

INDUSTRIAL HARMONY: A CHALLENGE TO LEADERSHIP

11 October 1956

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Mr. R. S. Livingstone, Vice President, Human Relations, Thompson Products, Inc., Cleveland, Ohio, was born in 1907. He studied engineering at the Case Institute of Technology. After working as a newspaperman, then in the open hearth furnace of a steel rolling mill, and as a fireman on a Great Lakes freighter, he joined his present employers in pioneering a program of employee relations based on a realistic understanding of mutual interests. In addition to supervising a work force of over 20,000, Mr. Livingstone has taken a prominent role in civic affairs; he is an aviation enthusiast, and was instrumental in founding the Thompson Trophy Race. He has written and lectured extensively on personnel administration and labor relations, and in 1954 received an honorary degree of Doctor of Engineering from his alma mater. This is his first lecture at the Industrial College.

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GENERAL CALHOUN: You will recall that the biographical sketch of our speaker indicates that this is his first lecture at the Industrial College. While this is technically correct, it is not his first appearance here. Six years ago in this auditorium he participated in a panel discussion on labor relations, which was one of the most outstanding experiences of my college year. Last April those of us who had the opportunity of making the Cleveland field trip also had an opportunity to hear from him briefly and to see the programs that he has conceived and initiated in being. I assure you it was a memorable occasion.

Mr. Ray Livingstone is Vice President for Human Relations of Thompson Products, Inc., a Cleveland corporation employing over 23,000 people. He has had an important part in the success that this corporation has enjoyed in its labor relations. It is a privilege to have him here to talk to us today on the subject of "Industrial Harmony: A Challenge to Leadership." Mr. Livingstone.

MR. LIVINGSTONE: General Calhoun, General Hollis, and members of this great college, which we all respect: I am not going to give a speech this morning. Rather, I am going to think out loud provocatively with you on certain aspects of the subject of human relations.

Some of the views which I will express may leave room for argument. Speaking of arguments, I am reminded of the fellow who was eighty years old and still a remarkable specimen of a man. His friend said to him, "How do you account for your longevity, your keen eye, and the spring in your step?" "Oh," he said: "It's easy. I was married when I was twenty, and I made up my mind I was never going to argue with my wife. Whenever I felt an argument coming on, I just put on my hat and I went for a good, long walk. Mister, you'd be surprised what sixty years in the open will do for a man!"

In talking about industrial harmony, I want you to know just a little bit about our company's background, so that you can appraise my viewpoint. I intend to describe a mental condition that I think is false and is holding back industrial harmony in the United States, and then discuss what I believe is perhaps the greatest single objective that we should try

to work for. Then I expect to go into just a bit of our company's policies and procedures to give you an idea of how we try to tailor things in Thompson Products to achieve industrial harmony and productivity.

As I talk about Thompson Products, I want you to think of a growing, medium-sized company, employing over 23,000 people, with plants in big cities like Cleveland, Detroit, and Los Angeles; and in little towns like Danville, Pennsylvania, and Portland, Michigan. I want you to think about men who are working in forge shops, at extrusion presses, at drop hammers, and by hot furnaces. Picture, if you please, men who set up automatic screw machines, who operate all manners of cutting tools, who can grind on grinders in terms of microinches--millionths of an inch. Keep in mind other men who design tools, others that work with electronics, women who run machines. This is the type of background against which I talk.

NRA Marked Beginning

Our formal experience in the field of labor begins back in 1933. At that time, as you know, NRA was instituted, and for the first time it became a matter of law that employees could organize and bargain with their employers through representatives of their own choosing.

Shortly after, the National Labor Relations Act was passed. It confirmed substantially what NRA had established, since that code had been declared unconstitutional. At that time a great surge began at Washington to get everybody in the United States into the so-called international labor unions--not labor unions in general, but certain power unions in particular. This is documented. President Roosevelt had called John L. Lewis to the White House and there had been a discussion in which a quid pro quo of votes and dues was discussed. John L. Lewis was given Government blessing to go out and organize the workmen of the United States into one great labor union, namely the CIO; and this union was to enter politics on a grand scale, supporting the New Deal.

I think you know, although this is a digression, that John L. Lewis admitted bringing Communists into the CIO, because he knew that Communists were good organizers. It's a matter of record, too, that the National Labor Relations Board included among its top personnel Lee Pressman, as general counsel, who was a Communist, and Nathan Witt, the Board's secretary, who also was a Communist. Those people had

much to do with selecting the personnel that manned the National Labor Relations Board. The NLRB was to work hand in glove with the CIO in organizing workers of America into the CIO.

Beginning with this period, Thompson Products, like thousands of other companies throughout the United States, was repeatedly assaulted by the CIO, continuing through the World War II period and in the immediate postwar years. It's interesting to note the direction of the force. The force was not from the inside to the out, with the workmen saying, "Please organize us." Rather, the force was from the outside to the in. The union was saying to the people, "You have no choice. You've got to be organized."

At that point we in Thompson Products were perhaps unique. We were honest enough to state that we didn't want to be organized. We believed that we could run a more productive plant and that we could build a better business if we didn't have outside power unions in the company.

We Sought Harmony

We felt that we could have a company that was more harmonious, in which there would be greater friendship, and that all of our people would be better off if we didn't have an outside union trying to drive a wedge between men and management. We didn't like what the union was saying about American management in general and the Thompson management in particular.

Specifically, they attacked Fred Crawford, who was then president of our company, and who is now chairman of the board, as being a Fascist and an enemy of the country, and a man who was holding back war production. This is just one of many harsh statements that were made in an effort to undermine employee confidence in top management leadership, and turn our people against us.

To avoid the strikes, bickering, and confusion that were plaguing industry all through the country, we instituted a program in 1934 that continues on today, and can be described under two general headings.

The first was always to be sure that our house was in order--that we were treating our people fairly--from a material standpoint. We set up procedures for always making sure that our wages, hours, and

working conditions compared well with decent practices in the community and our industry--not necessarily the top wages and benefits, but good wages and benefits. We worked to provide our people with steady jobs. We pioneered in giving employees business news--letting them know what was going on.

We were one of the first companies to grant vacations with pay for hourly workers. We set up procedures that enabled our people to come to us easily and naturally, and without fear, when they weren't getting a square shake, or there was something wrong, or when they just wanted to tell us about something. These are suggestive of many things that we did, but perhaps the most important feature is that we made the system work!

Secondly, and perhaps even more important, we decided on a policy of free speech. In ways which are too numerous to describe here, we worked to establish in the hearts and minds of our people a feeling of mutuality between their interest and our interest. This, of course, conflicted with union theory. The union theory is: "There is just so much to divide. Employees will get only what they are strong enough to wrest from the management." Our theory was: "We are all in this thing together. The more we produce, the more goes out the shipping room door, the more money will come in, the more there is to divide, and the farther we will all be ahead."

We openly used free speech--the printed and spoken word-- to tell our people why we thought they would be better off without an outside union than with one.

This, of course, brought screams from unions, and legal action from the NLRB, because at that time an employer was not supposed to influence his people on labor matters, or on a Labor Board election, or in any way to show that he disfavored a union. Let me tell you an astonishing story.

An NLRB election was to be held in our Cleveland plants in 1947. Mr. Crawford decided to mount the platform in our cafeteria and talk to the people, telling them what he thought was best for all of us. There would be no threatening, no intimidation, but it was going to be a man-to-man talk to tell them honestly what he thought. He had done this several times before. It is an amazing thing that in the very week that General MacArthur was proclaiming free speech for all the Japs in

Japan, the National Labor Relations Board, an agency of the United States Government, went to the Circuit Court of Appeals in Cincinnati and tried to get an injunction to prevent Fred Crawford, an American employer, from talking with his own people! Happily, the court refused to issue the injunction, and free speech in labor matters was affirmed.

Later the free speech issue was formally decided when the Taft-Hartley Act was passed, and our company's experience had much to do with that.

Nine Labor Board Elections

From 1934, when we decided we didn't want to have outside power unions, and that we could run better without outside power unions, and when, by free speech and good treatment we persuaded our people that it was in their interest not to have such unions, these are some of the things that happened:

In Cleveland nine separate Labor Board elections were conducted in our plants. Nine times the AFL and the CIO conducted fierce, expensive and lengthy campaigns to induce our people to vote in favor of their outside unions. And nine times our people went behind green curtains and took yellow pencils and marked their ballots to show that they didn't want outside labor unions; that they preferred the Thompson way of man-to-man dealings. Three times more the very same thing happened at our Los Angeles plant, where the people voted against outside unions. Twice more it happened in our little plant at Fruitport, Michigan. It happened again in Boston, in Detroit, in Toledo, and in Atlanta. All over the country, our people voted their affirmation of the Thompson way of working and living together.

Some of you have seen our plants in Cleveland where, as in Thompson plants throughout the country, we have great harmony among our people. Thompson plants have high productivity. During World War II and the Korean War we constantly raised our output. We were honored by the Army-Navy E. We were commended for lowering costs. Our people have great morale. They hold the Nation's record for giving the most blood to the Red Cross. They give the largest annual gift in Cleveland to the Community Chest. When a new hospital is to be built, they come in and work an extra day without pay and give their money to the hospital. Their civilian defense activities are models for industry. In any civic undertaking where people are needed to participate and take the lead, the community comes to Thompson first.

We have thirty-six different nationalities in our Cleveland plants. We have every religion you can think of. We have several Mohammedans, and a Buddhist. We are the largest employer of Negroes. Some 2,300 Negroes work in our Cleveland plants. We started hiring Negroes long before there was any Federal Fair Employment Practice Act. We did it on a neighborly basis, because one of our plants happened to be in a Negro neighborhood. We knew those people had to live and eat. We have no problems in that area.

I think that impartial outside observers would be of the opinion, if they went through our plants, that Thompson employees exemplify industrial citizenship at its best, and all without outside labor organizations.

No. 1 Stumbling Block

Now, I'm going to tell you about a condition that I think is the number one stumbling block in the path of the United States. And then I'm going to discuss the condition which, if it could be achieved, would, in my opinion, be most likely to bring about industrial harmony in the Nation's workshops.

What, fundamentally, causes the great problems today between employees and management and Government, and this whole arena of conflicting ideas in the field of labor? Very often there are influences out of the past, influences that provoke an erroneous feeling of injury or injustice, that prevent an objective appraisal of what we have at the moment. You men who study military affairs and political relationships know this to be true. When fable in the mind of a person becomes fact, and when the illusion becomes the real thing, then we have a dream which we often call mental illness. That's the foundation of mental illness--when the fable seems to be the fact, and when the illusion seems to be the real thing.

All of us recognize that things are not always what they seem to be. We have had a saying in our company for a long time that it's not what actually is that counts, but it's what people think about it.

This applies to the field of human relations, labor relations, and the attitude of many people toward employers. Among hundreds of thousands, maybe millions, of people throughout the United States there is an inability on the part of workmen, on the part of employers, and on the part of the public to form an independent, current, and truthful view of what the actual relation is between men and management in industry.

We find that rather than forming their own views on the basis of the facts as they exist today, they are accepting timeworn views that have been passed down from bygone years. That is a traditional thing. Very often we are prone to accept the view that somebody else has passed on to us, without thinking it through, especially if that person happens to be our elder.

Throughout the United States, in almost every textbook, in almost every high school and college classroom, when labor relations are discussed, you hear only the story of heartless employers and exploited workmen, of great strikes and struggles--the Homestead strike and coal mine clashes, the Pullman strike--those classic clashes that occurred in the nineties and in the early part of the 20th century between men and management.

Unfortunately, you see a big part of labor history, the good part, almost completely ignored. For example, the Standard Oil Company of New Jersey is one of the great companies of the United States, and there have been no strikes or struggles there. And there they are with independent bargaining--no outside unions. DuPont is certainly one of the great companies of the United States, and predominately they are without outside bargaining. And so it is with such fine companies as Eastman, National Cash Register, Cincinnati Milling Machine, Proctor and Gamble, and a great host of blue-chip companies with wonderful human relations. The number of small companies where people have gotten along well are legion. If the labor history of the United States had been written around the good rather than the bad, the picture presented to the public would have been entirely different.

Good Relationships Ignored

My point is that while there were horrible experiences, such as the Homestead strike and monumental clashes of that nature, at the same time there were wonderful relationships taking shape between men and management in the United States. The good things done by employers all through the 19th century and the early part of the 20th century are not recorded in the textbooks or discussed in the classrooms. A hypnosis has been built around the passing down of the grim story of strife in the long ago which causes people to pattern their behavior to meet this conflict which they imagine continues on to the present day.

And so the tradition has developed that there is a perpetual industrial war, that men and management are natural enemies. Some people seem to enjoy it. It's like saying, "Let me tell you about my operation," "Let me tell you where I hurt."

And so today we find many workmen, surrounded by ideal working conditions, with high wages, gleaming plants, and safe and steady work, who are living and talking like men in a dream. They profess to believe that they can't trust the boss, that he will grind them down, and that they are in some kind of servitude. They have no idea how much that boss yearns for and wants to earn the respect and high regard of the people who work for him.

Then you see employers who are living in a dream. They rise, too, and they talk. They are discouraged and they are often cynical in their attitudes toward the men. They say: "What do they care about the company? They'd pull it down brick by brick. All they're interested in is what they can get out of it. They don't care about my problems, or whether the company grows, or anything like that."

But neither is this true. If there's anything the American workman really wants, it's to feel that he and the boss are members of the same team and in the ball game together. And it's not until the boss spurns Joe, the average American workman, that Joe turns contemptuous and looks somewhere else for leadership, recognition, and participation. Employers just don't realize the extent to which workmen want the respect of their boss and his friendly attention-- it's part of the dream!

And then we have a blissfully ignorant public where this subject is concerned. The public is sleeping with a very happy expression on its face. It says: "I believe in collective bargaining." The public doesn't understand what collective bargaining is. When you mention collective bargaining, the public visualizes a group of honest workmen, sitting down with an honest management, talking together about ways and means of making the business better. This is textbook collective bargaining.

Public Misunderstanding

But collective bargaining in practice is something entirely different. You can have the honest workmen, and you can have the honest employer.

But you also have a third party--the outside, professional union business agent. His fundamental interest is not at all in building a better business. His major interest is in building a bigger and stronger union. That's the way he lives and eats, gets promoted and gets his pay raised. A union gets bigger and stronger only when there are issues pending and being argued; but when there are issues and arguments, you don't have industrial peace. The public doesn't understand the effect of the addition of the third, outside party with a different interest to what could be a happy collective bargaining relationship between men and management.

You can have collective bargaining when an employer sets up a simple system in his plant whereby he and the men can talk together about mutual problems. But that isn't the kind of collective bargaining that the unions are talking about. Or an employer could have collective bargaining if he invites the people to go out and organize their own independent group. That would be collective bargaining. The unions say: "Oh, no. That doesn't count." In fact, until the recent merger of the AFL-CIO, collective bargaining had to be not only with an outside union, but with a particular outside union. All of us know that some of the most bitter labor disputes have been jurisdictional--between unions. The masters of collective bargaining cannot bargain among themselves!

Another thing the public doesn't see is that there are four fundamental objectives of unions that have very little to do with this matter of harmony, or building a better business.

The first and foremost objective of outside unions is to organize the unorganized. Make no mistake about that. It is a fundamental objective of every outside union that every working man, woman, or child in the United States must belong to an outside power union, pay dues, and be subject to the Government, the laws, and the regulations of that union. Unions would accord no freedom of choice. And Mr. Meany, if you get him here, will tell you that. Walter Ruether has said it. It is a published avowed objective.

Secondly, it is a fundamental policy of unions--and this is very important, although sometimes they tell you differently--to achieve higher wages or fringe benefits for either the same or less work. You see this constant striving for more in the way of money, more in the way of fringe benefits--which is quite all right, because this is America

and people should grow and move ahead--but at the same time you see unions holding back and making it difficult for management to do the things that make for higher wages and greater benefits; a holding down on production standards; keeping men from running two machines when they could do so easily--all the things that make it possible for management to increase the output. The quality and quantity of a man's labor determines the amount of wages that he can be paid.

Management sometimes wins out in these efforts to lower costs and get out more work, but it's always a struggle. The unions never say: "Here, let us help you. Give us more money and we will help see that the people produce more."

A third thing that the public doesn't understand is the striving on the part of unions to have every relationship governed by seniority. Seniority is an accident. It is the accident of the order in which people happen to come to your employment office. Unions would throw merit completely out of the picture and govern the retention of jobs, the promotion of people, and the granting of wage increases solely on the basis of seniority, which, as I said before, is an accident and completely unrelated to a man's worth, productivity, or ability.

Finally, we see the effort of unions increasingly to inject themselves into the making of decisions that must be management's to make if we are going to increase output and increase benefits. We see unions trying to determine rates of production, the way equipment is to be laid out, what men shall do, what plants shall do what work--basic management decisions.

And so, organizing the unorganized, getting more money for the same amount of work, seniority for merit, and the making of management decisions--these are prime union objectives. It is not just a matter of honest men sitting down with honest management to determine a fair wage and fair treatment in a plant, as the public believes.

Where does all this take us? Last week I heard Dr. Carroll Daugherty, head of the Economics Department at Northwestern University, author and well known labor arbitrator, give his views on the subject. He predicted that unions would increase their strength vis-a-vis management, and that to meet this increased strength on equal terms companies increasingly will have to band together in associations and bargain on an industrywide basis. Dr. Daugherty, who favors strong international

unions, admits this leads us to the cartel system, but sees nothing particularly dangerous in this trend. The small businessman who cannot grant industrywide concessions, made by the big companies, might rise to disagree with Dr. Daugherty.

My point is that all of this behavior by employees, management, and the public, grows out of an inability to judge conditions as they really are at this moment. It ties back to the hypnosis or dream of injustice that develops out of the tradition that is handed down that there must be constant conflict between men and management.

Path to Harmony

Let us consider the one condition in a job that I think is of greatest importance to any man and which, if it could be universally achieved, is the one most likely to lead to industrial harmony.

You men who study or read about human relations have seen surveys in which people are asked to list the conditions that mean the most to them in their jobs. The surveys always name tangibles such as good pay, security, fringe benefits, pensions, supplementary unemployment benefit plans, paid holidays, longer vacations--which is as you would expect.

Then the intangibles are mentioned with great frequency. There is the worker's interest in his company, where he says: "I like to work for the company because I can be proud of it. I like it because I am with friendly people. I like my job because the company lets me know what's going on. I like the company because they treat me like a human being." Now note this point, which is not readily apparent: Each of these intangibles is something that indirectly adds to each individual's appraisal of his own worth!

I believe this is the most important element of good human relations--the simple matter of letting the other fellow know that you consider him to be important and worthwhile and that you believe what he is doing is needed and appreciated. To everyone, ourselves included, the feeling of being needed, of being recognized, of being appreciated, of belonging, rates ahead of pay; it rates ahead of security; it comes first ahead of any other single thing I know of.

Within reasonably broad limits, in well-managed companies, pay scales are substantially the same. Steady work and good working

conditions prevail in most good companies. Vacations and other fringe benefits are usually comparable. The one big job variable that means more to a person than anything else--and I have had this confirmed over and over again in direct and indirect ways--is how well the company practices individual recognition--letting the employee know that you consider him important, that as a person he is worthwhile and of value.

How is this done? Well, in a shop you do it in little ways. Just as we have developed a system of expressing relationships by mathematical symbols, and just as we have learned ways of expressing thought by the written and the spoken word, in the same way there are quick and informal symbols that we use that tell the other fellow that we think well of him.

We do it by a sign or gesture. As you walk through the plant, you say, "Hi," or you nod pleasantly. The way you nod conveys a message. The expression on your face as your eye catches an employee's eye tells a story. Or if you don't nod, it conveys a message. The way you respond when a man comes up and says, "Hey, what's about this or that?" The expression that comes over your face is a symbol telling him whether you think he's important. I am sure you men know that one of the most difficult things to do is to give a person your complete, undivided attention, to listen while he's telling you something, not let your mind wander, but just to think exclusively about what he is saying. Listening well is the finest compliment and symbol of regard you can extend to anyone who's talking to you.

The most elementary simple definition of human relations I know is this: "Human relations is the matter of how Tom, Dick, and Harry learn about their relationship to one another in the first instance; and then in the second instance, work to improve that relationship." When we learn about our relationship with the other fellow, we place a value upon him; and this sense of regard reflects itself beneficially.

Communications Are Important

What is human relations skill? It is the ability to communicate your feelings and your ideas to the other fellow, and to respond to his feelings and ideas, in such a way as to promote a congenial participation in a common task. Inherent in both of these statements is recognition of the worthwhileness and the importance of the other fellow.

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The outstanding cry for every person in a management capacity, and for workmen among themselves, is to strive to recognize by deed, manner, and word the importance and the worthiness of every individual. I know of nothing that will make a greater contribution to industrial productivity and harmony, or that will go farther in helping a manager win the allegiance of his people.

Finally, I want to talk about building a human relations program, and how it is done almost by instinct. And it is built almost by instinct. There are some things that are hard to tell a person how to do. About 30 or 40 years ago Harvard University invited Jim Thorpe, who was supposed to be the greatest punter in history, to teach their backs how to kick. On this particular day Jim appeared on the field and there were 16 or 20 Harvard backs standing around. Percy Haughton, the Harvard coach, made a polite introduction, tossed him a football and said: "Mr. Thorpe. Explain to the men how to kick."

Well, you can imagine Thorpe trying to teach or explain anything. But he tried. "First," he said, "you hold the ball with the laces up like this. You step off with your right foot. No, you step off with your left foot. You take one step, bring your foot up, and then you kick the ball."

The ball slithered off his foot about fifteen yards out of bounds. There was polite applause, and Jim said: "Give me another ball. You start off on the right foot. You take a step and bring your foot up carefully beneath the ball." That one wobbled off to the left about twenty-five yards down field. Again everybody applauded politely. Then Jim bellowed, "Gimme a ball." They pitched him one. With no explanation he stepped off and wham! As the ball spiraled down field 60 yards, he said: "You just take the damn ball and kick the hell right out of it."

This illustrates how some things are easier to do by instinct than to explain.

Why have a human relations program? Let us consider some of the different reasons. One is that whenever you bring a large group of people together, they are going to have some differences and you are going to have some kind of troubles. To avoid or minimize trouble is one reason.

What is the purpose of business? There are two schools of thought on this question. One is that investors have put up some money and it's

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your job as a businessman to put that money to work and make a profit on it. A human relations program will help you do this.

A second philosophy of business is that you have been given a sum of money and it's your job as a manager to make a profit with that money, and also benefit society by performing a needed or worthwhile service, while at the same time making a contribution to harmonious understanding among men living and working together.

The second idea is a nobler concept, but it imposes a double load on management. One of the problems of the day is that the impersonal running of a business, the managing of the investment, the engineering, the selling, and the manufacturing take all the working hours of the day, and many into the night. When you superimpose upon that load the requirement of "Now we've also got to behave ourselves with employees in such a way that we make a contribution to good living," the burden sometimes seems too heavy.

The job of a manager fundamentally is to obtain a free release of human energy from his people. The ideal objective is to induce everybody who is a part of your organization to give fully and freely of his physical energy and his mental energy.

Obtaining a free and full release of human energy from hundreds or thousands of people is a very difficult thing to do. Each of us is the sole commander of the rate at which we will release our human energy. Each of us controls our human energy as with a valve. We can open the valve a little and let just enough human energy run out so that we just get by. Or we can open it all the way, and let our human energy rush and flood out fully and really do a bang-up job.

The thing that determines whether we are going to just barely crack the valve and let our human energy trickle out at a rate that gets us by, or whether we are going to open the spigot wide and let it flood out, is our appraisal of the purpose for which we are being called upon to release this human energy. Is it in our interest to give that full release? Is the purpose good? If we do give fully, will our effort be known and appreciated?

And so the basic objective of personnel work, among other things, is to try to achieve the free release of human energy; and you see again that this is related to a person's feeling of worthwhileness, and the recognition accorded him.

The Thompson Products Program

I am going to read some excerpts from Thompson policy which will illustrate the different ways in which we work intuitively, the way Jim Thorpe kicked the football, to grant recognition and build and confirm the belief of our people in their own worthwhileness.

The Thompson program divides into five parts. The first is the broad field of employment--selection, training, placement, rating, and appraisals--all that pertains to building a working force.

Next there is the part that concerns safety, which is a great activity in our company, and one which saves eight or nine hundred thousand dollars a year, just by virtue of the fact that we have fewer accidents than other companies in our industry, and thus preserve our human resources.

There's the part that deals with employee activities--athletic, welfare, and social--activities where people find forums for self-expression.

There's the part that involves employee opinion forming--the leading and directing of employee thoughts toward a good and a specific end. Certainly that's a field all by itself.

And, finally, there is the field of employee representation, which is closely allied to what too narrowly is termed collective bargaining.

Let me read you some of the statements in our Human Relations Manual on these subjects that will help you understand the thesis that I am attempting to develop.

At the beginning we say: "This is an effort to describe Thompson's internal human relations policy in writing. The reader will soon observe that the statement is an unorthodox one. Convention calls for policies to be stated tersely and without color." That's a curious thing, isn't it? Many company policies read like railroad timetables, and yet they are to be guides to human conduct. We could not do this and still do justice to our human relations program, which is fully as much a matter of spirit and attitude of mind as of material practices or benefits. Then we go on to say how we violate convention and say what we have to say in a manner that we think will help convey a workable thought to the reader. That is all in the introduction.

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Next we say: "Human relations in any establishment or unit begins with what is in the heart and mind of its chief executive toward those who comprise the organization. Just as water will rise no higher than its source, so the members of a management organization will look to their chief executive for the official example of how people are to be regarded and treated, and will pattern their behavior thereby. Each Thompson division manager"--and we are a decentralized company with thirteen division managers, each responsible for his own sales, his own engineering, his own personnel, and so forth, subject to overall coordinated policy--"has an obligation not only to make a profit, but also to see that his people do well"--Isn't that what America is all about--to provide the opportunity for people to move forward and improve their lot?--"and have a satisfying experience within his establishment.

"He should make purposeful plans to this end. The chief executive of any unit should realize that he is also its chief personnel officer. We expect that the manager of each division and works will take the lead in establishing and maintaining good human relations in his unit within the framework of company policy."

Now a few excerpts about employment: "The employment office is the hub of the personnel function. The company can be no better than the people who enter through our employment offices. Careless selection and placement and poor induction can turn a happy, harmonious plant into one filled with trouble." How true that is. Let down for just a minute in the careful selection of your people, and immediately you have the beginning of a trouble spot.

"Lasting friendship with employees and the general public can be won by intelligent and considerate employment office action." Think of a man with a wife and a couple of kids, out of work and looking for a job, or possibly trying to improve himself. His hat is in his hand, and often his heart is in his mouth. He's called on you to tell his story.

So we go on and say:"Give each applicant a friendly, businesslike reception as promptly as possible and an opportunity to tell his story privately." There you are respecting him as an individual, as a man worthwhile, by means of a friendly, private discussion. "Look at the preliminary interview as an act of hospitality." This man has come to your place of business. Shouldn't you welcome him the same way that you would if somebody had come to your home? "Try to send rejected applicants on their way feeling heartened by virtue of the

interview. " Maybe you can't hire him, but perhaps you can give him a suggestion as to where he might go. Or you can tell him about his virtues that did make a good impression on you.

Here's another statement: "Endeavor to assign new and present employees to work for which they are mentally, physically, and temperamentally suited, and in which they express an interest." When a man has said, "I like this particular kind of work", you compliment him and help the company by trying to put him on that kind of work.

We say: "The interviewer shall reflect enthusiasm for the company, and hospitality, friendliness, and individual interest in the applicant and what is best for him." If every placement is made in this spirit, a friendship is started from the moment the applicant sets foot in the company.

We explain: "New employees should be hired in such a manner that they will feel warmth and appreciation towards the company and the interviewer, and have the feeling that they are about to begin a rewarding and an important experience. Friends made by the interviewer during the placement process should be retained by planned visits to the work area, and encouraging the new employee to return to the employment office for occasional friendly discussions."

Followthrough is Important

I think that almost everybody who ever got a job, at the moment he started on the job felt grateful toward the man that hired him. The greatest economic power is the power to give a job. Political parties are built on this power. But how seldom do companies follow through on this opportunity to build a lasting and friendly relationship and a following?

We say: "Maintain a rating system for all employees. Rating and appraisal are not punitive measures. They should be regarded as a means of helping the employee improve his worth to the job and to himself. They provide an answer to the concern in everyone's mind about the question, 'How am I doing?'" Isn't this something we all want to know? Walk through the plant. What's the stock question employees ask? "What's new? What's new?" Of course they want assurance that things are going all right. But more particularly, they want to know: "Am I doing all right?" That's the unexpressed question in everyone's mind.

Here's an excerpt on safety and workmen's compensation: "Working conditions in the factory and office are to be planned and maintained on a safe and healthy basis. Safety is a major company personnel activity. The objective is to protect the life, limb, and time of our people and to reduce company costs and industrial accidents to the lowest level.

"Workmen's compensation cases shall be handled in such a manner that the injured workman receives the full benefit intended by the law." Don't try to grind the man down. "Questions of liability shall not be argued by company representatives with injured employees on a partisan basis; but the full facts in any disputed case shall be presented to the Industrial Commission for decision." We do not fight with our employees.

"Recognize safety as a valuable opportunity to build good employee relationships, for all safety action, when explained, can be shown to be in the individual and group interest of employees."

A few words on employee activity: "Positive programs of employee social, athletic, and welfare activities shall be planned and encouraged. Such programs may also enter cultural and service fields. Programs of this nature help build friendships within the company, and provide opportunity for employees with leadership and organizing ability to put that talent to work in a constructive manner. It is desirable that employees' social, athletic, and welfare activities be planned and managed by employee committees, with only broad policy guidance from the company.

"Social and welfare activities should be regarded and conducted as an important channel of communication." At all of our outings, clam-bakes, picnics, and parties, we make sure that our officers, managers, and key department heads get out and visit around. Picture an employee, his wife, and two or three kids gathered at the picnic table. The executive sits down and visits. Think how important that employee is after the executive moves on. Daddy says to the kids, "That was Mr. Crawford. He's the chairman of the company" or "That was Mr. Angell. He's the manager of the division." Daddy becomes more important both to himself and his family--simply because an executive took time to visit a moment. And in addition, the executive has earned the employee's friendship. Little things have big importance.

The Fourth Dimension

Employee information and opinion forming is the new fourth dimension of personnel work. We say: "We shall work"--and I underline the word

"work"--"to develop favorable attitudes on the part of employees and the general public in programs about the company's activities, operations, policies, and objectives by word of mouth, by meetings, company publications, newspapers, and the example set by executive personnel. Such an endeavor is more than just informational. It is opinion-forming. Opinion forming is ethical when truthful and for high purposes." I can think of no higher purpose than that of having men happy at their work, not confused by this dream of fifty years ago which I mentioned before.

"The dissemination of news is one of the most powerful forces that management may employ to win a following. In addition, the dissemination of vital business news makes life and duties more interesting for employees and is indispensable to the building of a feeling of participation on the part of those who comprise the organization.

"We expect division managers and works managers to take the lead in continuously determining business information that they want their people to know and that will be interesting to them, and then enthusiastically energizing the various news dissemination systems to this end." Among other things, every manager at least once a year has all of his people in to a mass meeting--five hundred of them, or perhaps eight thousand of them--and tells them about the business.

Our supervisory organization is a most effective system for word-of-mouth communication with employees on a day-to-day basis. The foremen also all have their people in in groups of thirty or forty once during the year. They sit down at lunch. They talk about the department and anything that anyone wants to talk about. We publish an employee newspaper and various special publications, make wide use of bulletins, and write letters to the homes of employees when there are newsworthy matters to discuss. Of course, we have open house programs and numerous other events which bring men and management together at fairly frequent intervals.

We say this: "When writing company communications, each opportunity should be utilized to indicate to readers with good grace that the company and management is friendly, sympathetic, interested in the well-being and progress of individuals; fair, secure, and stable (relatively); aggressive in maintaining and advancing its competitive position; a good place to work; that employees 'belong' and are members; that the work done is worthwhile and important; that the company and its people are civic leaders." If we did not believe these things in our hearts, and if

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we were not practicing them in our day-to-day deeds, of course, we would be ridiculed by employees for saying them. But to the best of our ability we do try to reflect these things.

I want to conclude with a few excerpts on the subject of employee relations. We say in our policy: "Employee relations concern living and working together, the everyday dealings between men and management. Good employee relations contain and reflect the qualities of harmony, productivity, recognition of common goals and the other fellow's problems, reciprocal trust and confidence,"--each has to trust the other--"providing opportunity for individual self-expression, participation, and recognition of men as individuals. Living the Golden Rule is the single principle that best expresses the objectives of the Thompson human relations and employee relations policy."

An effective formula for practicing good human relations is to walk, listen, and then do. You can't work exclusively from an office desk. You've got to get in the factory and you've got to walk. And not just down center aisles, but you've got to get back in the corners, where Louie works at a bench, or where Joe has a chip disposal machine. In that way you learn and feel the heartbeat of a plant and its people. Then you do the needful to give people a good experience.

We say: "Employees are entitled to know and talk with management about conditions of employment which the company agrees to maintain and which are guaranteed to them as a matter of right until changed by proper notice."

In every one of our plants and departments we have posted under glass a printed document known as our Company Pledge. It states five basic conditions which we pledge to maintain and which are guaranteed to all of our people as a matter of right. Principal company officers affix their pictures and their signatures to these principles. These principles are expanded and interpreted in the company's various handbooks, so that at any time if there is any doubt at all as to what a man is entitled, there it is.

At any time an employee believes he has not received that which the company guarantees him as a matter of right, we have our own Company Grievance Procedure, which he may use to obtain redress. He may invite any fellow employee to help him present his case during any of the steps of the Grievance Procedure. The Grievance Procedure is

posted under glass in all departments, and we urge employees to use it. We say, "We cannot correct a grievance until we know about it."

To adjust or plan matters effecting all employees or large groups we say: "There shall be an organized system of discussion in each division or works by means of which the management and employees may exchange views and express employee consensus on matters of mutual concern in order that working conditions and policies may be established that will result in a maximum of harmony and productivity."

Community of Interest

This is the nub of our whole thinking on bargaining with labor organizations: "We welcome the backing and support of any employee group that believes in and endeavors to extend understanding of the truisms that there is a community of interest between employer and employee, that each is dependent upon the other and are men of good will, and that by producing more there will be more for all. Conversely, we will resist by all lawful means internal efforts of any group when the doctrines espoused are divisive of employer and employee in purpose and effect, and when philosophies of hate, suspicion, and discord are preached in an effort to turn the allegiance of employees from their employer.

"The relationship between top management and the supervisory organization, the personnel organization, and the working organization should be on a basis of good fellowship and man-to-man good dealings. We shall endeavor to win the trust and respect of employees by considerate and fair daily dealings on both an individual and a group basis. In all such dealings we will treat employees with dignity and respect. We shall regard employees as friends. To have a friend you must be a friend."

That, gentlemen, is suggestive of the type of policies that we try to put to work in Thompson plants. All the way through we recognize the importance of the individual. And that is a practice that touches the heart and causes good response like nothing else I know.

We live in a great country. I think management gradually is beginning to understand the importance of, and trying to work a little bit harder on, this matter of getting close to its people. I hope that labor unions, as they mature--although I am sorry to say I believe this may take a long, long time--will begin to see that they are destructive when they preach class

distinction, when they try to represent employers as enemies who will oppress and exploit employees unless they belong to power unions and fight to preserve what is theirs; and when they oppose legitimate efforts to increase worker productivity.

Good wages and steady work are, of course, important; but overriding all is the matter of getting through to the other fellow so that he feels he is worthwhile and appreciated. This simple and Christian-like endeavor is the key, I believe, to building a more harmonious and a more productive America. Thank you.

COLONEL MURPHY: Mr. Livingstone is ready for your questions.

QUESTION: In closing your remarks you said that you don't expect that labor unions are ever going to grow up. That seems to stop it right there; but, on the other hand, it seems to me that labor unions have come a long way from the twelve-hour day or the fourteen-hour day to an eight-hour day, and so forth. Of course, some of their methods might not be the best, but in this connection they seem to have a pretty good public relations program. You read all about it. You stated that the general public is not aware of what the unions are doing to promote strikes, and so forth. What is management doing in that field to inform the public?

MR. LIVINGSTONE: Probably not very much. There are a lot of confusing circumstances. One is that people generally, the public, will credit labor unions with all progress that has been made in raising wages and improving benefits. Unions don't deserve all of that credit. In fact, they may deserve only a very small part of that credit.

Every improved condition, I believe--and I think studies support this--was instituted first by some enlightened employer; and then other employers picked it up to compete in the labor market. The role of unions to a certain extent has been a policing role, that of kicking the laggards up the line.

Here is an interesting thought: I think that at this moment a case can be made that unions are holding back wages. I think that the labor shortage in certain of the skilled areas is now so acute that if it were not for long-term contracts that have already been entered into by General Motors and some of the airframe people and elsewhere, wages would be rising at an even greater rate, because of employers competing one against the other for limited labor supply.

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But the thing that dismays me is this: Labor union leaders must be politicians. People will pay their dues and people will support the labor union leader only as long as he appears to be getting something for them, or seems to stand as a protector against an employer who would grind them down.

A labor union leader cannot continue to be a leader and go to his people and say: "Come on. I want everybody to help get out another fifty pieces an hour." Or he cannot go to them and say: "I think the management is right. There's enough idle time in this job to permit you to run these two machines instead of just the one machine." He cannot be an advocate of the management, because then, unfortunately, to some people--and it's usually the hotheads and the radicals, so to speak, who become the union officers--he gets talking too much like the management. So often because of the very nature of practical collective bargaining, the union leader is cast in a role that must be destructive rather than constructive.

QUESTION: Are we correct in thinking that none of your plants have labor unions?

MR. LIVINGSTONE: About 4 percent of our 23,000 employees are represented by outside unions. We bought a St. Louis company, the Ramsey Piston Ring Company, that has the IAM. Two of our small branches, one with three employees and the other with six employees, have Teamsters' contracts. Our Detroit Plant has the UAW-CIO.

QUESTION: Most of your comments suggest that you don't particularly appreciate labor unions. My question is, Do labor unions help management by forcing you to plan better, or helping you in hiring steady people better, or anything along that line?

MR. LIVINGSTONE: I think they do have some effect, in this sense: Our managers and foremen know that if they don't treat people right, the union will get them. In that sense I think unions are a policing force.

But, again, to go back to my fundamental statement, I believe that every benefit in the form of improved wages or working conditions first came from some enlightened employer; and that before a gain in wages or shorter hours or that type of thing could be instituted, the capitalist and employer first had to increase worker productivity. Unions had nothing to do with this. Time-saving equipment and tools were required,

making it possible for a man to turn out more in the same unit of time, producing more goods, causing more money to come back from the customer, and permitting the employer to pay them more. And, traditionally, unions stand in the way of increasing output.

Now, that is a most regrettable and unfortunate characteristic of the union movement. It is true in the building trades, and it's true in many workshops. The fact that unions are a deterrent to increasing production, and the fact that they often try to represent the employer as an enemy of his people, are the two crimes, I would say, of organized labor.

QUESTION: I notice in News Week and various other magazines that Warner & Swasey in their advertising try to point out these things that you have pointed out this morning. I wonder if you could tell me whether they have a similar setup to you, or do they have a large union, like the CIO?

MR. LIVINGSTONE: Warner & Swasey has the AFL-IAM. That's the machinists union of AFL. Their advertising has been fine and of some effect.

QUESTION: What segment of industry would you say is in the same situation as Thompson Products, in other words, enlightened employee relations and wanting to give some of these good things to their people without an outside union? What proportion, would you say?

MR. LIVINGSTONE: Today in the United States there are something like 66 million people working. Some 15 million are under outside power union contracts.

Of the 50 million that are left, they include, as I said, such big companies as Standard Oil of New Jersey, Cincinnati Milling Machine, du Pont, Eastman, Proctor and Gamble; and then a great host of smaller companies, like Cleveland Twist Drill, and Lincoln Electric, and smaller companies that employ from a thousand down to fifty. Many banks, department stores, and office people are in this category.

We should not say that they are unorganized simply because the unions haven't tried to organize them. That's not true, because today there's a union for every type of occupation that I can think of. There's a union for milk delivery drivers, there's a union for gravediggers, there's a union

for insurance clerks, there's a union for automobile salesmen, there's a union for teachers. Name an occupation and there's a union for it.

But contrary to these efforts, there are 50 million people out of the 66 million who are saying to unions: "We're doing O.K. Thanks very much for your interest, but the boss and I get along all right."

QUESTION: We don't have any union. My question is a little bit on the academic side. I was wondering whether at this time, because of the implication that unions lack responsibility--an accusation that is made in some places--we have a justification for a labor court. If so, what would be the reaction of management or labor?

MR. LIVINGSTONE: I would prefer that any adjudication of labor matters go through the regular courts. I think as soon as you get into a labor court, you are going to have appointments to the bench that are political appointments, judges who are appointed to please certain groups, either management groups or labor groups; and then you will have the same charges of bias that featured the NLRB for so long.

Some people will say: "Well, these labor problems are special problems. Their intricacy and involvement are just beyond the capacity of the ordinary judge." Well, that's not true at all. There are few things which touch the emotions more or cause a greater strain on the heart, for example than some divorce cases, in which there is the question of which parent is going to get the children. I can think of few things that are more complicated than certain mergers, or bankruptcy proceedings or civil rights matters. I think most of our judges are competent to apply the law as it is written in a State, or the Federal law if it's a case involving interstate commerce.

The trouble has been that special Government agencies have pre-empted the regular courts in too many instances from applying the law as it is written.

QUESTION: I think one of the most bitter labor situations in recent years is the Kohler Company case in Wisconsin. I wonder if you would care to comment on a situation such as this, where there is a bitter impact; and what can be done, or what should be done, by either management or labor, the Government, or somebody to break up a situation like this, that goes on for years and years and does nothing but create great bitterness in both the people and the company itself.

MR. LIVINGSTONE: I think the thing that should be done is now being done. For quite a while up there the law wasn't being enforced, but I understand it is now. Do you remember the story of a ship without a port, the lake freighter with a cargo of cement for Kohler which was driven from port to port on the Great Lakes and couldn't be unloaded because of a boycott instituted by the strikers? Did you read about the beatings and mass violence at Kohler?

There cannot always be agreement, especially when you have an outside labor union and a management. Sometimes this disagreement must result in a strike. When a strike occurs, the employer should have the full right to try to operate if enough employees are satisfied with their conditions, and employees who are not satisfied should have the right to withhold their services. But lawfully.

The trouble has been that we've had a breakdown in law and order, which prevents many employees from exercising the right of free determination as to whether they want to work or whether they don't want to work. That's been the problem--the breakdown of law and order. And that, again, is political.

Striking Kohler employees will either get jobs someplace else and give up, or else they are going back to work at Kohler under new wages, hours, and working conditions, which may not be fully as much as they asked for, but perhaps threequarters as much as they asked for. I understand more than 85 percent of the employees are working. I think there should be more of allowing natural disagreements to work themselves out, but always under a canopy of law and order.

QUESTION: I would like to know if any of the management of Thompson's belong to the National Association of Manufacturers or any outside trade association.

MR. LIVINGSTONE: The company does. The company belongs to the NAM. The company belongs to the United States Chamber of Commerce.

QUESTION: What I want to ask about involves the motivation on the part of the management of the Thompson Company in relation to this human relations program. Thompson, as you described it, all of a sudden, beginning in 1933, put this program in. What were the

conditions that existed before that time? Did you just all of a sudden tell your people: "This law has been passed and now these changes are going to be put in on this program"?

Also, along that line, how do you stand as far as wages are concerned in relation to similar industries which are unionized? Do you go right along with them when they get wage raises? Or do you go to your people and say: "We are going to give you a little more money" without relating it to other industries?

MR. LIVINGSTONE: As to the first question--the conditions that existed in 1933, I think we had average conditions at that time. We knew our people quite well. We employed less than 1,000 then. We were always a sort of informal company. There were very few class lines. We liked our people, they liked us, and we got along pretty well together.

There was nothing particularly bad about the company at that time. There was nothing particularly outstanding, except that we were trying hard to build a business. But at the time that this effort to marshal everybody into outside unions came along, I don't know whether it was a love of freedom or a fear or what it was; but we felt that we would do better and that everybody in the company would do better without that kind of thing.

I think that employers who felt the other way at that time, later looked at our experience, many of them, and wished that they had done what we had done, which was a perfectly honest thing. We simply did directly for our people the things that organized labor promised to do by acting as their agent. We worked to stabilize our employment. We maintained our wages at a good community standard. We went much farther. We made friends and talked with our people, whereas the union theory is: "Here, you stay away from your people. If you've got anything to say to them, you tell it to us and we'll tell it to them. We're the agent. We're the intermediary." What we did, I think, took our people farther along the road of progress than employees of other companies that went to the outside union way.

Now, as to our conditions, they are average good conditions. We did a great deal of soul searching on that point. What should you base your wages on? How to set wages is a tremendously complicated and interesting subject. My pay, for example. What should I get paid?

Well, there's my idea of what I'm worth. There's the company's idea of what I'm worth. There's what some other company is willing to pay me. There's what other companies do pay persons similarly situated. Paying people properly is possibly management's most difficult job.

We decided as a matter of general policy that we were going to set our wage level in the general range of the top third good-paying companies in the community.

Many of the things we have done are individualistic. For example, we have a completely different pension program. Forty percent of pay at retirement after 30 years of service at age 65, vested, and proportionately reduced for shorter service. We think that's the way people like to be told what their pension benefits will be.

When it is decided that our wages should be raised, we take into consideration what has or may be done in automobiles, steel, aircraft, and electronics. We always want our people to make out as well or better, generally, as if they were working in other good companies in the community. We discuss our opinions with our employee groups in an endeavor to get their consensus and agreement as to the best thing to do that will leave us in a position to compete, and help us get more business, and steadier work.

If you wouldn't mind, I would like to say just one more thing. I don't want you to think for a moment that I believe business agents or officials of outside professional unions as a group are dishonest or that they are in a nefarious occupation. My only feeling is that if you are going to build a professional power union, the appeal has to be on fear or distrust, and usually both. Business agents have to eat just like you and I. That's the job that they got into and that's the way they eat. They have a right to try to sell their view. But I think we have a right to point out the things they do that I, at least, think are bad. I don't disrespect union agents at all as individuals, but it's just that I can't agree with the principles upon which they sell their merchandise. Some companies, that don't care about their people, may need a union to teach the right thing. But my complaint is that unions insist that everybody who works in the United States has to belong to their club, willing or not. They won't give employees the freedom of choice they demand that employers give.

COLONEL MURPHY: Mr. Livingstone, on behalf of every one of those present here, I wish to thank you for your presentation, for the very provocative information you gave to the students. I wish we had more time to hear the answers to all the questions. Thank you very much.

(18 Dec 1956--3, 950)B/jj