

MANAGEMENT RESPONSIBILITIES IN LABOR RELATIONS

Mr. William C. Caples

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

WASHINGTON, D. C.

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8 November 1962

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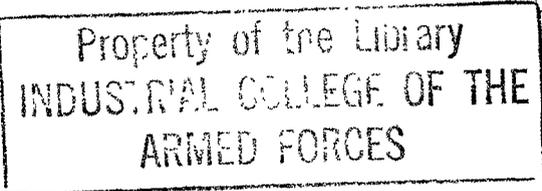
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MR. HILL: Gentlemen:

It is entirely fitting that we have Mr. William G. Caples, Vice President of the Inland Steel Company, Chicago, to give us the last word on industrial relations, because I look on Mr. Caples as the last word in industrial management.

He is an old friend of the College, and I know he is always happy to come back, because he spent some of his boyhood at Fort McNair, and his brother, Air Force General John Caples, was one of you a few years ago.

It gives me much pleasure to introduce Mr. William G. Caples to you. He will talk about Management Responsibilities in Labor Relations.

Mr. Caples.

MR. CAPLES: Thank you, Sam. Gentlemen:

It is going to come as a shock to my brother Steve that he has his name changed to John.

I have the pleasure of discussing with you again--I say you generically-- Management Responsibilities in Labor Relations. I think that any time a speaker talks he has to indicate first his biases and his background, and then it is up to you to judge against those biases and that background experience just how much weight you want to give to what he says.

I think my background and experience are fairly typical in a person who holds my type of job. I come from what in steel is known as a small company and what

is known industrially as a fairly large one. We are the eighth largest steel company in the United States, and to put that in context we are bigger than any steel company outside the United States, with the possible exception of the Soviet Union, where I don't think they have companies.

We operate in 35 States and two provinces in Canada. We have a partnership with a Dutch company, and we have laboratories in both the United Kingdom and Holland. We deal with people who are organized and unorganized, who are skilled and unskilled, and there are about 30,000 of them. We deal with every type of union, both industrial and craft. We have some 42 or 43 contracts, and we have a number of people, actually about 5,000, who are not organized in any way by anyone.

I don't think, really, that even with this complex my job is quite as difficult as yours, because you have the management of a much more dangerous and a much more complex technology maybe than we do. But I do think that it is well to consider the common part of our jobs, which is something like this: to make a military work or to make an industry work in a very complicated and pluralistic society such as we live in, where you have all the odd economic and political characteristics. If it is going to work at all it is going to work only if there is a high level of understanding of what we are doing and why we are trying to do it.

It is my hope this morning that I can bring to you some understanding of the problems we have trying to run an industry insofar as labor and labor relations are concerned. My emphasis this morning will be on the management role

in labor relations. In particular I will talk on dealing with unions and our current problems which seem to be intertwined, which are the problems of productivity, automation, and security--or lack of security depending upon which side of the fence you are on.

In doing this I am going to start with two premises, one of which is that our system of collective bargaining on the whole is good. I am not going to say it's perfect, but on the whole it is good. If in the question session you want to spar around about that one, I will go further into it. But for the purposes of that portion when I can talk and not have to defend it, I am going to make the assumption that it is good on the whole, although not entirely.

The second thing that I am going to assume is that management must operate within the system and help to make it work. If we fail to do this, then I think it is not only industry's loss but I think it is labor's loss, and I think it is the society's loss. I think it's everybody's loss.

Before I go into details, I want to do something I rarely do. I have been writing a paper and in it I have been trying to contrast the European systems and our own system. One reason is because I feel there may be coming a change in some of the European countries. I want to do this so that you have some idea of contrast. Most of you gentlemen have served in Europe, I suspect, or the Orient, or both, and these things may have come to your attention by that fact. If they have, I hope you will excuse the contrast.

In many of the countries, the free countries of the world today--and Italy and France are the two that come to my mind most readily--collective bargaining

as we know it in this country is almost nonexistent. Your wages are set on an industry or national basis. I recall once at a mill at Montdidier, north of Paris, trying to find out why they had cut the wages of some people in the steel mill there. I came to the conclusion that they cut the wages because in one year the people earned less money than they earned the year before and they turned out more tons of steel. It seemed to me that if my arithmetic was correct the only way they did that was by cutting wages. This Frenchman insisted they would not do such an outrageous thing as that, that the wages were set by the steel federation, that they had to be, and that he was an honorable man and he paid the wages. I kept being stubborn and Welsh and saying, "But how come they are making less money?" Finally, with this language difficulty, he said, "You mean the premiums." What they had done was just cut the incentive rates. They had been earning less money. I said to this fellow, "What did the union say about this?" He said, "This is none of the union's business." I said, "Why isn't it the union's business?" He said, "They bargain in Paris. We do this. We put money in machinery. They are putting out more tonnage. It's easier work. So we cut the bonus." And this was collective bargaining in France. This is not too long ago.

The other thing is, they do not have institutions such as we do of private arbitration. They are highly politically oriented, and because they are politically oriented, rather than get, as our unions do under Mr. Gompers' famous statement--"They want more"--or try to get more ^{or} under/within an existing system, generally the unions in Europe are oriented toward changing the political system. Generally speaking, in those countries the union movement shows a startling

lack of interest in the protection of the rights and the advancement of the welfare of the individual worker on his job. — Actually -- and this may be an overstatement but I don't think it is, too much -- the unions there use the workers as pawns in the continuous effort that they have to seek political power. I know somebody is going to say, "What are the labor unions doing here with the Democratic Party?" but I don't think ^{they} the Democrats/are really doing too much within it.

Now, this type of thing has to my mind three serious disadvantages. It is based first on a concept of rather rigid class structure and is almost Marxist in its continuing class conflict. Again I can give you an example of that. I was once in another mill in Europe where they had one of those union people you run into every once in a while who is really a genius at what he does. He knows exactly where to put what monkeywrench in which piece of machinery so as to shut the whole business down. He was as masterful at it as Mr. Lewis used to be when he ran the miners. In explaining this man to me -- and he had no selfish interest, oddly enough; he did this for other people -- the manager of the plant said, "He is one who quarrels with his destiny." This was just the way he looked at it. What was this guy doing, not doing what he was told? Maybe you've had enlisted men like that.

The second ^{thing} that I think is bad is that the unions are highly centralized as far as political action is concerned, but are very weak at the plant level.

The third thing I think is that they actually have contributed to the instability of government, particularly in France. I give you the demonstration one-day

strike that you run into. This is not directed against the management but against the government in the hope that this is the way to coerce the government into something.

Contrast this with the system that we have in our own country. We have a system that is enormously flexible. I will try to document that. It is privately designed, it is privately administered, and all of the machinery that is generally used to work out disputes is between the parties themselves--generally, I said. There are exceptions.

The third thing I think it accomplishes is that if in fact we have--and I don't think we have--a tendency toward conflict in this country this provides the means by which labor and individuals within the labor movement can strive for more within an existing economic system rather than forcing them to try to change a form of government through political action.

The last thing is that I think it provides the American labor movement as an institution with a setting where the workers themselves feel that they have something here that makes them actual participants in shaping a social order.

I think these are very important things to bear in mind.

With that as background I will get to what I make my bread and butter doing, and that is dealing with labor, organized or unorganized. In doing so I would like to try to point out our differences, because I think if you understand the differences between management and labor it is easier to understand why they do the things they do, which I will admit sometimes, looking at them as an outsider, seem like the actions of a couple of demented people who have been let loose in the

bargaining room.

The first thing is that you've got to remember the difference in the objectives of the two groups. The management people generally are there because somebody hopes that if they run a company properly they are going to make a profit. Somebody said when they had a loss, "We didn't plan it that way but it happened that way." Generally we like to make money. Most of us are paid managers who have from the individual standpoint most of their wealth--that remainder that the Uncle lets them keep--in the company, but in real fact you have a very small ownership interest in the business. You are a hired hand there to make an industrial thing work at a profit.

The union, on the other hand, is there to try to organize people because the individual, as an individual, has very little economic power in a large industrial organization. Take a company like mine, where the largest plant has 19,000 people--if you are one person in that plant you have very little real power outside of a combination. So they combine to try to represent their joint interests. This, I might say in passing, is one of the reasons I look sort of without favor, let me say, on the great arguments that are always made of putting unions under the anti-trust laws. Anti-trust laws, as you know, are designed to stop combinations in the restraint of trade or things that interfere with the free flow of commerce. Of course, every union by its very nature is a combination in restraint of trade. Every strike by its very nature is an interference with the free flow of commerce. So the very objectives for which unions are formed are things that are prohibited to another type of organizational structure, the corporation, under the law.

The second difference is in the form of government, if you will, of the two institutions. If you will look at any book on organization of a corporation and trace it to its source, you will generally find that the original examples from which it stems are either the Catholic Church or the military. In other words, the types of organization, the types of control, discipline, and so forth, are very similar. These are the institutions from which the structure comes in industry generally.

The structure of the union, opposed to that, is generally democratic. I say generally--there are autocratic unions, but there are not many. In other words, a person who runs a union runs it because he is able to get elected to that office. As all politicians must do, he must govern himself within that political background. I'll give you a specific on that. You hear people say that if unions were run like businesses we wouldn't have any trouble with them. Since we had an election in the United States a couple days ago, this may have a little more bearing. A union man, being in a political situation, comes in and makes a deal with the manager. After he has made his deal he goes out and finds out that this is very unpopular with his constituents. Then he is confronted with that practical problem of all politicians: Do you keep your campaign promises or do you run away from them and get reelected to office? He sometimes will be honest enough to say, "The boys won't take it," or sometimes he just backs down on his word. So we yell and say, "This is a terrible thing. The only way to live in this world is if your word is your bond." From a business standpoint this is true, but if you will be objective about it we are just as pragmatic as the union

men. The reason we live and say our word is our bond is that we have found out by experience that when our word ceases to be our bond people cease to do business with us. So that, from a purely selfish, pragmatic purpose, we have to discipline ourselves in one way, and do, and the unions have to discipline themselves in another way--if you can call it discipline--and do.

The third thing that is different is the structure of the organization itself. Generally, within an industry, you try to organize it and arrange it as you do in the military, where, by learning certain jobs you progress to others and where, supplemented with schooling and one thing and another, you can move people up through the organization, so that at any period of time a person has had experience, knows what he is doing, and has competence in it. If you want to take a company like mine and if you want to start with the foreman, which is the lowest management level, in the plant itself you have the foreman, the general foreman, the assistant superintendent, the superintendent, assistant general managers, general managers. Then you come up to the central office where you have directors and officers. So this is eight layers, which sometimes can be fairly good insulation material, I might point out. But it is a progression. So that at the end of it, generally speaking, the people know their jobs, are fairly articulate in them, and generally speaking do them well. --

The union is just as opposite of that as can be. It is a very flat structure. You usually have a business agent or a grievance man. You have an international fellow and then you have the officers of the union. On the side you have some very competent technical staffs. To show you how competent they are, we had one

graduate to the Secretary of Labor and to the Supreme Court, Mr. Justice Goldberg, who was one of the lawyers for the steel workers in the CIO, an extremely capable man. This is a high-quality, high-skilled person. They have the same kind of people in their industrial engineers, some of their medical experts, and so forth. But within the ruling hierarchy they are elected, and it is very flat. If you say, "Why don't they train people?" again you have to look back to the fact that it's political organization. If you think that to train somebody in politics is safe, what usually happens is that the fellow you train throws you out of office. I cite you Mr. Pepper, who was elected back to the House Tuesday. He had a protege named Smathers who is a Senator from Florida. Mr. Pepper is just getting back. I don't know how many years Mr. Smathers has been in the Senate.

This is a political risk in unions that they don't take. They don't take it very much in other politics, for that matter. If you think this is wrong, name if you can, or name if you will, the successor to any major union leader. Name Mr. Meany's successor, or Mr. Reuther's successor, or Mr. McDonald's successor, or Mr. Hayes' successor, or anybody else. You can't identify them. If a fellow is stupid enough to be identified, he is not going to be there very long.

With these differences between us, what happens when we sit down at the bargaining table? Here are people who have been very good, practicing psychologists, sitting down with people who are interested primarily in running a business and running it efficiently and effectively, and who really have divergent interests, in a sense, and common interests in another sense.

Where we get into the problems where we have high common interests, such as safety of the people, where this is no conflict, we really don't have much trouble. Oddly enough, we don't have too much trouble on money. We are going to have a little more now because things are getting tighter, but we haven't had recently.

The first place of conflict is on who controls the job. This is true whether it is an industrial union or a craft union. There are very great differences between the two, the main one being that in an industrial union, once a rolling is made, then it's there to haunt you forever. In a craft union, where usually you are building one thing, you can make a deal and when the building is over, or when the job is done and the construction is over, that's it, and you move on to the next one, and you aren't caught with it. So that it isn't too tough a problem. But where things exist and you make deals they become very great problems in controlling jobs.

I cite you the railroads, which are an old case. I cite you the missile sites, which are a new one.

The union obviously wants to control jobs, because the control of jobs means that they have something to sell, which is a way of making a livelihood. Management wants to control jobs for equally obvious reasons. One is that they want to have complete control of manpower scheduling. They want to be able to move men around. They want to combine jobs. They want to have the complete flexibility of moving jobs. The union wants to have rigidity so that they've got a saleable article for their members.

These are things where there is normally conflict. I cited the railroads. Right now there are the shippers on the West Coast and the longshoremen. Obviously they are trying to find better methods of packaging. In your own instance, look at these big metal cartons you ship out to the Pacific, these packaged orders, which I admit also stop pilferage, and it has happened among civilians as well as others. They want to get better material handling and what not. This obviously means the elimination of longshoremen. So that the way they have set that particular thing up for solution--and to my mind it is certainly not a very good one--is that no one else can join the union other than present members. They have put up a big fund, which is really a guaranteed annual wage. These people are paid whether they work or not. The people who do the shipping are free to make any kind of change they want.

The railroad problem is with the telegraphers at the moment, but it's going into the firemen on diesels, and some of these other useful fellows, or the engineers on jet airplanes. Every one is a matter of logic. It must be eliminated. But the union, particularly in the case of the telegraphers, not only sees the elimination of that job, but the officers who run the union see their elimination, because, if the union ceases to exist, they cease to exist, and some of these jobs are pretty good.

So that the control of jobs is always a factor. I don't know any way in which, because of the different nature of the two interests, you will get anything out of it but compromise. I am not at all sure that compromise is entirely wrong. Some of the compromises that have been worked out, when you look at them, have

been quite equitable to all the interests of both parties.

Take for instance the United Air Lines, which has the problem of the elimination of the engineers in the aircraft. They agreed that those people who were capable of being trained as pilots would be trained as pilots at a cost to the air lines, which is being done. Those who were not capable of pilot training they would try to give priority of employment someplace else, if they were capable of switching to that, within their organization, and if not they would be eliminated with some kind of severance.

When you look at this from all standpoints this seems to be a logical, sensible solution, worked out by a union and an air line. Then you say, "Well, why wasn't this done with the other air lines and with the other engineers?" The reason was that in United Air Lines the engineers are part of the pilots' union. In the other air lines they are in a separate union. There was no fight for the survival of the union in one air line and in the others there is. So you get this job-control problem.

The second big point of issue is the control of quantity. Obviously, when you are making anything and sell it, you want to make it as fast as you can, with as little manpower on it as possible and as much machine time, or maybe as little machine time. But you don't want anybody telling you, when you are running a business and your commercial people are telling you what they can sell, how many of any type of unit you can turn out. This is always a problem with the unions, because they do control quantity. One of the ways that are used to try to eliminate this is through money incentives, some of which work and some of which

don't, and none of which are excuses or substitutions for good management.

The third thing that brings conflict is the question of quality. This is really the toughest one. In our industry right now we are running into it. I can tell you how odd it becomes. It used to be that when you got a not completely flat sheet, a deep drawing sheet for things like fenders or the hood of a car, when it was not quite flat enough, they would put it on the top panel, and this was all right, because no one would see the wave in a top panel. But now they are making the cars so low that somebody standing on a curb can see the wave, and they reject this stuff now, and I don't blame them. They are selling automobiles and we are selling steel. But to try and impress upon people making a product that what has been satisfactory for years is no longer acceptable--and, believe me, the customer is enjoying himself in our business right now--we used to, but he is now--is a big problem. These things just come right back. They're not going to fiddle around with you. To try and impress this on a work force or a union is a very difficult thing, and we get into great quarrels here.

The last thing, of course, is the question of man scheduling, in other words, the number of people on crews. You notice that the railroad brotherhoods were very agile in getting laws passed in many States that they call full-crew laws. The excuse was that they were safety measures. They got them in the law and now the question is how to get rid of them. Actually, they are not safety measures at all. They are a measure to guarantee jobs by legislation. The unions tried to do it by legislating through their contracts.

When you have strikes, generally speaking--and if you want to ask about

specific strikes--I think you will find that the thing that really triggers any one strike is either the control of the jobs, the control of the quantity, the quality, or the scheduling. This is not an oversimplification. I think it's a fact.

With these things, what do we do about getting out of boxes when we get in them and the parties themselves can't settle them? Here you get into the problem of degree; you get into the problem of the proper role of government. Obviously, where there are two parties, say a local union and a small manufacturer someplace, they can have any kind of brannigan they want and probably won't affect anything but the families of the people involved or the merchants with whom they deal in the town. As far as national impact is concerned, they have practically none. You go from that type of small, isolated, contained warfare, if you will, to something such as a national strike of steel or shipping or the teamsters, or in one case, I think, the American Locomotive, when they were the only people who made a certain type of pipe that was essential to the Atomic Energy Commission, and at this point in comes a legitimate interest of the public at large. In a democratic society the public at large must be represented by the elected people who hold office at that time. This now becomes complicated by a lot of things. I think because of its complication it has changed a lot of thinking.

One of the things is, we now have the problem of control of monetary balances, gold balances, between the United States and other countries, which can be affected by collective bargaining. We have the problem of military necessity, and obviously the Government has knowledge that civilians do not have and should

not have. There is the problem of other countries looking at our system, and obviously the failures are much more publicized than the successes. Our strikes and things like the University of Mississippi and Mr. Meredith, as you know, are the things that get fairly well publicized.

So that you've got to look now at the size of the conflict and what effect it can have, bearing in mind that size of unions or size of industries or position of unions or position of industries preclude them from making a settlement which will adversely affect the interest of the United States. I know that someone will say, "Well, what God-given right or what great knowledge has the Government that they know better than the parties?" The reason is, I think, regardless of which party is in power, that they must have more knowledge generally than we do, because they have better sources than we do generally, and they are not looking out for the same selfish interests that we are.

So the question then comes up: When should government intervene? This is a judgment matter. Under the present statute, as you know, the President of the United States can declare that a conflict affects the national health and welfare. He can set up a rather laborious process and get a court injunction, and that goes on for 80 days. If at the end of 80 days the parties have not agreed, then they are free to do what they want, and the Congress is free to take such action as it wants.

This has been, oddly enough, a fairly effective method, but it's a very galling method, I think, for both sides that are subject to it. People now are tending to other directions, and they go about this way:

First is the problem of ~~so-called~~ fact finding. Fact finding is a nice name. Of course it finds no facts at all, ~~and it is not designed~~ to find them. What it really is ~~designed~~ to do is to subject a dispute to public view. The people who do it usually are very astute negotiators ~~and~~, having heard the disagreement and having defined the areas of disagreement, the perfect fact-finding board then finds a solution. This solution is basically this: It's enough so that the union can't afford to strike; it's little enough so that the company can't afford to take a strike. In other words, they find the razor's edge that you can walk along and keep both sides from striking or make them settle.

If you look at it for what it is ~~and it avoids strikes if they must be avoided~~ -- it is a very good device, a device that is becoming much more popular and seems to make more sense. It is being advocated by many people in this field, particularly the academics. It is, when people get into conflict, to intervene with mediation at as early a point as it is ascertainable that there may be a conflict which will be resolved by a strike if something isn't done to prevent it.

The advantages of mediation are several. One is ~~and I am assuming here~~ the competence of the mediator, and we have some very good ones -- Mr. Simpkin, who runs the Mediation Service for the Federal Government, for instance, is an extremely capable one, and there are many others -- that this gentleman comes in and really tries to find out why ^{why} the parties have gotten themselves locked in a position and ~~they~~ can't get out of it and save face. Our union and my industry were in such a position in 1959. They got themselves so locked up that neither of them could back out. We had very high-level mediation on that one. We had

the Vice President of the United States. That's the best we have done to date. Here the man tries to find out where the rub is and suggest a solution. His solution may be no better than yours. We used to say the Chinese were the great face-savers. I think we are the greatest face-savers on the earth, particularly in our business. He can make a solution to which both parties can point and say "I don't like this. It's not mine, it's his." They can get out of it in that way.

This is not a bad method, and it has proven to be a highly successful one. It happens to be the one that I favor over others. Then you can move on from that into the question of arbitration. Here you've got to remember that there are two types of arbitration. One is the arbitration that is provided by a contract itself. This is the industrial law and this is the court under industrial law. Generally speaking, and I say generally speaking because with what the Supreme Court has been doing lately I am not quite sure where we are, the arbitration is confined to the terms of the contract. The court lately has seemed to be saying that it is whatever the arbitrator thinks should be arbitrated, which I hope is not law. This is something the parties have agreed to. It's a limited, narrow range. You go into that, to general arbitration, and this is arbitration of issues. This was done in the Northwestern Railroad, where they arbitrated what would be done in the limits of a fact-finding board on the elimination of jobs in railroads. Here the railroad and the telegraphers' union agreed to arbitrate. This is optional arbitration. I suppose in a free country it should be open to people if they want to use it.

It steps on from that to compulsory arbitration, which we do not have in the

United States and which I hope we do not have ever. It has been tried in other countries. Those of you who have been in Australia or New Zealand where they have it, have seen it work. When I was in Australia I came to the conclusion that they ran Harry Bridges out because he was too conservative for that country. If you think that you are restricted with what you can do with people here or what you can do with the union, over there it's unbelievable. One of the things that stick in my head is when I was in a parts warehouse in Sydney one day getting some tractor parts, or hopefully getting some. I had my requisition in good form, and what not, and I handed it over the counter. The fellow turned to this kid and said, "Go and get those parts." The kid looked at him and said, "They are up in those bins. I'm not going to get them unless I get height pay." I said, "What did he say?" The fellow said, "He said he's not going to get them unless he gets height pay." By gosh, he didn't, either. This is a ramification that I don't pass on to argue on. We are paying no height pay for people who climb ladders at the moment.

Compulsory arbitration as you see it work in Australia has been satisfactory to no one and it has been terribly restrictive. But it is a method. I noticed in the California campaign of Senator Kuchel that he was advocating compulsory arbitration. As an aside on that campaign, I was sort of amused by some of the signs I saw out there. It said, "For Governor Vote No." Here is a Senator from what is going to be, if it is not, the largest State, advocating compulsory arbitration.

Now, with these devices to settle problems that we cannot settle ourselves, where there is an overriding interest, you can take your choice. There is good and

bad in each of them. Generally speaking, where you have groups which are given powerful roles in a society, as we are under the law, both the corporation and the union, there must be some place in which the general interest of the society will be allowed to override the selfish interest of either or both parties. I have cited fact-finding, mediation, and arbitration, both voluntary and compulsory.

I am going to take the last five minutes that I have to try to get at some of the problems we have today. They are very real problems. One is that for the first time an industry in the United States is confronted with a problem which is new to it, and that is the problem of the market being the world and not the United States. It came as a sort of rude shock to many of us who always looked at the United States as our market, to find out that we were in competition with the Japanese, with the higher authority of the Iron and Coal Community in Europe, and with the United Kingdom.

I ran into a product which is competitive with ours the other day--South African steel fabricated in Brooklyn by Puerto Ricans at \$1.25 an hour. These are the sort of things that you have to learn to deal with.

So that the problem of competition in the United States is much broadened and we as a nation are going to have to learn to live with it and to compete fairly within it, and we are going to have to learn to do that without in any way cutting down our own standard of living, and hopefully keep it moving forward at a rate. What does this mean? It means that we must take advantage of all the technology that is available to us. I heard a statement made the other day which

I checked later, and it sort of startled me at the time, and it may startle you. It was made by a gentleman who should know and does know. It was Dr. Keller who made it. He said that there are living today 90 percent of all the scientists who have ever lived. When you start to check up on it, this is probably true. If these people are productive, and they undoubtedly are, then it is reasonable to assume that we are going to have an accelerating rate of technology, and it is equally reasonable to assume that if we do not take advantage of this we are going to have a competitive problem in the world that we can't cope with.

I am talking here and making another assumption. Our industry, incidentally, was in favor of the Trade Act and testified for the Trade Act. Our reasons were not entirely without selfish interest. The steel industry of the United States today is so dependent on imports of ore, manganese, nickel, and some other things, that we believe that the risk of sanctions or quotas on exports from other countries is too dangerous for us to get into that kind of conflict with tariffs-- whether you believe in tariffs or don't believe in tariffs.

So that we now have the problem of accepting technology as fast as we can. This does two things. One is that it changes the necessary skills of the workers. I can give you an example of that because sometimes these are rather difficult lessons to learn. If any of you have seen a continuous galvanizer you know that it used to be that when we galvanized steel--which is nothing in the world but putting a coat of zinc on it--we used to have a dressing tank, and we'd have a guy stick a piece of steel in at one end and pull it out at the other. You could see the tank, you could see the molten metal, and it didn't take a great deal of

intelligence to push it in at one end or to pull it out at the other. If you had a loud-voiced foreman you got it through at a fairly good rate of speed. Now you take a coil of steel and put it in a controlled device, the physical size of which is over a city block long, and the internal dimensions are not quite as big as the internal dimensions of this auditorium--probably in square feet they are, because it's higher and not as wide. Here metal is taken and the coil is put on one end, and you don't see it again until it comes out the other end. While it is in there it is cleaned and heat treated. This is done in a controlled, explosive atmosphere. The metal is put on it and many things are done. It's a very sensitive process both in the heat control and the control of the gasses. We had a terrible time taking the men off the pots and teaching them how to keep the mechanical end of this machine running.

We told them the importance of doing^{things}/in order and the importance of what was done with the valves, and what not. We got nowhere with them until one day we blew one of these things up. We now have the only zinc-lined galvanizing mill in the United States. The amazing thing about this was that the guy who blew it up was not injured and no one else was. When you look at the explosion and where he was standing you can't believe it. It went every place but where he was. Now we have very good control of this device. The reason is that the men say, "If you don't do what the foreman says, it will blow up." That's a poor way to train people, and it's expensive, I might point out.

What I am doing is illustrating that we are now in a position where we must take people and train them, and we are starting against an educational background

that in many instances is very deficient. Our problem is nothing compared to that of an industry you don't think of as being mechanized very much, which is the packing-house industry. Here are people who have had odd skills, such as killers, cutters, and so forth. These were illiterate people in every sense of the word who were making \$3.10 an hour. As they move the packing into the smaller neighborhoods and as they mechanize a lot of it, these people are totally eliminated. For all practical intents and purposes in our society they are not employable because they don't have the minimum basic skills of reading, writing, and arithmetic.

This is, I grant, an extreme case and it is an extreme problem in that industry. Our case is not as extreme, but we have the problem. For instance, take a good, competent, journeyman electrician. A man who has this skill is good at it. You put in electronic controls for gates, or some other thing, and at this point his skill becomes totally useless. He cannot repair those repair devices. We have one of two choices. We either have to train this man to do it or not. He fortunately has to have basic learning, to begin with, and is trainable.

We are going to have to get a concept in these United States which is different. Heretofore we have had a concept--not in the military but pretty much outside of it--that you are either a worker or a student. When you leave being a student you become a worker of some sort. We are going to have to get the same concept in industry which I think has been a general concept of the military. It is that you are going to have to be a student and a worker probably all your life, and you are going to have to build a flexibility into your thinking.

It is psychologically true that anyone is trainable at any age.

There is one psychological oddity that gives me faith. There is a learning spurt at age 70 for some reason no one knows.

The second thing we are going to have to find out is how better to introduce new methods and new processes without scaring the people you introduce them to. The real fear is losing jobs, because some of them will lose jobs. Take the steel industry today. When the union organized us in 1937 we then had more people producing steel than we do today, and today we can produce twice as much as we could in 1937. It's a lot better quality and a lot better in every way. Here we can produce today probably 160 million short tons of steel in the United States without sweating too much, and in those days we couldn't produce half of that.

This has meant some small displacement, when you double the size of an industry. There's another figure if you want to look at it. The increased employment in this country since World War II is about 8 million people. One million of them have gone into industry, with all of its increase in size, and 7 million have gone into service of one sort or another.

This suggests two things. One is this population explosion. These people are in being. They are here and they are going to have to be gainfully employed. They probably are not going to be employed as much by industry as people suspect. The second thing is that there are going to be people displaced out of it. The third thing is that we are going to have to have a considerable increase in the general knowledge level of people in industry.

These are the problems that we now have. I would be happy to hear any solution to any one of them.

I think this is a good point at which to quit.

Thank you.

MR. HILL: Gentlemen, Mr. Caples is ready for your questions.

QUESTION: Sir, as your firm moves toward automation and the attendant problem of retraining, how is it proposed to handle the seniority rights of the workers and your case decisions?

MR. CAPLES: That is an excellent question, for 2 or 3 reasons. One is that again you get to the problem of jobs and flexibility. You get to the problem of the politics in the union. Let me try to answer that with a specific case on which I have rather intimate knowledge. When we converted our last hand sheet mills--and a hand sheet mill is what its name implies, which is that the metal was fed in and taken out, with the rolls backing up for it, rather than being a continuous mill--we had in those mills 184 men, if my memory serves me correctly. The man with the oldest length of service was a roller, a man named Black, who was then 63 years of age and had 41 years of service with the company. As a roller he was the highest paid man in the group. There were three rollers. He was one of the three. Here is your highest paid man with the greatest amount of service and with an absolutely nontransferable skill. The skill was not transferable because in the old hand mills where you made it was by adjusting the rolls while you were rolling. Today, where you roll at speeds as high as 5000 feet a minute where your rollers really make it is on the setup of the

continuous roll. This is where the skill comes. So that the skill he had, although a rolling skill, was not transferable.

Our problem was what to do with him and what to do with the other people. We went to the union with six alternative propositions. The union said, "We will take any one of these if you will commit that in any change from here on out you will use the same system." I said, "I should have my head examined if I agree to that. How do we know that the circumstances will be the same the next time? Why not take this as an ad hoc, special situation and deal with this one, and we'll deal with each one as it comes up on its terms." I didn't get to first base. So I came down to see Arthur Goldberg, who was then the counsel for the steel workers. I said, "Arthur, this is no way to handle this." He said, "I agree with you 100 percent, but the arithmetic is against you. No union--and in this bargaining unit there are 15,000 people--is going to give up rights for 184 people."

This is the problem of seniority. You can't give anybody something unless you take it away from somebody else. Here is where there is going to have to come a great change in the union's thinking. There is going to have to come around a great change in the thinking of the people themselves. When I talk about production as a general thing and technology as a general thing, I can be for it 100 percent. If I look at it when it comes back and think I am going to lose my job, or somebody may push me out of my job, my enthusiasm goes down very quickly, because it comes from the general to me specifically.

What we did in this case was we used management transfers, which we have a right to use, and we transferred these people, and the union couldn't veto it.

But the hell of it is that on a management transfer we had to stick the people in at the bottom of a sequence. For this particular man this was a tragic thing. In those days we couldn't retire a man until he was 65 under any circumstance. His pension was figured on his last 10 years of his earnings. His last three of his ten were 30 percent, and his earnings went away down. He was a very unhappy man, and we were unhappy. It was a bad solution for him and for us, other than that it kept him employed.

The oddity was, the people who were below the top 30 percent in earnings on these transfers had enough so that they got seniority generally and had enough skills so that they progressed enough that within a year they were all earning more than they had earned. So they had only a temporary diminution of earnings, and not much. The people in the top 30 percent were badly treated in the sense of economics from their own standpoint.

I merely point this out to illustrate that at this point we have no good solution. By own belief is, and we are arguing this now at great length with the union, that men must be trained at least at the lower job classes so that they are interchangeable in 3 or 4 jobs and so that we can move them about the mill. The second thing is that people must, for service or something other, forego some of the seniority rights they have now against the possibility that they may need the same protection themselves.

Until the unions are willing to forego some of these rigid seniorities we have no solution. This is the problem with the railroads, you see, with the brotherhoods. When the telegraphers go off there is no other place they can go in the

railroad, because the other brotherhoods aren't going to have any part of them. They've got the same problem. They say, "We're sorry, but we've got our problems." This is something that is not solved and will have to be solved. How it is going to be solved, I don't know.

In steel, at least, we meet continually with the union now. This is one of the problems that we are arguing around and around. The interesting thing is that in theory there ^{is} not much quarrel between the international union and the steel management. In practice, the steel union's management says, "We can't sell it to the membership." I think at this point they are right.

That's not a very satisfactory answer, but it is about the best I can do.

QUESTION: Sir, my question relates to a definition. You mentioned the changing technological characteristics of our work force. In the future, how will we make a determination as to who is management and who is labor? We have people who are defined as management who are not really managing anything. As we upgrade technical qualifications, it would appear that maybe we would have a greater number of people who considered themselves management and a lesser number who might be considered labor. Can you tell me what criteria you would visualize that you would utilize to determine who is management and who is labor?

MR. CAPLES: We are not going to make the computer a manager, I'll tell you. I think I can tell you. A manager is someone who directs other people. That's about as simple as I can make it. Actually, we have three types of people, and maybe four. We have production and maintenance people who are what their

names imply. The production people are people who work on the actual production process. The maintenance people are people who either maintain the machines or work in the shop in grinding down rolls or/machinists, toolmakers, diemakers, and bricklayers--that sort of thing. Then you have your clerical, and this is obvious. Then there are the technical people. Technical is a class by itself. They really don't manage anybody. They really are not managers. However, they are people of high skills. Interestingly enough, they have a fairly strong feeling of status consciousness. For instance, I am a Ph. D. in metallurgy, and here is a guy who came up through the school of hard knocks. Why am I not better than he? I'm verbalizing what they won't. So that actually you have to work out a pay system and a status system for these people, who are very necessary people and in very short supply, and they know they are in short supply, and they are playing the market pretty well without a union.

So that their pay scales are on comparable scales, and some of them earn very well, and they should earn very well. You get a really imaginative technician, I don't care in what field of technology, and he is a very rare animal, and you had better treat him that way, because you want to see him around for a long time.

You don't call him a manager. We do have a technical force and we designate them as such. The technical force, depending on what they do, have all sorts of status. I notice, for instance, that the technical people in the laboratories and what not, who are doctors, always want to be addressed with their titles. I have an assistant who has a doctorate and I have a doctorate myself. I had the damndest time when I got him. I got him at Penn State. I said, "Now,

Phil, the one thing you've got to learn is, for God's sake, don't let them know in the mill that you are a doctor, or you're dead." After about 8 or 9 years he's gotten around to where he can live in the mill as Phil.

These are oddities, but the fact is they are human beings, and they have their drives and urges. You deal basically with the technical force as a technical force and with the management force as a management force. The technical force basically are not staff. They are technical people and technical experts. For instance, if you send a technical team into the mill to find out what in God's name is going wrong with a certain product, usually that team will consist of a mechanical engineer, a metallurgist, maybe a civil engineer, or they will all be chemists, possibly. They will be a group of technicians for attacking a problem. They can attack it from any end they want or start in the middle. Their job is to go out and find out what in God's name we are doing wrong. Once having ascertained it, then it's up to the management to see whether we are going to take the solution and, if we are, to put it into effect. They have no management authority. This sort of bothers them a little bit, particularly if you overrule them.

This is a new classification. It is not management. It is extremely valuable and it is necessary to treat it separately. This isn't unique in my company. Look at somebody like the biggest employer of technical help, American Telephone and Telegraph. They have more Ph. D.'s working for them than any university I know, by far. Or take General Electric. If you go to Bell laboratories, in New Jersey, where they have many of these highly skilled, highly trained

people, you find they are treated entirely differently from anybody else. One of the oddities, to me, about them, is that they will come into the laboratory exercising their freedom. I mean, they will have on a tweed coat or an open-collar shirt, or something. They are going to show you that they don't conform. Then when you go to their homes in the suburbs they are the damnedest conformists you've ever seen, even to the same kind of barbeque pits.

So we recognize them and treat them differently, frankly.

QUESTION: Sir, would you comment on the problem of motivation you have with organized labor--employee motivation?

MR. CAPLES: Yes, I can do that. In the first place, you've got to make two assumptions, which I will make. One is that to my mind the American worker and the American work force are generally--and there are exceptions--good people who are trying to give you what you pay for. There is an original motivation in them to begin with. Generally speaking, a guy is not on a job to dog it or to cheat you out of any money. This is the first thing.

The second thing is that most workers in a work force expect certain things of their management. They expect, for instance, that a good management will keep them reasonably employed. They expect that a good management will look out for them and their well-being.

The third thing is that things that you do in a mill have got to make sense to them.

Now, with these things, if you will accept them, then you look here at the union and here at the management. People can and do have many loyalties.

There's nothing that is exclusive. If I am loyal to the union I don't have to be and generally am not disloyal to my company. Or if I am loyal to my company I am not disloyal to the union. I can be loyal to a lot of things and within that context.

Generally speaking, the union is looked to as a protection for the men. Generally speaking, the men follow the union because on the whole they believe the union has served them well for their needs. But, generally within the mill itself, the only time you find you deal with the union is on incentive rates on motivation and on things, for instance, such as the general conditions of the mill--locker rooms, the mill itself, plant cleanliness, and these sorts of things--you've got to get at them. The other thing, making sense to the men of what you do, is much more difficult.

Let me give you an example. Up until very recently our rolling schedules would go on sometimes as long as 8 weeks in a row. It was easy for everybody. You would set up a rolling schedule and you would go through it. Your campaign and everything would be set and orderly. People would know about it weeks ahead. Then, all of a sudden, we had more capacity than we had customers.

Now you take much smaller orders and you take them at a much later date. If you don't, that bastard down the road is going to. So you have to. We sit right between U. S. Steel and Youngstown Sheet and Tube, and we don't want to see them getting any bigger. Now, we will take orders. These things are very inconvenient to the men in the mill. In other words, you have to change a schedule. You have to change something that they may have planned in the work.

But this is the way you keep your business. From their standpoint it looks disorderly. We are doing a terrific amount of work, and I hope successfully. But try and get the men in the mill to understand that this basically is their problem as much as ours. If we don't sell the stuff, they aren't going to be making it.

We've had all sorts of things, and we have them all through the mill. At every safety meeting we sneak some of this propaganda in, ^{that} we have lost orders by this failure and how many jobs it has meant and in what mills. We don't go off in theory and say, "This happened over in that mill," but "This happened in this mill. These are the hours you lost. If you don't want those hours that's one thing. If you do, this is the way we get them."

It's the same thing on quality. We go out to the customers where we have breakages or some other failure, and those things are right in the mill on boards, what it would cost us if we lost an order on it, and we'll put a great big tear right by it, so everybody can cry.

The other things are in the general amenities. For instance, if men have to wait for a bus, we put a place for them there where they are out of the rain and the wind and the snow. We try within the things that we can to treat these people as decently as we can, and also try to work out devices so that they are not looked on or think they are looked on as numbers.

For instance, we are now doing at Inland an attitude survey of our people and their attitudes toward the company. We are mailing out an extensive questionnaire that the psychologists have been working over for a week, to try to find out what--as the kids say--is bugging these people, and to try to correct our

behavior. In doing this we have said to them in the publication that we are going to report to them what they tell us. We are also going to say what we are going to do about it.

This kind of thing is a motivation. Another thing is, in our company we have had a stock-option plan which when people read about it they think it is for rich executives. This is for anybody with two years of service. We have about 12,000 employees who are stockholders of some degree. We feel, although we can't prove it, that the mere ownership in the company at least gives us an advantage that they will read the stuff that we put out.

Bear in mind that this is not a joke in this sense. When you put out a company publication, you are competing with radio, television, every magazine, every newspaper in the United States. If you can get enough selfish interest in these people to make them absorb the stuff, so much the better. Men generally have a tendency to believe what their management says. It is a very interesting phenomenon. In fact, the surveys we took during the strike in 1959 showed us that the people were believing the management and what they were saying more than they were believing the union, but they were following the union. These things happen.

We use all sorts of devices to try to motivate men. We have all kinds of schools. In our company last year, of the 30,000 people, we had over 9,000 who took some kind of formal training to try to better themselves and to better themselves in the job. Some of them were actually college courses. We have a thing we do with Purdue University in which we train technicians. Basically,

they get two years of engineering education at the college level. These are all motivating factors.

Which ones work and which don't, I couldn't tell you. When you stop trying to figure out how to make your work force better or how to get them to do things better, at that point, in my opinion, your company starts to decline. So that actually we try many things. We keep constantly working at it. Basically I don't find this any different from when I commanded a platoon or a company or a batallion, really.

QUESTION: Yesterday, sir, I understood Mr. Hayes to say that on this retraining problem this was really 100 percent a management problem. I wonder if you would comment on what approach the union probably should be taking or could take to assist management.

MR. CAPLES: Let me make a general statement first. All difficult problems are 100 percent management problems. I've never heard a union man who took a difficult problem, like a seniority problem we talked about earlier. It started originally with the union saying, "That's your problem." Now they find out it's their problem, too.

I don't think that any management ducks any problem. The running of the business they think is 100 percent your problem. Retraining is your problem.

I am perfectly willing to accept that 100 percent it is our problem. On the other hand, no union is willing to accept your solution 100 percent. So that the pragmatic point is that, even though you accept the problem, you are going to have to work it out with the union. Sometimes this is much more difficult than if you

were going to do it yourself.

The motivation must be yours, the willingness to do it must be yours, and assuming two things. One is that you have something to train the man for. Training just to be training is of no use that I know of, if you have no job. This is the problem of the packers right now. They've got no jobs for these people who are not trainable people, anyway.

So that I don't think that there it really is the job of industry. I think there you get pretty much into the job of the general society. The last Congress, of course, recognized that fact in the Manpower Retraining and Redevelopment Act, in which there are very substantial sums of money coming out of the national funds for the retraining of people in general.

For instance, if we in industry don't have any jobs, what obligation do we have to make beauty operators? And yet this precisely what the packers tried in one of their experiments with the union. They took people and made beauty operators out of them. They're very hard to use in the packing plant.

I think that there is no absolute on this, Captain. To answer you, if you can use them in your company, I think you have an obligation to train them, and to train them well. I think you have a continuing obligation, where people want to better themselves, to make available to them the opportunity to better themselves.

The best selection device we have, getting back to the question on motivation, is the man who selects himself. The reason this program at Purdue has been so valuable to us is that it means we have a rotating school. I might point out that

our shifts rotate, and they rotate backwards. You work the 12-day one week and you work 4 to 12 the next, and 8 to 4 the next. The school rotates so that the men can go to school and stay on shift work. Anybody who can pass the entrance examination can take this course. If they can't pass the entrance examination, Purdue counsels with them as to what they think they need to be able to successfully pass this examination.

We've had people from laborers to general foremen take this course. Believe me, it takes some courage when you are a general foreman to go into school with a laborer that works for you and to take a chance on looking like a clown to this guy when you've got to tell him ^{what} to do the next day. I mean, this takes stability.

These people have, generally speaking, identified themselves with ambition, with skill, which they acquire, and with a desire to better themselves. This has been the best identifying manner for us to pick up managers. Most of these people who have successfully completed this course have advanced and have advanced well.

I use this as an example because I think it is our job at every level. For instance, all our technical people who have only a baccalaureate we encourage, and we pay for it, incidentally, if they'll do it, to take masters. The two people who are on our business procedures now, who do our computer work, neither of whom thinks he has sufficient depth in mathematics, are both taking their doctors in mathematics, for which we are paying. These are not stupid boys. One of them was summa cum at Princeton and one was summa cum at Kenyon. They are reasonably bright kids.

This sort of thing is a constant thing. You need these people. You've got to be willing to pay for them and you've got to push them if you can or let them push themselves.

I'll accept the responsibility. I have some ^{of} Sam's unions, and I hope that he accepts my solution as readily.

MR. HILL: Bill, you have put not only the flesh and blood into this subject of labor administration but also, and more importantly, the spirit. We hope, sir, that your school of philosophy will always prevail in the problems of the unions.

MR. CAPLES: I do hope that the people who are on our stock keep it at the same level on the market. This is where we check out how well we are doing.