose of the chi-squared test. The differences may be due to chance fluctuations which would affect any finite sample, on the other hand they may be due to the presence of a real connection between the two variables. The chi-squared test determines whether the differences are due to chance or whether they are too great to be attributed to chance.
\[ X^2 = \frac{(fo - f)^2}{f} \]

- \( X^2 \) = measure of discrepancies between observed and theoretical frequencies.
- \( fo \) = observed frequencies.
- \( f \) = expected or theoretical frequencies.

\( X^2 \) will be zero if observed and theoretical frequencies are identical throughout. The greater the discrepancies between the observed frequency and the theoretical frequencies, the larger \( X^2 \) will be.

With reference to prepared tables for theoretical \( X^2 \) values it is possible to determine the probability that the discrepancies occurred by chance. Throughout this survey an arbitrarily selected level of significance of .95 is used. This means that there is only 5 chances in 100 that the discrepancies could occur by chance.

It should be noted that as a test of independence of principles of classification, \( X^2 \) is not a measure of the degree or form of relationship between the principles. \( X^2 \) only indicates whether two principles of classification are or are not significantly related, without reference to the form of the relationship.\(^5\)

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A. Legal Organization.

Whether a business will operate as a sole proprietorship, partnership or corporation will depend on such factors as the size of the firm, the need for outside financing, tax considerations, the expense of incorporation and the number of people who will participate in the management and ownership.

The sole proprietorship is the most common form of organization, especially in the service industry of which real estate is a part. In 1951, 80% of all service businesses were sole proprietorships, 9% were partnerships and 8.5% were corporations. However, sole proprietorships accounted for only 37.5% of the total service business, down 14% from 1941. Partnerships accounted for 12.5% of the dollar businsss and corporations accounted for 47.3% up 12% from 1941. ¹ Although corresponding figures are not available for 1961, indications in the manufacturing and retail section suggest that the trend to incorporation has slowed up somewhat.

The sole proprietorship has a number of advantages, including ease of establishment, flexibility and single minded control. On the other hand, the firm's sources of funds is limited to the funds available to the proprietor in the form of debt, the profits of the proprietorship are taxed

as personal income in the year they are earned and the proprietor has no limited liability. The proprietor's personal assets may be seized to satisfy claiments. In addition the proprietor may not be able to attract satisfactory management help unless the managers are given some incentives such as a voice in the management of the firm or profit sharing.

The partnership, an association of two or more persons to operate a business venture, falls somewhere between the single proprietorship and the corporation. The partnership seems to have most of the disadvantages of a sole proprietorship and few of the advantages of a corporation from the point of view of a real estate firm. The principal advantage of the partnership over that of the proprietorship is that it permits the pooling of capital, skill, experience and business contacts. This may be a valuable form of organization in the real estate business since two or more individuals, each possessing varying skills, may operate an integrated real estate office. Unfortunately, the partnership is in the same position as the sole proprietorship with regard to income tax and unlimited liability. The corporate form of organization offers a number of advantages which may or may not be useful in the real estate business. The principal advantages of incorporation are the limited liability of the shareholders, the available sources of additional funds and the income tax features. The use of equity shares and debt for additional funds is not too important in the real estate business, unless the firm is involved in the construction or "trade-in housing" market.

The exception to this statement is the "specially limited" or silent partner. Trade-in housing is a marketing arrangement whereby a homeowner can trade the equity in his present home for the down payment on another house. There are several forms this may take. The most common are: the straight trade in plan whereby the real estate firm contracts to buy the owners old house when the owner purchases the new one. The guaranteed trade-in plan whereby the real estate firm guarantees to purchase the owners old house at a fixed price if it is not sold before a given date.
However, if a firm is involved in the development or trade-in market substantial funds would be required. One other advantage of the corporate form of organization is that shares in the business may be sold or distributed to managers and senior salesmen, thus encouraging them to take a more active interest in the firm. The tax advantage of incorporation is likely to be of limited value to many of the firms. The corporate tax rate of 21% on the first $35,000 earnings is likely to be higher than the individual tax rate of many real estate agents. Based on the 1964 tax rates, an individual would have to earn in excess of $10,000 net income before his individual overall tax rate would exceed 21%. At the same time the individual, if incorporated, could avoid the 21% corporate tax by paying out all profits as a salary. The limited liability has a value to the real estate firm. All salesmen are bonded and a client would, when possible, claim against the bond. It is only in the case where the firm’s suppliers had a claim against the firm that limited liability would be an advantage. Since real estate firms have very limited purchases of supplies, the cases where limited liability would be advantageous are very few. The exceptions are the firms involved in property development or the trade-in market.

The three most commonly mentioned disadvantages of incorporation are the expenses of incorporation, the sharing of ownership and the "double taxation". However, the cost of incorporation is relatively small. The cost to incorporate a private company in B.C. may be kept as low as $50.00 plus legal fees. The "double taxation" need not apply since all income can be paid in salaries, thus avoiding the corporate income tax. If the owner

is concerned about sharing the ownership and management, he can avoid this by maintaining a 51% interest in the company. This would insure him of control. Another method of maintaining control is the use of non-voting shares.

<table>
<thead>
<tr>
<th>TABLE V</th>
</tr>
</thead>
<tbody>
<tr>
<td>FORMS OF ORGANIZATION</td>
</tr>
<tr>
<td>Form</td>
</tr>
<tr>
<td>Sole Proprietorship</td>
</tr>
<tr>
<td>Partnership</td>
</tr>
<tr>
<td>Incorporated</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

a Source: General Census Statistics D.B.S. Manufacturing, Queen's Printers, Ottawa, 1960.

92.1% of the real estate firms have incorporated their businesses. This is a very high percent when one considers the fact that the majority of service firms are not incorporated. The firms were unable to offer any reason for incorporating. They seem to consider the corporate form of organization the most suitable, so they went ahead and incorporated. There seems to be very little thought in this matter. Of all the incorporated firms, only one firm was a public company. This is a large, completely integrated firm which includes a brokerage firm, insurance department, development company and mortgage lending firm.
Partnerships are not an important form of organization in the real estate business. Only 2.0% of the firms, most of which are two man operations, are partnerships. These usually consist of two nominees or one nominee and one salesman. Sole proprietorships are slightly more popular than partnerships. 5.9% of the firms are sole proprietorships, most of which are very small firms employing one or two salesmen.

Although partnerships are not an important form of legal organization, many of the smaller firms operate as if they were partnerships. The owner or principal shareholder acts more as a partner than as an employer. This is perhaps true because of the straight commission form of compensation which is used. Salesmen, paid on a commission basis, are somewhat more independent than those paid a salary. It is for this reason that many salesmen act as if they were partners with the owner.

It is interesting to compare the forms of organization in Greater Vancouver, 1964, with the forms used in Toronto in 1957. In Toronto, 1957, only 25.0% of the firms were incorporated. About 30% of the firms were partnerships and 45% were sole proprietorships. This breakdown of forms of organization is entirely different from that found in Vancouver today.\(^5\) It is also interesting to observe the difference between the form of organization in the Vancouver real estate firms and the overall manufacturing firms in Canada. There is almost twice as high a percentage of real estate firms incorporated as there are manufacturing firms. (see Table 5, p. 51).

The firms which are incorporated were asked who controls the voting shares. In all cases the voting control was in the hands of either the nominees or the nominees and some outside interests. In no case was the

voting control in the hands of the salesmen. A few (7) of the larger firms permitted their salesmen to purchase common shares, however, the actual number of shares was an insignificant percentage of the total shares outstanding. This is very important since the nominee is responsible for action of all salesmen employed by him. If the salesmen controlled the company they could use the agent to accept blame for any unethical operations. The Real Estate Council of British Columbia has had a few occasions to investigate complaints arising from companies which were owned by the salesmen. However, since there is no regulation regarding this practise the Council must treat these companies as they would treat any other company. Mr. P.D. Murphy, Secretary of the Real Estate Council and Mr. I. Davis, former Secretary of the Real Estate Council have both stated that they had not experienced frequent breaches of the Real Estate Act brought about by companies owned by the salesmen.

B. Internal Organization.

Organization is the establishment of authority relationships, with provisions for structural co-ordination both vertically and horizontally, between positions to which have been assigned specialized tasks required for the achievement of enterprise objectives.6

In common with most businesses in the service industry, the real estate business has a high proportion of small firms. In the survey area, 92.6% of the firms employed 10 or fewer salesmen, 78.8% of the firms employed 5 of fewer salesmen and 29.4% of the firms employed no salesmen at the time of this survey. There was only one firm employing over 100 salesmen. Although only 7.4% of the firms employed 11 or more salesmen, these firms accounted for 43% of all salesmen employed.

<table>
<thead>
<tr>
<th>Number of Salesmen</th>
<th>% of Real Estate Firms (1964)</th>
<th>% of Retail Firms (1961)</th>
<th>% of all Service Firms (1961)</th>
</tr>
</thead>
<tbody>
<tr>
<td>none</td>
<td>29.4%</td>
<td>.2%</td>
<td>.9%</td>
</tr>
<tr>
<td>1 - 5</td>
<td>49.4%</td>
<td>18.3%</td>
<td>14.0%</td>
</tr>
<tr>
<td>6 - 10</td>
<td>13.8%</td>
<td>20.5%</td>
<td>19.9%</td>
</tr>
<tr>
<td>11 - 15</td>
<td>1.4%</td>
<td>9.0%</td>
<td>10.6%</td>
</tr>
<tr>
<td>16 - 20</td>
<td>.9%</td>
<td>5.7%</td>
<td>7.4%</td>
</tr>
<tr>
<td>20 - 30</td>
<td>1.9%</td>
<td>13.8%</td>
<td>19.9%</td>
</tr>
<tr>
<td>31 - 50</td>
<td>1.9%</td>
<td>15.7%</td>
<td>19.9%</td>
</tr>
<tr>
<td>over 50</td>
<td>1.3%</td>
<td>20.6%</td>
<td>27.3%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

a This table is based on 216 firms as of July, 1964.
b Source: General Census Statistics D.B.S. Retail Trade Locations, Queens Printer's, Ottawa, 1961, p. 9.1.
c Source: General Census Statistics D.B.S. Service Trades, Queen's Printers, Ottawa, 1961, p. 36.1.

As may be noted from Table 6, page 53, the size of firms in the real estate business is relatively small. Whereas 78.8% of the real estate firms have 5 or fewer salesmen, only 18.3% of the retail firms and 14.9% of the service firms have 5 or fewer employees. Only 1.3% of the real estate firms employ 50 or more salesmen whereas 30.6% of the retail firms and 27.3% of the service firms have 50 or more employees. Judged on the basis of the number of persons employed, real estate firms must be considered very small firms.
In a business so populated by small firms any discussion of the problems of organization may seem academic. However, proper organization is essential if these firms hope to attain their objectives in an efficient manner. Proper organization is necessary because there is a limit to an individual's span of control. If a person could handle all the tasks by himself there would be no need for organization. However, once there is a need to employ the services of other individuals there is a need for proper organization. This is true if the individuals sharing the work are acting as partners or in an employer-employee relationship.

Perhaps the first and most important step, before organization is possible, is the determination of the firm's objectives be clearly defined. Sometimes it is very difficult to distinguish between the firm's objectives and the means of attaining these objectives. For example, profit maximization may be one objective for a firm. One means of attaining maximum profit is to work towards a sales level where the marginal income just equals the marginal costs. Another firm may have as their prime objective the maximization of sales. It is apparent that in one firm the maximization of sales is a firm objective, in the other firm it is only a means of achieving an objective. Some of the more common main objectives in a firm are:

1. Profit maximization, either in the short run or the long run.
2. Growth to a specific size.
3. Specialization in a particular type of service or diversification.

It must be kept in mind that there is not only one objective for a firm. Rather there is a hierarchy of objectives expanding downward from the main objectives.
The firm's objectives and policies, which are the guides to action to achieve the objectives, should be in written form. This assures that they will be somewhat more consistent through time. In all, 60% of the firms interviewed had a written policy manual which included all policies pertaining to the activities of their office. There is a relation between the firm's having a written policy manual and the earnings of their salesmen. Generally the salesmen working for a firm earn a higher income than salesmen working for a firm with no written policy manual. This may suggest either that the policy manual is a reflection of better management within these firms or that the policy manual in itself has an effect on earnings. The former explanation appears to be the most plausible explanation.

Once the objectives and policies are determined, the next step is to design an organization to ensure that they are attained in an efficient and effective manner. To some extent the organizational structure is dependent upon the objectives of the firm. The first step in designing an organizational structure is to assemble the various tasks in a manner which will ensure efficiency in the operation of the firm. Some attention must be given to the availability of manpower since there is no point in designing an organization if manpower to staff such an organization is not available.

There is no one best organizational structure. It must be suited to the particular circumstances of each firm. If the firm is relatively small it may not be practical to departmentalize. Each salesman may be responsible for listing and selling all types of property, selling insurance, (if properly licensed) arranging finances, appraising and writing advertisements.
As the size of the firm expands it may be desirable to specialize and set up separate departments. The important point is that each individual should be aware of his responsibilities. (Principle of Functional Definition).

Departments in a real estate office may be established on a basis of services, customers or territory. Territorial departmentalization occurs either when a firm establishes branch offices or when a firm establishes specific sales areas for each salesman. Of the 152 firms included in the survey, only 9.6% had branch offices. In all cases these were the larger firms employing over 20 salesmen. Although none of the firms admitted that they assigned salesmen to specific areas, some salesmen claimed they only worked in one area.

The most common methods of departmentalization seemed to be based on services offered and/or the customers served. The two most common divisions are real estate and insurance departments. As the size of the firm increases, separate departments for mortgage lending, property management, appraisal and property development are established. The larger firms further subdivided the real estate sales department into separate divisions for residential, commercial, industrial and revenue property. As may be expected, there is a relation between the size of the firms and the number of separate divisions or departments. As the size of the firm increases, the number of separate departments also increases. In the smaller firms, aside from the division between real estate and insurance, the salesmen generally handle all types of property, appraising, and advertising. The agent or nominee generally looks after the mortgage financing. Very few smaller firms specialize in specific types of property or specific services such as appraising.
<table>
<thead>
<tr>
<th>Number of Departments</th>
<th>% of the Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Department</td>
<td>51.9%</td>
</tr>
<tr>
<td>2 Departments</td>
<td>30.3%</td>
</tr>
<tr>
<td>3 Departments</td>
<td>9.9%</td>
</tr>
<tr>
<td>4 Departments</td>
<td>1.4%</td>
</tr>
<tr>
<td>5 Departments</td>
<td>2.6%</td>
</tr>
<tr>
<td>6 Departments</td>
<td>2.6%</td>
</tr>
<tr>
<td>7 Departments</td>
<td>1.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

* Based on 152 replies.

Chart 1 is an example of an organizational structure for a large firm. This chart incorporates all the possible divisions mentioned in the questionnaires. Charts 11 and 111 depict the organizational arrangements of the smaller firms. These include the most commonly mentioned organizational structures.

In general it is safe to state that the problems of organization have received little attention. Most firms appear to departmentalize and organize as conditions dictate. There would seem to be three possible reasons why so little attention is given to the problems of organization. Firstly, the benefits derived from proper organization are difficult to measure. Conversely the problems associated with improper organization may not show up immediately. Secondly, it is always easier to ignore the
CHART 2

Large Firm

ORGANIZATION CHART

Ownership
  
Board of Directors
  
Manager or President

Office Staff

Staff Function

Manager Appraisal
  
Appraisers

Manager Property Management
  
Staff

Manager Real Estate

Manager Property Insurance
  
Staff

Manager Mortgage Lending
  
Staff

Manager Property Development
  
Staff

Manager Revenue Property Sales Manager
  
Salesmen

Manager Residential Sales Manager
  
Salesmen

Manager Commercial Sales Manager
  
Salesmen

Manager Industrial Sales Manager
  
Salesmen
Small Firm

Owner

Manager

------------- Office Staff

Insurance
One Man or
Small Department

Real Estate
Salesmen
- All types of property
- Own appraising
- Mortgage funds

NOTE: Normally the owner or partners are the only management personnel in the office. They manage salesmen, office staff and the insurance department. Office staff is responsible for property management.
Small Firm

Owner
   | One person
Manager
   |------------------ Office Staff
         | one
Salesmen
   - selling real estate
   - selling insurance
   - arranging mortgages
   - own appraising

Note: Owner - manager is responsible for office staff and salesmen. In practice the manager spends little time with the salesmen. Salesmen work by themselves, seek assistance from manager only when necessary.
problems of organization. Other matters appear more important and urgent. Lastly the entire concept or organizations and organizing are rather intangible in nature.

C. Supervision in the Real Estate Firms.

Supervision is an extremely important area in the real estate business but it is also often overlooked. This is unfortunate since the majority of salesmen working in the real estate business appear to be in need of more supervision. There are a number of conditions which exist in the real estate business which makes careful supervision of the salesmen necessary. To begin with, the real estate salesmen are often handling substantial sums of money belonging to their clients. Supervision is necessary to ensure that these funds are properly handled. The importance of each client in terms of immediate income and future income necessitates proper and effective service. This means the salesmen should be closely supervised to ensure the client is not lost. Lastly, the calibre of men and women attracted to the real estate business is generally such that they will require proper supervision. The majority of real estate salesmen do not have the education, training or experience which would enable them to work on their own with a minimum of supervision and still perform their tasks well. Another point is that salesmen in general require more supervision than many other types of work because selling itself is not routine work.

In the real estate business it is generally the responsibility of the agent or nominee to supervise the salesmen. Only 12.6% of the firms employ sales-managers. In almost all cases these are with the firms employing 15 or more salesmen. In the cases where the agent or nominee is responsible for the supervision of the salesmen, the agents or nominees
appear to have overextended their span of control. The agent is responsible for the office management, they often are in charge of the property management and the mortgage financing. Lastly, they are responsible for the supervision of the salesmen. In some cases the agents or nominees also handle transactions on their own. The only activity which appears to suffer is the supervision of the salesmen.

In the firms where a sales manager is employed the supervision of the salesmen is somewhat improved. However, even where a sales manager is employed they seem to have overextended their span of control. Considering only the firms employing sales managers, each sales manager is in charge of an average of 13.7 salesmen. Considering the sales managers other activities such as training new salesmen, preparing for sales meetings and miscellaneous office work, they seem to have too many salesmen to properly supervise. In discussions with sales managers of seven large national manufacturing firms, it was found that they feel a manager can adequately supervise between 6 and 8 salesmen but no more that 8.

In discussions during this survey a number of manager, agents and nominees indicated they did not have time to properly supervise all their salesmen. Instead of allowing time for all salesmen, the supervisors spent their time with the high producing salesmen and spent very little time with the low producing salesmen. This is an unfortunate result because the low producing salesmen are in need of immediate and extensive supervision.

There is a further problem in the supervision of real estate salesmen. Since the salesmen are paid on a straight commission basis they tend to feel very independent. This independent attitude has caused many salesmen
to resent supervision by their sales manager or agent. In order to overcome this problem the supervisor must point out to the salesmen the benefits of proper supervision and the needs for proper supervision from the firm's point of view.
A. Recruiting.

Errors in recruiting and selecting salesmen are expensive. On the one hand, there are the direct expenses involved. On the other hand, there are the indirect costs arising from the paperwork and processing done for items such as payroll. Lastly, there is the lost business, the lost goodwill and the discontent created among other employees resulting from the inept performance of a misfit.

The problems associated with recruiting and selecting salesmen is even more acute in the real estate business.

So dangerously do most (Realtors) operate, and on such small margin of profit compare to the volume of business done, that the addition or subtraction of even one good man can mean the difference between success and failure in the course of a year. Unfortunately, in many offices, the poor salesmen outnumber the good, with the result the good ones have to carry the bad. If he is lucky, the broker ends up with a profit actually coming from the efforts of one or two men. The work from the balance of his force has been disipated in carrying the office expense load and other necessary cost contributed by deadwood material. ¹

The nature of the business and the service offered necessitates proper recruiting and selecting of salesmen. The real estate brokerage firm depends to a very great extent on their reputation or goodwill. One poorly selected salesman can destroy the goodwill developed by years of good service. The nature of the service requires that only proper sales-

men be selected. The real estate salesman does not handle an exclusive product. A property owner is not required to deal with a real estate firm and purchaser of property need not deal with a firm, except in the case of an exclusive listing. Even if the vendor and purchasers feel obliged to negotiate through a real estate firm, they may deal with the firm of their choice.

Another problem associated with the recruiting and selecting of salesmen arised because of the basis of earning an income. In the real estate business income is based on the results attained. If a firm obtains a listing on a property and completes the sale, they will earn a commission usually 5% or 7% depending on the type of listing. If the property is not sold the firm does not receive any commission. Therefore, if a salesman is not successful in completing the transaction the firm will not earn a commission. In addition, this problem is further aggrevated by the fact that one transaction represents a substantial income or commission. On a transaction for a $10,000.00 property the gross commission may be $700.00 (Multiple Listing Rates). Unlike many other businesses the loss of one client represents a substantial sum of money whereas the loss of one client to a grocery store may only represent 1% or 2% of the gross sales. This may only be 1% or 2% of $1,000.00 per year or $100.00 = $200.00.

There are a number of necessary steps involved in a sound recruiting program. The first step is to determine the manpower requirements. A careful analysis should be made to determine how many men are needed and what type of men are desirable. When analyzing the future need for salesmen, consideration should be given to the possibility of eliminating any low producer currently employed. It is not wise to wait until the salesman
decides to leave before looking for another man. In addition, provision should be made for any future requirements necessitated by an expansion of the present staff or the opening of a new office. An effort should be made to determine what type of man has the best possibility of succeeding in the job. This does not need to become an expensive task and should be done by every firm employing salesmen or planning to employ salesmen.

It is first of all necessary to determine the qualities, characteristics and background which will contribute to the success of a salesman. These factors may include such points as education, marital status, age, previous experience, sex and personality. Once it has been determined which factors are the most important in contributing to the success of a salesman, it is then necessary to identify and measure these factors in the new recruits.

It would appear that the active members of the real estate business are unable to agree on the qualifications required. This is partly due to the different ideas of the scope and functions of the real estate business and, consequently, to the necessary qualifications. The firm representatives were asked to comment on their requirements and qualifications for new salesmen. In particular, attention was directed in education, sex, age, marital status, and previous experience. Very few of the firms reporting appeared to have analyzed the type of individual who, from their experience, stands the best chance of succeeding as a real estate salesman.

1. Education: 57.8% of the firms reported they would prefer to hire salesmen with a minimum of Grade 12. However, the majority of these firms qualified their answers. Grade 12 was required but other factors such as experience or
maturity may be a suitable substitute. 19.2% of the firms reported that they did not feel education was an important factor. 23.0% of the firms stated that education was useful but not an important factor when hiring new salesmen. Although 57.8% of the firms stated that they preferred Grade 12 as a minimum requirement, they were willing to hire salesmen with less than Grade 12 if other factors are favourable. The following remarks, regarding education, are typical of the answers:

Salesmen must have a good command of English and Arithmetic plus good common sense.

If you consider two applicants, and everything is equal, the one with more education will get the job.

2. Age: Most firms seem to agree that age is not an important factor. Although the majority of the firms specified they would prefer salesmen in certain age categories, there are no stringent requirements. The most common age group mentioned was between 30 - 45. A small percentage of the firms felt it was necessary to attract younger people into the business, preferably between 21 - 30 years of age. There seems to be a general feeling in the business that persons under 30 years of age will not be as successful as the older age groups.

3. Marital Status: 73.1% of the firms specified they preferred married men but that marital status was not an important factor. 11.3% of the firms stated they would only hire married men. 26.2% of the firms reported that they would only hire single women. The reason for this is that single or self
supporting women tend to apply more time and effort to the job.

4. Sex: 71.4% of the firms reported they would hire male and female sales staff. 27.5% of the firms specified male only and one firm stated they only hired females. Although 71.4% of the firms stated that either sex would be hired, a somewhat smaller percentage actually employs females. This is not necessarily an inconsistency between policy and practice since some of the firms are relatively small and have not added to their staff in recent years. Comments regarding the desirability of employing females varied considerably. Most firms felt that females could be successful providing they were self-supporting.

5. Previous Experience: The majority of the firms (65.2%) specified they would prefer to hire salesmen with previous selling experience, particularly in the real estate business, however, only 29.1% of the firms insisted on previous experience in real estate. The majority of those firms were relatively small and did not want to spend time training new salesmen. 18.8% of the firms felt that previous experience was not an important factor. 16.0% of the firms wanted new sales staff with no experience in selling. These firms felt it was easier to train a new person rather than re-train a person with experience.

6. Other Factors: While most firms felt that factors as education, sex, age and previous experience have a bearing on the ultimate success of the new salesman, there were other factors
which were considered as being more important.

Some of the factors were:

"Personality and appearance"
"Integrity"
"Honest and willing worker"
"Likes to meet the public"
"Financial Stability and good business sense"
"Ability to work on his own"
"Desire to work and make money"
"Sincerity, initiative, perseverance, patience"
"Ability to get along with other salesmen in the office"
"Energetic, self-starter"

Although the managers were unable to agree on the specific qualifications required to ensure success, there was general agreement that the most important qualifications were those which would contribute to selling ability. The majority of the managers agreed that a minimum amount of technical knowledge is required to succeed. There was not, however, complete agreement on this point. A number of managers felt that the real estate business should attempt to upgrade the technical knowledge required and strive for more professional service rather than mere sales ability. This they admitted was a long run aim and at present the most important factors were those contributing to sales ability.

Once the question of requirements has been answered, the next question is, "where can salesmen possessing these qualities be found?".

There are a number of sources for new salesmen:

1. Newspaper advertisements: If a firm has a high turnover in personnel, newspaper advertisements may be a prolific source of new men. The advertisement may take one of several forms. It may be an open or blind ad. Open advertisements identify the advertiser while blind advertisements do not identify the advertiser. The normal classified advertisement usually attracts a large number of responses, however, the majority
of the responses are usually of somewhat questionable ability. The type of person who reads the "want-ad" section is usually seeking a new job. This may indicate a dissatisfaction with his present job or an inability to hold a job.

It is possible to run a selective newspaper advertisement, usually in the financial page of the newspaper. This will ensure a moderate number of responses, however, the calibre of the applicant is usually much higher. The May 15, 1963 issue of Modern Industry\(^2\) reported, from a cross section of firms, that only one out of every 45 applicants who applied on the basis of newspaper advertisements were employed compared to one out of every 14 referred by agencies. Nevertheless, newspaper advertisements are still the best source for a quantity of salesmen even though the quality may be questionable.

2. Personal contact: Personal contact is perhaps the most promising source of new salesmen even though the supply is somewhat limited. Usually the individual is known to the firm. His present activities and future potentials may be appraised before he is approached about the job. This is a very inexpensive source of salesman. The potential applicant can be examined without his knowing he is being considered as a recruit.

3. Recommendations to the Firm: A company's best possible recruiting source is usually its own salesmen and customers.

If they like their firm, they are the most persuasive recruiters a firm can have. If employees are happy on their jobs, they are apt to interest the best applicants; new salesmen who already know other salesmen usually adjust themselves to their jobs more easily because of the help they receive from their friends.

4. Schools and Universities: Schools and Universities are a very limited source of new salesmen in the real estate field. The high school graduate is usually too young to be employed as a real estate salesman since the minimum age is set at eighteen. The college student is usually not attracted to the real estate business because of the present compensation plans and the relatively limited training programs available. The real estate firms, on the other hand, are not generally prepared to compete with other larger corporations for the graduates.

5. Other Firm: It is often desirable to hire men who have experience in the real estate business. This is particularly true if the firm does not wish to train new men. Unfortunately, the type of man who is willing to change firms usually has a reason. He may not be doing well with his present firm or he may not be able to get along with his employer or fellow salesmen. On the other hand, the recruiting firm may offer a good salesman a better commission split or other benefits which would entice him to change firms.

3 Province of British Columbia, Regulations Under the Real Estate Act, 1963, Section 4.01(b)
6. Unsolicited Applications: Unsolicited applications are not a major source of recruits but good public relations require the screening of such applicants. A shortage of good salesmen generally means that the unsolicited applicants will be of an inferior quality.

The American Management Association Research Report, No. 24, sets out the main sources of sales applicants.  

<table>
<thead>
<tr>
<th>Major Sources of Sales Applicants*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rank of Importance</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>------------------------------------</td>
</tr>
<tr>
<td>Advertisements</td>
</tr>
<tr>
<td>Employment agencies</td>
</tr>
<tr>
<td>Schools and Colleges</td>
</tr>
<tr>
<td>Unsolicited applications</td>
</tr>
<tr>
<td>Promotion or transfer</td>
</tr>
<tr>
<td>References and Contacts</td>
</tr>
</tbody>
</table>

* This table is based on the responses of 174 companies. Multiple responses resulted in more answers than the number of companies.

1. Personal Contact: As may be seen in Table IX, the great majority of firms obtain their sales personnel through personal contact. In fact, 31.6% of the firms obtain all their salesmen through this source and 69.8% of the firms obtain over one half of their salesmen through personal contact. Only 12 firms or 7.9% reported they did not hire any salesmen through personal contact. However, these same 12 firms reported a high percentage of their salesmen

### TABLE IX
MAJOR SOURCES OF SALESMEN
IN THE REAL ESTATE BROKERAGE BUSINESS*

<table>
<thead>
<tr>
<th>Number of Salesmen obtained from this source</th>
<th>Personal Contact</th>
<th>Advertising</th>
<th>Recommended to the Firm</th>
<th>Other Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of answers..........................</td>
<td>9.9%</td>
<td>9.2%</td>
<td>9.9%</td>
<td>9.9%</td>
</tr>
<tr>
<td>from this source...........................</td>
<td>7.8</td>
<td>74.3%</td>
<td>36.8%</td>
<td>78.8%</td>
</tr>
<tr>
<td>1 - 24% obtained by this source...............</td>
<td>2.6</td>
<td>5.9%</td>
<td>16.4%</td>
<td>8.6%</td>
</tr>
<tr>
<td>25 - 49% obtained by this source...............</td>
<td>9.9</td>
<td>7.3%</td>
<td>11.8%</td>
<td>2.0%</td>
</tr>
<tr>
<td>50 - 74% obtained by this source...............</td>
<td>25.0</td>
<td>7%</td>
<td>18.4%</td>
<td>0%</td>
</tr>
<tr>
<td>75 - 99% obtained by this source...............</td>
<td>13.2</td>
<td>2.6%</td>
<td>2.1%</td>
<td>0%</td>
</tr>
<tr>
<td>100% obtained by this source..................</td>
<td>31.6</td>
<td>0%</td>
<td>4.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Total - 100.0%..................................</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* This table is based on the responses of 152 firms, employing 886 salesmen.

...were obtained through a recommendation to the firm.

2. Advertising: Advertising is not a particularly popular source of new salesmen. 74.3% of the firms reported they had not used advertising to obtain their salesmen. Only 5 firms, 3.3%, reported they had hired over one-half of their salesmen through advertising. Of these five, three employed over fifty salesmen and one employed over thirty-one salesmen. This is a clear indication that the larger firms rely more on advertising to obtain new salesmen.

3. Recommendations to the Firm: Recommendations to the firm appear to be the second most common source of new salesmen. This source is divided into two parts: New salesmen, just starting in the real estate business, are usually recommended to the firm by someone outside. The salesmen joining the firm from another real estate firm are usually recommended by
someone within the recruiting firm, usually another salesman. These conclusions regarding who recommends the new salesmen to the firm are based on a small number of comments obtained during the interviews.

4. Other Sources: Other sources of recruiting, such as "walk-in" applicants, is not an important source of manpower.

Although personal contact is the most common source of new salesmen, advertising still plays an important role. The four large firms which depend heavily on advertising account for a large portion of the salesmen. More particularly, these four large firms account for a high proportion of the new salesmen entering the business.

However, there is no evidence in the information gathered to suggest that salesmen obtained from one source are any more or less successful than salesmen obtained from any other source. There is no significant relation between earnings of salesmen in a firm and the source of salesmen for the particular firm.

B. Selection of Salesmen.

We have studied something like 20,000 occupations and we find that the difficulty encountered in devising improved selection techniques for saleswork is probably not equalled in any other group of occupations.5

After the recruiting process, the next step is the screening and selection of the applicants. There are two methods of selecting salesmen.

There are two fundamental philosophies of selecting sales personnel:
(1) through selection involving high standards of qualification and using all of the proven methods of choosing salesmen;
(2) superficial selection, in which as many salesmen are hired as will agree to

work for the compensation offered, with the expectation that a few will become successful. However, this law of average method is costly, destructive to moral, and creates ill-will of both salesmen and customers.\textsuperscript{6}

Available information indicates that the real estate brokerage business has, by and large, used the second method.

The selection of salesmen should be a combination of intuition and science. There are a number of modern devices which are useful aids in the selection of salesmen. The selection process must be planned so that each step in the process has a specific purpose. The process should include a variety of techniques since any one technique may not give sufficient information regarding the applicants. The techniques include: (1) the application blank, (2) the interview with the applicant, (3) the home interview, (4) reference investigation and (5) sales aptitude tests. Some combination of these techniques should be used in the selection of salesmen.

The effectiveness of any selection process depends upon the skill of the individual responsible for the selection. In most real estate firms, the agent or nominee is responsible for the selection of the salesmen. This is to be expected since 87.4\% of the firms do not have managers. In the firms which do employ sales manager, hiring is usually a joint effort between agent and manager. Only 5 firms reported the sales manager made the final decision on his own. Whoever is in charge of the selection process should have a sound knowledge of the job and of the requirements for the job. It is preferable to have more than one individual included in the selection process. It two individuals are in charge of the selection, then one may compensate for the weaknesses of the other.

1. Application Blank: The application blank is a basic tool in the selection process and is usually the initial step. The applicant can complete the form on his own time and the firm can review the application without being influenced by the applicant's appearance and personality. The primary purpose of the application blank is to provide factual information about the applicant to enable the potential employer to compare the applicant's qualifications with the standard qualifications. It also serves as a reference source and suggests questions to be discussed during the interview. If the qualifications of the applicant are obviously unsuited for the job, the interviewer need not waste any further time.

There is no one current form to be used. The requirements vary from firm to firm, however, it may be possible to have a fairly standard form to be used by all real estate firms.7 Special additional information may be obtained during the initial interview. The application blank should provide information regarding a candidate's basic qualification. Any factors considered essential for the job should be included on the application blank and should have a definite value.

Some large corporations, particularly the insurance companies, have developed a weighted application blank in which each item is significant for sales success is weighted to arrive at a total score. The total score of each applicant is then compared to a standard score to determine how well the applicant is apt to do in

7 See Appendix F, A sample application form developed by C.J. Krauskoft, Missouri, Real Estate Association, Columbia, Missouri, 1964.
the insurance business. The weighted application is of value if it is based on extensive experience, that is, if it is possible to separate and measure the factors which differentiate the successful salesmen from the unsuccessful salesmen. To date, there are no weighted application blanks designed for use in the real estate business. Until a detailed analysis is made of the various factors which make a salesman successful, it will not be possible to design a weighted application blank.8

2. Interviews: There is no other selection device that can take the place of the personal interview in selecting salesmen. The purpose of the interview is to (1) get additional information or clarify facts from the application blank, and (2) get an impression of the way applicants will affect customers by their personalities, appearance and attitudes. The interviewer also has an opportunity to appraise the applicant's willingness to handle the job.

The interview may follow a variety of methods. If there are a large number of applicants, it may be desirable to hold one brief interview to allow the interviewer to quickly screen out misfits. Normally it is desirable to have more than one interview since the applicant may not create a good impression during the initial interview. The second interview is usually more relaxed; the more direct inquiries are completed and the atmosphere is more informal. The second and subsequent interviews also permit the interviewer and applicant to review and clarify any points missed during the initial interview.

It is desirable, when possible, to have more than one individual interview the applicant. This reduces the dangers inherent in the use of the interview: "the halo effect" and "projection". The "halo effect" is an impression, favorable or unfavorable, based on one or two factors which influence the appraisal of the other factors, "projection" occurs when the interviewer favors applicants who resemble himself or associates he admires.

It would be desirable to have the sales manager, where one is employed, and the agent or nominee interview the applicant. In a small office, without a sales-manager, it may be desirable to introduce the applicant to one of the senior salesmen. This serves as a check on the agent's decision.

There are several types of interviews:

a. Preliminary Screening Interviews: This should only be used when a large number of applicants are being screened. If the interview is too brief, some good men may be eliminated.

b. Standard, Patterned, or Guided Interview: The patterned interview is a standard procedure designed to improve the effectiveness of the interviewer. Usually an interview form is used to record answers and reactions. This form contains key questions to be discussed during the interview. The patterned interview is extremely useful for inexperienced interviewers, however, there is a danger of becoming too formal and impersonal.

c. Conversational Interview: This is an open type of interview where the applicant is allowed, in fact, encouraged, to express himself freely. This type of interview is usually longer than the patterned interview. An inexperienced interviewer may lose control of the interview and neglect to cover all the pertinent factors.

In practice the majority of the interviews are a combination of the patterned interview and the conversational interview. The interviewer should have a list of the factors which must be covered but, at the same time, he should allow ample opportunity for free discussion. The applicant should feel at ease, not as if he were undergoing a cross-examination. A sample of the interview form and summary rating for real estate is included in Appendix G. This is one of the few interview guides developed exclusively for real estate salesmen.

The interviews should serve two purposes. Firstly, they assist the interviewer in making his decision to hire or not to hire the applicant. Secondly, the interviews provide an opportunity for the applicant to decide if he wants to work for the firm. During the interview, the interviewer should present an accurate and fair description of the job and the opportunities open to the applicant. The interviewer must be careful not to oversell the job. It is difficult not to exaggerate, especially if the interviewer is anxious to hire the man or if the interviewer is enthusiastic about the job.

Normally two or three interviews are sufficient. In a business such as real estate, where the salesman works irregular hours and receives irregular income, it is desirable to have one interview with the spouse of the applicant. Since the applicant's home life has such a profound effect on his work habits, it is essential that the spouse should be completely informed about the pleasant and unpleasant aspects of the job. If the spouse is not prepared to tolerate the unpleasant aspects, then it is well to know of this in advance. If the applicant is still hired, despite the spouse's opposition, his (or her) work will likely reflect the unhappy circumstances at home. Often the salesman will decide to seek out a new job with more suitable working conditions. Some employees regard interviews with the applicant's spouse as an unwarranted intrusion into the applicant's personal life. It is interesting to note that 16.0% of the salesmen admitted their spouse did not like them working in the real estate business.

84.5% of the firms reported they had two or more interview with the applicants for sales position. 50% of the firms, employing a sales manager reported that both the agent and the sales manager interviewed the applicant. Of the 15.5% of the firms that had only one interview, about 2/3, 10.2%, reported that they knew the applicant before they had been considered for the position. Therefore, it is unreasonable to assume that these firms hired sales staff on the basis of one interview.

For a more detailed discussion of the interview technique see:
85.0% of the firms reported they did not interview the applicants’ spouse. This seems to be a grave oversight on the part of the recruiting firm, especially in a business such as real estate where the salesmen are expected to work irregular hours. One of the common excuses given for leaving the real estate business was the dissatisfaction of the spouse over the irregular hours.

3. References: Every person who applies for a license must prove three references to vouch for the good reputation, integrity and good character of the applicant.12 The recruiting firm should attempt to get at least one of these references from a former employer of the applicant. The recruiting firm should be careful in using these references. Often the individuals asked to provide the references will be reluctant to endanger the applicant’s chances of getting the job even if it means omitting certain facts or interpreting facts in a manner favorable to the applicant. In order to overcome this possibility, the recruiting firm should examine the references for what is included and also for what information or comments are not included in the references.

4. Psychological Tests: A variety of psychological tests have been developed to measure aptitudes, skills, special knowledge, interest, mental ability and personality in applicants.13 These tests can be a useful aid in the selection of salesmen. The tests can measure skills, aptitudes and knowledge, however, they do not measure the

12 Op. Cit. Regulations Under the Real Estate Act, Section 4.05.

applicant's willingness to use the skills and knowledge. It is still necessary to motivate the applicant.

Part of the popularity of psychological testing in selection is attributable to wartime experience. In World War II, tests were of great value to the military services in classifying the numerous draftees and recruits. Since the war, a number of the large business corporations have adopted and improved a variety of test for employment selection. The life insurance companies have been a leader in this field.

Psychological tests may be divided into six major categories. 15

1. Performance or ability tests.
2. Trade tests.
3. Intelligent tests.
4. Aptitude tests.
5. Interest tests.
7. Tailor-made tests. These are tests, especially designed to suit the needs of a particular company or business.

The life insurance companies have developed a series of tailor-made tests to be used in the selection of salesmen, agents and office help. The tests, "Sales Method Index" and the "Aptitude Index" have not been in use long enough to determine their success.

14 The most common test used in World War II by the military authorities was the AGCT, a general classification test. Eaton, J.W., "The Army's Personnel Research Laboratory", Personnel, Vol. 23, No. 5, March 1947, pp. 326 - 329.

Early indications seem to suggest they are valid.\(^\text{16}\)

The Real Estate Research Department of the University of California has been working on a series of tests, especially designed for real estate salesmen, since 1958. Although the tests are not finalized yet, early indications show there is a positive correlation between the test results and ultimate success in the real estate business.\(^\text{17}\)

The Department of Psychology at the University of British Columbia conducted a study to ascertain whether certain tests or groups of tests could predict the level of performance achieved by real estate trainees in the Pre-Licensing Course offered at the University.\(^\text{18}\) There was no attempt to predict ultimate levels of performance in selling.

A battery of ten tests were administered to two groups of trainees. It was shown that the tests used could predict the chance which trainees have of performing at certain levels on the Pre-Licensing Course examinations. For predicting performance in the examinations, the most important abilities were: general intelligence, vocabulary, arithmetical ability, dominance, non-verbal

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\(^{18}\) E.I. Signori, Department of Psychology, University of British Columbia, 1960, unpublished.
intelligence and speed of writing. The least useful test was the interest test. 19

Although the battery of tests used at the University of British Columbia are not designed to predict success or failure in selling, they are of value to the firm and the salesman. If the salesman finds that the tests predict they will fail the pre-licensing examination, they can reconsider their plans to enroll. It is possible that in view of the costs involved, the salesmen which have a poor chance of passing the examination may decide to seek employment elsewhere. This may save them the cost of the pre-licensing course plus the opportunity cost of six weeks lost wages.

The tests are also useful to the firm. One of the main problems in selecting salesmen is to find applicants who have the ability to pass the pre-licensing examinations. If the applicants do not have an ability to pass the examinations, as predicted by the series of psychological tests, the firm may wish to reconsider the applicant. Although the firm does not have a large dollar investment on the applicants until they pass the examination, if the applicants do not pass the firm must recruit more applicants to replace those failing the examination.

One word of caution must be made concerning the use of psychological tests in the selection of salesmen. These tests are not perfect, at least they should provide an indication to support or refute the decision of the interviewer. If the tests agree with the decision made by the interviewer then they only serve to support

the interviewer's own decision. If the tests do not support the interviewer's decision, then the applicant should be reviewed. In the final decision, however, the applicant should be turned down or hired on the basis of the interviewer's decision, not on the basis of the psychological tests.

With the exception of the tests currently being developed in California, there are no proven tests available to predict success or failure in selling real estate. This probably explains why only 2.7% of the firms use any type of testing program in the selection of salesmen. These firms have developed and are using tests of a general nature. These four firms (2.7%) have no information regarding the usefulness of their tests. The remaining 97.3% of the firms reported they did not use a testing program of any nature.

The process of recruiting and selecting salesmen is, and should be, the responsibility of the individual firms. Aside from the requirements set out in the Regulations Under the Real Estate Act,20 the firms are free to select their salesmen as they see fit. As the number of pre-licensing students would suggest, the majority of the firms still select salesmen on the "numbers" basis rather than the basis of careful selection. As long as the present methods of recruiting and selection are used, the real estate business will continue to have a high number of low producers and high turnover of salesmen.

C. **Turnover of Salesmen.**

One of the most crucial problems facing the real estate business today is the high turnover in sales personnel. A proper recruiting and selection programme can be instrumental in reducing this turnover. The turnover of salesmen can be examined as a combination of two factors. The first is the "drop-out" of salesmen. This is the portion of the total sales force which leaves the real estate business. The second factor is the mobility of salesmen within the real estate business. This is the change made by the salesmen who remain in the real estate business.

It is extremely difficult to measure turnover and drop-outs per firm in the real estate business. The size of the firms vary so much that measurements become meaningless. The loss of one salesman to a firm of 10 means a 10% turnover, the loss of one salesman to a firm of 100 means only a 1% turnover. Rather than examine drop-outs and turnover on the basis of individual firms, it may be more meaningful to examine the results of the business as a whole.

In the real estate business in British Columbia for the year ending August 31, 1963, there was a 30% drop-out. This is calculated as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>626</td>
<td>2271 Salesmen as at August 31, 1962.</td>
</tr>
<tr>
<td>2897</td>
<td>Total</td>
</tr>
<tr>
<td>2199</td>
<td>Salesmen as at August 31, 1963.</td>
</tr>
<tr>
<td>698</td>
<td>Surrendered licenses.</td>
</tr>
</tbody>
</table>

The corresponding drop-out rate for the year ending August 31, 1964 was 20%. Based on the information gathered from the questionnaires, 152 firms representing 886 salesmen reported:

(a) They hired 391 salesmen in 1963. There is no way of determining what percent of the new men were new to the real estate business

---

and what percent transferred from another real estate firm.

(b) They fired 234 salesmen in 1963.

(c) 175 salesmen gave notice to their firms, either to go to work for another real estate firm or to leave the real estate business.

Based on this information, the turnover rate for the 152 firms in the survey was 409 salesmen out of a total of 886 or approximately 43.8%.

The Division of Estate Management, Faculty of Commerce, University of British Columbia completed a survey of turnover of real estate salesmen. This survey was based on the changes made by the students of six different pre-licensing courses. It was found that during the first six months, 18.8% of the salesmen dropped out of the real estate business and by the end of the second year, 49.5% of the salesmen had left the real estate business.

In addition to the drop-out rate, there was a high turnover within the real estate business. The combined effect of drop-out and mobility within the real estate business gives a high turnover rate. The turnover rate indicates that only 65% of the salesmen were with their original firm at the end of six months, 45% were with their original firm at the end of one year and 21% remained with their original firm at the end of two years.

In a survey completed by the Sales Executive Club of New York, it was found that only 68.5% of the new salesmen remained with their original firm at the end of one year. At the end of the second year 50.2% of the new salesmen were still with their original firm.22

The percentage turnover in the entire sales force, by type of business, is as follows:

---

As may be seen from Table X, the average turnover in the service industry is approximately 3% - 4% higher than turnover on the Consumer or Industrial sector. Unfortunately, similar data is not available for the individual firms in the real estate business. However, the overall drop-out rate of 20% indicates that turnover in the real estate business is substantially higher than turnover in any of these three sectors.

There are a number of other indications relating to the turnover of salesmen in the real estate business.

It is encouraging to find such a high proportion of the sales personnel have been regularly employed for over five years. 54.0% of the males and 51.3% of the females have over five years experience.
TABLE XI

NUMBER OF YEARS EXPERIENCE IN THE
REAL ESTATE BUSINESS (SALESMAEN)

<table>
<thead>
<tr>
<th>Number of Years Experience</th>
<th>Male</th>
<th>Female</th>
<th>Total Vancouver</th>
<th>Total B.C.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>15.3%</td>
<td>17.6%</td>
<td>14.7%</td>
<td>15.5%</td>
</tr>
<tr>
<td>1 - 2 years</td>
<td>11.7%</td>
<td>14.9%</td>
<td>8.3%</td>
<td>10.3%</td>
</tr>
<tr>
<td>2 - 3 years</td>
<td>7.0%</td>
<td>2.7%</td>
<td>5.1%</td>
<td>6.2%</td>
</tr>
<tr>
<td>3 - 4 years</td>
<td>4.4%</td>
<td>5.4%</td>
<td>15.0%</td>
<td>15.5%</td>
</tr>
<tr>
<td>4 - 5 years</td>
<td>7.6%</td>
<td>8.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 - 7 years</td>
<td>13.8%</td>
<td>8.1%</td>
<td>18.0%</td>
<td>17.8%</td>
</tr>
<tr>
<td>7 - 10 years</td>
<td>15.0%</td>
<td>21.6%</td>
<td>19.5%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>25.2%</td>
<td>21.6%</td>
<td>19.4%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

b Source - This is based on 415 salesmen's questionnaires.

It would appear from Table XI that once salesmen have been in the business over four years, the drop-out factor is reduced rather sharply.

Drop-out is only one troublesome factor. A more alarming factor is the mobility of salesmen within the real estate business. This would not be alarming except that it is usually the low income producers which change firms.

Table XII is an indication of the mobility of salesmen remaining in the real estate business. It is apparent that over one-half of the salesmen, male and female, have been with their present firm since they started in the business, or for the past four years. This is somewhat misleading since a high percentage of these salesmen are just new to the business. It can be noted that 10% of the males and only 4.1% of the females have worked with three or more firms in the past four years.
A more meaningful indication of the mobility of salesmen is the number of years service with the present employer.

Table XII indicates the small percentage of salesmen with long service records with one firm. The salesmen with the long service records, are generally the better producing salesmen. It was found that there is a significant relation between the 1963 income of salesmen and the number of firms with which they have worked. Salesmen who change firms frequently earn a lower income than the more stable salesman.

It seems rather strange that a firm would hire a low producing salesman from another firm. Some of the excuses offered by the salesmen for leaving their last employer seem to indicate the type of salesman which is highly mobile.

"Didn't earn enough money because---"
"Found the office was too far from home"
"Downtown office too inconvenient"
"No parking space at former office"
"Couldn't get along with some of the fellows in the office"

### TABLE XII

NUMBER OF REAL ESTATE FIRMS SALESMAEN HAVE WORKED WITH IN PAST FOUR YEARS

<table>
<thead>
<tr>
<th>Number or Firms</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Firm</td>
<td>54.5%</td>
<td>54.0%</td>
</tr>
<tr>
<td>Two Firms</td>
<td>35.5%</td>
<td>41.9%</td>
</tr>
<tr>
<td>Three Firms</td>
<td>8.2%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Four Firms</td>
<td>1.2%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Over Four Firms</td>
<td>1.6%</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

a This table is based on 415 replies.
TABLE XIII

NUMBER OF YEARS THE SALESMA

H ave WORKED WITH THEIR PRESENT EMPLOYER

<table>
<thead>
<tr>
<th>Number of Years with Present Employer</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>30.5%</td>
<td>27.0%</td>
</tr>
<tr>
<td>1 - 2 years</td>
<td>21.7%</td>
<td>24.3%</td>
</tr>
<tr>
<td>2 - 3 years</td>
<td>12.6%</td>
<td>12.2%</td>
</tr>
<tr>
<td>3 - 4 years</td>
<td>7.0%</td>
<td>9.5%</td>
</tr>
<tr>
<td>4 - 5 years</td>
<td>5.6%</td>
<td>8.1%</td>
</tr>
<tr>
<td>5 - 7 years</td>
<td>9.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>7 - 10 years</td>
<td>7.9%</td>
<td>8.1%</td>
</tr>
<tr>
<td>10 years and over</td>
<td>5.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

a This table is based on 415 replies.

The managers suggested the following factors were the major causes of termination of employment.

1. Low income earned by the salesmen.
2. Unsatisfactory behavior i.e. unable to follow company policies.
3. Inability to get along with fellow workers.
CHAPTER VI

TRAINING IN THE REAL ESTATE BUSINESS

Today, sales managers recognize that good salesmen are not born, but made by properly organized and directed sales training programs.¹

The development of a sound recruiting and selection process will be in vain if the recruiting firm is not prepared to train the new recruits. The new recruit is, in a sense, only the raw material from which a good salesman may be developed. Even experience salesmen working for a firm will require continuous training if they are to remain effective salesmen.

The training of salesmen is one of the most controversial and one of the most vital subjects in the management of sales force. Training is controversial because it is not always possible to determine the effect of training on a salesman's performance. Also it is difficult to determine which method of training to use. Many different forms of training programs succeed. Training is vital because the quality and extent of the man's training may, and often does, determine his success or failure to a greater extent than any other single factor, save perhaps his natural aptitude for the job.

In designing training programs there has been a tendency to rely on so called common sense methods of training. The training program is usually designed by a sales manager or someone who has had considerable experience selling real estate. This is not always a satisfactory method of designing a training plan since the sales manager may not have the knowledge required

to design a training program even though he may be an excellent salesman or sales manager. Once the training program is established, its validity may go unquestioned for extended periods of time. Therefore, it is necessary to first decide what type and amount of training and knowledge a real estate salesman should receive and continuously review the training program to ensure that it is meeting the needs of the firm and the trainees.

In a study conducted in California, Dr. S.J. Maisel and Dr. A.H. Schaaf attempted to determine what type of training and knowledge real estate salesmen required. The brokers surveyed by Maisel and Schaaf indicated there were five basic skills which a real estate salesman must learn.

1. Ability to locate buyers and sellers.
2. Knowledge of the property and its value.
3. Selling ability.
4. Legal knowledge.
5. Knowledge of financing.

However, the brokers did not agree on the amount of training required in each skill. One group of brokers felt that salesmen should attempt to be professional in their work. The other groups felt that the salesman's main responsibility was to sell. Therefore, the need for technical knowledge was minimized and selling ability was emphasized.

A similar study was conducted by Mr. A.G. DeVries. Using a critical incident technique, Mr. DeVries found that the most positive or successful

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2 S.J. Maisel and A.H. Schaaf, Characteristics and Performance of Real Estate Brokers and Salesmen in California. 1956, Real Estate Research Centre, University of California, Berkely.


incidents in the selling of real estate occurred in regard to dealings involving personalities rather than dealings involving property and monetary considerations. That is to say, incidents leading to success depending more on ability to handle people rather than any specific knowledge regarding property or financial matters. At the same time Mr. DeVries found that most negative incidents, these referring to lost sales, occurred in regard to dealings involving property. Either the salesmen did not show the right property to the client or the salesman did not have sufficient information regarding the property.

From the data in Mr. DeVries study it is evident that sales ability is the most important factor contributing to success. However, sales ability is not in itself enough to guarantee success. Salesmen must have a good knowledge of their properties and to a much lesser extent knowledge regarding financial matters.

Depending on the attitude of the brokers, in the real estate business, the training program for salesmen could vary considerably. At the present time the real estate business is geared to selling. A salesman's income and the firm's income are directly related to the number of transactions completed. As long as income is dependant on completing transactions, i.e. commission selling, the main skills required will be those directly associated with selling. If and when the real estate business moves towards a more professional concept, the emphasis on selling skills will be reduced and greater emphasis will be placed on technical knowledge.

At present the training program for real estate agents and salesmen falls somewhere between the two extremes. On the one hand there is the
technical knowledge obtained from the licensing courses and the university diploma courses. On the other hand there is the sales training obtained on the job and the work, experience on the job. Each program attempts to train the salesmen to become a more efficient and effective representative of the real estate business.

A. Salesman's Pre-Licensing Course.

The Real Estate Act of 1958 set out new regulations regarding the licensing of salesmen. The 1958 Act was a much more stringent and comprehensive act than the earlier licensing statutes insofar as pre-licensing requirements for salesmen are concerned.

The previous licensing board was replaced by the Real Estate Council of British Columbia. Section 14(a) of the Act grants the Council authority to supervise the educational requirements of agents and salesmen. Section 14(a) also grants the Council power to delegate the handling of educational requirements to the University of British Columbia. It is through this section of the Act that the University of British Columbia has been given the responsibility for conducting the educational courses for real estate salesmen and agents.

According to the Regulations under the Real Estate Act, every person who applies for an agent's license or salesman's license must have an understanding of certain subjects and pass an examination.

Section 4.01 (d) have an appropriate knowledge of the books of account required in the operation of a real estate business.

(e) have an understanding of the obligations between principal and agent, of the principles of real estate

5 Province of British Columbia, Real Estate Act, 1958, R.S.B.C., Chapter 330.
practice and canons of business ethics pertaining thereto, as well as an understanding of the provisions of the Act;

(f) Have passed such examination or examinations as shall have been prescribed by the Council and approved by the Superintendent.

The University of British Columbia has been delegated the authority to administer the educational requirements.

The salesman's pre-licensing course consists of twenty lessons spread over a four week period followed by an examination. The pre-licensing course is primarily a correspondence course. However, for students in the lower mainland area, the course is supplemented by twenty-two hour afternoon lectures. There is an assignment following most lessons and the students are required to pass all assignments before they are permitted to write the examination. A passing grade of 60% is required on the examination. Once the students have successfully completed the pre-licensing course, they are issued a salesman’s license.

The length and cost of the pre-licensing course for salesmen has not drastically reduced the number of applicants for licenses. Approximately 9% of the students drop out of the course before the examination. Of those writing the examination, approximately 90% pass on their first or second attempt.

The content of the course is technical in nature. There is not attempt to teach the students how to sell. Of the twenty lessons, ten relate to land law and the law of agency, the remainder cover business practice, the mortgage

6 Province of British Columbia, Regulations Under the Real Estate Act, B.C. Reg. 75/61, Section 4.01(d), (e), (f).
TABLE XIV
NUMBER OF STUDENTS ENROLLED IN THE
PRE-LICENSING COURSE FOR REAL ESTATE SALESMEN

<table>
<thead>
<tr>
<th></th>
<th>1962-63</th>
<th>1963-64</th>
<th>1964-65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lecture</td>
<td>395</td>
<td>397</td>
<td>182</td>
</tr>
<tr>
<td>Correspondence</td>
<td>198</td>
<td>271</td>
<td>115</td>
</tr>
<tr>
<td>Total</td>
<td>593</td>
<td>668</td>
<td>297</td>
</tr>
</tbody>
</table>

a Source: Pre-Licensing Statistics, Real Estate Office, University of British Columbia.
b This total only includes 3 of the seven classes. This compares with 241 students at the same date on 1963-64 licensing year.

market, title registration, accounting, building construction, and property tax. (See Appendix H for a course outline). The intent of the course is to provide a salesman with the general knowledge of and insight into the real estate business. The main emphasis is on the legal aspects concerning the salesman's relation with his clients and the law relating to real property.

It is interesting to compare the training requirements for real estate salesmen to those of other service businesses. For purposes of comparison, the licensing requirements of a barber will be used, whereas a real estate salesman must take a four week course and write one examination, a barber must take a six month course at one of two centres in Vancouver before obtaining a license. The pre-licensing real estate course costs approximately $100 whereas the barbers course cost $95. In addition, anyone wishing to take the pre-licensing real estate course need wait no longer than six weeks before they can enroll. It is not uncommon for a barber to wait six or
eight months to enroll since the size of the classes are limited.

Once the real estate salesman completes the pre-Licensing course, there are no further requirements. The barber, on the other hand, is considered to be an apprentice for twelve months after which time there is another set of three examinations. If the barber fails any of the three examinations, the examining board may require a further apprenticeship. If the barber passes a license will be issued.

Although the real estate licensing system and qualifications required in British Columbia are comparable to any other centre in North America, they are not as rigid as the systems used in other businesses. This does not only apply to the comparison between real estate and barbers, it also applies to many other trades and service businesses.

B. Agent's Licensing Course.

The agents pre-licensing course consists of twenty-five lessons spread over a six month period. The lessons are all handled by correspondence at a rate of one lesson and assignment per week. The lessons are lengthier and at a more advance level than the salesman's course. Fifteen of the lessons are of a legal nature, the remainder include accounting, appraisal, office management, property management, general insurance and advertising.

C. Specialized Courses in Real Estate.

The University of British Columbia offers diploma courses in real estate and appraisal for individuals wishing to obtain further knowledge in these areas. Basically these courses are designed for persons in management and for persons planning to move into a management position in the real estate business. The diploma courses are not required for any type of license, they are completely optional. The diploma courses are spread over a
three year period, the first two years being the same for the real estate
and the appraisal option. During the third year a student must specialize
in real estate or appraisal. At the end of three years a student receives
a diploma in real estate or appraisal. If the student so decides, it is
possible to take a forth year and receive another diploma in the other option.

Each year of the diploma course consists of approximately thirty
lessons in three or four subject areas. These courses are basically
correspondence courses, however, weekly lectures are held at the university to
supplement the lessons. (See Appendix I for course outline).

The first class to receive the Diploma graduated in 1962. At that
time thirty-five students received their diplomas. It is still too early
to determine if these courses are effective in improving performance in the
real estate business. The results of a similar survey conducted ten years
from now maybe quite different. The number enrolled in the diploma courses
has increased substantially since the first courses were offered.

<table>
<thead>
<tr>
<th>Type of License Held</th>
<th>1st year</th>
<th>2nd year</th>
<th>3rd &amp; 4th year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents License</td>
<td>11 (14.5%)</td>
<td>7 (13.5%)</td>
<td>4 (10.9%)</td>
</tr>
<tr>
<td>Salesman's License</td>
<td>32 (42.1%)</td>
<td>19 (36.5%)</td>
<td>10 (27.0%)</td>
</tr>
<tr>
<td>Others</td>
<td>23 (43.4%)</td>
<td>26 (50.0%)</td>
<td>23 (62.1%)</td>
</tr>
</tbody>
</table>

Total - 76 52 37

* Source - Diploma Student Files - Real Estate Office, University of
British Columbia.
As may be seen from table XV, there is a substantial increase in the enrollment. Another encouraging point is the increase in the number of students holding a salesman's or agent's license. In the third year class only 37.9% of the students were active in the real estate business. The remaining 62.1% were employed in fields associated with real estate. These included mortgage appraisers, property managers and assessors. In the first year class the percentage holding salesmen's or agent's licenses has increased to 56.8%. This is an increase of 18.7% of the class in two years. Another encouraging point is the number of students returning to complete the additional year for their second diploma. There are 13 students currently taking the four year (other option year).

Recognition has been granted to the Diploma courses offered at the University of British Columbia. The Canadian Institute of Realtors, who are responsible for advance courses in other parts of Canada, have recognized the diploma courses as a satisfactory substitute for their own courses.

In addition to the diploma courses, the University of British Columbia also offers a number of under-graduate and graduated courses in estate management. These courses are part of the university's regular program. Degrees in Commerce and Business Administration, both at the Bachelor and Masters level, specializing in Estate Management are offered at the University.

78.4% of the firms reported that they encouraged their sales staff to take extra courses in real estate or salesmanship. The most commonly mentioned courses were the diploma courses offered at the University of British Columbia. Although 78.4% of the firms encouraged their sales staff to take extra courses, only 36.8% of the firms were willing to pay part or all of the fees. Most of these firms willing to pay part or all of the fees stipulated they would only pay upon successful completion of the courses.
D. Cost of Training a Salesman.

TABLE XVI

COST OF SELECTING, TRAINING AND SUPERVISING ONE SALESMAN UNTIL HE IS PRODUCTIVE*

<table>
<thead>
<tr>
<th>Cost</th>
<th>All Companies</th>
<th>Consumer Firms</th>
<th>Industrial Firms</th>
<th>Service Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1000</td>
<td>2.6%</td>
<td>4.3%</td>
<td>0.6%</td>
<td>4.2%</td>
</tr>
<tr>
<td>1001 - 2999</td>
<td>16.8%</td>
<td>25.9%</td>
<td>10.3%</td>
<td>13.9%</td>
</tr>
<tr>
<td>3000 - 4999</td>
<td>12.8%</td>
<td>14.4%</td>
<td>9.1%</td>
<td>18.1%</td>
</tr>
<tr>
<td>5000 - 6999</td>
<td>20.7%</td>
<td>22.3%</td>
<td>20.9%</td>
<td>19.4%</td>
</tr>
<tr>
<td>7000 - 9999</td>
<td>5.1%</td>
<td>4.3%</td>
<td>4.9%</td>
<td>6.9%</td>
</tr>
<tr>
<td>10,000 +</td>
<td>42.0%</td>
<td>28.8%</td>
<td>55.1%</td>
<td>37.5%</td>
</tr>
</tbody>
</table>

Average Cost - $8,731 $7,162 $10,593 $7,490

* This cost does not include the new man's salary. The expenses of all trainees starting at the same time were charged to the cost of those who succeeded.

The cost of training a salesman varies considerably from firm to firm and from industry to industry. However, the cost factors which should be included in the cost of making a salesman productive remain fairly uniform. The cost factors include the cost of recruiting, selecting and training the salesman. This includes the trainer's time, the new salesman's salary, office expenses and the cost of material and supplies for training.

In a nationwide survey of 503 manufacturing and service firms employing 89,322 salesmen the following data was obtained. 7

The average cost of making a new salesman productive is $8,731.
The cost of making a salesman productive in the service industry, of which real estate is a part, is $7,490. These figures do not include the salesman's salary or commission.

It is difficult to determine the cost of making a real estate salesman productive. In all likelihood the cost would be somewhat less than $7,490 per man. The real estate salesman would not incur a cost for travelling, hotels or meals. The second largest expense incurred by a real estate salesman is advertising expense. Since this is directly related to the income earned (% of gross commissions) it would be kept at a minimum until the salesman is productive. In order to arrive at a cost of making a salesman productive, it is necessary to obtain figures for the cost of:

- Help Wanted Advertisements.
- Testing programmes.
- Management interviewing time.
- Basic Training.
- Cost of Sales Meetings.
- Outside Training Courses.
- Field Supervisors Time.

Unfortunately this information is not readily available. However, in the real estate business the average cost of a testing programme would be extremely low since only a 2.7% of the firms use tests. Also the cost of basic training would be very low as may be seen by the type of training programmes given. (See Chapter 6).

The cost of becoming productive from the salesman's point of view is difficult to determine. Aside from the cost of the pre-licensing course which is usually born by the salesman, the only other cost is the opportunity cost
involved. This thus equal to the income the salesman could have earned in another job. A number of firms have started to pay the cost of the pre-licensing course providing the salesman completes the course successfully. This would then become another cost factor in the firm's cost of making a salesman productive.

E. Training Objectives.

There are at least four important objectives or purposed of training salesmen. The first of these is to secure early production. In the great majority of cases, the practical necessity is that the new man must be trained sufficiently well during the first few weeks to be effective at his work in the field within that time. Regardless of how long his training will continue, and obviously it should be carried far beyond the point of his first field work, it is important to establish good skills and habits promptly. These early habits are likely to lasting habits.

A second purpose of training is to cause the new man to produce a better quality of business than would be the case without the influence of training. It is to be expected that as a man gains in experience, he will bring in a better quality of business. Yet good training can combat in large measure, the natural tendency of the new man to neglect certain factors. The right kind of training can start him off on the right foot.

Thirdly, the training of the new man will cause him to produce more business than he would in the absence of the influence of training. It is necessary to mention this third purpose in order to keep in mind the primary purpose of selling. If this fact is not kept in mind, undue emphasis may be placed on the lecture part of the training process instead of the field training process.
Still another objective is to bring through to success some of those men, who, in the absence of training would fail. The man who is completely lacking in personal drive and the will to succeed, will fail whether he is trained or not. In all probability, the man who has a high measure of aptitude and a high degree of personal determination will succeed whether or not he is trained. The man of aptitude and determination will succeed more readily, in greater measure, and with less difficulty in consequence of the training. In the great middle body of men, those average men who are neither notably lacking in aptitude nor possessed of it in outstanding measure, there are many who will almost certainly fail without training. In the interest of their success, and in the interest of the company's success and profit, it is desirable to bring through to success the largest possible proportion of these men.

There are a number or more specific objectives of a training program:

1. Training must help the salesman secure more listings;
   properly appraised.
2. Training must help the salesman obtain a list of possible buyers.
3. Training must help him economize his own and his prospect's time.
4. Training should help him anticipate obstacles and be prepared to overcome these.
5. Training must help him maximize his chances of closing the sales.
6. Training must help him increase his earning, his repeat clients, and his trade goodwill.
F. On the Job Training.

As long as the licensee's basic function is selling, on the job training and work experience will remain the most important training devices. A salesman's training should start the day the trainee begins the pre-licensing course. Firms are asked to give the trainee "in office training" during the pre-licensing course. Each lesson is accompanied by specific instructions regarding the type of "in office training" to be given. A syllabus of "in office training" is included in appendix J. This is not additional work for the student. The purpose of the "in office training" is to assist the student with his lessons. After each lecture the student can see how the firm uses or applies the information. 78.1% of the firms reported that they gave "in office" training during the pre-licensing course. About one-half of the firms which did not give "in office training" during the course reported they used the time between the pre-licensing examination and the issuing of the license to give "in office training". It should be noted that "in office training" is not designed to train the student to be a salesman. The main purpose of the "in office training" is to assist the student in his pre-licensing course. As may be seen in the syllabus (Appendix J), "in office training" has nothing to do with selling. Sales training begins after the student has successfully completed the pre-licensing course and starts to work.

Once the trainee successfully completes the pre-licensing course, he should start immediately with the firms sales training program. It is extremely difficult to describe and classify the separate training programme of each real estate firm. The method of classification used in this study is largely arbitrary. The classification used is based not only on the length of the training program, but also on the type of training and the content of the program.
### TABLE XVII

TRAINING PROGRAMS OF THE REAL ESTATE FIRMS*

<table>
<thead>
<tr>
<th>Type of Program</th>
<th>% of the Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 1</td>
<td>52.1%</td>
</tr>
<tr>
<td>Type 2</td>
<td>18.5%</td>
</tr>
<tr>
<td>Type 3</td>
<td>20.0%</td>
</tr>
<tr>
<td>Type 4</td>
<td>9.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

* This table is based on 152 replies.

Program Type 1. This is an informal training program. New salesmen to be given a minimum of initial training and there is no continuous training aside from sales meetings. Salesmen work on their own, the agent or manager does not assist the salesman unless help is requested. This training is most common in the small firms.

Program Type 2. This classification is an individual training program. The agent or manager works with the new salesman during the first few weeks on the job and continues to hold meetings with each salesman.

Program Type 3. This is a more formal training program. Readings are assigned to the new salesman, regular meetings are held, and the agent or manager works in the field with the new salesman.

Program Type 4. This type of program is most common in the larger firms. Regular meetings or classes are held for new salesmen, reading assignments are required and field work is included. This type of program is usually expended over a longer period of time than the other three programs.
It is extremely difficult to measure the effectiveness of any of these training programs. In order to accurately measure the results of each type of program it would be necessary to control the salesman included in the sample. Under normal conditions, with a high turnover of salesmen, it is impossible to measure the effectiveness of a firm's training program. Any particular salesman may have received different training in a number of other firms.

It is, however, possible to determine what type of training programs are being used by the firms. 52.1% of the firms use the type 1 training program. Basically this is not a training program at all. The new salesman is working on his own immediately after starting with the firm. There is no attempt to direct or guide the salesman. If the new salesman encounters any difficulties he may request help from the agent, otherwise he works alone.

This is, of course, a very inefficient method of producing successful salesmen. The salesman will try, by trial and error, to find a satisfactory method of performing his tasks. Once he finds a method that works reasonably well, he will stay with it. There is no guarantee that it will be the best method. Even if the salesman had previous experience with another real estate firm it would seem necessary to spend some time teaching him the policies and methods used by the new firm.

The second type of training program is used by 18.5% of the firms. This should be the minimum acceptable training program for any firm. The new salesman receives some attention and assistance from the agent for the first few weeks. This is either by discussion groups or work in the field when the agent or trainer finds time. This is not a formal training program.
The third type training program is used by only 20.0% of the firms. This is a more formal training program. The new salesman receives regular attention and assistance during the first few weeks with the firm. In addition to lectures, meetings and reading assignments, the salesman works in the field with an agent or trainer.

The fourth type training program is a very satisfactory program for real estate salesmen. The new salesmen receive well-planned regular training. The training is usually extended over a prolonged period of time. Unfortunately only 9.4% of the firms use this type of training program.

It appears that the majority of the real estate firms are presently offering marginal or sub-marginal training programmes. 52.1% of the firms have no adequate training programmes and an additional 18.5% of the firms have only a minimum training programme. The majority of the firms realize that the pre-licensing course is not sufficient training for a salesman, however, the majority of the firms have not provided an adequate supplement to the course.

There has been some pressure exerted by the real estate firms to have the pre-licensing course extended to include sales training. There are two main reasons why this has not been done. To begin with, the purpose of the Real Estate Act and the pre-licensing course is not to produce better salesmen. The purpose of the Act and the pre-licensing course is to protect the public against incompetent and unethical agents and salesmen and to encourage the participants in the real estate business in the province to prepare themselves for their work through adequate studies. This explains the heavy emphasis on law and ethics on the pre-licensing course. The second argument against extending the pre-licensing course to include sales
training as that sales training can best be taught on the job rather than in a classroom. It is true that lectures and discussion groups are unable supplements to on-the-job training, however, they are only supplements. It is a clearly established fact that sales training must include a maximum amount of time working in the field, not in the classroom.

Some of the arguments advanced by the firms for not spending a great deal of time training salesmen are as follows. Since the turnover in salesmen is so high, about 51.2% leave their original firm in the first year, it seems rather futile to spend time training salesmen. The argument is foolish since the main cause of turnover in the real estate business is the low earnings of the salesmen. If sales training was instrumental in increasing the earnings of the salesmen the turnover may be reduced. It is very seldom that a high income producing salesman will change firms. A second argument advanced by some of the smaller firms is that they cannot afford to train one or two salesmen. These firms agree that they can hire experienced salesmen from other firms in the business and thus around the problem of training new salesmen. There is some validity in this argument, however, hiring only experienced salesmen does not entirely eliminate the need for sales training, it only reduces the amount of training required. The recruiting firm must still acquaint the new salesmen with their policies and practices as well as give the salesmen continuous training and supervision.

G. Sales Meetings.

Sales meetings are generally a useful device for providing a continuation of the initial training program. The content of the sales meeting varies considerably. Some firms discuss matters such as new listings, changes in company policies and the problems encountered since the last meeting. A small percentage of the firms introduce new topics of
discussion each meeting. These topics are generally related to the real estate market or sales problems.

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**TABLE XVIII**

**FREQUENCY OF SALES MEETINGS***

<table>
<thead>
<tr>
<th>Frequency</th>
<th>% of the Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Meetings</td>
<td>1.8%</td>
</tr>
<tr>
<td>Weekly Meetings</td>
<td>30.2%</td>
</tr>
<tr>
<td>Bi-Monthly Meetings</td>
<td>2.8%</td>
</tr>
<tr>
<td>Monthly</td>
<td>8.4%</td>
</tr>
<tr>
<td>Informal Meetings</td>
<td>33.0%</td>
</tr>
<tr>
<td>No Meetings</td>
<td>23.8%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* This table is based on 152 replies.

There is a significant relation between the size of the firm and the frequency of the sales meetings. 93.4% of the firms employing over 10 salesmen hold their sales meeting daily, weekly or bi-monthly. In contrast only 23.5% of the firms employing 10 or less salesmen hold weekly or bi-monthly meetings. The firms which hold informal sales meetings or do not hold sales meetings all employed 1 - 5 salesmen.

There is no significant relation between the frequency of sales meetings and the 1963 earnings of the salesmen for any given firm. This does not indicate that sales meetings do not affect income. Until accurate information concerning the content of the sales meetings is available, it is not possible to determine if sales meetings are useful in increasing sales.
H. Policy Manuals.

Policy manuals, although they are not normally considered as a training device, can be a very useful aid to the salesmen. The manual is a readily available source of information for salesmen. 60% of the firms reported they had a written policy manual available for use by their staff. There is a significant relation between the firms which have a written policy manual available and the 1963 income of the salesmen for these firms. It seems highly unlikely that the mere existence of a policy manual would affect the earnings of the salesmen. What is more likely to be the case is that the existence of a written policy manual is a visible reflection of the quality of the management within the firm. This does not mean that all firms which do not have a policy manual are poorly managed.

It simply suggests that since there is a significant relationship between earnings and the existence of a written policy, the most plausible explanation is that the majority of the firms with a written policy manual are better managed than the majority of the firms without a written policy manual. The significance of this conclusion can be easily over-rated.

I. Other Training Devices.

There has been a number of attempts made throughout the Province of British Columbia to hold special meetings and seminars for the real estate agents and salesmen. The purpose of these seminars is to review topics of immediate interest to the real estate business. Although there is no means of measuring the effectiveness of these seminars, they have proven very popular with the participants. In fact, one real estate board, the Okanagan-Mainline Real Estate Board, is now holding annual seminars for the member agents and salesmen. The interest shown by the real estate boards in British Columbia in the seminars is a positive step towards better training for the agents and salesmen.
J. Summary of Training in the Real Estate Business.

Although the current sales training programmes and supplementary training devices used by the real estate firms are not adequate, there is evidence that the firms are beginning to improve this situation. At present there is some disagreement as to the best solutions, however, the members of the real estate business are much more conscious of the need for more training and a general upgrading of the standard of performance. Now that the members of the business are more conscious of the immediate need for improvements, it seems likely that progress will be made in this area. However, one of the major problems, the need for better sales training, cannot be entirely solved by additional seminars or courses. Each individual firm must take a responsible attitude for the training of their own salesmen.
CHAPTER VII
COMPENSATION PLANS

One of management's major tasks is to encourage salesmen to serve the company's goals. An employee will behave so as to maximize the company goals only if he has been properly motivated. This then is the straight-forward principle guiding the development of compensation plans. However, developing a compensation plan is not an easy matter.

Salesman's compensation is one of the most fundamental and important aspects of managing salesmen, yet it remains probably the most complex and misunderstood. There is no perfect plan, no single system that is right for everyone, or even for all companies in any given industry at any given time.¹

A. Salesman's Compensation Plans.

Compensation plans are generally described in terms of monetary rewards since financial incentives are such an important consideration. The main financial incentives are salaries and/or commissions, however, there are other financial incentives. Fringe benefits such as medical plans or group insurance form a vital supplement to the main financial considerations. Sales contests are another important feature in many overall compensation plans. But an impression that financial considerations constitute the only means of motivating salesmen is erroneous. Non-financial considerations such as recognition, status and group acceptance are also very important.

In order to design an effective compensation plan, it is first necessary to have a clear understanding of the objectives of the plan. From the salesman's point of view a compensation plan should provide:

1. Income and security - compensations should be neither excessive nor at a starvation level.
2. Incentive - a good compensation plan should induce efforts consistent with the company's objectives.
3. Flexibility - a compensation plan should operate satisfactorily from the firm's and the salesman's point of view during periods of fluctuations in business conditions.

In addition the company's position should be analyzed in three main parts.

1. The supply of salesmen. What kind of salesmen are available? It is wasteful to offer a plan designed to attract and hold men which are not available.
2. The service offered - the compensation plan must encourage salesmen to offer the most satisfactory service.
3. The competitive situation - a compensation plan must be competitive if the firm hopes to attract and hold good salesmen.

The objectives of the compensation plan must be clearly defined. Is it sales profit or quality of service that the plan is designed to accomplish? To what extent? Some of the more important variables to be considered in making the decisions are:

1. To increase total sales volume.
2. To increase profits.
3. To increase sales volume in specific areas i.e. residential, commercial.
4. To increase sales to a particular type of customer.
5. To gain new clients.
6. To develop goodwill.
7. To obtain more listings of a particular type, i.e., high or low priced residential property or industrial property.
8. To reduce expenses.

The majority of the compensation plans combine relatively few financial elements. Depending upon the results desired, different combinations of these elements will be used to maximize results. In some cases there may be conflicting objectives. For example, an attempt to increase sales volume and at the same time reduce expenses maybe conflicting objectives. In these cases a compensation plan must attempt to motivate salesmen to achieve both objectives, in order of importance. Elements which may be included in a compensation plan are:

1. Salary
2. Commission
3. Drawing account
4. Bonus
5. Expense account
6. Fringe benefits such as group insurance, medical and pension

Mr. H.R. Tosdal completed a very thorough study of compensation plans. His study examined the variety of compensation plans used in business.²

The survey, completed in 1950, showed that 20% of the firms used straight salary, 24% used straight commission and 56% used a combination of salary and commission. In a more recent survey conducted by Sales Management it was found that 30% of the firms used straight salary, 14% used straight commission and 56% used a combination of the two. This indicates a strong trend away from the straight commission plan.

In the real estate business the majority of the firms used a straight commission plan rather than a salary or combined plan.

<table>
<thead>
<tr>
<th>TABLE XIX</th>
</tr>
</thead>
</table>

COMPENSATION PLANS FOR SALESMEN*

<table>
<thead>
<tr>
<th>Type of Compensation Plan</th>
<th>% of the Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% - 50% Commission only</td>
<td>5.3%</td>
</tr>
<tr>
<td>60% - 40% Commission only</td>
<td>55.3%</td>
</tr>
<tr>
<td>60% - 40% Commission and Drawing Account</td>
<td>18.5%</td>
</tr>
<tr>
<td>Commission plus Profit Sharing or Bonus</td>
<td>3.9%</td>
</tr>
<tr>
<td>Commission plus minimum salary</td>
<td>0.0%</td>
</tr>
<tr>
<td>Commission with a Rising Scale</td>
<td>9.2%</td>
</tr>
<tr>
<td>Commission with a Rising Scale plus Drawing Account</td>
<td>7.2%</td>
</tr>
<tr>
<td>Commission Varying with Length of Service</td>
<td>0.6%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* This table is based on 152 replies.

It is interesting to note that no firms are presently using a salary plan for their salesmen. Several firms indicated that they had offered their salesmen a salary, however, the salesmen turned it down. The high income salesmen had no need for the salary and the low income salesmen were afraid they would lose their job. There are a few licensed salesmen receiving a salary, however, they are not primarily involved in selling real estate. The majority of the licensees on salary are office managers.

The majority of the salesmen, 77.6% are on a straight commission plan of some type. Another 18.5% of the salesmen receive straight commission with a refundable drawing account. Only 3.0% of the firms use a profit sharing or bonus incentive for their salesmen. The most common commission plan is a straight 60% - 40% split with the firm getting 40% of the gross commission. The salesman must cover incidental expenses from his portion. The firms usually pay part or all of the advertising expense. 5.3% of the firms use a 50% - 50% commission split, however, most firms cannot hold their good salesmen unless they are paying competitive rates, normally 60% - 40% split. It is necessary to bear in mind the by-law provisions of the Vancouver Real Estate Board. Aside from the standard rate of fees set out in the by-laws, the Board has also set a maximum commission split between salesmen and the firm. At present the maximum percentage payable to the salesmen is 60%. This could only be changed by a proper amendment to the by-law.

16.4% of the firms use a rising scale of commission split. This is related to the volume of sales produced by the individual salesmen. The

---

4 Vancouver Real Estate Board, Vancouver Real Estate Board Constitution and By-Laws, November 1962 (Amended).
principle followed by these firms is that as a salesman produces gross commissions in excess of a predetermined break-even point, the marginal expenses are very much lower than they would be on sales volumes lower than the break-even point. The rising scale used is really very limited.

- 50% - 50% split of gross commission up to $5,000.00 gross commission per annum.

- 55% - 45% split on gross commissions from $5,000.00 - $8,000.00 per annum. (Firm receives 45%)

- 60% - 40% split on gross commissions in excess of $8,000.00 per annum. (Firm receives 40%)

The rising scale of commission is an extremely useful method of compensation. It is a reasonable plan since expenses are not generally directly related to sales volume. Once a salesman has contributed his share towards covering the fixed expenses, he should only be obliged to cover variable expenses. In addition, the sliding scale of commission provides a powerful incentive for the salesman. At present the salesman receives a maximum commission of 60 cents on the dollar of gross commission earned. If the salesmen were permitted to receive 75% or 85% of the gross commission, after a certain sales volume had been reached, the incentive may result in improved sales performance.

At present there are a number of obstacles preventing the use of a rising scale of commission. The Vancouver Real Estate Board has set a maximum commission split of 60% - 40%, with 60% to the salesman. Another obstacle is the pre-occupation of a number of the Board members with the idea of implementing a minimum salary for all salesmen. However, even if a

5 Ibid, Amendments To: The Vancouver Real Estate Board Constitution.
minimum salary was implemented, it is still possible and may be desirable to use a rising scale of commission over and above the minimum salary.

Another obstacle concerning the rising scale of commission is the fear that many of the salesmen will not work on such a plan. This is unfounded since the good salesmen will earn more, the average salesman will remain about the same and the poor salesmen will earn less. Therefore the salesmen who are apt to dislike the rising scale are the poor salesmen. These are the very salesmen who will likely be out of a job if a minimum salary is introduced. This should not be a great loss to the business since the low income salesmen are not paying their way at present.

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**TABLE XX**

GROSS EARNINGS OF SALESMEN (1963) AS REPORTED BY:

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Salesmen</th>
<th>Firm</th>
<th>V.R.E.B.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2999.00</td>
<td>18.7%</td>
<td>31.9%</td>
<td>28.2%</td>
</tr>
<tr>
<td>3000 - 3999</td>
<td>10.6%</td>
<td>13.4%</td>
<td>14.7%</td>
</tr>
<tr>
<td>4000 - 4999</td>
<td>11.6%</td>
<td>12.4%</td>
<td>13.0%</td>
</tr>
<tr>
<td>5000 - 5999</td>
<td>12.8%</td>
<td>10.8%</td>
<td>13.0%</td>
</tr>
<tr>
<td>6000 - 6999</td>
<td>10.0%</td>
<td>7.6%</td>
<td>6.7%</td>
</tr>
<tr>
<td>7000 - 7999</td>
<td>10.6%</td>
<td>7.5%</td>
<td>6.5%</td>
</tr>
<tr>
<td>8000 - 9999</td>
<td>12.8%</td>
<td>6.2%</td>
<td>10.6%</td>
</tr>
<tr>
<td>10,000 +</td>
<td>12.9%</td>
<td>6.2%</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

Total - 100.0%

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1 Survey completed by the Vancouver Real Estate Board.
2 152 replies covering 889 salesmen.
3 415 replies.
It is apparent from Table XX that the low income salesmen did not complete the questionnaire. Due to this lack of response, the results reported by the firms will be used. This should provide much more accurate data.

The average income for all salesmen, as reported by the firms, was $4,961.00 in 1963. 31.2% of the salesmen earned less than $3,000.00 and only 31.5% of the salesmen earned in excess of $6,000.00. This means that approximately one-third of the salesmen returned less than $2,000.00 per man to the firm in 1963. (Assuming a 60% - 40% split). Since the average salesman's share of the expenses is about $250.00 per month, the firm is not recovering expenses from these salesmen. This means that the high income salesmen are "carrying" the low income producers.

Chart IV, page 121 is a more useful device for examining the income distribution of the salesmen. The horizontal axis is a cumulative percentage of the number of salesmen. The vertical axis is a cumulative percentage of the total earnings of the salesmen starting at the lowest income group. The dotted curve, drawn at a 45 degree angle to the axis, charts the percentage of dollar sales for a given percentage of salesmen if all salesmen earn an equal commission. The black curve, the actual curve of the salesmen's earnings per given percentage of the salesmen, indicates the percentage of total dollar earnings of the business earned by a given cumulative percentage of the salesmen. From this chart it becomes apparent that:

6 The firms interviewed indicated that the cost of employing a salesman was somewhere between $200 per month and $350 per month. These figures are only estimates since the firms do not appear to allocate their expenses per man. Included in these figures, is the salesman's share of the rent, office staff, supplies, advertising, sales management and incidental expenses. This does not include the firms profit.
SALES camping for 1963
(As Reported by the Firms)

Curve = Cumulative percentage of total earnings
corresponded by a cumulative percentage
of the total salesmen.

Cumulative Percent of Total Salesmen
1. The bottom 10.0% of the salesmen earned only 2.75% of total earnings in 1963.
2. The bottom 25.0% of the salesmen earned only 9.5% of the total earnings in 1963.
3. The bottom 50.0% of the salesmen earned only 26.0% of the total earnings in 1963.
4. The top 10.0% of the salesmen earned 20.0% of the total earnings in 1963.
5. The top 25.0% of the salesmen earned 54.5% of the total earnings in 1963.

The question now becomes - what shall be done about the low income producers. Why do firms maintain salesmen who are not paying for their share of the expenses? There are a number of reasons offered by the firms. The two most common were:

(1) "Although the low income producers do not cover their full share of the expenses, they do contribute something towards the fixed expenses". This may be true. However, if the lower income producers were fired, the firm may be able to reduce their fixed expenses by eliminating some telephones, moving to smaller premises, reducing sales management and reducing office expenses.

(2) "The low income producers attract business to the better salesmen". This is not a valid argument since it presupposes that the good salesmen would not earn as much income if the poor salesmen were fired as he presently earns. It seems more reasonable to suppose the good salesmen would earn more if the poor salesmen forced out of the business. There would be fewer
salesmen to service the same area.

If the firms want to keep the low income producers employed, they should devise a compensation plan which will ensure that the top salesmen will not be responsible for more than their share of the fixed expenses. If, on the other hand, the firms are sincere in their desire to eliminate the low income producers, a compensation plan can be designed to achieve this end. At the same time the plan could provide added inducement to the good salesmen.

A sharply rising scale of commission in favor of the salesman would serve two important purposes for the real estate business. Firstly, it would provide a strong incentive for the good salesman. Secondly, if properly designed, it would help the firm recover their fixed expenses from the poor salesmen. A commission plan allowing a salesman a low percentage of the first $2,000 of gross commission and an increasingly higher percentage of the gross commission as sales increase. For example:

First $2,000 gross commission the salesman earns 35% = $700.
Next $1,500 gross commission the salesman earns 50% = $750.
Next $1,500 gross commission the salesman earns 60% = $900.
Next $1,500 gross commission the salesman earns 70% = $1,050.
Balance over $6,500 gross commission the salesman earns 80%.

Thus a salesman earning $8,000 gross commission would receive $4,600 where he formally received $4,800 on a 60% - 40% split. A salesman earning $10,000 gross commission would receive $6,200 instead of $6,000. A salesman earning $5,000 gross commission would receive $2,350 instead of $3,000. A salesman earning a gross commission of $15,000 would earn $10,200 instead of $9,000.
Such a compensation plan could be introduced and used with a minimum salary or guaranteed drawing account. Without a minimum salary some of the salesmen would likely be forced out of the business. The one-third of the salesmen earning less than $3,000 at present would likely leave the business. Under the proposed commission plan, a man earning $3,000 at present would only earn $2,350. The loss of the $650 would likely force them out of the business. These same salesmen will likely be fired if a minimum salary or guaranteed drawing account is introduced.

B. Other Salesman's Benefits.

1. Drawing Accounts. The use of drawing accounts is not widespread in the real estate business. Because of the uncertainty of recovering the money, firms seldom permit drawing accounts. Only 25.7% of the firms indicated that drawing accounts were used regularly. In most cases, the drawing accounts served to "tide the salesman over" until another transaction was completed.

2. Bonus and Profit Sharing. Only 3.9% of the firms reported the use of a bonus or profit sharing plan. The bonus plan was generally a fixed sum of money available to the salesmen earning a gross commission in excess of some pre-determined amount. Profit sharing plans were based on a salesman reaching a quota, then receiving an additional bonus. In both cases the purpose was to provide additional incentive for the salesman without actually increasing the salesman's split of the gross commission to over 60%. The bonus or profit sharing schemes permit the firms to give the salesman in excess of 60% of the gross commission without breaking the regulations of the Vancouver Real Estate Board.

3. Other Fringe Benefits. Other fringe benefits such as medical, insurance and pension plans have not become too popular in the real estate
business. 37.4% of the firms do not offer any of the three mentioned benefits. 58.7% of the firms offer a group medical plan to the salesmen and 20.2% of these firms also offer group life insurance. However, only 3.3% of the firms have a group pension plan. The high turnover in manpower is one of the major problems preventing a widespread use of pension plans, life insurance plans and group medical insurance.

4. Sales Contests.

<table>
<thead>
<tr>
<th>Frequency of contests</th>
<th>Monthly</th>
<th>Every 3 months</th>
<th>Every 6 months</th>
<th>Yearly</th>
<th>No Contests</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of the Firms using contests</td>
<td>7.2%</td>
<td>6.5%</td>
<td>6.5%</td>
<td>2.2%</td>
<td>77.6%</td>
</tr>
</tbody>
</table>

Sales contests would not appear to be an important feature in the real estate business. Only 22.4% of the firms reported they used sales contests. The prizes offered in the contest varied considerably depending on the frequency of the contests. The largest prize was a trip for two to Hawaii, however, the majority of the prizes had a cash value between $25 and $100.

An attempt was made to determine the relation between the use of sales contests and the income of the salesmen working with the firms. It was found that there was no significant relation between the use of sales contests and the earnings of the salesmen in each firm.

A more complete study of the value of sales contests in the real estate business was conducted by the Westminster County Real Estate
The findings of this survey may be summarized as follows:

1. 88% of the Real Estate Boards used sales contests at some time in the previous year. (1962)

2. After the sales contest 30% of the Boards reported sales dropped to precontest levels, 5% reported sales dropped below pre-contest level, 20% reported sales remained over the pre-contest level and 45% reported sales remained at the level attained during the contest.

3. 55% of the Boards surveyed felt that sales contests were successful in stimulating sales.

4. 95% of the Boards surveyed achieved either a temporary or permanent sales increase although, only 65% reported higher sales during the contest.

The results of the Westminster survey indicated more successful results from sales contests than do the results of the firm's survey. Generally speaking, most firms included in the Vancouver survey felt that sales contests were not a useful device for stimulating overall sales and service.

C. Advertising Allowances.

Advertising allotments are not generally considered to be part of the compensation plan of a firm. However, advertising in the real estate business is a major item, both to the firm and to the salesmen. Therefore, it is felt that advertising should be considered along with compensation if not as part of compensation.

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7 Westminster County Real Estate Board - A Study of Multiple Listing Sales Competitions Used by Canadian Real Estate Boards. 1963, Westminster County Real Estate Board.
It has long been considered that allotments for advertising expenses are a vital factor affecting sales and gross commissions. Most salesmen feel that sales are directly related to advertising budgets. It is the practice in the real estate business for the firms to allow a specified percentage of gross commissions to be allocated to each salesman for advertising. This normally constitutes the major expense for most real estate firms.

In the survey there were only three firms which did not pay all advertising expenses up to a specified limit.

<table>
<thead>
<tr>
<th>% of Gross commission spent on advertising</th>
<th>% of Firms in each advertising group</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>10.7%</td>
</tr>
<tr>
<td>6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>7%</td>
<td>20.3%</td>
</tr>
<tr>
<td>8%</td>
<td>14.2%</td>
</tr>
<tr>
<td>10%</td>
<td>35.7%</td>
</tr>
<tr>
<td>12%</td>
<td>6.2%</td>
</tr>
<tr>
<td>14%</td>
<td>6.2%</td>
</tr>
<tr>
<td>16%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Over 16%</td>
<td>2.1%</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* This table is based on 149 replies.

70.4% of the firms spent between 7% and 10% of each salesman's gross commission on advertising. Only 17.2% of the firms reported they spent over 10%. All the firms determine the amount to be spent on advertising as a percentage of gross commissions earned. If a salesman does not earn sufficient gross commission at any one time his advertising allotment may be depleted very rapidly.
As an indication of the importance placed on advertising allowances, several firms indicate the arrangements for advertising in their salesman's contract. By far the greatest majority of real estate advertising is done in the classified advertisement section of the local newspaper. There is very little television or radio advertising and seldom any advertising outside the metropolitan area.

It is surprising to note that there is not significant relation between the amounts spent on advertising by the firms and the earnings of the salesmen of each firm in 1963. This is somewhat unexpected since most real estate salesmen and agents place so much emphasis on the value of advertising. There are a number of explanations for the apparent ineffectiveness of advertising.

1. Advertising is not as useful in the real estate business as it is in other businesses.
2. Classified advertising is not the best form of advertising for the real estate business.
3. Advertisements are poorly designed and poorly timed.
4. The salesmen are not making themselves available to maximize the benefits of advertising.
5. The firms have not strictly controlled their advertising expenses.

Therefore the results of the survey are inconclusive. It is difficult to pin-point the major reason for the ineffectiveness of advertising, perhaps it is a combination of all five reasons. However, some agents did state that many of their salesmen would run advertisements and then fail to be available to handle inquiries resulting from the advertisements.

D. Compensation Plans for Sales Managers.
TABLE XXIII

COMPENSATION PLANS FOR SALES MANAGERS*

1. Override plus commission on their sales 15.1%
2. Override but no personal sales 36.8%
3. Salary and override and profit sharing 11.5%
4. Override and profit sharing 21.0%
5. Override and car allowance 5.2%
6. Salary, override and car allowance 5.2%
7. Salary and profit sharing 5.2%

Total 100.0%

* Table based on 20 replies.

Compensation of sales managers is a very complicated matter. To begin with, the managers must be motivated to perform the tasks expected of them. If the sales managers are expected to assist the salesmen in the field, it is necessary to design a plan which will insure that they do so. If the sales manager is expected to perform other functions not directly related to the field work, they must be compensated accordingly. In order to insure that sales managers do not spend all their time with the good salesmen, it may be necessary to guarantee a basic salary.

The majority of the firms have seen fit to prohibit their sales managers from completing sales on their own. Only 15.1% of the managers are permitted to handle sales on their own. This eliminates an immediate conflict of interest. If sales managers are allowed to handle sales on their own it is quite possible that they would not spend sufficient time working with and managing the salesmen under them. Sales managers should devote their time to the management of the sales staff.

There is a variety of compensation plans used to reward sales managers. The majority of the plans 94.8% include an override on the gross commissions
of the salesmen. Thus the manager's income is, to some degree, attached to the results achieved by the salesmen he supervises. 21.9% of the plans include a minimum salary to encourage the manager to perform tasks he may otherwise ignore. Profit sharing of some nature is used in 37.7% of the plans. The firms were somewhat reluctant to disclose the details of their profit sharing plans. Expense and allowances and car allowance are not a major feature in the sales manager's compensation plans. Only 10.4% of the firms have expense or car allowances for their managers.

One serious problem arises when the sales managers are not permitted to handle transactions on their own. Unless the manager receives a substantial salary, their total income is apt to be much less than the income of some of the salesmen. This is not a problem unique to the real estate business. Life Insurance companies have, for many years, been faced with exactly the same problem. The normal override to the sales manager is 10% of the gross commissions earned by salesmen working with the manager. If the manager had 10 salesmen, grossing a total of $122,000.00 in commissions, the manager would receive $12,200.00 override. However, one or more of the salesmen will earn in excess of $12,000.00.

Example 1. (Above average sales)

3 salesmen x 6,000 = 18,000 10% of = 1,800
2 salesmen x 8,000 = 16,000 10% of = 1,600
2 salesmen x 9,000 = 18,000 10% of = 1,800
1 salesman x 10,000 = 10,000 10% of = 1,000
2 salesmen x 30,000 = 60,000 10% of = 6,000
Total override = $12,000

Example 2. (Average for the Industry)

3 salesmen x 4,100 = 12,300 10% of = 1,230
1 salesman x 5,800 = 5,800 10% of = 580
1 salesman x 7,500 = 7,500 10% of = 750
1 salesman x 9,100 = 9,100 10% of = 910
2 salesmen x 12,500 = 25,000 10% of = 2,500
2 salesmen x 25,000 = 50,000 10% of = 5,000
Total override = $10,970
In both examples there were salesmen earning more than the sales manager. This problem, if indeed it is a problem, may be overcome in several ways. The firm could either include a salary or other monetary return which would increase the sales manager's income or the firm could also offer some non-monetary benefits (i.e. prestige, holidays) to compensate for the difference in income. On the other hand, this difference in income between the better salesmen and the sales managers may not be a serious problem. There is no reason to suppose that the sales manager could have been one of the top producing salesmen if he had chosen to sell rather than manage. All sales managers are not necessarily top salesmen, conversely all top salesmen are not necessarily good managers. Therefore, it is very possible that the sales manager is satisfied with his level of income.
CHAPTER VIII

THE REAL ESTATE SALESMAN

After examining the salesman's qualifications required by the firms and the management practices of the firms, it seems desirable to examine the type of persons who have been attracted to the real estate business.

A. Number of Licensees in Greater Vancouver.

<p>| TABLE XXIV |
| NUMBER OF LICENSEES IN B.C. AS OF JUNE 1964 |</p>
<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents (Greater Vancouver)</td>
<td>462</td>
<td>36</td>
</tr>
<tr>
<td>Vancouver(^a)</td>
<td>748</td>
<td>170</td>
</tr>
<tr>
<td>Burnaby</td>
<td>96</td>
<td>27</td>
</tr>
<tr>
<td>West Vancouver</td>
<td>48</td>
<td>42</td>
</tr>
<tr>
<td>North Vancouver</td>
<td>70</td>
<td>25</td>
</tr>
<tr>
<td>Total Salesmen -</td>
<td>962</td>
<td>264</td>
</tr>
<tr>
<td>Total Agents and Salesmen -</td>
<td>1424</td>
<td>290</td>
</tr>
</tbody>
</table>

Total Agents and Salesmen for British Columbia | 3048 |

\(^a\) Vancouver includes the licensees from Richmond, Surrey, Port Coquitlam and Ladner which are members of the Vancouver Real Estate Board.

\(^b\) This total includes only members of the Vancouver Real Estate Board.

There were a total of 1226 salesmen and 433 agents working on the Greater Vancouver area, excluding New Westminster as of June 30, 1964.
In all, 53% of the licensees in British Columbia are operating in this area. Based on a population of 650,000, this is an average of one real estate salesman for every 530 residents. Comparing this with the results of a survey completed in early 1964, Vancouver has the third highest ratio of real estate salesmen to population. It is interesting to note that Vancouver also had the fourth lowest dollar sales per man for January to March 1964.

B. Importance of Women in the Real Estate Business.

The real estate business is one in which women can do well. The minimum education requirements and the ability to work their own hours makes this business attractive to women. Women are able to keep their household duties up and still find some time to sell real estate. In the study area, 16.9% of the sales staff were female.

Although some firms will not hire female sales staff, most firms felt they were quite acceptable. The most common complaint concerned the amount of time spent at work by the women. If the saleslady was married, selling real estate was generally of secondary importance. When time permitted the women would work. It is for this reason that some firms specify that salesladies must be self supporting. It is also noted the majority of women specialize in residential property sales. Very few women become involved in commercial or industry property sales.

C. Marital Status of Real Estate Salesmen.

As seen in table XXV, there is a smaller percentage of married women than married men. This is to be expected since a number of firms will only...

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1 The Canadian Realtor, May 1964, p. 11.
TABLE XXV
MARITAL STATUS OF REAL ESTATE SALESMEN IN GREATER VANCOUVER*

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>89.7%</td>
<td>65.5%</td>
</tr>
<tr>
<td>Divorced</td>
<td>2.3%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Widow (or)</td>
<td>1.4%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Single</td>
<td>5.3%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Separated</td>
<td>1.2%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* This table is based on 415 replies.

employ self-supporting females and most firms prefer married men if at all possible.

There is no significant relation between the marital status of men and their income. However, there is significant relation between the marital status of females and their incomes. The married women do not generally earn as much as the self-supporting women. Presumably the self-supporting women devote more time to the job because they need the money.

D. Age Distribution of Licensees.

There is a significant difference in the age distribution of male and female sales personnel. The salesladies are concentrated in the age group 25 - 54 with very few younger women entering the business. The men, on the other hand, are scattered in all age groups. The one encouraging point is that 13.9% of men were under thirty-four years of age. However, this is offset by the high percentage of men in the 55 and over age bracket.
TABLE XXVI

AGE DISTRIBUTION OF LICENSEE SALESMEN BY SEX*

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>5.3%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Under 24 years</td>
<td>1.8%</td>
<td>1.4%</td>
</tr>
<tr>
<td>25 - 29 years</td>
<td>5.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>30 - 34 years</td>
<td>6.2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>35 - 39 years</td>
<td>14.1%</td>
<td>13.5%</td>
</tr>
<tr>
<td>40 - 44 years</td>
<td>14.1%</td>
<td>16.2%</td>
</tr>
<tr>
<td>45 - 49 years</td>
<td>15.2%</td>
<td>16.2%</td>
</tr>
<tr>
<td>50 - 54 years</td>
<td>12.9%</td>
<td>21.1%</td>
</tr>
<tr>
<td>55 - 59 years</td>
<td>12.9%</td>
<td>8.1%</td>
</tr>
<tr>
<td>60 and over</td>
<td>11.6%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* This table is based on 415 replies.

If the 34.6% of the males over 55 had been in the real estate business for a long period of time, this high percentage would not be too alarming. Unfortunately many of these men were hired in their late forties and early fifties.

It would seem that the real estate business must attempt to attract and hold a higher percentage of younger men and women, especially under 35 years of age. If younger salesmen can be attracted to the business it may be possible to upgrade the services offered. Since experience in the real estate business seems to be an important factor influencing earning power,
the younger men and women would be available for a longer period of time after they have gained the necessary experience. Younger men and women would also view the real estate business as a lifetime career rather than a temporary (five - ten years) job. Also it is easier to train younger men and women who have had work experience elsewhere.

An attempt was made to determine if there was any relation between income and age. In the case of male and female sales personnel, it was found that there is no significant relation between the age of the sales person and their income for 1963. This would refute the common belief that men under 35 years of age cannot be successful in the real estate business.

E. Educational Background of the Salesmen.

---

**TABLE XXVII**

*EDUCATIONAL BACKGROUND OF SALESMEN*.

<table>
<thead>
<tr>
<th>Education</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior Matriculation or less</td>
<td>48.2%</td>
<td>44.4%</td>
</tr>
<tr>
<td>Senior Matriculation</td>
<td>31.6%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Part University</td>
<td>13.3%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Complete University</td>
<td>6.9%</td>
<td>12.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

* This table is based on 415 replies.

The high proportion of licensees with junior or senior matriculation reflects the age of the licensees and the type of business. The real estate business has not been successful in attracting the young university graduate since it is very difficult to attract university graduates unless they can be guaranteed a salary plus an opportunity to advance in the business.
There seems to be no significant relation between the salesmen's earnings for 1963 and the formal education of the salesman. This does not necessarily mean that education is not an important factor. There are four possible explanations for the insignificant relationship.

(i) The bias of the sample has lead to a distortion. The low income group which did not complete the questionnaire may account for the insignificant relationship.

(ii) The better educated men and women may be promoted to management or may be preparing for a promotion to management.

(iii) Since the average salesman has been out of school for fifteen-twenty-five years, their formal education has been supplemented by experience.

(iv) General education (High School or University) is not an important factor. Specific education or knowledge concerning the real estate business may be of greater importance. Since all salesmen take the pre-licensing course, they all start out at the same specific education level.

F. Work Experience of Sales Personnel.

About one-third of the salesmen have previous selling experience before entering the real estate business. Only 13% of the salesladies had previous selling experience before starting in the real estate business.

There is no indication that previous selling experience leads to higher earnings. This is probably due to the fact that the real estate business is so different from other types of selling.

G. Length of Service in Real Estate.
**TABLE XXVIII**

NUMBER OF YEARS EXPERIENCE IN THE REAL ESTATE BUSINESS (SALES MEN)

<table>
<thead>
<tr>
<th>Number of Years Experience</th>
<th>Male</th>
<th>Female</th>
<th>Total Vancouver</th>
<th>Total B.C.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>15.3%</td>
<td>17.0%</td>
<td>14.7%</td>
<td>15.5%</td>
</tr>
<tr>
<td>1 - 2 years</td>
<td>11.7%</td>
<td>14.9%</td>
<td>8.3%</td>
<td>10.3%</td>
</tr>
<tr>
<td>2 - 3 years</td>
<td>7.0%</td>
<td>2.7%</td>
<td>5.1%</td>
<td>6.2%</td>
</tr>
<tr>
<td>3 - 4 years</td>
<td>4.4%</td>
<td>5.4%</td>
<td>15.0%</td>
<td>15.5%</td>
</tr>
<tr>
<td>4 - 5 years</td>
<td>7.6%</td>
<td>8.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 - 7 years</td>
<td>13.8%</td>
<td>8.1%</td>
<td>18.9%</td>
<td>17.8%</td>
</tr>
<tr>
<td>7 - 10 years</td>
<td>15.0%</td>
<td>21.6%</td>
<td>19.1%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>25.2%</td>
<td>21.0%</td>
<td>19.4%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

- This table is based on 415 replies.

The information, regarding length of service in real estate, which was obtained from the salesmen's questionnaires compared favorably with the information collected by the Real Estate Council.

It is encouraging to find such a high proportion of the sales personnel have been regularly employed for over 5 years. 54% of the males and 51.3% of the females have over five years service. It would appear from Table XXVIII that the drop-out factor is drastically reduced once a person is employed over four years.

It is interesting to note that there is no significant relation between the length of service in real estate and the 1963 income for females.
However, for males there is a very significant relation. Based on the information available, the relation between 1963 income and years of service for males to significant at the 99.9% level. There is only one chance in one thousand that this relation is random. The longer a man has been in the real estate business, the more likely he is to earn a high income. This does not seem to hold for women. It is also evident that the longer men work in the real estate business, the more apt they are to perform more specialized activities such as commercial or industrial sales.

H. Length of Service with Present Employer.

### TABLE XXIX

**NUMBER OF YEARS THE SALESMEN HAVE WORKED WITH THEIR PRESENT EMPLOYER**

<table>
<thead>
<tr>
<th>Number of Years with Present Employer</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>30.5%</td>
<td>27.0%</td>
</tr>
<tr>
<td>1 - 2 years</td>
<td>21.7%</td>
<td>24.3%</td>
</tr>
<tr>
<td>2 - 3 years</td>
<td>12.6%</td>
<td>12.2%</td>
</tr>
<tr>
<td>3 - 4 years</td>
<td>7.0%</td>
<td>9.5%</td>
</tr>
<tr>
<td>4 - 5 years</td>
<td>5.6%</td>
<td>8.1%</td>
</tr>
<tr>
<td>5 - 7 years</td>
<td>9.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>7 - 10 years</td>
<td>7.9%</td>
<td>8.1%</td>
</tr>
<tr>
<td>10 and over</td>
<td>5.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

* This table is based on 415 replies.
TABLE XXX
NUMBER OF REAL ESTATE FIRMS SALESMEN HAVE WORKED WITH IN PAST FOUR YEARS*

<table>
<thead>
<tr>
<th>Number of Firms</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Firm</td>
<td>54.5%</td>
<td>54.0%</td>
</tr>
<tr>
<td>Two Firms</td>
<td>35.3%</td>
<td>41.9%</td>
</tr>
<tr>
<td>Three Firms</td>
<td>8.2%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Four Firms</td>
<td>1.2%</td>
<td>.0%</td>
</tr>
<tr>
<td>Over Four Firms</td>
<td>.6%</td>
<td>.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* This table is based on 415 replies.

Table XXIX indicates that there is no appreciable difference, in the length of service with the present employer, between male and female sales personnel. However, Table XXX indicates that females may be slightly more stable than males. 10% of the men have worked for three or more firms in the past four years compared to 4.1% of the women.

I. Type of Real Estate Salesmen.

TABLE XXXI
TYPE OF SALESMEN*

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>87.0%</td>
<td>95.9%</td>
</tr>
<tr>
<td>Industrial &amp; Commercial</td>
<td>13.0%</td>
<td>4.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* This table is based on 415 replies.
The majority of salesmen are classified as residential salesmen. In the small firms the salesmen may handle all types of property, however, commissions from commercial and industrial property form a small part of total earnings. Only a small percentage (4.1%) of the women are classified as commercial and industrial sales staff as compared with 13.0% of the salesmen. It is also evident that specialization is usually dependant upon years of experience in the real estate business. Salesmen seldom start in the real estate business as specialists in commercial or industrial property. Almost everyone starts as residential salesmen.

The industrial and commercial salesmen earn a higher income than the average residential salesmen. Industrial and commercial salesmen earn approximately $3,326 per annum more than the residential salesmen. This is probably due to the fact that the average sale in commercial or industrial property is worth considerably more than the average residential sale.

J. Hours of Work per Week.

---

TABLE XXXII
TIME SALESMEN START WORK*

<table>
<thead>
<tr>
<th>Time</th>
<th>% of the Salesmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00 A.M.</td>
<td>4.4%</td>
</tr>
<tr>
<td>8:30 A.M.</td>
<td>13.2%</td>
</tr>
<tr>
<td>9:00 A.M.</td>
<td>59.8%</td>
</tr>
<tr>
<td>9:30 A.M.</td>
<td>15.5%</td>
</tr>
<tr>
<td>10:00 A.M. or later</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

Total - 100.0%

* This table is based on 415 replies.
TABLE XXXIII
TIME SALESemen FINISH WORK*

<table>
<thead>
<tr>
<th>Time</th>
<th>% of the Salesmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 5:00 P.M.</td>
<td>52.1%</td>
</tr>
<tr>
<td>5:30 P.M.</td>
<td>18.8%</td>
</tr>
<tr>
<td>6:00 P.M.</td>
<td>8.3%</td>
</tr>
<tr>
<td>6:30 P.M. or later</td>
<td>20.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

* This table is based on 415 replies.

TABLE XXXIV
NUMBER OF DAYS OFF PER WEEK*

<table>
<thead>
<tr>
<th>Number of Days Off</th>
<th>% of the Salesmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Days Off</td>
<td>17.3%</td>
</tr>
<tr>
<td>1 Day Off</td>
<td>66.5%</td>
</tr>
<tr>
<td>2 Days Off</td>
<td>15.8%</td>
</tr>
<tr>
<td>3 Days Off</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

* This table is based on 415 replies.

The average salesman starts work between 8:30 and 9:00 A.M.
They work until about 5:00 P.M. and work a six day week. The salesmen usually have from 1 to 3 evenings off per week.
TABLE XXXV

NUMBER OF EVENINGS OFF PER WEEK*

<table>
<thead>
<tr>
<th>Number of Evenings Off</th>
<th>% of the Salesmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>3.8%</td>
</tr>
<tr>
<td>1 Evening Off</td>
<td>15.9%</td>
</tr>
<tr>
<td>2 Evenings Off</td>
<td>27.3%</td>
</tr>
<tr>
<td>3 Evenings Off</td>
<td>27.3%</td>
</tr>
<tr>
<td>4 or More Evenings Off</td>
<td>25.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* This table is based on 415 replies.

The commercial and industrial (I.C.I.) salesmen have a slightly different work week. The I.C.I. salesman starts about the same time and finishes at 5:00 P.M. They work a five or six day but very few evenings. The I.C.I. salesmen usually have four or more evenings off per week. This is due to the fact that they see their clients during the day instead of the evenings.

There is no significant relation between the hours of work and the earnings of the salesmen. This is surprising since it is generally felt that more hours of work lead to a higher income. The fact that there is no relation between earnings and hours of work may suggest that the working efficiency of the salesmen varies considerably, or that the salesmen only think they are working when in fact they are just sitting around the office wasting time.

K. Gross Earnings of Salesmen.
TABLE XXXVI

GROSS EARNINGS OF SALESMEN
(1963). AS REPORTED BY:

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Salesmen&lt;sup&gt;3&lt;/sup&gt;</th>
<th>Firm&lt;sup&gt;2&lt;/sup&gt;</th>
<th>V.R.R.B.&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,999</td>
<td>18.7%</td>
<td>31.9%</td>
<td>28.2%</td>
</tr>
<tr>
<td>$3,000 - 3,999</td>
<td>10.6%</td>
<td>13.4%</td>
<td>14.7%</td>
</tr>
<tr>
<td>$4,000 - 4,999</td>
<td>11.6%</td>
<td>12.4%</td>
<td>13.0%</td>
</tr>
<tr>
<td>$5,000 - 5,999</td>
<td>12.8%</td>
<td>10.8%</td>
<td>13.0%</td>
</tr>
<tr>
<td>$6,000 - 6,999</td>
<td>10.0%</td>
<td>7.6%</td>
<td>6.7%</td>
</tr>
<tr>
<td>$7,000 - 7,999</td>
<td>10.6%</td>
<td>7.5%</td>
<td>6.3%</td>
</tr>
<tr>
<td>$8,000 - 9,999</td>
<td>12.8%</td>
<td>6.2%</td>
<td>10.6%</td>
</tr>
<tr>
<td>$10,000</td>
<td>12.9%</td>
<td>10.2%</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

1 Survey completed by the Vancouver Real Estate Board.
2 1952 replies covering 389 Salesmen.
3 415 replies.

It is apparent from Table XXXVI that the low income salesman did not complete the questionnaires. Only 18.7% of the salesmen earn $2,999 per annum or less according to the salesmen's questionnaires while 31.9% earn 2,999 or less according to the firms questionnaires. Since there is a lack of questionnaires from these salesmen, the income calculations will be taken from the firm questionnaires unless otherwise noted.

The earnings for the I.C.I salesmen are higher than the earnings for all salesmen. 57.5% of the I.C.I. salesmen earn over $8,000 per annum and 37.5% earn over $5,000 per annum. The average income for I.C.I. salesmen in 1963 was $8,307.
TABLE XXXVII

GROSS EARNINGS FOR I.C.I. SALES MEN
AS REPORTED BY THE SALESMEN

<table>
<thead>
<tr>
<th>Income</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,900</td>
<td>5.0%</td>
</tr>
<tr>
<td>$3,000 - 3,999</td>
<td>2.5%</td>
</tr>
<tr>
<td>$4,000 - 4,999</td>
<td>5.0%</td>
</tr>
<tr>
<td>$5,000 - 5,999</td>
<td>15.0%</td>
</tr>
<tr>
<td>$6,000 - 6,999</td>
<td>5.0%</td>
</tr>
<tr>
<td>$7,000 - 7,999</td>
<td>10.0%</td>
</tr>
<tr>
<td>$8,000 - 9,999</td>
<td>20.0%</td>
</tr>
<tr>
<td>$10,000</td>
<td>37.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The average income for all real estate salesmen in 1963 was $4,981 as reported by the firm's questionnaires. 88% of all salesmen earned less than $9,000 in 1963. The standard deviation for the salesmen's earnings is $2,892 which is rather high for an average income of $4,981. This can be explained by the fact that only 12.4% of the salesmen have earnings in the $4,000 - $4,999 group, the mean income group.

The average income of $4,981 per man compares favourably with the average wage and salary per head of family in Metropolitan Vancouver. The average income per family head was $4,637 in 1961.2 However, the high

2 City of Vancouver, *Vancouver's Changing Population*, June 1964, p. 7, Table XXX.
percentage (31.9%) of salesmen earning less than $2,999 per annum still remains as a cause of much dissatisfaction in the real estate business.

I. Reasons why Salesmen Entered the Real Estate Business.

The salesmen were asked to indicate the main factors which influenced their decision to enter the real estate business. The main factors, listed in decreasing order of importance, were:

(i) To earn a high income.

(ii) To enjoy more freedom. (from supervision)

(iii) Greater potential income based on an individuals' own productivity.

(iv) To meet more people.

(v) Because the real estate business offers a challenging career.

The majority of the salesmen mentioned to possibility of unlimited earnings. It would appear that the new salesmen either were not aware of the average income earned by real estate salesmen or they felt that they would be the exceptional salesman that earns $10,000 or more per year. Perhaps part of the blame rests on the agents and managers. Almost every evening paper carries advertisements for real estate salesmen indicating the chances of earning unlimited income. If the recruiting firm indicated the average income was less than $5,000 per annum and only a few salesmen earned in excess of $10,000 per annum, fewer men may be attracted to the business. It is interesting to note that only a few salesmen were attracted to the business because it was a challenging work. Presumably these men were aware of the difficulties of earning unlimited incomes.

M. Composite Picture of the Typical Real Estate Salesman.

The typical real estate salesman is a married male who works full time in the real estate business. He spends an average of 58 hours per week at
his work. His work day starts between 8:30 A.M. and 9:00 A.M. and finishes at 5:00 P.M. He works six days per week and usually works four or five evenings per week. He is 47 years of age and has been in the real estate business for six and one-half years, during which time he has worked with three different firms. The typical salesman has a junior - senior matriculation. In 1963 he took three weeks holiday. During the same year he earned $4,981, mainly from the sale of residential property.

Although the average annual income for real estate salesmen compares favorably with the average earnings per family head in Metropolitan Vancouver, further analysis points out some weakness of this comparison. To begin with, a real estate salesman has some expenses which must be recovered from his income. These include items such as car expenses. Aside from the expenses, an annual income of $4,981 calculated as earnings per hour worked gives a better indication of the earning capacity of the average real estate salesman. Based on a 58 hour week, the real estate salesman earns $1.65 per hour.

The minimum wage for a barber in Greater Vancouver is $1.87 per hour plus 65% of earnings over $105.00 per week. The minimum salary for a route salesman for a milk company is $2.53 per hour. In light of these comparisons it becomes obvious that although the average real estate salesman earns a comparable income per annum, they must work many more hours than individuals in other comparable occupations.
CHAPTER IX
SUMMARY AND CONCLUSIONS

The principle purpose of this study, as set out in Chapter 1, was to determine if there is evidence to support the charges that the real estate business is poorly organized and inefficient in its operation. If it was found that the real estate business is poorly organized and inefficient in its operation, it is necessary to determine whether improvements are possible within the existing structure of the business or whether the existing structure of the business must be altered.

Based on the data collected it is evident that there are a number of areas where improvements appear necessary. However, it is possible to make the necessary improvements within the existing structure of the business. The improvements will be discussed under the following headings:

A. Organization Within the Real Estate Firms.
B. Management of a Real Estate Firm.
C. Structure of the Real Estate Business.

A. Organization Within the Real Estate Firm.

Real Estate firms are relatively small firms as compared to the average service firm or retail firm. Because of their small size, the problems of organization appear to have been overlooked. To begin with, only about 60% of the firms appear to have definite objectives and policies. The remaining 40% of the firms probably have some idea of their objectives, however, they are not sufficiently clear to be in written form. Since written policies and objectives can be a valuable aid to management and salesmen, it appears desirable for all firms to clarify their objectives and
policies and put them in written form. This is neither a costly nor time consuming task and the benefits should be well worthwhile. The written objectives and policies could serve as a constant and consistent guide to action. It would also save time since someone in search of information could refer to a policy manual instead of taking up the time of top management.

It is difficult to criticize the internal organization of the firms since the departmentalization depends to a considerable degree on the objectives of the firms and the available manpower. Based on the data collected it appears that the real estate firms have not tended to create separate departments before they were necessary. The firms with the largest number of separate departments are those firms with the largest number of salesmen. In the case of the smaller firms it would appear that the agent or nominee is responsible for more activities than they are capable of properly handling. In the firms employing 5 - 15 salesmen and at the same time direct the other activities such as insurance sales, mortgage financing and office management.

At present the most serious deficiency in the organization of the real estate firms is the lack of proper management personnel. Far too many firms are attempting to survive without providing proper management. In many cases the agent or nominee in charge attempts to direct too many activities. Instead of providing proper management personnel, the practice appears to be to allow the salesmen to seek out assistance and direction rather than have a manager seek out the salesmen in need of assistance. It is obvious that this is intended to be a cost saving device, however, it is very short sighted. Without proper management something will suffer, in this
case it is the salesmen in the firm. In the long run this practice is very costly in terms of lost sales and turnover in salesmen.

Even in the firms employing sales managers there is room for further improvements. The sales managers do not appear to be clearly informed as to their function. Too often the sales manager appears to wait for the salesmen to seek him out for assistance rather than the sales manager scheduling his time to work with each salesman. It would appear that most sales managers spend the majority of their time in the office. This means the salesmen receive very limited field supervision. If the sales manager must spend the majority of his time in the office then there is a need for further supervisory personnel to work with the salesmen in the field. Of the firms employing sales managers, over one-half of the sales managers are in charge of 15 or more salesmen. This ratio of 1:15 appears too high since the manager has other tasks to perform. This allows the manager a maximum of one and one quarter days per man less the time required for the other tasks.

It is apparent that the most urgent improvement needed in the organization of the real estate firms is an increase in field supervisors. This means an increase in costs, however, a good field supervisor should be able to increase the sales volume of the salesmen more than enough to cover the increased costs. This is not an area which can be overlooked if the business hopes to improve the income to the firm and to the salesmen as well as reduce the turnover of the salesmen.

B. Management of a Real Estate Firm.

The majority of the problems in the real estate business appear to arise in the area of management of the sales force rather than in the organization
of the real estate firms. The problems associated with the management may be caused in part by the shortage of management personnel. However, this is only one of the causes. Another principal factor contributing to the inefficiencies has been the industry's pre-occupation with public relations and protection of the public. Until recent years the real estate business as a group were little concerned with management problems. The entire energy of the business appeared to be devoted to the problems of improving their public image.

1. Recruiting and Selecting Salesmen.

To date the real estate managers have not taken a responsible attitude towards the problems of recruiting and selecting salesmen. This is probably due to the fact that the firms pay their salesmen on a straight commission basis. The majority of the firms hire almost unlimited number of salesmen without regard to their chances of succeeding in the real estate business. Most firms feel that two salesmen are no more expensive than one since the marginal costs associated with an increase in the number of salesmen are mostly variable costs.

Whatever the causes of this situation may be, the problem still persists. Assuming that the proper incentives exist, it is possible and desirable to make improvements in the recruiting and selection of salesmen. To begin with it is necessary to determine what personal characteristics and other factors are most instrumental in the making of a successful real estate salesman. With the limited data analyzed in this survey it appears that years of experience in the real estate business is the most important factor contributing to success. However, a more complete study of this problem is required.
Assuming that the firms were aware of the factors which contributed to the success or failure of a real estate salesman the next problem is one of identifying these factors in an applicant. At present the applicants are hired or rejected on the basis of an application blank and one or two interviews. This is a bare minimum of effort for a selecting program. In addition to the application blank, the applicant should be interviewed at least twice by different interviewers. In order to assist the interviewers a standard interview guide should be developed to ensure that all factors are considered and to ensure that the interviewer is not motivated by one or two factors while overlooking the other factors.

In addition to the interviews with the applicant, every effort should be made to interview the spouse of the applicant. One of the main causes of "drop-out" in the real estate business has been the dissatisfaction of the spouse. This is a genuine problem in the real estate business where the hours of work are long and irregular and the income flow is so irregular. It may be possible that a frank interview with the spouse will help eliminate domestic problems and reduce the "drop-out" rate. If the applicant decides not to enter the real estate business after the spouse is aware of the problems of the business the firm is still better off, since the salesman would likely drop out after a short period of time.

Once the firms develop a more responsible attitude towards the problems of recruiting and selecting salesmen it may be possible to encourage the use of psychological tests to assist in the selection of salesmen. At present the use of psychological tests is very limited, due in part to the time, cost and limited number of suitable tests.
However, there is no reason that a tailor-made test could not be
designed that could predict an applicant's chances of succeeding.
Providing the firms were willing to pay the costs of administering
such a test it could be a useful selection aid.

An improvement in the overall recruiting and selecting program
would be instrumental in helping to solve two of the most serious
problems facing the real estate business today. The first problem is
the seemingly excessive number of real estate salesmen within the study
area. As mentioned earlier, Vancouver has the highest ratio of sales­
men to population for any metropolitan area in Canada. It is obvious
from the number of salesmen earning less than $3,000 per year that
the business cannot adequately support the present 1226 salesmen. The
excess number of salesmen is, in part, indirectly causing the second
major problem facing the business. This is the high turnover of sales­
men in the business. The high turnover of salesmen, including drop-out
and turnover within the business, could be reduced if the recruiting
firms were more thorough in the selection process. Many firms will
readily admit that they have hired salesmen who they did not feel would
succeed. However, they hired the salesmen anyway since the firm had
very limited monetary costs associated with the new salesman.

Another consideration regarding the recruiting and selecting of
salesmen is the pre-licensing course which a salesman must take. At
present the recruiting firm does not share the cost of the pre-licensing
course with the salesman. During the six weeks required to complete
the course the salesman is not earning an income. If the salesman
fails to complete the course successfully the cost of the course is lost
and the firm has lost a salesman. If the firm's recruiting program is
to be successful care must be taken to select only those applicants who are likely to pass the pre-licensing course. Although the failure rate in the pre-licensing course is not high, about 90% of those writing the examination pass on the first or second attempt, those who fail to successfully complete the course represent an unnecessary loss to the business which may be avoided by more careful selection. As an inducement to the salesman the firms should share the costs of the pre-licensing course. This would also encourage the firm to be more selective when hiring new salesmen.

2. Training Real Estate Salesmen.

All salesmen entering the real estate business, with minor exceptions as set out by the Real Estate Act, are required to complete the pre-licensing course offered at the University of British Columbia. In addition the salesmen may register for the diploma course although it is not mandatory. However, the purpose of these courses is not to develop good salesmen. The pre-licensing and diploma courses are related to the technical knowledge regarding the real estate business.

Although the new salesmen are required to have a knowledge of the technical aspect of the business, the most important training in terms of success in the business appears to be sales training. As the real estate business is now operating, the salesman's success rests on sales ability more than any other factor. This is mainly due to the fact that the salesman's income is directly related to sales volume. Even though sales ability is so important to the salesmen, this is one area where improvements could easily be made. Once again the shortage of management personnel is one of the major causes of the limited sales training given to salesmen.
Every individual firm must take it upon themselves to provide an adequate sales training program for their salesmen. This means additional effort and expense upon behalf of the firm, however, it is an investment in the future of the salesmen which should more than pay for the time, effort and expense involved. Even if a sales training program were to cost $2,500 per man for the first year, this would only require an additional $100,000 in sales volume to recover the costs, assuming a 50% - 50% commission split. The $2,500 figure is arrived at as follows:

(a) Initial Training 7 days @ $100 per day 700
(b) Continuous Training 1 day per month @ $100 1200
(c) Supplies, books, bulletins 100
(d) Sales Meeting Expenses 200
(e) Other Expenses, ie. Office Time 300

$2,500

This does not include the cost of normal supervision, recruiting or selecting salesmen. The firms should not expect to recover this expense in the first year. Training expenses are a long term investment.

At present only one-half of the real estate firms offer any type of sales training. The other one-half of the firms depend mainly on sales meetings. It would seem necessary that all firms offer a training program at least similar to type 2 as described on page 105. This should be considered the minimum sales training requirement. This would include an initial training period of one week, regular sales meetings, continuous sales training on the job and special meetings or discussion groups.
The exact training needs will vary from firm to firm. The smaller firms may try to avoid the initial training costs by hiring only experienced real estate salesmen. This would eliminate only the cost of initial training since the recruiting firm would still be required to provide continuous sales training. Based on the cost figures used, this would represent a saving of $700. Unfortunately, the type of experienced salesman that is willing to change firms is apt to be a low income producer. Therefore, the savings of $700 may be offset by the low income earned by the salesman. The supply of high income producing experienced real estate salesmen who are willing to change firms is very limited. In the long run the smaller firms may be better off to seek out potentially successful new recruits and train them.

Although the individual firms must assume the responsibility for sales training, the real estate business as a unit can provide useful supplementary training. Group seminars and meetings sponsored by local real estate boards provide the salesmen and agents with an opportunity to exchange ideas and discuss problems. The Okanagan-Mainline Real Estate Board appears to be leading the other boards in the province in this regard. They sponsor a one week seminar for the member agents each year. In addition the salesmen attend an annual two day seminar. There is evidence that other boards in the province will be holding a similar seminar for their members. These meetings and seminars are only a supplement to the firm's own sales training programme.

Although the introduction of a sales training program or the improvement of a program is a costly and time consuming effort, the results should be worthwhile. Sales training can improve the product-
ivity of the salesmen providing the trainee is suitable for the task of selling. No amount of training will make a good salesman out of an individual who, for some reason, is not suited to a career in selling. On the other hand, given the raw material from which to make a good salesman, sales training will help produce a better salesman in a shorter period of time. If sales training helps produce better salesmen the income to the firm and to the salesmen should increase. If the salesmen are earning a satisfactory income, there will likely be a corresponding decrease in the number of drop outs and turnover of salesmen. Therefore, the improvements caused by better sales training can be measured not only by increased earnings but also by the decrease in turnover and the corresponding savings.


Many of the problems facing the real estate business today appear to be caused by or associated with the type of compensation plan being used. Either directly or indirectly the straight commission form of compensation plan has affected the recruiting and selection of salesmen, the training of salesmen and the supervision of salesmen. It is not suggested that a straight commission form of compensation results directly in poor management practices in the above areas but only that the straight commission plan has enabled management to ignore their responsibilities because the dollar costs of ignoring these areas are minimized under a straight commission basis.

There seems to be little doubt that if real estate salesmen were paid a minimum salary the firms would be more selective in their new salesmen, provide better training and provide better supervision. This would result in fewer new salesmen entering the business, some low
producing salesmen being fired and the calibre of those remaining in the business would be improved by better training and supervision. A minimum salary would force management to take a more responsible attitude towards selecting, training and supervising salesmen by increasing the fixed costs associated with salesmen.

If a change in the method of compensation, from a straight commission plan to a minimum salary plus commission plan, would result in improved management practices and reduction in the number of salesmen, it would appear worthy of consideration. Unfortunately the introduction of a minimum salary has some drawbacks. To begin with it is very difficult to force all firms to provide a minimum salary for their salesmen. The local real estate boards could introduce such a change, however, unless it was acceptable to the majority of members (75% in the Vancouver Board) it would not be passed. Even if the boards were successful in passing such a motion, it would not apply to non-members. Salesmen who are fired by a firm using a minimum salary could be employed by firms which were not members of the local board and who were not granting a minimum salary. Although membership to the local real estate boards is desirable because of the multiple listing service, it would still be possible for a firm to operate successfully without being a member.

Another problem associated with the introduction of a minimum salary would be the task of enforcing such a plan. It would be difficult to ensure that all firms supposedly granting a minimum salary were in fact doing so. Still another problem would be the added fixed expense to the firms. Some firms may be forced to reduce their sales staff simply because of one or two poor months. In a business where even
the best salesmen could go one or two months without earning any commissions, the firm would be faced with a heavy fixed salary expense and no income. This would mean the firms either had to accumulate more capital or release their salesmen. One other problem which must be considered is the initial effect of the introduction of a minimum salary. Almost overnight about 30% of the sales force or 400 salesmen would likely be fired.

Although it appears likely that the real estate salesmen will be receiving a minimum salary in the future, an intermediate step to soften the effect of such a change would be desirable. The introduction of a rising scale of commission would result in some improvements without any of the undesirable effects of introducing a minimum salary. If a rising scale of commission was introduced, the low income producing salesmen would receive less than they now receive, the middle income producing salesmen would remain about the same and the high income producing salesmen would receive more than they now receive. Under such a compensation plan some of the low income producing salesmen would leave the business on their own although probably not as many would be forced out if a minimum salary was introduced. The 30% of the salesmen currently earning $3,000 per annum or less would only earn $2,350 or less. This loss of $650 would force out any salesmen depending on real estate earnings as the only source of income. It would not force out all the salesmen using their real estate income as a supplement to their other income.

Another advantage of the rising scale of commission is the fact that all firms need not adopt the plan. Any firm could continue on the present 60% - 40% plan if they so desired. However, the firms using
the rising scale of commission would be able to attract all the high income producing salesmen since these salesmen would earn a higher marginal rate at the firm using the rising scale. Still another advantage is the fact that the firms would not be required to increase their fixed costs associated with the salesmen. In fact the firms would receive the bulk of their income from the early earnings of the salesmen.

One of the chief disadvantages of the rising scale is that it will not provide an incentive for the firms to improve their management practices. By remaining on a commission plan the firms are still able to recruit salesmen in large numbers while a minimum salary plan would presumably improve the performance of the managers. It is possible that management will improve no matter which compensation plan is used, however, the minimum salary would likely bring about the most rapid changes. Even if a minimum salary was introduced the rising commission scale could be used since it would still provide a powerful incentive for the salesmen. In the event that the real estate firms do not introduce a minimum salary, the rising commission plan should be adopted because of the benefits it has to offer to the good salesmen and to the firm.

Another consideration regarding compensation plans has to do with compensating sales managers. Because of the nature of the tasks performed, the sales manager should receive a salary plus an override on commissions earned by the salesmen working under him. The salary is used to ensure that the sales manager will look after his office work and miscellaneous tasks. The override will provide the sales manager with an incentive to work with the salesmen. Both parts, salary and
override, must be included if the sales manager is to be motivated to perform his functions properly and effectively.

At present one of the major defects in the sales manager's compensation plan is the fact that the manager is allowed to handle clients on his own. This immediately introduces a conflict of interest. The sales manager receives an override of about 10% of the gross commissions of his salesmen and the manager could also receive 60% of the gross commissions from his own sales. Where this situation exists the manager has more incentive to spend all his time working with his own clients rather than with the salesmen. The other problem is that the salesmen view the manager as a competitor rather than a supervisor. This leads to an unsatisfactory relationship between the manager and the salesmen. For these reasons it seems desirable to prohibit the managers from handling clients directly. If the sales manager cannot earn enough acting as a manager the salary or override should be adjusted, instead of permitting the manager to sell on his own.

C. The Real Estate Business.

All the changes that have been suggested are of a nature that can be brought about by the individual firms working within the existing structure of the real estate business. These changes are necessary if the real estate business is to be more efficient and they are the responsibility of management.

There appears to be no need to change the structure of the business, in fact the present structure is well suited to the type of service provided.
At present the real estate business is comprised of a large number of relatively small local firms. It may be possible to reduce some expenses by eliminating some firms and increasing the average size of the firm. However, there is no evidence to suggest that the size of the firm is in any way responsible for the inefficiencies which exist in the business. The large number of small firms and easy entry conditions insure that the real estate business will remain competitive and provide local service to their clients. This competition exists in the quality of the service offered, rarely in the cost of the service offered.

It has been argued that a reduction in the number of real estate firms and an increase in the size of firms would reduce the costs per sales and possibly benefit the public. However, there is no evidence to support this argument. The service fee charged by the real estate business is fixed for all firms belonging to the local boards. Therefore, the firms survive or fail on the basis of the service provided rather than on a cost basis. For this reason the large number of firms appear to increase competition on the basis of service offered which benefits the clients.

It would seem therefore, desirable to maintain the present structure of the real estate business. Considerable improvements are possible within the individual firms and the local boards and associations can assist the firms in making the improvements. The boards and associations should limit their activities to assisting the firms rather than forcing the members to adopt changes. If the boards or associations attempt to force too many changes their membership may be reduced, thus reducing their sphere of influence. It would not appear that any improvements in the operation of the real estate business could be brought about by the Real Estate Act. The
The purpose of the act is to protect the public, not improve the efficiency of
the firms. Therefore, the responsibility for improvements rests on the
agents, nominees and managers.

The real estate salesmen were asked for their suggestions on how the
real estate business could be improved. Their comments are summarized as
follows:

(a) A guaranteed minimum salary should be provided. The salesmen
earning a low income in 1963 suggested the minimum salary was
necessary.

(b) Eliminate the "part-time" and semi-retired salesmen.

(c) Limit the number of salesmen's licenses in a given area.

(d) Introduce a minimum salary for the first four to six months while
the new salesmen are getting established.

(e) Stricter enforcement of the laws, regulations and code of ethics.

(f) Establish periodic refresher courses for the salesmen.

(g) Improve the public image of the real estate business through
increased public relations.

These comments are in order of frequency.

As may be expected, the salesmen are concerned mainly with those
changes which would directly affect their own position and income. Only two
or three salesmen mentioned the need for better supervision and sales train-
ing. Although the salesmen are aware of the problems created by an excess
of salesmen, however, the suggestions for correcting these problems are
not necessarily the most desirable. The idea of limiting the number of
licensees in a given area creates a number of other problems. Who will
determine the number of licenses? Who will determine which applicant will
receive a license? The suggestions to eliminate the "part-time" and semi-retired salesmen is valid since these salesmen are taking business away from the full time salesmen. The suggestions for a minimum salary or a salary during the initial few months are valid, as are the suggestions for refresher courses and stricter enforcement of the regulations.

The agents and managers were asked for their suggestions on how to improve the real estate business. Their suggestions were:

(a) Develop a more professional approach in the real estate business.
(b) Increase the educational requirements for real estate salesmen.
(c) Attract young men to the business.
(d) Introduce a minimum salary for the real estate salesmen.
(e) Eliminate the low income earning salesmen.
(f) Eliminate the "part-time" and semi-retired salesmen.
(g) Improve the quality of the service offered to the public.

It is apparent the agents either are not aware of the causes of the problems or they are not willing to admit that many of the problems are caused by management. The suggestions advance by the agents are all worthwhile improvements, however, they do not get to the root of the problems. Developing a professional attitude and improving the quality of the service offered are worth while aims, however, these can only be achieved if the agents and managers will attempt to improve their management practices.

If improvements are to be made in the real estate business, the agents and managers of the individual firms must be critical of their own performance to date. Improvements are possible but it will require a careful analysis of the problems, a more responsible attitude on the part of the salesmen and management and some sacrifices must be made by the salesmen
and management. Making improvements may cost money and take up a considerable amount of time. However, the real estate business should start to make these improvements rather than waste time seeking some "gimmick" or short-cut which will solve their problems.
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ARTICLE 1
The member should keep himself informed as to developments and trends affecting real estate in his community, as well as in its provincial and national aspects, so that he may be able to contribute to public thinking on matters of taxation, legislation, land use, city planning and other questions affecting property interests.

ARTICLE 2
It is the duty of the member to be well informed on current market conditions in order to be in a position to advise his clients as to the fair market price.

ARTICLE 3
It is the duty of the member to protect the public against fraud, misrepresentation or unethical practices in the real estate field. He should endeavour to help stamp out or prevent arising in his community, any practices which could be damaging to the public or to the dignity and integrity of the real estate profession.

If there be an authority or commission in his province, charged with the duty of regulating the practices of brokers and salesmen, the member should lend every help to such body, co-operate with it, and report violations of proper practice.

ARTICLE 4
The member should ascertain all pertinent facts concerning every property for which he accepts the agency, so that he may fulfill his obligation to avoid
error, exaggeration, misrepresentation, or concealment of pertinent facts.

ARTICLE 5
The member shall not be a party to the naming of a false consideration in a deed, unless it be the naming of an obviously nominal consideration.

ARTICLE 6
The member shall not discourage parties to a transaction from seeking legal counsel.

ARTICLE 7
The member shall keep in a special bank account, separated from his own funds, monies coming into his hands in trust for other persons, such as escrows, trust funds, clients' monies and other like items.

ARTICLE 8
The member in his advertising shall be careful to present a true picture and shall not advertise without disclosing his name or his firm name, nor permit his salesmen to use individual names or telephone numbers, unless the salesmen's connection with the member is obvious in the advertisement.

ARTICLE 9
The member, for the protection of all parties with whom he deals, shall see that financial obligations and commitments regarding real estate transactions are in writing, expressing the exact agreement of the parties; and that copies of such agreements, at the time they are executed, are placed in the hands of all parties involved.

ARTICLE 10
The property should be offered by the member solely on its merit without exaggeration, concealment, or any form of deception or misleading representation.

ARTICLE 11
Under no circumstances shall a member permit any property in his charge to be used for illegal or immoral purposes.
ARTICLE 12
At the time the agreement is reached as to the terms of a transaction the member shall fully inform each party regarding commissions and other expenses to which each is respectively liable.

ARTICLE 13
In accepting employment as an agent, the member pledges himself to protect and promote the interests of the client. This obligation of absolute fidelity to the client's interest is primary, but does not relieve the member from the obligation of dealing fairly with all parties to the transaction.

ARTICLE 14
In justice to those who place their interest in his hands, the member should endeavour always to be informed regarding the law, proposed legislation, zoning restrictions, legal orders issued and other essential facts and public policies which affect those interest.

ARTICLE 15
The member shall not accept compensation from more than one party to a transaction without the full knowledge of all parties concerned.

ARTICLE 16
The member shall not acquire an interest in or buy for himself, his firm or any member thereof, or a corporation in which he has an interest, property listed with him or his company or firm, without making his true position known to the listing owner. In selling property owned by him, or in which he has some ownership interest, the exact facts shall be revealed to the purchaser.

ARTICLE 17
The exclusive multiple or co-operative listing of property, as opposed to
"open listing" should be urged and practised by the member as a means of preventing dissension and misunderstanding and of assuring better service to the owner.

ARTICLE 18
When acting as agent in the management of property, the member shall not accept any commission, rebate or profit on expenditures made for an owner.

ARTICLE 19
The member should charge for his services such fees as are fair and reasonable, and in no case less than established by local custom.

ARTICLE 20
When asked to make a formal appraisal of real property, the member should not render an opinion without careful and thorough analysis and interpretation of all factors affecting the value of the property. His counsel constitutes a professional service for which he should make a fair charge.

The member shall not undertake to make an appraisal or render an opinion of value on any property where he has a present or contemplated interest unless such interest is specifically disclosed in the appraisal report.

Under no circumstances shall he undertake to make a formal appraisal when his employment or fee is contingent upon the amount of his appraisal.

The member shall not undertake to make an appraisal that is outside the field of his experience unless he obtains the assistance of a member or appraiser familiar with such types of property, or unless the facts are fully disclosed to the client.

ARTICLE 21
The member should not advertise property without the owner's authority and in any offering, the price quoted should not be other than that agreed upon with the owners as the offering price.
ARTICLE 22
In the event that more than one formal offer on a specific property is made before the owner has accepted a proposal, all written offers shall be presented to the owner for his decision.

ARTICLE 23
The acceptance by a member of an exclusive or multiple listing imposes the obligation or rendering skilled and conscientious service; when a member is unable to render such service either himself or with the aid of his fellow members, he should not accept the listing.

ARTICLE 24
Before offering a property listed with him by the owner it is the member's duty to advise the owner honestly and intelligently regarding its fair market value.

ARTICLE 25
The member should seek no unfair advantage over his fellow-members and should willingly share with them the lessons of his experience and study.

ARTICLE 26
The member should so conduct his business as to avoid controversies with his fellow-members; but in the event of a controversy between those who are members of the same Real Estate Board, such controversy should be submitted for arbitration in accordance with regulations of their Board and not to a suit at law. The decision in such arbitration shall be accepted as final and binding.

ARTICLE 27
Controversies between members who are not members of the same Real Estate Board shall be submitted to an arbitration board consisting of one
arbitrator chosen by each member from the Real Estate Board to which he belongs. One other member, or sufficient number of members to make an odd number, shall be selected by the arbitrators thus chosen.

ARTICLE 28
When the member is charged with unethical practice, he shall voluntarily place all pertinent facts before the proper tribunal of the Real Estate Board of which he is a member, for investigation and judgment.

ARTICLE 29
The member should never publicly criticize a competitor, nor volunteer an opinion of a competitor's transaction. If his opinion is sought it should be rendered with strict professional integrity and courtesy.

ARTICLE 30
When the member accepts a listing from another broker, the agency of the broker who offers the listing should be respected until it has expired and the property has come to the attention of the accepting member from a different source, or until the owner, without solicitation, offers to list with the accepting member unless contrary to the rules of the local Real Estate Board; furthermore, such a listing shall not be passed on to a third broker without the consent of the listing broker.

ARTICLE 31
Negotiations concerning property listed exclusively with one member shall be carried on with the listing member, not with the owner, except with the consent of the listing member.

ARTICLE 32
The member shall not solicit the services of an employee or salesman in the organization of a fellow-member without the knowledge of the employer.
ARTICLE 33
Signs giving notice of property for sale, rent, lease or exchange shall not be placed on any property without authorization of the owner and no member shall interfere with another member's sign.

ARTICLE 34
In the best interest of society, of his associates and of his own business, the member should be loyal to the Real Estate Board of his community and active in its work.

ARTICLE 35
The schedules of fees established by the various Real Estate Boards are believed to represent minimum compensation for service rendered in their respective communities and shall be observed by every member.

ARTICLE 36
A member shall never seek information about a competitor's transaction to use for the purpose of closing the transaction himself or for the purpose of interfering with any contractual undertaking.
## Recruiting and Hiring

### (A) Source of New Salesmen:

<table>
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<tr>
<th>Source</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Personal Contact</td>
<td></td>
</tr>
<tr>
<td>Advertisement</td>
<td></td>
</tr>
<tr>
<td>Recommendation</td>
<td></td>
</tr>
<tr>
<td>Other Sources</td>
<td></td>
</tr>
</tbody>
</table>

### (B) Salesmen's Qualifications

As a potential employer, are you interested in any of the following qualifications regarding potential salesmen? Indicate your policy regarding these terms.

1. **Education:**
   - 
   - 
   - 
   - 

2. **Age:**
   - 
   - 
   - 
   - 

3. **Marital Status:**
   - 
   - 
   - 
   - 

4. **Previous Experience:**
   - 
   - 
   - 
   - 

5. **Other qualifications which you regard as important:**
   - 
   - 
   - 
   - 

### (C) Hiring Procedure

1. **Who hires the salesmen?**
   - Agent
   - Manager - (where manager is employed)
2. Do you have more than one personal interview with potential employees?

3. Do you interview the wife (husband) of the potential employee?

4. Do you use a testing program or have you used a testing program in the past?

5. What tests do you use or have you used?

11 Training Program

A) Internal

1. Please explain, in detail, your training program for new salesmen. (Indicate: Who is responsible for training; the training "aids" or "tools" used; the length of your training program; if your program is a "once over" or continuous program.)
(2) How often do you hold sales meetings? __________________________

(3) Do you have a written "policy manual"? __________________________

(4) When was your "policy manual last revised? 19 __________

(5) Do you provide a written "job description" to new salesmen? _______(If you use a written "job description", would you please attach a sample copy)

(6) Do you give "in office" training to salesmen while they are taking the pre-licensing course? __________________________

(B) External

(1) Do you encourage your salesmen to take courses in Real Estate or Salesmanship? __________________________

(2) Does the firm pay part, all or none of the costs of outside courses? __________________________

111 Compensation and Other Benefits - Salesmen

(1) Do you have a "written contract" for your salesmen? __________________________
(If you use a written contract, would you please attach a sample copy.)

(2) Explain, in detail, the method of remuneration for salesmen. (Include such items as: a drawing account, a minimum salary, any profit sharing plans, car allowance and commission splits.) __________________________
(3) Do you hold sales contests? ________________________________

(A) How often do you hold these contests? ________________________________

(B) What are the prizes? ________________________________

(4) What other methods do you use to motivate your salesmen?
{Other than financial)

________________________________________

(5) Are you in favour of a minimum salary? ________________________________

(6) What would you consider to be a suitable minimum monthly salary?

________________________________________

(7) Does your firm have: A group medical plan? ________________________________

A group insurance plan? ________________________________

A group pension plan? ________________________________

(8) What part of the advertising costs are paid by the firm?
{Exclude, employment advertisements}

________________________________________

(9) What per cent of a salesman's gross earnings should be spent on advertising?

________________________________________

(10) For the year January 1st to December 31st, 1963, indicate the number of salesmen, employed for the whole year, in each earnings category. For salesmen employed for part of the year, indicate the average earnings per month while employed by you.

(A) SALESemen EMPLOYED FOR THE WHOLE YEAR

<table>
<thead>
<tr>
<th>Earnings Range</th>
<th>Salesmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 0 - $ 2,999 per year</td>
<td>Salesmen</td>
</tr>
<tr>
<td>3,000 - 3,999 per year</td>
<td>Salesmen</td>
</tr>
<tr>
<td>4,000 - 4,999 per year</td>
<td>Salesmen</td>
</tr>
<tr>
<td>5,000 - 5,999 per year</td>
<td>Salesmen</td>
</tr>
<tr>
<td>6,000 - 6,999 per year</td>
<td>Salesmen</td>
</tr>
<tr>
<td>7,000 - 7,999 per year</td>
<td>Salesmen</td>
</tr>
<tr>
<td>8,000 - 9,999 per year</td>
<td>Salesmen</td>
</tr>
<tr>
<td>10,000 and up per year</td>
<td>Salesmen</td>
</tr>
</tbody>
</table>
(B) SALES MEN EMPLOYED PART OF THE YEAR

<table>
<thead>
<tr>
<th>$</th>
<th>0    - $249 per month</th>
<th>299 per month</th>
<th>349 per month</th>
<th>399 per month</th>
<th>499 per month</th>
<th>599 per month</th>
<th>699 per month</th>
<th>700 and up per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salesmen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(11) Can you give any explanation for the low earnings (under $4,000 per annum) and the high earnings (over $8,000 per annum).

(12) Could you suggest how the average earnings in the Real Estate Business could be increased?
Compensation and Other Benefits - Sales Managers

(1) Explain, in detail, how your sales managers are paid. (Include such items as: salary, commission split, profit sharing plans, car allowance.)

V Organization

(A) Legal Organization

(1) Is your firm: A company? __________

A partnership? __________

A proprietorship? __________

(2) If your firm is a company, who controls the voting shares?

Salesmen? __________

Nominees? __________

Others? __________

(B) Internal Organization

(1) How many separate departments are there in your firm? __________

(a) List the departments in your firm: ________________________________

______________________________
(2) How many offices do you have in the lower mainland area?______

(3) How many salesmen do you employ at present?__________

(4) How many sales managers do you employ at present?__________

(5) What is the size of your full time clerical staff?__________

(6) Are your salesmen bonded by the firm independently of
the requirements of the Act?__________

(C) Termination of Salesmen's Employment

(1) How many salesmen did you hire in 1963?____________________

1962?____________________

(2) How many salesmen gave notice to the firm in 1963?__________

(3) To how many salesmen did the firm give notice in 1963?__________

(4) What are the major causes of termination?

_________________________________________________________________

_________________________________________________________________

_________________________________________________________________

_________________________________________________________________

_________________________________________________________________

(5) In your opinion, how could the Real Estate Business be improved?

_________________________________________________________________

_________________________________________________________________

_________________________________________________________________

_________________________________________________________________

_________________________________________________________________

(over if necessary)
SALES MEN'S QUESTIONNAIRE

APPENDIX C

1. Sex: Male ______ Female ______

2. Age: ______

3. Marital Status: Married ______ Single ______
   Divorced ______ Separated ______
   Widow (er) ______

4. If married, what type of work does your wife (husband) do?
   __________________________________________

5. Number of Dependents: ______

6. Education: Junior Matriculation ______ Senior Matriculation ______
   Part University ______ Complete University ______
   Degree ______

7. What was the nature of your work before entering the Real Estate Business?
   __________________________________________

8. Why did you choose to go into the Real Estate Business?
   __________________________________________

9. How long have you been selling Real Estate? ______ years.

10. How many Real Estate firms have you worked with in the previous four years?
    ______ firms.

11. Why did you leave the last firm?
    __________________________________________
12. Length of service with present employer: _______ years.

13. Why did you join your present firm?

14. Do you consider yourself to be: A Residential Salesman? _______

A Commercial and Industrial Salesman? _______

15. What per cent of your 1963 income came from:

The sale of Residential Real Estate? _______

The sale or lease of Commercial and Industrial Real Estate? _______

16. List any real estate courses or selling courses, other than the pre-licensing course, which you are taking or have completed.

17. Do you consider the pre-licensing course is adequate? _______

too difficult? _______

not difficult enough? _______

18. What publications, other than the local newspapers, do you read regularly?

19. What time do you normally go to the office in the morning? _______

If you do not report to the office each morning, what time do you start work? _______
20. What time do you normally go home in the evening? 

21. As an average, how many days do you have off per week? _____ days.

22. As an average, how many evenings do you have off per week? 

23. How many days holiday did you take in 1963? (Exclude statutory holidays) 

24. What clubs and/or other organizations do you belong to at present? 

(Include service clubs, sports clubs, and community or school clubs).

25. What was your gross income from selling or leasing Real Estate in 

1963? $ __________

1962? $ __________

1961? $ __________

26. What do you consider to be your minimum monthly financial requirement? 

$ __________ per month.

27. Does your wife (husband) like you working in the Real Estate Business? 

28. In your opinion, how could the Real Estate Business be improved? 

(if necessary, use an extra sheet of paper and attach.)
In the next few days you will be receiving a series of questionnaires directed to yourself and to the salesmen in your organization.

The Board earnestly solicits your co-operation in the proper completion of these questionnaires as your Directors feel that these questions properly analyzed can give us answers to some of the very real problems that we are faced with in the Real Estate Industry today. These questionnaires have been prepared by the Joint Broker-Salesman Committee in co-operation with Professor Philip H. White and Mr. Stan Hamilton of the University of British Columbia.

Mr. Hamilton, who is a graduate student working on his Master's Thesis at the University, will be assembling and processing the results of this survey over the next three months. I would impress upon you that while the results of the survey will be available to the Board on a statistical basis, the information contained in the questionnaires is and will remain completely anonymous.

Mr. Hamilton will be calling upon every member of the Vancouver Real Estate Board over the next three months and your Directors earnestly solicit your co-operation in this venture.

Yours very truly,

John L. Boultbee,
President.
June 16th, 1964.

Dear Member:

As you are probably aware a Joint Broker-Salesman Committee was formed earlier this year to thoroughly investigate and attempt to resolve some of the problems affecting both broker and salesman.

This committee is presently engaged in a comprehensive study of the factors affecting the average income of Real Estate salesmen which is alarmingly low. Mr. Stan Hamilton, a graduate student, working on his Masters thesis has been employed, through the University of British Columbia, for the purpose of conducting this study. In order to do this it is necessary that he secure certain information and with that idea in mind a questionnaire is being circulated to all salesmen and agents. I would strongly urge that you answer this questionnaire fully and accurately when it is presented to you. Your name is in no way connected with your answers and the information obtained is for general purposes only.

It will be privileged information to Mr. Hamilton whose job it will be to provide a general analysis of all the information obtained to our Joint Broker-Salesman Committee.

I am confident that the results of this survey will lead to a greatly improved position for the salesman who intends to make Real Estate his career. I know I can count on your full cooperation.

Yours truly,

W. E. Clarke, President
Salesmen's Division.
Model Application Form for Real Estate Salesmen

1. Name_________________________ Date_________________________

2. Address_________________________ 3. Date of Birth_________________________

4. Social Security Number_________________________

5. Years of formal education_________________________

6. Married?____ Single?____ Widowed?____ Divorced?____

7. Number of children____ Other dependents_________________________

8. Do you own real estate?______________

(Female applicants may omit question 9)

9. Do you carry insurance?____ What kinds and amounts?_________________________

10. Do you own one or more automobiles?

Make_________________________ Year_________________________ Make_________________________ Year_________________________

11. I have lived most of my life in a:

City of over 75,000________

City between 20,000 and 75,000____

Town of less than 20,000____

Rural area____

(Male applicants answer 12—Female applicants answer 12a)

12. What income per month is the minimum you believe necessary for you and your family?

12a. What are your reasons for working?

13. What income per month is the maximum you expect to earn in your lifetime?

14. What are your hobbies?

15. Do you have more books or fewer books in your home than your friends?

16. Give a brief description of your employment for the last five years. Include: job title, duties, name of supervisor and reason for leaving.

17. List names and addresses of three people (preferably local) whom we may contact regarding your qualifications.

I understand that persons listed in items 16 and 17 may be contacted concerning my employment record and qualifications, and I hereby release from all liability or damage those individuals or corporations who provide such information.

Signature_________________________
The Officers and Directors of the Missouri Real Estate Association have realized that for some time the high rate of turnover of salesmen and women has been a serious problem in the industry.

In an attempt to remedy this situation and help both brokers and salesmen, a study was undertaken. The result of this study has led to the creation of an aptitude interview form.

This Missouri Real Estate Association gratefully acknowledges the use of material prepared by the Florida Association of Realtors who have done pioneer work in aptitude testing for salesmen.

We acknowledge the capable work of Charles J. Krauskopf, Ph.D., University of Missouri.

INSTRUCTIONS FOR USE OF APPLICATION FORM FOR REAL ESTATE SALESMEN

1. Read all of the information in this folder before the interview. Become familiar with the material to be used.

2. Plan the interview to gain the most from it for the benefit of yourself and the applicant.

3. This is a three page form. The first page is to be filled in by the applicant for you. The next page provides a set of evaluating guides to be checked by you as you use the questions of the third page. By using the same questions with each person interviewed you are able to use the same standards with each applicant.

There is a reason for each question in the application form. The following commentary will help you to understand the value and meaning of the answers given by the applicant.

Guide to the Interpretation of Applicant Form for Real Estate Salesmen

The following comments are intended only as a guide for evaluating the model application form for real estate salesmen.

The interviewer should remember at all times judgment of the applicant should be based on the total picture of the person and not on any one characteristic, or not on any one answer. If the applicant consistently gives answers at variance to those of people who are successful in this business, the interviewer should realize that to employ such a person is to go contrary to experience.

The interviewer should also realize that in all cases there are exceptions and that one or two nonconforming answers should not govern the choice.

With this general premise in mind, the following comments can serve as guides to interpreting answers that the applicant will give on the form he fills out.

Questions 1 to 4 are simply identifying data and require no explanation.

Question 5 will help you judge with what group of people the salesperson is most likely to succeed. The chances of success are greater when the educational achievements of the salesperson and his clients are reasonably close together.

Question 6 shows the marital status of the applicant, and it is generally true that a person is more likely to succeed if the marriage status is stable. In the verbal interview there might be some merit in learning the person's attitude toward his divorce, if there has been one.

Question 7 is in the application for the purpose of showing the obligations of the applicant. Generally speaking, people with dependents have a greater sense of responsibility and a greater need for earnings.

Question 8 does not necessarily require a "yes" answer, but an applicant should certainly believe in real estate ownership.

Question 9 is intended primarily for male applicants. There should be a relationship between the amount of insurance and the family obligations of the applicant. A person with a family and no insurance is rather unusual, and the person who is insurance poor may be lacking in confidence, which is usually a handicap to a salesperson. (Please note this is not as true of the working wife and therefore the question is omitted by female applicants. Some inquiry might be justified on this point in the case of a woman who is the head of a household.)

Question 10 is to show you the availability of transportation of the individual. The individual with a large family and but one car may have limited access to his transportation. In the verbal part of the interview, you might explore with the applicant the type of car that he has. As an interviewer you might want to consider relationship to the availability, dependability, model and condition of the kind of transportation the applicant has in relation to the class of people with whom you expect him to work.

Question 11 should be considered by the interviewer in this light. Generally speaking, an applicant will be most successful working in a situation with which he is most familiar. The objective to be determined is whether or not the applicant knows the type and value of property where you do most of your business.

Question 12 shows there is a relationship to the standard of living a family will have, the number of dependents a man has, and the minimum income he believes is necessary. The answer should show you what standard of living he desires.

Question 12a applies to women applicants. You will be able to judge from the reasons for seeking employment the amount of drive and initiative the applicant will have in relation to her employment.

Question 13 is somewhat along the same line, but the interviewer should remember that unless a person desires to be financially successful the likelihood of that success is limited.

Question 14 should be interpreted in the light of evidence that successful real estate people are generally not interested in mechanical hobbies or the more strenuous sports, but are more interested in drama, literature, and sports as spectators.

Question 15 should be compared to the fact that successful real estate people apparently have more books in their home than most of their friends.

Question 16 has been deliberately left blank, but it requires a narrative answer. Beside learning the activities of the individual, you will have an opportunity to see their ability to organize material and express themselves concisely and clearly.

Question 17 places on the interviewer the positive obligation to make some inquiry from the people you have been given as references. One of the greatest failings of interviewers is the unwillingness to make these checks regarding applicants.
Real Estate Interviewers
Guide

By Charles J. Krauskopf, Ph.D.

Published by Missouri Real Estate Association

PRESIDENT: BRADY STEVENS
EXECUTIVE VICE PRESIDENT: CHESTER L. WOLFE
RESEARCH COMMITTEE: VERNON MILES, Chairman
BRUCE J. BRANCH
ORVILLE G. CLARK
PAUL HAMILTON
RAYMOND W. LANSFORD

MAY, 1964
Getting Information

Books on interviewing often talk about leading questions or general leads. This means questions designed to bring out narrative answers, rather than single word or short phrase answers. This is not the leading question on the Perry Mason show which is designed to get a specific answer. A good leading question in interviewing stimulates the candidate to talk, is limited to one area and gives no hint of the answer the interviewer would consider favorable. For example: How do you feel about rent control? Now you wouldn’t say you were in favor of rent control, would you? People who sell for a living in particular should watch this. Their usual business conversations often have the opposite goal.

Listen to the answers. You cannot use information, you did not hear. No matter how skillful an interviewer is in getting others to talk it is useless if he does not listen.

Patterned interviews have several advantages for selection interviewing. They make comparing candidates easier than a free interview. They make it easier for an interviewer to listen since he does not have to think so much about what to say next. At a minimum some questions should be prepared and asked of all candidates. It is generally better to use a common form for all.

Many interviewers are uncomfortable in silence. Remember, the candidate is usually less comfortable. Also, his reaction to silence is often indicative of his general self assurance. Silence can be used as a technique to get more information. Often, if the interviewer does not ask the next question immediately the candidate will continue talking. It is easy to overuse this technique since it usually makes people uncomfortable.

Reflection is a technical label for a type of statement which usually leads people to talk more or expand on a previous statement. It is a quick summary formed as a question. For example, after a candidate has given two or three situations where the foreman on his present job favored another man, “The foreman plays favorites?” There are varying degrees of this, each with its own technical name, in the same situation one could say, “You really don’t like the foreman!” Or, “You hate the foreman, don’t you?” The difference is in how much of the feeling tone is reflected in relation to the actual content or meaning of the words the person says. If you reflect too much of the feeling expressed you are actually interpreting his expression more than his words. This can be easily overdone. The selection interviewer should stick fairly close to the content meaning of the words. Reflecting expressed emotion is a technique of the psychologist and psychiatrist and if overused can lead to very unhappy situations.

Tentative analysis is another technique often used to get information. This is a statement to indicate to the candidate that you are really listening and are interested. You summarize what he has said about a particular topic, then ask if you are right. One of the main differences from reflection is that it covers a longer time period. If the candidate has said all he wants to at this point he will say so and you can ask the next question, but if he was waiting for some reaction he may say much more.

Evaluating the Information

This is probably the interviewers most difficult task. At the end of the interview he should have some idea of the candidates:

1. Ability to do the work involved, including knowledge of the field.
2. Ability to meet people easily without antagonizing them.
3. Interest in real estate and sales.
4. Likelihood of remaining with the firm.
5. Likelihood of acceptance by other members of the organization.

This requires that he keep these things in mind throughout the entire interview. The model selection interview form was designed to help the interviewer with questions to ask to get the needed information and to help in collecting impressions after the interview. It should also help in covering the same kinds of information with each applicant, making comparability easier.

Suggested Further Reading on Interviewing

2. Bingham, W. V., Moore, B. V., and Gustad, J. How to Interview.
What Is an Interview?

An interview is nothing more than a conversation with a purpose.

Selection Interview

A selection interview has several purposes. The first is to obtain information about a person applying for a job. It is used to supplement information obtained from written application blanks and information from references. It has a second purpose of selling likely candidates on accepting the job. It does no good to pick out the most likely candidates if the procedure used is offensive to them. A third purpose from the candidate's point of view is to find out all he can about the people he might be working with and what they will expect him to do.

Patterned Interview

A patterned interview is one where the same, or nearly the same, questions are asked of several people so that they can be compared. Usually some sort of form or interview guide is used. Sometimes the interviewer memorizes a set of questions to ask or topics to cover.

Parts of an Interview

This depends partly on the purpose, but all interviews have at least three. The first is a warm up. The second is a working section. The third is an ending. The second section is where the purposes mentioned above are most evident, but their success depends a great deal on the other two parts.

Warm Up

The one thing a section interviewer wants most is information about the person he is talking to. He will not get much if the person is uncomfortable and ill at ease. He needs to warm up to talking about himself. Baseball, the weather, local affairs, or some more neutral subject is usually used to get the person used to the situation and the interviewer and just to get him started talking.

Ending

An abrupt or completely impersonal ending to an interview will defeat one of the purposes of selection interviewing. It will give the candidate a poor impression. Other things being equal this could be the factor which will send a good candidate to some other employer.

Note taking

As long as you do not keep your head buried in paper, most job applicants expect you to make some notes and are not uncomfortable when you do.

Sources of Error and Interference

Errors and interference in interviews come from many places. Here are three of the most important and basic ones. Additional ones may be found in the reference given at the end. The halo effect is very common. This is the generalization of one characteristic of a person, good or bad, to the point where the whole evaluation of a person is made on that characteristic. For example, a person who is sloppily dressed on first meeting may be rated low on many things no matter what he says. A Cardinal fan may get a very good impression of another Cardinal fan during warm up where an interviewer who hates baseball may decide the candidate is showing poor judgment spending so much time at the ball park. Above average height is another characteristic which creates positive halo. Verbal facility, the "gift of gab" is probably the most common halo creator.

Interviewer prejudice is another common interference in selection interviewing. Some employment interviewers do not like people who smoke pipes. I have met one who would not hire anyone who salted food before tasting it. Some feel that women cannot sell, or be mechanics. Make sure the things you are rating are related to the job. Do you know anyone with this trait who is a success in selling?

A third, very important, source of error in interviewing is not listening. Many interviewers, particularly inexperienced ones, do not listen to what the other person says. Good interviewing consists mostly of getting the person to talk about the job or other pertinent questions and then listening carefully to what the person says.
Instructions to interviewer: This form contains four areas of questioning and some suggested questions in each. You should not feel bound to the exact wording or number of questions. Use these questions as ideas and word your questions in a way which feels comfortable to you. Make the summary ratings at the end immediately. It is also a good idea to jot down additional notes then about why you make each rating as you do.

Previous Experience
1. What do you expect to get out of selling real estate that you don't get in your present job?

2. Bargaining is important in this business. Have you ever done any bargaining? For anyone else? How did it go? (ask candidate to tell about a specific situation).

3. Can you give me examples of one or two situations where you had to persuade other people to do something?

4. Do you have any questions about this job or about selling real estate?

5. What experiences have you had which led you to apply for a job as a salesman?

6. What are the most important things you learned on your first job?

7. If your supervisor (on your present job, or school principal, etc.) were asked what are your most important assets, what would he say?

8. Can you tell me just what your duties are in your present job? (or other job which he cites as relevant experience).

School and Training
1. How would you describe yourself as a student?

2. What were your favorite (most disliked) subjects? Why?

3. What positions did you hold (activities, positions of leadership) and just what did you do in them?

Family
1. If I asked your wife what she thought about this job, what would she say?

General
1. If you had all the money you need, what occupation would you choose?

2. How long were you in your previous job? (get specific information for possible check with references).

3. Have you ever been refused a bond?

4. Any other specific information needed. Perhaps there is something on the written application or in correspondence with the candidate you want to ask about.

5. Give the candidate some part of the interview to ask any questions he may have.
<table>
<thead>
<tr>
<th>Candidate's Name</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>


- unsatisfactory for salesman
- rather unfavorable impression
- acceptable
- very favorable
- commands admiration

2. Expressive ability: Speak well? Easily grasp question meaning? Confused in presenting ideas?

- unusually clear and convincing
- very good ability
- to express himself
- about average for salesmen
- hesitant or gets involved in detail
- confused

3. Self confidence: At ease in the interview? Seems to know what he wants?

- superb poise, good humor
- under stress
- wholesomely self confident
- well poised most of time
- impatient or shows some impulsiveness
- irritable or over sensitive, easily disconcerted or timid

4. Friendliness: Does he like people? Do they like him?

- keeps people at distance
- does not attract friends easily
- approachable, likeable
- has many friends
- inspires personal loyalty

5. Knowledge of real estate business:

- none at all
- as much as the average houseowner
- could pass salesmen exam
- could pass broker exam

Additional comments:

© MISSOURI REAL ESTATE ASSOCIATION, 1964
REAL ESTATE COUNCIL OF BRITISH COLUMBIA
PRE-LICENSING COURSE FOR REAL ESTATE SALESMEN

Lessons

Business Practice
Introduction to Real Estate
Law of Contract I and II
Estates and Interests in Land I
Estates and Interests in Land II
Elements of Appraisal I
Law of Mortgages
Mortgage Market
Rights and Limitations in Land
Elements of Appraisal II
Title Registration
Law of Agency
Financial Statements I
Real Estate Act and Code of Ethics I
Building Construction I
Financial Statements II
Real Estate Act and Code of Ethics II
Building Construction II
Local Taxes on Real Estate

Appendices

Sample examination (not to be submitted for marking)
Analysis of Specimen Houses
List of Course Material Supplied
Syllabus of Office Training
A Collection of Real Estate Forms

NOTE: An assignment follows each lesson, except that there is only one assignment for Law of Contract I and II, and only one for Estates and Interests in Land I and II.

Faculty of Commerce and Business Administration
University of British Columbia.
REAL ESTATE AND APPRAISAL DIPLOMA COURSE

COURSE OUTLINE 1964/65

<table>
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<tr>
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<td>9</td>
</tr>
<tr>
<td>Economics</td>
<td>10</td>
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<tr>
<td>Building Construction</td>
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<tr>
<td>SECOND YEAR</td>
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<tr>
<td>Urban Land Economics</td>
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<tr>
<td>Principles of Appraisal</td>
<td>10</td>
</tr>
<tr>
<td>Accounting</td>
<td>10</td>
</tr>
<tr>
<td>THIRD YEAR (Appraisal Option)</td>
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<tr>
<td>Assessment and Taxation</td>
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<tr>
<td>Law of Expropriation</td>
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<td>Advanced Appraisal</td>
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<td>THIRD YEAR (Real Estate Option)</td>
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<td>Mortgage Financing</td>
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<td>Real Estate Practice</td>
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<td>Land Development and Community</td>
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</table>

EXAMINATIONS

Examinations are held approximately one week after the last lesson in each subject. Supplemental examinations are held in June 1965.
<table>
<thead>
<tr>
<th>Title of Lesson and Contents</th>
<th>Syllabus of Office Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Practice</td>
<td>General office procedure and organization.</td>
</tr>
<tr>
<td>Introduction to Real Estate</td>
<td>Explanation of: general, exclusive and multiple listings as they affect the particular office. Method of dealing with each type of listing. (In offices where multiple listings are not used, reference to it may be ignored). Actual examples of transactions completed under different types of listings would be useful, methods used to obtain listings.</td>
</tr>
<tr>
<td>Law of Contract I</td>
<td>Methods of making the sales; obtaining the prospects signature. Examples of Interim Agreement forms; points to notice in completion of the form.</td>
</tr>
<tr>
<td>Law of Contract II</td>
<td>See syllabus of office training above.</td>
</tr>
<tr>
<td>Estates &amp; Interest in Land I</td>
<td>Explanation of: transactions relating to properties which were or had been subject to tenancies; terms of tenancies; chattels and fixtures passing on sale of a house; particulars required on obtaining a listing in respect of title and fixtures and chattels included or excluded from the transaction. Inspection of houses.</td>
</tr>
<tr>
<td>Estates &amp; Interests in Land II</td>
<td>See syllabus of office training above.</td>
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<tr>
<td>Elements of Appraisal I</td>
<td>Explanation of office method of appraisal; collecting market data relating to residential property.</td>
</tr>
<tr>
<td>Law of Mortgages</td>
<td>Explanation of any mortgage deeds or agreements for sale which are available in the office.</td>
</tr>
<tr>
<td>Mortgage Market</td>
<td>Explanation of various types of mortgage transactions contained in office files.</td>
</tr>
<tr>
<td>Rights &amp; Limitations of Land Ownership</td>
<td>As a point in selling, emphasize the contribution of restrictive covenants in the maintenance of values. Practical effect of main bylaws affecting residential real estate, e.g., legal suites.</td>
</tr>
<tr>
<td>Elements of Appraisal II</td>
<td>See syllabus of office training for Elements of Appraisal I.</td>
</tr>
<tr>
<td>Title Registration of Land in B.C.</td>
<td>Conveyancing procedure used in the office. Information required for purpose of conveyance. Where possible, a visit to the local Land Registry with an explanation of the information obtainable there would be useful to the student.</td>
</tr>
<tr>
<td>Law of Agency</td>
<td>Explanation of listing forms used in the office; commissions payable on different types of listing; limitations imposed by different types of listing.</td>
</tr>
<tr>
<td>Course</td>
<td>Description</td>
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<tr>
<td>Financial Statements I</td>
<td>Explanation of Statements and information.</td>
</tr>
<tr>
<td>Real Estate Act &amp; Code of Ethics I</td>
<td>General explanation of requirements of the Act insofar as it affects office practice, e.g., display of license, renewal of license, bonding provisions, returns to the Superintendent of Insurance.</td>
</tr>
<tr>
<td>Building Construction I</td>
<td>Inspection of houses with demonstrations of different types of standards of construction.</td>
</tr>
<tr>
<td>Financial Statements II</td>
<td>Explanation of closing statements on office files. Method of obtaining information required to compile a closing statement. Scale of commission charges.</td>
</tr>
<tr>
<td>Building Construction II</td>
<td>See Syllabus of office training for Building Construction I.</td>
</tr>
<tr>
<td>Local Taxes on Real Estate</td>
<td>Practice at obtaining figures of assessment on actual properties. Instruction on tax rates prevailing in the area of the office. Effect of levels of assessment and effect of home improvements on assessment. Average figures of assessment for homes of different value.</td>
</tr>
</tbody>
</table>