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THE HUMAN RESOURCES DEVELOPMENT ACT OF 1977

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON ECONOMIC STABILIZATION OF THE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 2596

A BILL TO PROVIDE FOR A PROGRAM, TO BE CARRIED OUT THROUGH THE SECRETARY OF LABOR, OF PROJECTS AND AN ADVISORY COUNCIL TO PROMOTE ECONOMIC STABILITY BY INCREASING PRODUCTIVITY, IMPROVING JOB SECURITY, ENCOURAGING RETENTION OF JOBS IN LIEU OF CYCLICAL LAYOFFS, AND PROMOTING THE BETTER USE OF HUMAN RESOURCES IN EMPLOYMENT

MARCH 24, 31; AND APRIL 5, 1977

Printed for the use of the
Committee on Banking, Finance and Urban Affairs



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1977

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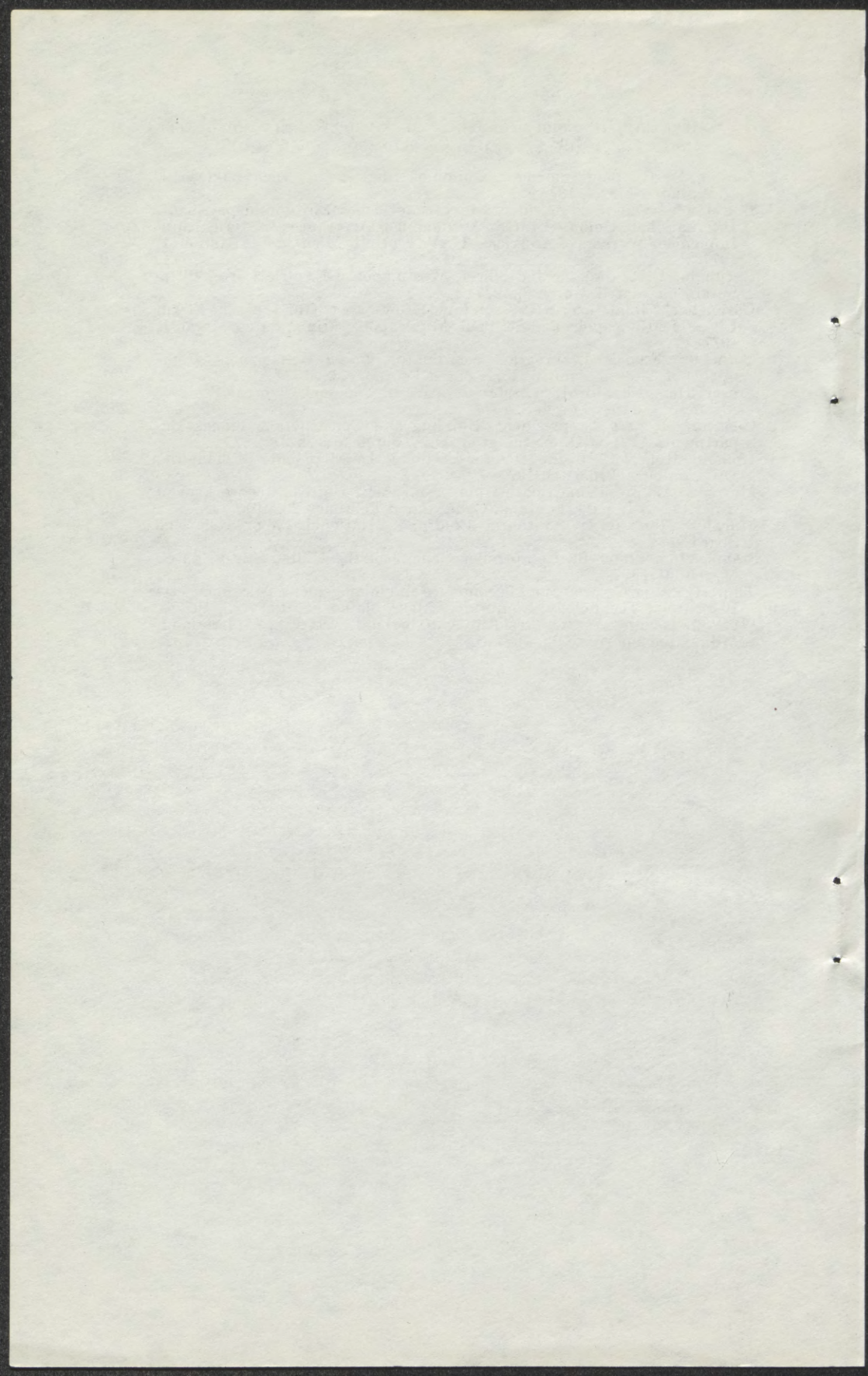
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THE HUMAN RESOURCES DEVELOPMENT ACT OF 1977

THURSDAY, MARCH 24, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC STABILIZATION
OF THE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
Washington, D.C.

The subcommittee met at 10:10 a.m. in room 2128 of the Rayburn House Office Building; Hon. William S. Moorhead (chairman of the subcommittee) presiding.

Present: Representatives Moorhead, Lundine, Vento, Barnard, Watkins, Fauntroy, McKinney, Stanton, Kelly, Caputo and Steers.

Mr. MOORHEAD. The Subcommittee on Economic Stabilization will please come to order.

Today we begin hearings on H.R. 2596, the Human Resources Development Act of 1977. This is legislation intended to expand employment opportunities and also to promote job security through increased productivity. If adopted, the legislation could provide fresh approaches to improving the performance of our economy. Such a current problem as cyclical layoffs might be curbed, and more job satisfaction achieved in its place.

A major concern of this subcommittee is price stability. Productivity improvement means putting people back to work, but in particular, it means putting people back to work while maintaining price stability.

With an annual inflation rate of 5 percent and in excess of seven million unemployed, it is not difficult to understand the worthiness of the objectives of this legislation, nor the critical nature of the problems it is intended to help overcome.

H.R. 2596 would provide the Federal Government with a number of interesting tools with which to work toward improved productivity.

First, through contracts with the Department of Labor, it would provide for innovative efforts on behalf of improving problem-solving techniques for management and labor. It would aim at demonstrating ways of upgrading job skills and redesigning work tasks.

Second, through financial incentives, the act aims to help avoid the waste, both human and financial, caused by cyclical layoffs. It would do so by encouraging employers to keep workers on the job and on the payroll during periods of business downturn.

Should small businesses in particular decide to participate in this type of program effort, they would qualify for guaranteed loans.

This Nation has just emerged from a most trying winter as far as its immediate impact was felt upon economic production. Moreover, it seems clear we did not emerge unscathed although we may not have suffered as grievous a wound as many predicted would be the case less than 1 month ago.

Events of this nature often have beneficial effects. In this case, it has helped focus attention on a number of pressing national policy needs, one of which is to keep a watchful eye on inflation trends.

Productivity can also be seen as a major part of this Nation's anti-inflation strategy and policy. Here we are talking about lagging productivity and how to overcome it and underutilization of plant capacity and how to correct it.

Competition for markets, at home and abroad, is formidable. We know the emphasis other national economies give to productivity gains. We are increasingly aware of some of the consequences of our own neglect in not giving sufficient emphasis to the same objectives.

H.R. 2596 recognizes the desirability of demonstrating how this can be done in advance of the kinds of significant capital investment needed to bring productivity to the fore.

That this is true was no more clearly demonstrated than through the Jamestown, N.Y., program, initiated by the then mayor of Jamestown, Congressman Stanley N. Lundine.

I will limit my comments on this particular experience since I am sure he will outline it for the members and our witnesses in more detail.

I will say, however, that the dramatic drop in unemployment in his city, brought about in large measure through his successful efforts to relate productivity increase to the well-being of both labor and management, testifies to its effectiveness.

Unemployment dropped from 10.2 percent in 1972 to 4.2 percent in 1975. That is the kind of record I am sure all mayors of all America's cities would appreciate having.

[The text of H.R. 2596 follows:]

95TH CONGRESS
1ST SESSION

H. R. 2596

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1977

Mr. LUNDINE (for himself, Mr. REUSS, Mr. MOORHEAD of Pennsylvania, Mr. MCKINNEY, Mr. OTTINGER, Mr. HUGHES, Mr. McHUGH, Mr. BEDELL, Mr. EILBERG, Mr. NOWAK, Mr. HARRINGTON, Mr. ROSENTHAL, Mr. CORNELL, Mr. LEHMAN, Mr. MARKEY, Mr. FAUNTROY, Mr. STEERS, Mr. RAHALL, Mr. FRASER, Mr. DOWNEY, Mr. MINETA, Mrs. SPELLMAN, Mr. MAGUIRE, Mr. PATTISON of New York, and Mr. LaFALCE) introduced the following bill; which was referred jointly to the Committees on Banking, Finance and Urban Affairs and Education and Labor

A BILL

To provide for a program, to be carried out through the Secretary of Labor, of projects and an advisory council to promote economic stability by increasing productivity, improving job security, encouraging retention of jobs in lieu of cyclical layoffs, and promoting the better use of human resources in employment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Human Resources Devel-
4 opment Act of 1977".

5 SEC. 2. It is the purpose of this Act to promote eco-

1 nomic stability through the better use of human resources, to
2 increase productivity, to improve job security, to encourage
3 the retention of employees by employers as a policy with
4 respect to counter-cyclical unemployment, to enhance the
5 quality of working life, and to increase employment
6 opportunities.

7 SEC. 3. (a) (1) In order to carry out the purposes
8 specified in section 2, the President, through the Secretary
9 of Labor (hereinafter in this Act referred to as the "Secre-
10 tary"), shall carry out from funds appropriated under sec-
11 tion 4, a program of projects which meet the requirement
12 of paragraph (2), through contracts with States, units of
13 general local government or combinations of such units, in-
14 stitutions of higher education as defined in section 1201 (a)
15 of the Higher Education Act of 1965, and other employers
16 including labor organizations as defined in section 2 (5) of
17 the National Labor Relations Act. In entering into contracts
18 under this section, the Secretary of Labor shall give priority
19 to projects which involve labor-management cooperation.
20 Such cooperation may include the advice, technical assist-
21 ance, and moderation of an organization or agency independ-
22 ent of both labor and management, such as the Federal
23 Mediation and Conciliation Service, or a labor-management
24 cooperative committee, established or designated for that

1 purpose by the party contracting with the Secretary of
2 Labor.

3 (2) Each project assisted under a contract under this
4 section shall be—

5 (A) a project, involving (i) increased participa-
6 tion of employees in problem solving and the decision-
7 making process, (ii) increased participation of employ-
8 ees, through compensation, or other benefits, in the gains
9 associated with increased productivity by employees,
10 (iii) redesign of the tasks, responsibilities, and time
11 patterns connected with particular units of employ-
12 ment, or

13 (B) a demonstration project designed to clearly
14 demonstrate specific programs, or guidelines under
15 which employment can be maintained at prescribed lev-
16 els for a specific period of time and advances can be
17 made in quality of working life, including a grant, to
18 an employer in any area where the average rate of
19 unemployment exceeds the national average rate of
20 unemployment for a period of three consecutive months,
21 as determined by the Secretary, for employees retained
22 as employees who would, but for such grants, be laid
23 off during periods of cyclical unemployment. Funds
24 received under any such grant shall be used only for

1 improving the design of the plant or workplace or of
2 the tasks, responsibilities, and time patterns connected
3 with particular jobs, for improving the level or type of
4 skills of employees, or for solving job-related problems.

5 (3) The Secretary shall promulgate regulations, con-
6 sistent with the purposes and requirements of this Act and
7 with the requirements of the National Labor Relations Act,
8 under which applications may be made for assistance under
9 this section.

10 (4) A contract under this section may be made for any
11 fiscal year, and payments thereunder may be made in ad-
12 vance or by way of reimbursement.

13 (5) The Human Resources Advisory Council estab-
14 lished under section 4 shall make recommendations with
15 respect to the administration of the projects assisted under
16 this section and with respect to whether or not such projects
17 achieve the purposes specified in section 2. Such Advisory
18 Council shall conduct a specific evaluation of each project
19 assisted under a contract under this section.

20 (6) When requested by the Secretary, the Federal
21 Mediation and Conciliation Service shall—

22 (A) advise the Secretary of Labor with respect to
23 the priorities to be established for purposes of determin-
24 ing the projects to be assisted under contract under this
25 section, and

1 (B) provide technical assistance to labor and man-
2 agement during the period of operation of any project
3 so assisted, and

4 (C) provide follow-up technical assistance, where
5 such assistance is merited, after the completion of any
6 such project.

7 (7) When requested by the Secretary, the National
8 Center for Productivity and Quality of Working Life shall
9 provide technical assistance to any project assisted under a
10 contract under this section.

11 (8) The President shall submit to the Congress a
12 semiannual report which shall contain a description of the
13 projects assisted under this section and the specific contracts
14 entered into thereunder and the results of the evaluations
15 conducted under paragraph (5).

16 SEC. 4. (a) To furnish advice and assistance in the ad-
17 ministration of the projects assisted under section 3, there
18 is established a Human Resources Advisory Council (here-
19 inafter in this section referred to as the "Council") which
20 shall consist of—

21 (1) the Secretary;

22 (2) the Secretary of Commerce;

23 (3) the Secretary of the Treasury;

24 (4) two Senators appointed by the President pro
25 tempore of the Senate;

1 (5) two Representatives appointed by the Speaker
2 of the House of Representatives; and

3 (6) six public members, appointed by the Presi-
4 dent.

5 (b) The Council shall elect a Chairman, and shall meet
6 at the call of the Chairman, but not less than twice a year.
7 The members of the Council shall be appointed for terms of
8 two years, except that the term of the first Council ap-
9 pointed under this Act shall end on December 31, 1978. The
10 public members of the Council shall be appointed from
11 among representatives of labor, industry, agriculture, con-
12 sumers, and the public at large, who are especially competent
13 by virtue of background and experience to furnish advice on
14 the views and opinions of broad segments of the public on
15 matters related to the purposes specified in section 2.

16 (c) Each public member of the Council shall be entitled
17 to be compensated at a rate equal to the per diem equivalent
18 of the rate for an individual occupying a position at level III
19 of the Executive Schedule under section 5314 of title 5,
20 United States Code, when engaged in the actual performance
21 of his or her duties as such a member, and each member
22 shall be entitled to reimbursement for travel, subsistence, and
23 other necessary expenses incurred in the performance of his
24 or her duties.

25 (d) The Secretary of Labor shall furnish the Council

1 with such personnel, facilities, and services as he or she
2 deems necessary to enable the Council to perform its func-
3 tions under this Act.

4 (e) The provisions of section 14 (a) of the Federal Ad-
5 visory Committee Act shall not apply to the Council.

6 SEC. 5. Nothing in this Act shall affect the rights guar-
7 anteed under the National Labor Relations Act.

8 SEC. 6. There are authorized to be appropriated such
9 sums as may be necessary to carry out the provisions of this
10 Act.

11 LOAN GUARANTEE PROGRAM

12 SEC. 7. (a) Except as provided in subsection (b), on
13 application by any eligible lender, the Secretary may guar-
14 antee, or make commitments to guarantee, such lender
15 against loss of principal and interest on any loan made by
16 such lender to any eligible employer.

17 (b) The Secretary may not under subsection (a) guar-
18 antee or make any commitment to guarantee any loan made
19 by any eligible lender unless—

20 (1) the rate of interest on such loan is lower than
21 the maximum rate of interest which the Secretary de-
22 termines is appropriate;

23 (2) such lender agrees—

24 (A) to pay a periodic fee, determined by the
25 Secretary, for such guarantee; and

1 (B) to provide the Secretary with such infor-
2 mation as the Secretary determines is necessary to
3 carry out this section with respect to such loan; and

4 (3) the written agreement providing for repayment
5 of such loan contains such terms and conditions as the
6 Secretary determines to be appropriate to protect the
7 interests of the United States.

8 (c) (1) In the event of any default on any loan made
9 by any eligible lender and guaranteed under this section, the
10 Secretary shall pay to such lender, on request of such lender,
11 the unpaid balance of principal and interest on such loan.
12 On payment of such balance, the Secretary shall be subro-
13 gated to all rights of such lender with respect to such loan.

14 (2) Nothing in this section shall be construed to pre-
15 clude—

16 (A) any forbearance by any eligible lender for the
17 benefit of any eligible borrower which may be agreed
18 upon by such lender and borrower and approved by the
19 Secretary, or

20 (B) any forbearance by the Secretary, after pay-
21 ment under the guarantee of such loan, in the enforce-
22 ment of any right under such guarantee.

23 (3) With respect to any payment under any guarantee
24 pursuant to this section as a result of any default on any
25 loan to any eligible employer, the Secretary shall notify

1 the Attorney General who shall take such steps as may be
2 appropriate to recover the amount of such payment from
3 such employer.

4 (d) Any guarantee made under this section with re-
5 spect to any loan shall be an obligation supported by the
6 full faith and credit of the United States with respect to
7 both the principal of and interest on such loan. Any such
8 guarantee shall be conclusive evidence of the eligibility of
9 such loan for such guarantee, and the validity of such guar-
10 antee shall be incontestable, subject to any condition stated
11 in such guarantee, in the hands of any holder of such guar-
12 anteed loan.

13 (e) (1) There is hereby established in the Treasury a
14 loan guarantee fund to be administered by the Secretary.
15 Such fund shall be used to pay all the expenses and obliga-
16 tions of the Secretary in carrying out this section, including
17 any payment required under any guarantee made under this
18 section.

19 (2) The Secretary shall deposit in the fund—

20 (A) fees for guarantees made under this section,
21 and

22 (B) amounts recovered from any employer after—

23 (i) default on any loan made to such employer
24 and guaranteed under this section, and

1 (ii) payment under such guarantee to the
2 lender of such loan.

3 (3) Moneys in the fund not needed for current opera-
4 tions under this section may be invested in direct obligations
5 of, or obligations which are fully guaranteed as to principal
6 and interest by, the United States.

7 (f) For purposes of this section—

8 (1) the term “eligible employer” means any
9 employer who—

10 (A) is participating in a project approved by
11 the Secretary and meeting the criteria set forth
12 under section 3;

13 (B) as determined by the Secretary, inde-
14 pendently owns and operates a business which is
15 not dominant in its field of operation, and, based
16 on its dollar volume and number of employees rela-
17 tive to other business in its field of operation and on
18 other factors deemed relevant by the Secretary, is a
19 small business; and

20 (C) requires funds from a source other than
21 the financial resources of such business in order to
22 continue participating in such project; and

23 (2) the term “eligible lender” means any bank,
24 savings bank, or building and loan, savings and loan,
25 or homestead association (including cooperative banks),

1 credit union, or other financial or credit institution (in-
2 cluding any insurance company) which is subject to
3 examination and supervision by any agency of the United
4 States or of any State, or any pension fund approved by
5 the Secretary for this purpose.

Mr. MOORHEAD. Before yielding to the author of this bill, Mr. Lundine, I would like to ask if any other members of the subcommittee may have opening comments or remarks that they wish to make at this time.

Mr. McKinney?

Mr. McKINNEY. Mr. Chairman, I apologize for being late, first off.

Mr. Chairman, I am pleased we are conducting these hearings on H.R. 2596, the Human Resources Development Act, in an attempt to focus on the relationship between inflation, unemployment, job security, and productivity.

I think it is particularly timely since this House has, earlier this week, extended the supplemental unemployment benefits programs.

While the arguments are still fresh in my mind, though, let me again emphasize that unemployed people of this country want jobs, not handouts. The legislation we are considering during these hearings proposes to put Americans back to work.

For years productivity was thought by most people to mean increased profits for businessmen. Recently, however, we have seen productivity take on a new meaning as the recent recession left an increased awareness that productivity gains are directly related to our standard of living.

Labor and management in many areas, particularly the steel industry, have accepted the fact that unilateral adjustments cannot be expected to provide the solutions to their problems.

As Mr. Lundine demonstrated in Jamestown, N.Y., the benefits of cooperation can be carried to a new dimension. They can restore vitality to a community.

In our examination of this legislation and the possibility of implementing pilot projects in areas of high unemployment—and I might suggest, Mr. Chairman, I have a few in my district—I hope that we will keep several points in mind. It would be foolish for us to think that a blanket approach can be followed. If the intent of this proposal is to be fulfilled, we must allow a degree of flexibility to meet the unique needs of each applicant.

What worked in Jamestown might work in Bridgeport, Conn., but it may not do a thing for areas outside the Northeast.

What we hope to learn from our witnesses is the answer to some of these questions about structuring project criteria, the types of assistance that the Federal Government can provide, and the costs associated with this effect.

I am sure we will all agree on the importance of expanding employment opportunities, maintaining job security, and increasing productivity, while keeping prices stable.

If we can make some small progress in addressing this formidable task, our efforts will have been rewarded.

I look forward to hearing our witnesses, and I look forward to what I think could be an exciting experiment. Mr. Chairman, in the flexibility and perhaps test-marketing of some programs.

Mr. MOORHEAD. Mr. Barnard.

Mr. BARNARD. Mr. Chairman, Mr. Lundine's firsthand experiment while mayor of Jamestown, N.Y., clearly illustrates that improved productivity is the key to solving the biggest problems of the American economy—inflation and unemployment.

He has incorporated the innovative concept of encouraging labor and management to work together on a local level to improve productivity in the Human Resources Development Act, which I was pleased to cosponsor.

Chairman Arthur Burns testified before the full Banking Committee on February 3. He praised Mr. Lundine's bill and said it was a great contribution dealing with the twin evils of inflation and unemployment.

I, too, believe that by encouraging local labor and management cooperation, the results will be improved productivity, which almost inevitably leads to growth of job opportunities with no inflationary impact.

Quite simply, businesses are able to expand and hire additional workers once the performance of the initial workers is improved.

I would like to take this opportunity to commend Mr. Lundine and to encourage my colleagues on the subcommittee to support the intent of the Human Resources Development Act.

Mr. MOORHEAD. Thank you, Mr. Barnard.

Mr. Watkins, do you have an opening remark?

Mr. WATKINS. No, thank you.

Mr. MOORHEAD. Mr. Stanton?

Mr. STANTON. No, thank you.

Mr. MOORHEAD. Mr. Caputo? Mr. Steers?

Do you have opening remarks, Mr. Vento?

Mr. VENTO. Well, Mr. Chairman, I have looked at the opening of these hearings with some optimism, because I think that insofar as we can accomplish what our colleague did in Jamestown in the communities across this Nation, I think that would be a real accomplishment.

I think that there are some changes, some encouragement, some real emphasis we could give to the attainment of the goals, and of course, towards full employment, which I think has been a term and a goal of people in this country for a long time. And I hope that this subcommittee can make a meaningful contribution to that end.

Mr. MOORHEAD. The Chair would now like to recognize the distinguished author of the legislation, the former mayor of Jamestown, Mr. Lundine.

Mr. LUNDINE. Thank you, Mr. Chairman.

I would like to express my personal thanks to you for giving this matter priority among the many important issues facing this subcommittee.

It is unfortunate that the administration witnesses scheduled to testify yesterday could not address the important policy initiatives contained in this bill at that time. But we look forward to their testimony next Thursday, March 31. I hope that my colleagues have not been inconvenienced and will be able to attend that hearing.

Today, we are holding hearings on legislation which would encourage improved productivity through cooperative labor and management activity.

This subcommittee could not be concerned with a more critical issue for the future of the American economy, nor more directly within our particular responsibility for economic stabilization. Too often our economic decisions are cast as hard choices between inflation and un-

employment, as though such a choice were inevitable. I believe that it is not.

By giving more attention to our human resources, by fully utilizing the skills and talents of the American workers, by enhancing job satisfaction and thereby improving productivity, we can put people back to work and have stable prices at the same time.

Productivity improvement is the key to sustained noninflationary economic expansion. Certainly capital needs, bottlenecks in supplies and international trade problems need to be addressed as well. But experience in our own Nation and in industrialized democracies abroad has proven that we can achieve really dramatic increases in output by making work more efficient and more rewarding—regardless of the new capital investment.

More satisfying work situations, in which employees participate in decisionmaking at the workbench level, can lead to remarkable increases in plant production. Cooperation between labor and management can and does improve productivity—in private sector manufacturing and in municipal government services. And the results of such policies are both economic and social, producing benefits not only in improved economic performance but as measured by a wide variety of human barometers. Both job performance and family stability benefit when workers are treated with dignity and respect in the workplace.

Human productivity is the resource that our technologically oriented society has not yet fully developed. We must learn—as the saying goes—to work smarter rather than merely working harder.

Improved performance in an individual company makes it possible for that company to expand and hire additional workers. Improved productivity in our national economy will make it possible for American goods to compete more effectively in the international marketplace.

As has been indicated, I was actively involved in Jamestown in the creation and development of a labor and management committee which acted as a catalyst in revitalizing the economy of our region. We developed a program of inplant committees with labor and management representatives to improve the quality of worklife in member industries. The activities of these committees focused on noncontractual issues such as skills development and better work systems. Several plants established employee participation plans and new incentives for improved security.

The results were extraordinary. In 3 years, we reduced unemployment in Jamestown from 10.2 percent to 4.2 percent. Existing manufacturers increased their output and expanded their employment. For the first time, new industry began to look toward Jamestown as a place where they might want to locate.

It used to be said, when the Nation's economy sneezed, Jamestown caught a cold. But in this latest economic downturn, our indices were better than the national average, and people—labor and management—continued to work together toward these important objectives.

Now other communities have started their own initiatives, some of them patterned to some extent on the Jamestown model. These local efforts have adapted the principles of increased worker participation and improved quality of work life to their own regional circumstances.

You will hear from participants in three such efforts in Ohio, Massachusetts, and Maryland.

I do not believe that our national policy should be to replicate the Jamestown experience everywhere, but rather to encourage a wide variety of local responses to some of the same concerns we had there: The need for greater productivity, more jobs, and stable prices.

By encouraging local spontaneity—allowing ideas to bubble up instead of trickle down—Federal support of productivity-improvement projects would utilize the potential of those individuals in every community who want to help themselves.

Almost alone among the industrial democracies, the United States has been slow to give substantial support to the concept of humanizing work or improving the quality of work life.

Yesterday, a few of us had the opportunity to meet Inar Thorsrud, from Norway, who told us about the truly exciting breakthroughs in that country. West Germany, with an economy one-fifth the size of ours, spends the equivalent of \$85 million a year on these projects. Japan paid little attention to problem solving through worker participation until 1962, when the concept was institutionalized and given official status. Japanese products were once known as "shoddy goods"; now, they can compete with merchandise of the highest quality produced anywhere in the world.

Our Government has assisted local initiatives in quality of work improvement, but in a fragmented and sporadic way. The National Center on Productivity and Quality of Working Life was created several years ago through legislation written by this subcommittee.

The Center performs a valuable service in monitoring and collecting data on productivity and quality of work activities. While we decided after very serious consideration that it should not be expected to administer the programs in H.R. 2596, it carries out its own important functions very well. You will hear this morning from its able Executive Director, George Kuper.

The Federal Mediation and Conciliation Service also carries out some responsibilities and has undertaken creative initiatives in the field of labor and management relations. They were invaluable in the creation of the Jamestown program. Their experience can be of significant assistance to local programs. James Scearce, Director of FMCS, is among our witnesses today.

With 7.2 million people out of work, with inflation still at an alarming 5- to 6-percent rate, we need a positive Federal commitment to improved productivity throughout the American economy. We must begin to think in terms of a consistent, coherent program with funding adequate to impact a \$1.6 trillion American economy, a program which will encourage economic growth that is at once productive and non-inflationary.

With a reasonable outlay of Federal funds, a program of the kind outlined in the bill before you can be a significant investment in human development for long-lasting economic benefits. Combined with a progressive fiscal and monetary policy, it can result in real economic stability.

Thank you.

Mr. MOORHEAD. Our colleague, the distinguished gentleman from Massachusetts, Hon. Joe Moakley, has submitted a statement, which

he has asked to be inserted in the record, and without objection, it will be inserted in the record.

[The statement of Hon. Joe Moakley follows:]

STATEMENT OF HON. JOE MOAKLEY, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF MASSACHUSETTS

Mr. Chairman and members of the Committee, thank you very much for this opportunity to express my support for a thoughtful piece of legislation, addressing major concerns of this Administration. In broad terms, the Human Resources Development Act (HRDA), proposed in H.R. 2596 by Congressman Lundine, represents an attempt to reduce unemployment roles without inciting new inflationary cycles. Its proposed method is public encouragement of greater industrial productivity.

Before discussing the Act's solution, however, I would like first to look once again at the problem we face. The latest available figures tell us that the national unemployment rate hit 7.3 percent during the month of January, while the national Consumer Price Index rose 6.1 percent during the quarter ending that same month. I quote these figures in the same breath, because economists have discovered the ties between unemployment and inflation rates to be multiple and binding, yet very complex. Our economic policy efforts have yet to disentangle their relationships, and our present macroeconomic tools now rarely function to cure one disease without inflaming the opposite area. Simply stated, the ultimate economic dilemma confronting our present domestic financial planning is that of creating greater employment opportunities without also initiating greater price inflation.

The solution to this dilemma has so far evaded both academian and politician, and certainly HRDA does not offer a solution in its entirety. Still, I believe the measures proposed in this Act provide part of the answer to our economic distress. It strikes at an area long neglected by public officials, and its strength lies in its return to basic economic principles of productivity.

In simple terms, increased productivity results from an improvement in a business' production efficiency. Economic theory has long recognized that promotion of greater efficiency in business operations leads to lower costs and increased profits. These profits then permit industrial expansion which in turn creates new jobs. This chain of events often requires a relatively small capital outlay to begin its snowball effect. It is this outlay that HRDA seeks to provide through a series of individualized grants, awarded through the Secretary of Labor.

With respect to our economic constraints, two key points immediately highlight this productivity improvement plan. First, the small size of the necessary monetary catalyst (the average grant is expected to be under \$50,000; the total cost of the program between \$20 million and \$40 million) avoids building inflationary pressures from public spending. Secondly, the creation of profits through internal business processes, not including price increases, means we avoid the present policy roadblock of job creation through product demand and subsequent price increases. By lowering operating *costs* through increased productivity, instead, we gain not only the job opportunities we desire, but also maintain the price stability that we would have broken through use of broader macroeconomic tools.

The bypass of inflationary ensnarements is an important achievement of this bill, yet several other points further commend the workings of HRDA to us. For one, it operates through private, individual businesses. Not only does this policy reaffirm our individualistic market system, but it also permits careful targetting of our financial assistance. Admittedly, we cannot induce all businesses to improve their productivity. The technical means are often absent, and our funds are not great. But neither is there a need for us to establish widespread aid. Large corporations realize the benefits of efficient operations and willingly devote time and money to research. The population we need to reach is the small, city businessman who has little or no free capital to devote toward operational improvements, regardless of the quality of his ideas. We can help operations such as his, targetting our aid to areas with higher than average unemployment problems.

Moreover, working through private industry means we are placing our unemployed into private jobs with prospective futures. Public work programs, with the government as "employer of last resort," are needed in this time of particular hardship, but these "last resort" jobs are not the final answers to our employment

problems. Only private industry possesses the jobs with long-term futures and stable revenues. We need to give our unemployed opportunities for jobs that will last beyond present public panic about widespread unemployment. We need, therefore, to increase the number of long-term jobs private industry offers. HRDA suggests one effective, controllable, non-inflationary method of lasting job creation.

HRDA further serves a long-term employment perspective by focussing rather sharply on problems of job security. Certain economic incentives in the bill, designed to help employers during financial slowdowns, prevent cyclical layoffs of newly (and previously) employed workers. These incentives sidestep past legislative problems of insuring continuous work for employees just hired under government aegis. Then, too, general job security for all involved workers is necessarily pursued with the bill's general goal of operational improvements. Commonsense assures us that when an industry is flourishing efficiently and at a lower cost, its employees will be secure in their economic futures.

This logic is not altogether foolproof, of course, since an industry may seek to lower its production costs by reducing its employment roles. But the bill's safeguard against this situation not only prevents its occurrence, but also promulgates a new era of governmental influence for better business conditions. The mechanism itself is a built-in grant priority for productivity proposals developed jointly by employer and employee. This thoughtful qualification in the bill's assistance program insures a selection of productivity programs sympathetic to both sides of the business world. Thus it promotes better management/labor relations and a closer economic alliance between the actual working forces of a successful operation and its ultimate financial owners. Specific provisions calling for "increased participation of employees in problem-solving and the decision-making process" and "increased participation of employees, through compensation, or other benefits, in the gains associated with increased productivity by employees" guarantee employee input into the improvement plans.

Furthermore, these provisions, coupled with the population targeting made possible by the grant structure, insure that we will not be merely increasing the wealth of the rich. Instead, we will be helping to close the gap between the rank and file of a successful business and the executive directors who now reap the profits from all technical improvements. What is more, by tying the material benefits of the increased productivity programs to those workers directly responsible for its proper performance, we provide automatic incentives toward maintenance of a more efficient operation. In the end, all sectors of American society will benefit from such efficiency.

Gentlemen, in conclusion, I feel the Human Resources Development Act is justly named, for it seeks to develop America's greatest resource, her working population. Its measures encourage not only improved technology, good labor/management relations and better profit distribution, but they also provide for increased employment security and new job opportunities for our many unemployed.

Certainly, this bill will not single-handedly resolve our unemployment/inflation problem, but it utilizes a promising approach which we have too often ignored in the past. The economic progression of producing more for less and then expanding these technically efficient operations has always been the vitalizing basis of American enterprise. HRDA acts to capitalize on this base by funding productivity programs in capital-poor areas, protecting the beginnings of businesses engaged in such industrial improvement, and then assuring that the resulting profits are enjoyed by all participating workers. In so doing, HRDA goes beyond the immediate scope of public works programs to nurture our technical genius and encourage permanent growth in our private sector. This intelligent, long-range approach to our economic problems taps one economic component—technical innovation—essential to any healthy economy. We need HRDA's special focus to help return our country to full employment and thus to reenter our economic production frontier.

Mr. MOORHEAD. At this time, the subcommittee would like to hear from Mr. James F. Searce, National Director of the Federal Mediation and Conciliation Service.

Mr. Searce. I see you have a written statement, and if you prefer, we will merely insert that in the record and you can proceed as you wish.

But, before you commence that, I hope you would introduce your associates to the subcommittee.

Mr. SCEARCE. Thank you, Mr. Chairman, and I would like to do so at this time.

To my left is Commissioner Frank Perles. To my immediate right is Mr. Jerome Barrett, the Director of the Office of Technical Services for the Federal Mediation and Conciliation Service; and to his right, Mr. Herbert Fishgold, the General Counsel of the Federal Mediation and Conciliation Service.

I might add, Mr. Chairman, that Commissioner Perles is stationed in the city of Harrisburg in the Commonwealth of Pennsylvania, so I thought I might make note of that.

Mr. MOORHEAD. That is a very important fact to note.

Mr. SCEARCE. I will also refer to Commissioner Perles a little later.

STATEMENT OF JAMES F. SCEARCE, NATIONAL DIRECTOR OF FEDERAL MEDIATION AND CONCILIATION SERVICE (FMCS); ACCOMPANIED BY FRANK PERLES, COMMISSIONER; JEROME BARRETT, DIRECTOR OF OFFICE TECHNICAL SERVICES; AND HERBERT FISHGOLD, GENERAL COUNSEL

Mr. SCEARCE. I would like to join with the other members of your subcommittee, Mr. Chairman, in commending Congressman Lundine and the other cosponsors for the objectives expressed in H.R. 2596.

I would, by the way, like to read briefly from the statement and then make some additional comments that relate to the data that is contained in our statement.

I share with you, Mr. Chairman, and the members of your subcommittee, the interest in seeking ways to improve our means of fully utilizing the talents and skills of the American worker through the cooperative efforts of labor and management, which may improve prospects for increased job security and productivity.

My purpose in appearing before you today is not to comment on the operational structure and machinery as proposed in H.R. 2596. Rather, it is to share with you my views on behalf of the experience of our agency of the role that cooperative labor and management efforts undertaken at the local level can have in stabilizing community labor and management relationships and in contributing to local economic stabilization.

Mr. Chairman, the Federal Mediation and Conciliation Service has long been involved in programs of this sort. Each year our 300 mediators help initiate some 100 inplant labor and management committees.

Those, as I say, are located primarily within the plant environment. For the most part, these committees, once begun, either function automatically on their own or may serve their purpose and be set aside, or, in some cases, do not work properly.

In any case, our mediators remain involved in an ongoing capacity with about 200 inplant labor and management committees. Insofar as labor and management committees, companywide or industry-level, these committees, though fewer in number, serve a distinctly different purpose, and the involvement of the Federal Mediation and Conciliation Service in those types of committees has increased over the past

several years through our more aggressive role in industrywide or companywide labor and management committees.

So far as areawide or community labor and management committees, these deal with the much broader concept of the relationship between labor and management. Of the 25 existing committees, we have had a very close personal involvement in the development and the implementation of about half of those committees.

Last year we were privileged to hold and host the first conference of area labor and management committees in the United States. The representatives from those labor and management committees met and conferred and exchanged information on how best to proceed in the future.

We were pleased to have Congressmen Lundine, LaFalce, and Kemp participate with us in that meeting as well as the National Center for Productivity and Quality of Working Life.

Mr. Chairman, the Federal Mediation and Conciliation Service has, in the past, is presently—and I would fully expect it to continue in the future to work in this area. As part of our ongoing responsibilities, our mediators hold a unique position in the community, which gives them a special capability to deal with these problems.

They have a very high degree of acceptability by labor and management which is based on confidence, trust, and respect that have been earned at the bargaining table.

I would like to take this opportunity, Mr. Chairman, to cite a very current example of the involvement of the Federal Mediation and Conciliation Service in the formation of a labor and management committee.

To do so, I need a brief backdrop of a set of negotiations. In 1974, one of our mediators was actively involved in contract negotiations between Piper Aircraft and the Machinists Union in Lock Haven, Pa.

Because of poor labor relations and low productivity, there was a serious possibility that this plant might be phased out. This caused considerable concern in the community, because Piper was the largest employer in Lock Haven.

Although the negotiations were difficult, the parties, with the participation of the mediator, got through those negotiations and established a labor and management agreement that permitted the plant to stay open in the future.

There is more to the Lock Haven story, however. Key labor and management leaders in the community, perhaps shocked by the potential that they saw flow out of these negotiations, in cooperation with our mediator and others, went to work to help organize an area labor and management committee for Clinton County, Pa.

That committee recently received a grant from the Appalachian Regional Commission to support demonstration projects very much in line with the objectives of H.R. 2596.

Last month, the parties, including the Federal Mediation and Conciliation Service, sponsored a meeting of 75 representatives of companies and unions in Clinton County. The purpose of this meeting was to explain and demonstrate the full potential of such a labor and management committee to the community and to offer our technical assistance on behalf of FMCS in that endeavor.

The Commissioner, to my left, Mr. Chairman. Mr. Perles, was the mediator involved in helping arrange and establish the latest. I think, of the area labor and management committees, and I asked him to join us today in our testimony before you.

I would like to make a few comments in addition to what I have said here. I think that it is fair to say that labor and management committees personify the best possible concept of people helping themselves.

It is a recognition that the plant, the company, the industry, or community level of the need for the people to work among themselves to help resolve problems.

It is fair to say also that no one can understand those problems better than the people directly involved.

Now, it is a truism, however, that in our society there is a difficulty at times for people to communicate with each other for whatever reasons or whatever impediments that block them. For that reason, there is a need for a catalyst, an assist, someone from the outside to be available, even if it is for a short period of time, to help the parties to spur themselves toward self-improvement.

I suppose that Jamestown is the best possible example of that, in effect.

I submit, Mr. Chairman, that there are many potential Jamestowns in the United States, where, but for the help of someone taking a look at the problems and sitting down with the parties in labor/management relations at the community level to help develop a far better relationship than existed theretofore.

I think it is fair to say—and I think Congressman Lundine said it—that there is no specific pattern of overlay by which anybody at the plant level or the community level can make a labor and management committee. The fact is these have to be pretty much designed individually, so, consequently there is a need for a very high level of local involvement in the development of any labor and management committee.

Mr. Chairman, 6 years ago, I served in a staff capacity at the Department of Labor. A call came in to the Secretary of Labor—then, I believe, Mr. Schultz—from the mayor of a city—and it was not the mayor of Jamestown. Unfortunately, the call was at the 11th hour in the 59th minute. The parties to a collective bargaining agreement had negotiated a contract some 6 months to 1 year before.

The company had said to the union that they did not believe they could stay viable with the terms of the agreement.

Now, this was as a result of an impact from imports from abroad. There was a lack of communication because there was no forum for people to sit down and exchange information, and sure enough, at the 11th hour and 59th minute, the company moved to close its plant.

The best efforts that those of us who were asked to come in at the last minute could not keep that plant from closing. Immediately lost were 550 jobs, with all of the ramifications and impacts that happen when a plant closes.

I am sure as I sit before you, Mr. Chairman, that had there been a labor and management committee, a forum for people to communicate with each other, that that plant would not have closed.

And so, on a very personal basis, I feel a strong need to speak out in favor of the objectives set forth in H.R. 2596.

I would like to close, Mr. Chairman, by saying that we of the Federal Mediation and Conciliation Service feel it is part of our ongoing responsibility to assist parties in collective bargaining throughout the 365 days of the year, that includes the kind of work that is incorporated in this bill.

In my opinion, Mr. Chairman, the objectives of H.R. 2596 would do a great deal to advance the work that is necessary to be done which would increase not only productivity but also job security.

Thank you, Mr. Chairman. Myself and my colleagues will be prepared to answer any questions you might have.

[The prepared statement of Mr. Scearce, on behalf of the Federal Mediation and Conciliation Service, follows:]

STATEMENT BY
JAMES F. SCEARCE, NATIONAL DIRECTOR
FEDERAL MEDIATION AND CONCILIATION SERVICE
BEFORE THE
SUBCOMMITTEE ON ECONOMIC STABILIZATION
OF THE
HOUSE COMMITTEE ON BANKING, FINANCE AND
URBAN AFFAIRS
March 24, 1977

Mr. Chairman and Members of the Subcommittee:

I wish to commend Congressman Lundine and the other co-sponsors for the objectives expressed in H. R. 2596.

I share with you, Mr. Chairman, and the members of your Subcommittee, the interest in seeking ways to improve our means of fully utilizing the talents and skills of the American worker through the cooperative efforts of labor and management which may improve the prospects for increased job security and productivity. Indeed, in this day and age of seeking ways to combat spiraling prices, I concur in the sentiments expressed by many, including Secretary of Labor Marshall, that the best way to keep prices down is to concentrate on cooperative efforts to increase economic growth.

My purpose in appearing before you today is not to comment upon the operational structure and machinery

proposed by H. R. 2596. Rather, it is to share with you my views, on behalf of the experience of our agency on the role that cooperative labor-management efforts undertaken at the local level can have in stabilizing community labor-management relationships and in contributing to local economic stabilization.

As Congressman Lundine knows from previous close working relationships with our mediators who serve the Jamestown, New York area, FMCS mediators are more than "fire fighters" in labor contract disputes. They have a professional responsibility to work toward the goal of labor-management cooperation. Indeed, the mission statement of the Service emphasizes "promoting the development of sound and stable labor-management relationships; developing the art, science and practice of dispute resolution; fostering constructive joint relationships of labor and management leaders to increase their mutual understanding and solution of common problems."

These sentiments are translated into action through the Service's technical assistance program. Aside from the mediation of labor disputes, our mediators devote a considerable amount of their time and energy to technical assistance programs, working with the parties during the

term of their labor agreements. Last fiscal year, our mediators were engaged in 1,083 such activities.

Although the term "technical assistance" was introduced in 1974, the overall objectives of the program date back to Cyrus Ching, the first Director of FMCS. Every Director thereafter has supported the "preventive mediation" program, as it was then called, with staff and resources. This commitment demonstrates the relationship between the mission of the Federal Mediation Service and the objectives of H. R. 2596.

Labor and management's increasing interest in our technical assistance program is attested to by the fact that since 1972, the number of technical assistance cases closed by our mediators have doubled. Every year our mediators are involved in assisting development of new labor-management committees, and in working with those already in existence, now numbering well over 200. Although almost all of these are what we term "in-plant L/M committees," we have had considerable experience in helping to organize 13 of the 25 existing area labor-management committees similar to that of Jamestown, New York. To the best of our knowledge, the remaining 12 area labor-management committees were organized on the

committees' own initiative, and required little, if any, federal assistance.

Last year our Service held and hosted the first conference of area labor-management committees. Representatives of the existing area labor-management committees were invited to Washington to exchange views and discuss the elements for success of such committees. We were privileged to have Congressmen Lundine, LaFalce and Kemp as speakers at that conference.

FMCS will continue to assist labor and management to improve their relationships through the labor-management committee concept. Our 300 professional mediators have continuing and constructive contacts with practitioners in the field of labor-management relations throughout the United States. Their experience in labor-management issues gives them a unique degree of acceptability by labor and management which is based on confidence, trust and respect that have been earned at the bargaining table.

I would like to cite two illustrations of how this actually works in the field. In 1974 one of our mediators was actively involved in contract negotiations between Piper Aircraft and the Machinists Union in Lock

Haven, Pennsylvania. Because of poor labor relations and low productivity, there was a serious possibility that this plant might be phased out. This caused considerable concern in the community since Piper was the largest employer in Lock Haven. Although it was touch and go, the negotiators, with the prodding of our mediator, finally reached a peaceful contract settlement. Not long after, FMCS received a most gratifying letter of commendation. George Kuper, Director of the National Center for Productivity and Quality of Working Life wrote, and I quote:

"The recent settlement between Piper Aircraft and IAM Local 734... was essential to keeping that plant in Pennsylvania with its 1700 jobs and \$22 million payroll.... The work of your mediator was absolutely strategic to their successful conclusion. The mediator's optimism of saving the plant for Lock Haven and Pennsylvania, when just about everyone else was pessimistic, was an important factor."

But there is more to the Lock Haven story. Key labor and management leaders in the community in conjunction with the mediator went to work to help organize an

area labor-management committee for Clinton County. That committee recently received a grant from the Appalachian Regional Commission to support demonstration projects, very much in line with the objectives of H. R. 2596. Last month, our Service, in cooperation with the Clinton County Committee and the Appalachian Regional Commission sponsored a meeting attended by 75 representatives of companies and unions in Clinton County. The purpose of this meeting was to explain and demonstrate the full potential of such a labor-management committee to the community and offer our technical assistance resources to that endeavor.

The other example involved the Whirlpool Company and the city of Evansville, Indiana. As the largest employer in Evansville, Whirlpool-IUE had experienced three strikes, each in excess of 100 days, with its obvious impact on that community. Furthermore, some Whirlpool operations and jobs were being shifted to other plants. FMCS technical assistance at Whirlpool laid the ground work for significant improvements. In addition to this, a community-wide labor-management committee was organized with the assistance of our mediators. Last month, Whirlpool and its union reached their first contract without a

strike in 12 years. It is our understanding that future work and jobs may be expanded in Evansville. Although our experience with plant-level labor-management committees has been successful, in general, and a number of area committees have shown promise, we should point out that there have not, to our knowledge, been sufficient in-depth evaluations conducted on this labor-management concept and its applicability on a nation-wide scale.

We have all shared the hollow feeling of disappointment when poor labor relations ultimately resulted in a plant closure, and the impact that such a loss has had on the community. But, we also know that the prospects for success are possible. Situations previously written off as impossible have been turned around through the joint efforts of labor, management and government. We believe the "grassroots" labor-management committee concept is one way in which some local communities can work toward industrial retention and development in their area, as well as job satisfaction in the plant.

Finally, I should note that the FMCS will continue to assist labor and management to work toward better cooperation by promoting stable labor-management relationships contributing to reduced industrial strife and increased productivity.

I appreciate the opportunity to express my views on these matters and would be pleased to answer any questions you may have.

Mr. MOORHEAD. Thank you very much, Mr. Searce.

It is obvious from your testimony that the Federal Mediation and Conciliation Service has had a gratifying and successful experience in connection with labor and management committees and that approach. You know how they work, what they can do.

You do point out that we can't have one format that applies to every situation, but nevertheless, I gather from your testimony that you believe that the enactment of this legislation, or legislation closely similar thereto, would be of help in promoting this kind of activity.

Mr. SCEARCE. Yes, sir, I do, Mr. Chairman.

Mr. MOORHEAD. Would the FMCS be able to do more if this legislation were enacted?

Mr. SCEARCE. I think we would.

One of the principal problems—and let me speak now about the area of labor and management committees—has been the necessary funding to establish the structure in order to carry on such a committee. And this requires a commitment on the part of a community in order to say we are going to commit these many resources to the establishment of this entity.

I think the fact that there is a potential here to give an assist in the proper way by the Federal Government to the worker at the local level will facilitate the establishment of a great many more committees than have been established in the past, because of the funding problem.

Mr. MOORHEAD. So you would recommend additional funding at the Federal level, but you would still believe that there should be a local input in dollars; is that the thrust of your testimony?

Mr. SCEARCE. Well, I don't know. I hadn't really thought about that.

I assume, if you are talking about some kind of matching program—and I am not prepared to speak about that—I would say that the lack of resources at the local level—for example, in a community that is suffering the loss of industry moving from one location to the other—it may be the worst possible place to be able to come up with the resources at the local level to undertake this kind of project.

And I think that that is one of the ways, of course, but only one of the ways, that the Federal Government can be of assistance to the parties in the funding area.

Mr. MOORHEAD. Thank you, Mr. Searce.

Mr. McKinney?

Mr. McKINNEY. Thank you.

Mr. Searce, it is nice to have you here.

How much would the additional burden on your organization be if we were to pass a bill like Mr. Lundine's? Could you handle it?

Mr. SCEARCE. I would say this: That with the manpower resources that we have—that is, the positions that we have—I think that we could handle a substantial increase of activity in the labor and management committee concept, remembering that the Commissioner or Commissioners who might be involved with that group, either at the area location or at the plant, is only one person that would be involved. There are a great many other people who would carry the burden. But it would be assumed, for example, that if you have established an area labor and management committee, that there would be a staff person to do a great deal of the work that would be associated with the labor and management committee.

So I would say that at least for the immediate future, yes, I think we could contribute greater to the formation and implementation of labor and management committees within our resources.

Mr. McKINNEY. I think I was one of Mr. Lundine's first cosponsors on this bill. But I have a problem in the Northeast, in Bridgeport, Conn. When I was a businessman, I would go around to all our industrial plants, and I would go to Fuller Machine Tool and talk to the man about money for the hospital, and then I would go to Jenkins and talk to Mr. Jenkins, and then I would go to Warner Bros. and talk to a family that started Warner Bros. Now I find that Bridgeport Brass is owned by National Distilleries; Jenkins is part of a corporation in Texas. And so I am dealing with Texas; or Lexington, Ky.; you name it.

In other words, what I am dealing with are subsidiaries or totally owned affiliates of large conglomerates. I don't blame National Distilleries really for taking a look at Bridgeport Brass' rolling mill and saying, close it. I cried a lot and I screamed a lot, but I could not fight a 110-year-old plant with a certain amount of labor unrest and fuel bills that were astronomical. I am giving you all this background to lead up to this point.

Do you feel that this type of labor and management cooperative dialog, or what have you, can work with the subsidiary corporation or the totally owned affiliate or the small part of a conglomerate to have the management of that conglomerate pay attention?

Mr. SCEARCE. Mr. McKinney, in the first place, you are very familiar with your area. I think they are working in that area to try to establish a labor and management committee.

My feeling is, the people I have dealt with on the management side and the labor side have a very keen understanding of the problem of productivity and job satisfaction and worker job security. I do not personally—and this has to be a personal opinion—think that that would be an impediment to the carrying out of the work of an area labor and management committee, or a labor and management committee—I should put it that way. I have not found too many people on either side of the table, so to speak, that did not, if a company could see a way of making the profit, producing a product that had a future, that they would not be receptive and responsive to any actions designed to increase their ability to produce. I don't personally think that would be an impediment. The reaction still has to be at the local level.

Mr. McKINNEY. Would you, when the productivity center's in full swing, coordinate efforts with them on this type of negotiation?

In other words, would you coordinate with a productivity center to set up some sort of guidelines?

Mr. SCEARCE. Do you mean the National Center for Productivity and Quality of Working Life?

Mr. McKINNEY. Yes, the National Center for Productivity and Quality of Working Life.

Mr. SCEARCE. Of course, we have a close working relationship with the National Center for Productivity and Quality of Working Life anyway, and I would say that I concur that there are a great many things that the Center can do to contribute to the work of labor/management committees. I think there are a great deal of things that

can be contributed by such organizations as Work in America. There are a lot of organizations that have an interest in what is going on here.

I would certainly suggest that there is a need for there to be a clearinghouse for the activities that take place in this regard, and perhaps the National Center for Productivity and Quality of Working Life is the right place for this to be focused. But we do not—our mediators do not have, as the basic charter, the thrust of increasing productivity. We are neutrals, and we have to stay neutral.

So there is some concern on labor's part at times, whenever they hear the words "increasing productivity," somebody is going to speed up the process. But certainly as a tradeoff between productivity and job security and job enrichment, these things need to take place.

Mr. McKINNEY. It seems to me that, particularly in the Northeast, where you are up against a hard wall of fuel costs and transportation costs, land costs, and antiquated buildings, that productivity increase is probably one of the few places where you can play catchup ball, so to speak, to become competitive with other areas of the Nation.

What disturbs me now—I guess I am one of those Republicans with a relatively favorable labor rating—is that labor has really no place to go now. It has either got to be cooperation and getting together, or move. And I have tried to push productivity very hard as one of the practical answers, along with a lot of other things.

I would congratulate you on what you have done with the limited resources you have. I think, as someone from the Northeast, competing with the southerners all of a sudden, I think what you are doing should also remind us that we are competing with a much bigger world.

I have to say, Mr. Chairman, in a laughing fashion, that we had a remark made about Japanese goods, and I think we sometimes take for granted, or we forget in the course of history that we don't make small television sets any more; we don't make transistors any more; the Germans don't make cameras any more—they may keep their name on them, but they don't make them. I was fascinated in leaving my dentist in my agony the other day, when I said, "Jeepers, all your tools say made in Japan. I thought the Germans made the only good dental tools."

He said, "Oh, they haven't made dental tools in about 2 years."

So I think what you are doing is what we are going to have to do. Labor is going to have to get together with management, and vice versa, if they want to work and sell in the world, and for us in the Northeast in particular, if we want to compete with the rest of the country. I am delighted that Mr. Lundine's bill and you are being heard.

Mr. SCEARCE. Mr. McKinney, by your leave, I will pass on your favorable remarks to the people in our organization who really have done the work.

Mr. McKINNEY. I unionized the real estate salesmen while I was in real estate. I have been a union member and I have been a boss, and I have a terribly hard time as I get older not understanding why everybody doesn't realize they are on the same ship, and the hole in the bow is going to take the stern down, also.

I think your job is an intriguing one, trying to get people to realize that.

MR. LUNDINE [presiding]. Mr. Searce, I have been tremendously impressed by the work of the Federal Mediation and Conciliation Service. It is one of the smallest Federal agencies, with some 400 or so total employees. The thing that is intriguing about it is that your mediators are in touch with what is really going on in communities throughout this country. They may be interceding in or mediating a dispute in the largest company in the country or a whole industry 1 day and in a TV repair shop that next day. With that capacity, and that experience, do you have any further comments as to whether there is, in your judgment, a stirring of interest in labor and management committee cooperation, generally, around the country?

MR. SCEARCE. Mr. Chairman, let me preliminarily say—and I will ask Mr. Barrett to comment on it in more detail—that I think that there is. And I think, in regard to Mr. McKinney's statement—I think that labor feels—recognizes the pressure, perhaps internally in the United States, but certainly from outside, as far as imports, for the need to do something, to do whatever that something is; that it might be increasing productivity along with some tradeoffs, but I think there is a recognition on both sides of the table of the need for us to get on with some way to make ourselves more competitive and more viable. Mr. Barrett, do you want to speak to that?

MR. BARRETT. Yes, Mr. Chairman, there is clear evidence of increasing interest in that kind of cooperation.

I think the arrangement recently made, within the last couple of years, in basic steel is evidence of that. I think the negotiations concluded last year in the rubber industry which provide for a continuing labor and management committee to deal with problems in that industry are other prominent illustrations of the kind of cooperation that we really observe at various levels. And although the focus of the bill here is on community labor and management committees, a great deal of our involvement is at levels below that, at the plant level.

But there is clear evidence that where negotiations themselves have been protracted and difficult, and the idea of a labor and management committee is proposed to people by our mediators, we get a great deal of very positive response to that idea and a great deal of success in terms of continued better relationships.

MR. LUNDINE. Certainly, to have value, almost every labor and management committee has to have an inplant component. I don't want to let your comment pass without observing that it is the intention of this legislation to foster inplant committees, whether on a multi-industry basis or not, because that is where foremen and the workers can resolve problems together.

MR. SCEARCE, you have commented on the value of some of these programs and on the need for some increase in Federal support of this effort.

In your personal judgment, do you have any observations about the structure or the composition of the advisory council proposed in H.R. 2596 or any other comment with regard to the administration of the program?

MR. SCEARCE. Well, Mr. Chairman, since it is no great secret that I may not come back before this subcommittee again in the capacity

that I am in, I feel a little freer to make statements, I suppose, and I would say this: That if there is to be an advisory council, as set out—are we talking about the proposal in the legislation?

Mr. LUNDINE. Yes.

Mr. SCEARCE. Then I do think that the Service, the Federal Mediation and Conciliation Service, certainly should play a role in such an advisory council.

I do think that the advisory committee needs to recognize, as I tried to allude to in my comments, that each such labor and management committee with its inplant area industry company will have to be established for the problems that face those parties at that time, much the same as Jamestown was set up for the problems that are in Jamestown.

So to the extent that the advisory council can be useful in developing ideas and to generate new approaches to possible labor and management committee concepts, I think that it would serve the purpose. And I suppose what I am trying to say is that I would hope that such an advisory council would not eventually get to the point that it is dictating to the labor and management committee the rules of the game. I think that that has to be done by the parties who are going to be most directly involved in the committee itself.

Mr. LUNDINE. I think that is a very worthwhile suggestion.

From your experience do you have any opinions as to which of the various Federal departments or agencies or centers or whatever might best administer the program?

Mr. SCEARCE. Well, I don't know that I've got that much flexibility, but obviously there is something in it for a lot of different organizations. I would be less than candid if I did not say, insofar as the Commerce Department is concerned, Dr. Harman is someone who has a great deal of experience in this area. So I am sure from the Commerce Department's standpoint, there is an interest there.

And as you have set it out in the bill, and as is so stated, the Department of Labor certainly has an interest because of the interest that has been expressed in job enrichment and job security in the past.

And I suppose that it goes without saying that the National Center for Productivity and Quality of Working Life certainly has a long-range interest in the work that the legislation has set out because of its dovetailing with its own mandate.

And, finally, we the Service, will play a role in labor and management committees within the scope of the legislation or otherwise, and therefore we, as well, have an interest.

I suppose if you could make a joint council to administer the legislation, that might satisfy everyone, but I am not sure you would move forward with anything from that point. I think that any one of those alternatives might be possible. Certainly, the place you have it located now, within the Department of Labor, is a viable one.

Mr. LUNDINE. Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman.

Mr. Scearce, I would like to make some inquiry of you about your views on why it is that Government feels that if the people, that is, the workers, and the people that run these industries that should know more about running them than anybody in this Congress, if they want all of this, why don't they just go ahead and do it?

I mean, if this is such a red-hot idea, why do we need your advice and the public's money?

Is it that the people lack initiative and ingenuity? They don't want to make a profit? They don't want to increase productivity? But they need Federal money and the advice of your agency in order to perform these miracles?

Mr. SCEARCE. Mr. Kelly, Federal Mediation and Conciliation Service has been in existence since 1947. It is fair to say that the collective bargaining relationship between any two parties is their own business, as well.

We become involved in some 20,000 sets of negotiations every year in one way or another as a neutral. I suppose the same premise could hold, that if they want an agreement, the parties should be able to negotiate themselves. But the fact is that in the business of business, the people tend to find a place to disagree or an inability to communicate with each other, and therefore, the third-party neutral has taken a very important role in the collective-bargaining process in the United States, which happens to be the best in the world.

I feel that in the case of labor and management committees, sometimes someone looking at the situation from a different vantage point, that is, someone who has no vested interest in one side or the other, can say to the parties, now, come on, look at the situation here; let me give you some facts that you might otherwise not have before you. And I am talking now about the advice; I am not talking about the funding.

And that, consequently, if that individual happens to be a person who has expertise in the field and can be trusted, that in an advisory capacity this individual can add something to the collective bargaining situation between the parties.

Mr. KELLY. Let me be a little more specific. This bill is going to provide for loan guarantees by the Government in certain situations, is that true?

Mr. SCEARCE. That is one of the provisions as I understand it.

Mr. KELLY. And this money is going to go to businesses that are in difficulty and suffering a reduction of plant output and unemployment and other troubles of difficulty—business difficulty, is that your understanding?

Mr. SCEARCE. That is one of the provisions as I understand it.

Mr. KELLY. Isn't this simply old hat, about the Government giving money to the people that are least productive and then putting a burden on those that are more productive because the people that are producing in this country have to pay for all of this and instead of helping people that—the effective producers that don't have the problems, we keep giving guarantees to the people that are not doing well so that we are assisting and rewarding inefficiency and adding to the burdens of inefficiency. Isn't that the way the sequence is going?

Mr. SCEARCE. Well, Mr. Kelly, in my opening statement I indicated that my comments really did not go to the structure, the specifics of the bill, but rather to the overall purpose that H.R. 2596 has before it. So what I am saying is that I am not sure that I am competent from my standpoint to respond to you other than to say that whatever is done, if done at the Federal level which facilitates the ability of people to remain employed and to produce products that are salable

in our economy at a competitive price cannot help but benefit the average American in the United States. Whether or not grant money of the types allowed in this bill would accomplish that or not, I cannot really say.

Mr. KELLY. Well, let me ask you this:

One of the provisions provides that there will be an increased participation of employees through compensation or other benefits, and in effect what this bill is trying to do is to say that there is an opportunity for greater production and greater profits if we have a greater participation of the employees in the management of the plant. And I wonder why this improvement is so subtle that the people that are out there grubbing for profit and managing this industry, that that never occurred to them that if they would let the employees run the plant or participate in running the plant that then they would make more money.

And then, as an aside to that, if they are going to make more money and have more production and more profits, why don't they do it on their own if it is such a red-hot idea?

Mr. SCEARCE. Well, I don't know that I can respond to your last question, Mr. Kelly, but I would say this: We, as an agency, have been involved with the United Mine Workers and the coal industry in a way which, believe it or not, can be viewed by some people to assist the union in doing a better job in winning some of the grievances that it might have with management.

Well, management is not threatened by that in the coal industry, by the way, because they recognize that if there is a better balance at the bargaining table that it is less likely for the workers to go on wild-cat strikes.

Mr. KELLY. Excuse me just a minute.

You are saying that this industry has recognized that employee participation is a good idea?

Mr. SCEARCE. I think that they have, but the Federal Mediation and Conciliation Service had to help lead them into that understanding and the fact is that the long-range effect of the work that we're doing with assisting—hopefully assisting the mine workers in how to process a grievance and win an arbitration, for example, would be to increase productivity by cutting down on wildcat strikes, which will not only benefit the American economy but will also benefit the workers involved and the industry involved.

Mr. KELLY. Well, now then, let me ask you this:

It is your position that the Federal Mediation and Conciliation Service, and the National Center for Productivity and Quality of Working Life, and these other agencies of this kind, that you believe that you are going to be able to get in there and help the free enterprise system and American industry to run their business more efficiently?

Mr. SCEARCE. We have about 30 years experience at that, Mr. Kelly.

Mr. KELLY. So you believe the Government knows best about how to run the industry?

Mr. SCEARCE. We don't run the industry.

What we do is to facilitate a better exchange of communications between people in the collective bargaining environment. And if you've been involved, it is easier for me to explain it to you.

Mr. KELLY. Then let me ask you one more thing.

Why do you always have to ride in on a wave of the taxpayers money if you have such a good idea? I mean, if you have such a good idea that this thing is such a fine arrangement, why isn't industry banging on your doors saying, "Give me some?" Why is it that you have to go in on taxpayers money, because you've got these loan guarantee provisions and that means that if they are going to get their money they are going to have to let you help them run their business, isn't that about the size of it?

Mr. SCEARCE. Well, I don't know whether I can debate with you or not, Mr. Kelly. I will only add one thing: That my organization has no authority to go into a set of negotiations. We have to be asked in. We are asked in 10,000 times a year. If that is the case, then I guess it is safe to assume that someone in labor and management feels they can use the help of a neutral in their relationships. And we are asked in, we do not force our way into a set of negotiations.

Mr. KELLY. Thank you, Mr. Chairman.

Mr. LUNDINE. First, I'm going to explain to everyone about the procedure.

We are going to recess for a few minutes.

We have a record vote on yesterday's proceedings; so we have to go across the street and accept or reject the record of yesterday. We have 10 minutes to vote. It is the intention of Chairman Moorhead to reconvene these hearings immediately following the vote. There will be an opportunity for questions by the remainder of those members who are interested in returning to question this witness. We will then hear other witnesses, and Mr. Moorhead will be returning.

So that you have an idea of our schedule I think it is his intention to continue, with these necessary interruptions, straight through until about 1 o'clock this afternoon.

Thank you for your understanding.

[Brief recess is taken.]

Mr. LUNDINE. In order to expedite matters just a little bit, in case there is another member who has not yet questioned the Federal Mediation and Conciliation Service, if you gentlemen will hold yourselves available for a few more minutes, that we will go ahead and proceed with the testimony from the National Center for Productivity and Quality of Working Life.

I don't think it's likely that there will be further questions, but I don't want to cut off anyone's opportunity. Would that be all right with you? It won't be many more minutes.

Mr. SCEARCE. Can I make kind of a closing statement, then, on the chance that it may not take place?

Mr. LUNDINE. Certainly.

Mr. SCEARCE. I would just like to say, Mr. Chairman, that the Federal Mediation and Conciliation Service will stand ready to support and work with your subcommittee in the legislation when it is passed, in whatever form it is passed. We feel that this will contribute to an improvement in the possibility of productivity and job security, and job enrichment, and to the extent that we can, within our resources, we will be pleased to work with the legislation when it does come out.

Thank you.

Mr. LUNDINE. Before you leave, I think we do have one member here who hasn't asked questions.

Mr. Caputo?

Mr. CAPUTO. I wonder if the language on page 3 is somewhat restrictive.

To paraphrase, it says each project under this section shall be a demonstration project to an employer in an area where employees who, but for these plans, would be layed off during periods of cyclical unemployment. Isn't that kind of a preposterously difficult burden to prove? Some relaxation of the language it seems to me would be in order.

Mr. SCEARCE. I will ask our General Counsel to comment on that. He is a bit more familiar with the language.

Mr. FISHGOLD. Congressman, this is an area of the bill wherein Federal Mediation and Conciliation Service's role would be basically one to advise with regard to whether or not a problem existed of a priority nature, that would require some kind of Federal assistance in terms of our mediation involvement.

I agree with you that perhaps, as worded, how to identify whether this would be a project for these employees in terms of measuring rates of unemployment could pose some type of a problem. I imagine this is something which could be worked out if this language were to be retained on the basis of testimony from agencies or departments that have more involvement in this area.

I think particularly, for example, the Department of Labor and the Bureau of Labor Statistics have some involvement in measuring components of unemployment figures. From my point of view I think it is difficult to demonstrate or discuss that aspect of it. I think section 2(a) is more in line with the type of role that we have played in the past, particularly as to section 2(a) (i) (ii).

I believe Congressman Kelly asked a question about employee participation. This is something that is usually left to the parties to resolve through collective bargaining. And to the extent that you are dealing with small plants, we have seen where employees have agreed to actually take a cut in pay if it meant that the plant would continue to function for a period of time.

Mr. CAPUTO. Mr. Chairman, for the record, you might want to consider changing the word "would" on page 3, line 22, to "are likely to." It seems to me verifying that somebody would is pretty difficult and probably more strenuous a proof than we need.

The other thing I would like to raise is related Mr. McKinney's point earlier, and that is that in my experience the reason people leave New York—employers leave New York City, where I come from, is, No. 1, not inadequate output per man-hour and not collective bargaining failures, the reasons they give, and there is some systematic data on this that you can review if you choose, the high State personal income tax.

No matter how you improve productivity you are not going to get rid of that. That is why people leave New York City and New York State.

And No. 2, the high State franchise tax.

And No. 3, the high State business income tax. Those are the three big reasons.

And then there are a range of other things, like our high energy and transportation costs which seem to offend them, but not predicate their leaving.

Now to the extent you can lower costs through productivity improvements, I guess we get more competitive. But you after all are a national agency and really have a duty to lower costs and improve productivity on a national basis. So the notion that this is going to somehow help the Northeast I think is misguided for two reasons:

The first is our problems are not productivity, but local taxes, based on why employers say they left when they no longer have a motive to falsify because they are no longer doing business in New York and they tell us the reason you drove us out, is we couldn't get management to come here. When they persuade them to come they all wanted to leave because of the high personal income tax that the State of New York imposes and no other State does.

The second reason I am pessimistic about your ability to help the Northeast through this, and I am not saying I am opposed to the bill, is that notion that you have a national mandate and whatever you do in the Northeast you ought to be doing elsewhere. And therefore I am a little concerned that we are misrepresenting what this is likely to do when we talk about it as relieving problems in the Northeast.

Mr. SCEARCE. Well, Mr. Caputo, if I might just respond, I must respond to one point: We are not an organization that has as its mandate increasing productivity.

Our role is to facilitate better relationships between the parties. Certainly if productivity can be increased at the same time that there is satisfaction given to the worker in job enrichment or increased pay or whatever, fine. But I think for the record I need to say that because there is some concern from time to time that people, particularly on the labor side, say, "We don't want to see the production line sped up."

From our standpoint, our role is really to try to facilitate better communications, introduce new ideas designed to give both parties a better share of the pie, so to speak. It is a small thing but one which, if you don't mind, I would just like to get on the record.

Mr. LUNDINE. Thank you very much, Mr. Searce and Mr. Perles, Mr. Fishgold, and Mr. Barrett. Your testimony has been very important. It may be that some of those members who were absent may want to propose further questions in writing, and I am sure you would be amenable to that.

Mr. SCEARCE. One point in our recent budget presentation:

We developed some data which might be useful to you, Mr. Chairman, which has to do with the impact of third party neutrals on economics, such as the avoidance of strikes, the shortening of strikes, the ending of a strike once it is underway, and perhaps we could send that up for you to at least look at. And if you want to use it in the record you can do so, but I would let you be the judge of that.

Mr. LUNDINE. Without objection, that information, upon submission, will be made a part of the record.

[The data referred to by Mr. Searce is contained in a summary statement presented before the Labor-Health, Education, and Welfare Subcommittee of the House Committee on Appropriations, which follows:]

Summary Statement by
James F. Searce, National Director
Federal Mediation and Conciliation Service
before the
Labor, Health, Education and Welfare Subcommittee
of the
House Committee on Appropriations

While it is impossible to determine exactly the impact FMCS has on the Nation's economy, some rough estimates are possible. It is estimated that over \$400 million in potential wages lost to strikes were averted when mediators got the parties to agree to extensions that resulted in contracts without strikes. Another \$195 million in wages were saved due to shortened strikes through FMCS mediation efforts. And finally, a conservative estimate of \$175 million in wages were saved in cases where mediation smoothed the way to a new contract without a work stoppage. In total, this comes to about \$775 million in wages alone. The total impact on the GNP is many times higher.

The savings referred to above only pertain to our disputes mediation efforts. In recent years the Service has been expanding and refining its Technical Assistance Program. Certainly the feedback received from parties who have experienced technical assistance help overwhelmingly supports the benefits of these programs. Parties with long histories of strikes at every bargaining cycle have had the pattern broken through the help of technical assistance.

PROGRAM EFFECTIVENESS AND ESTIMATED COST/BENEFIT EVALUATION

There is no question that the labor-management community is being well served when the need for mediation exists. Each year the Service receives hundreds of letters from representatives of both labor and management testifying to the effectiveness of the assistance given the parties in their negotiations. These unsolicited testimonials are a sound but nonstatistical indication of the effectiveness of the mediation program.

Endeavoring, however, to relate the cost of operating the mediation program to the benefits achieved to the economy, in terms of work stoppages shortened or averted, is quite complicated because of the many imponderables present. The Bureau of Labor Statistics, as stated in its "Handbook of Methods," does not attempt to measure the cost of strikes in terms of the amount of production and wages lost because of the many complex and interrelated factors for which information is not readily available.

Based on certain assumptions, however, a rough approximation of cost effectiveness may be attempted although obviously no precise validation is possible. The following data, therefore, are presented with this important qualification in mind.

A. Wage Losses Eliminated or Minimized with Active Mediator Participation in Dispute Mediation Cases

1. Cases Settled Without Strikes as a Result of Intensified Mediation Efforts

In Fiscal Year 1976, strike deadlines were postponed and/or joint meetings were held on deadline dates (on the initiative of the mediator) in 2,603 cases. In about 2,012 of these cases, involving over 1,125,000 employees in the bargaining units, the additional time and intensive mediation effort prevented any strikes from developing. The potential strike time loss avoided in these 2,012 cases was over 20 million man-days, calculated by the use of the BLS average of 17.9 man-days lost per worker in stoppages for calendar year 1975 (the latest data available). Discounting this figure by 50 percent; on the basis that some postponements and subsequent settlements would have been reached without a mediator, or that strike duration would have been less than the BLS average, a conservative figure of 10 million man-days saved is estimated.

2. Cases Settled Without Strikes Prior to Deadline Date With Mediator Assistance

In Fiscal Year 1976, 4,737 additional active cases with over 1.2 million employees in the bargaining units were closed by FMCS mediators without strikes and without the necessity of postponement of strike deadlines and/or joint conferences on the deadline date. It is a conservative estimate that strikes would have occurred in 20 percent of these cases (involving 20 percent of the workers) without mediator assistance and that the work time lost (17.9 as in 1 above), would have been over 4.3 million man-days.

3. Strike Cases In Which Strike Time Losses Were Shortened Due to Mediator Assistance

That actual strike time losses are minimized by mediator assistance is a fair assumption. Referring to BLS data for 1974 for purposes of greater accuracy (Bulletin No. 1902), Federal mediators participated in the settlement of 2,531 strike cases involving nearly 1,620,000 workers and a total of 37,200,000 man-days of idleness.

Assuming that these strikes would have persisted for three work-days longer in the absence of mediator assistance (a conservative assumption), it is estimated that over 4.8 million man-days of additional idleness were avoided.

B. Summary of Savings Due to Program Effectiveness and Estimated Cost Benefit Evaluation

In terms of man-days, estimated total year strike time avoided is as follows:

1. Total Man-Days Saved

a.	Cases settled without strikes (In Millions) as a result of intensified mediation efforts by the mediator where deadline dates were postponed and/or joint meetings were held on the deadline date. (A.1. above)	10.0 man-days
b.	Cases settled without strikes prior to deadline date with mediator assistance. (A.2. above)	4.3 man-days
c.	Strike time losses shortened due to mediator assistance (A.3. Above)	4.8 man-days
	Total Man-Days Saved	<u>19.1</u>

2. Estimated Annual Wage Losses Avoided

At \$40.56 per day (based on BLS data of average hourly earnings of \$5.07 for manufacturing as of April 1976), the estimated annual wage losses avoided are

\$774.7 million

3. Additional Savings

In terms of Gross National Product, the value of the production of goods and services lost could be several times as great as the estimated wage loss.

Beyond the estimated wage loss, there are other potential losses inherent in strike situations such as decline in earnings and income, reduction in Federal, State and local income and corporate taxes, etc.

In summary, the data point to a high rate of benefit to the Nation's economy in relation to the funds expended for the Service's mediation program (\$17,849,359 in Fiscal Year 1976).

Mr. LUNDINE. The next witness to come before this subcommittee is George Kuper, Executive Director for the National Center for Productivity and Quality of Working Life.

Mr. Kuper, would you please introduce your colleague, who is well known to me but perhaps not to everyone.

Mr. KUPER. Thank you, Mr. Chairman.

With me is Edgar Weinberg, Assistant Director, and also—someplace—is Mr. William Batt, a consultant who has been working with us in the area of stimulating labor-management cooperative efforts, on behalf of productivity improvement.

Mr. LUNDINE. I just want to note that your entire statement will be made a part of the record. You may read it or summarize it, as you choose.

Mr. KUPER. With your permission, Mr. Chairman, given the distinction and the experience represented by yourself and other members of your subcommittee and members of the audience, such as the mayor of Columbus, I would just as soon summarize my remarks if I may?

Mr. LUNDINE. We would appreciate that.

STATEMENT OF GEORGE H. KUPER, EXECUTIVE DIRECTOR, NATIONAL CENTER FOR PRODUCTIVITY AND QUALITY OF WORKING LIFE, ACCOMPANIED BY EDGAR WEINBERG, ASSISTANT DIRECTOR

Mr. KUPER. My intention in preparing these remarks was to acquaint the subcommittee with the experiences that the National Center for Productivity and Quality of Working Life has had. Those experiences, I would like to emphasize, result from the participation of a composite of a group of labor leaders, management leaders, and administration leaders.

Thus, what I am trying to reflect here is a consensus on the issues that are raised by the legislation before this subcommittee today. I would like to illuminate that consensus in the light of the experience we have had as a Center.

As you are aware, we have broken down the huge problem of productivity into what we hope are three manageable components. These are human resources, the issues related to the skills and training and availability of the work force to provide the wherewithal for productivity improvement; technology and capital investment, traditional sources of productivity growth in our economic society; and Government regulation, those methods by which the Government participates in the free enterprise system, and which both positively and negatively affect productivity.

I would like, also, to emphasize a quote that I included in the testimony, a quote from a memo to President Carter from the former Board of Directors of the National Center. The Board went out of business on the 20th of January and has not been reappointed, so I am harking back to the wisdom we received from a group no longer in office. They emphasize first, the need for improved cooperative arrangements between labor and management; second, the need for more effective public and private policies to assure the necessity of workers in those cooperative settings; and third, the need to define an appropriate role for the Federal Government in this whole endeavor.

I think it's also important that the discussions and the opening comments of the Chairman and the members of this subcommittee on the productivity-related elements of legislation are placed in the context of human resources as one of many factors associated with productivity growth.

In recognition of the spirit of mutuality of purpose between the legislation and the objectives and policy of the Center's Board, I will try to divide my comments according to those issues that are raised by the labor and management cooperative provisions of the legislation and those which relate simply to cyclical unemployment.

In quick summary, our lessons tell us three things about labor and management cooperative efforts. First, they are not necessarily new; they have been sporadically applied, historically. Second, and importantly, interest in these efforts is increasing around the country; not just in the Northeast, as Mr. Caputo mentioned earlier, but in a number of other areas of the country, as well. Third, their organization seems to fall among three basic types.

One type of labor and management committee is organized at the plant level, where these cooperative efforts are aimed—the nuts and bolts of how to make the operation more effective in dealing with efficiency, health, safety issues, and so on.

A second type of committee is the community committee, which is exemplified by the Jamestown experience. Such committees are primarily aimed at economic development issues, for example, how does the local employment climate attract sufficient capital to remain competitive, to keep plant and equipment up with the other areas of the country?

The third type is the industry-level committee. While these committees are few in number, there have been some significant successes. In fact, Mr. Searce's proposed successor at the FMCS has been the chairman of one of the most successful—the labor-management committee of the retail food industry.

The testimony you have already heard and will subsequently hear emphasizes the tangible and intangible benefits of these joint labor-management efforts. I am trying to emphasize this, as well, in my own testimony.

I would like to say a little more about what I feel to be the gaps that we face in increasing the level of these cooperative efforts around the country.

First, if a Federal effort is needed, from our perspective, it should be directed to help employers, unions, and employees better understand the process and learn from the experience of those who have been engaged in cooperative efforts. There is just not enough information moving around amongst managers and labor leaders to provide the exposure to these cooperative efforts. That would respond to Mr. Kelly's question of, if it's so good, why isn't everybody doing it. The answer is, they don't know about it. And that's where we need some support.

Second, certain resources are necessary to people in business, not only to feed the ideas into management and labor leaders, but also to provide the neutral forum which Mr. Searce spoke of today in commenting about the FMCS's role.

Quite often, management's and labor's roles are so well established that without the intervention of a third party, these kinds of cooperative efforts just will not take place. The roles of third parties are never clear. They are never terribly well defined. And we know very little about the needs for third parties in the way of background, skills, and ability. There are very few of them.

I would say there is a third issue associated with these labor and management cooperative efforts, and that is a need to pull together the diverse efforts which are now a part of the Federal Government and other levels of government in such a way as to allow them to support and sponsor cooperative efforts and quality-of-worklife experiments.

Finally, from our point of view, the support of the top leaders of business and the top leaders of labor and the top administration officials is critical. Without that support our efforts will fall by the wayside for lack of priority and understanding on the part of those who are making decisions that affect us most directly.

On the issue of initiatives to minimize cyclical layoffs by firms, I again quote from the Board's memo to President Carter because it represents a consensus of labor, management, and Government people:

Unless Government-sponsored jobs are designed to be productive or at least to provide the training which will lead to productive work, there is a danger that unemployed workers will simply be made permanently unproductive at public expense.

Here again, I would emphasize that while the objectives of the Center and the proposed legislation are very similar, I think there is some disagreement between members of our Board and the means by which this legislation proposes to address those issues.

By way of trying to spell out that disagreement, I have tried to think. I hope not too simplistically, in terms of there being three basic sources of layoffs.

The first is a downturn in demand; the response, as any businessman will tell you, is either reduce variable costs or build for inventory. Now, it seems to me that we could think of ways to respond to this type of unemployment short of subsidizing payrolls, such as some kind of assistance in inventory maintenance. Similarly, we could perhaps come up with some efforts in specific industries. I think it is important to think about this as an industry-specific initiative which we could explore with a view to modifying and evening out demand to reduce the cyclical effects faced by the industry.

A second source of layoffs, from our point of view, is tightening of cash flow. A major industry, of which this committee is much better aware than I, is designed to ease these cash-flow problems, namely, the commercial banking industry. The commercial banking industry might fall a little short in smaller business, where the assessment of various loans may not be commensurate with potential payback; the SBA is designed to fill in here. Now, the difficulty is really not one of no mechanisms being around, but rather that the existing mechanisms are not fast enough. It may be that in response to this type of layoff, our initiative ought to be to speed up the process by which the SBA can underwrite cash flow needs of faltering small business.

A third source of layoffs we find is the shift in demand for various skills and trades which is caused by changes in produce mix or manufacturing technology. Without question, this is the toughest kind of layoff. It's the hardest on the employee; it's the truest form of redundancy; and it's the one which is most usually blamed on productivity improvement.

The response to this layoff is very difficult because it requires a commitment on the part of both labor and management leaders to make an investment in the potentially redundant employee in order to overcome that redundancy. It requires training; it requires patience; it requires job redesign and a number of other phenomena which managers are less than willing to incorporate because of their traditional attitude that labor is a variable commodity in production. If we can in some way emphasize the need for paying attention to restructuring and retraining and the other types of remedies for this very pervasive type of unemployment, I think we will be going a long ways toward getting at the issue.

Finally, I sense there a lot of discussion has gone on and will go on about the appropriate location of such activities, Mr. Chairman. I want to make it clear that from the standpoint of the National Center, as much as we share the common objectives proposed by this legislation, we would definitely not want to deter the ability to pursue these objectives by forcing it on us, organizationally.

And maybe with that I should close and turn to questions.

[The prepared statement of Mr. Kuper, on behalf of the National Center for Productivity and Quality of Working Life, follows:]

PREPARED STATEMENT OF GEORGE H. KUPER, EXECUTIVE
DIRECTOR, NATIONAL CENTER FOR PRODUCTIVITY AND
QUALITY OF WORKING LIFE

It is a privilege to appear before this Subcommittee today and offer what I hope will be useful observations based on the experience of the National Center for Productivity and Quality of Working Life on some of the issues being addressed by the Human Resources Development Act of 1977 (H.R. 2596).

As you are aware the Board of Directors of the National Center and its predecessor Commission have been identifying and defining the nature of the barriers to productivity growth so that the complex and broad problems of our Nation's productivity growth can be better understood. With that understanding it is possible to marshal the various disciplines, resources and policies necessary to resolve the problems of productivity we now face. In its deliberations the Board has found it useful to think of the problems under three basic categories:

Human Resources -- that is, the level of health and education, skills, ingenuity and dedication of all people involved in the production of goods and services, and the extent to which we continue to maintain and improve this productive capability.

Technology and Capital Investment -- that is, the process through which productivity-enhancing innovations are conceived, developed, financed, and diffused throughout the economy, in both the public and the private sectors.

Government Regulation -- that is, the process through which government regulates the actions of individuals and organizations in the interest of the community, and the extent to which this process affects the ability of the economic system to foster continued productivity improvements.

In a memo to President Carter dated January 28, 1977, the Board amplified on the Human Resources issues the Nation faces in the following areas:

"First, improved co-operative arrangements between labor and management need to be worked out to allow the ingenuity and know-how of employees to be utilized more fully in the productive process.

Second, we need more effective public and private policies to assure workers that their cooperation in productivity-enhancing changes will not unduly affect their job security and self-interest.

Third, we need to define an appropriate role for the Federal government in responding to the growing interest in improving job satisfaction and the quality of the working environment."

It is clear that the objectives of the Human Resources Development Act of 1977 before this Subcommittee are in harmony with the labor, management and government consensus achieved through the Center on this aspect of productivity growth.

Although the balance of my remarks will be devoted to the Human Resources issues associated with productivity improvement, it is important to keep in mind that the more traditional approaches of capital investment and technology employed by American industry have not diminished in importance. Rather, the importance of the human resources side of the solution has come to the forefront over the years as our work force has become increasingly better educated and skilled with correspondingly greater demands for a better quality of working life.

Given the mutuality of purpose between the Center's mandate and the legislation pending here today, I would like to concentrate my comments on the proposed legislation in the following manner:

- I. Issues involving labor-management cooperation for improvement of productivity and quality of working life
- II. Issues related to cyclical unemployment

I

In considering the labor-management cooperative efforts envisaged by this legislation it may be helpful to briefly trace the history of these efforts in the United States and review some recent experiences drawing on a monograph published by the Center - Labor-Management Committees in American Industry.

One lesson that emerges is that the phenomenon of formal labor-management cooperation to improve productivity is not new but has had limited application. In the U.S. we have had about 50 years of experimentation with labor-management cooperation through joint committees at the plant, company, or industry level. Interest in this cooperative approach has usually been sparked by the recognition by both parties of the need and common concern for the survival and growth of the enterprise.

One of the best known early examples was the B and O Plan in the 1920's involving the Machinists' Union and the railroad management in a joint effort to draw on worker suggestions to improve working conditions, reduce waste and expand business. With the depression the plan disintegrated but the idea was demonstrated.

It eventually took a national emergency to expand cooperative programs on a broad scale. During World War II, some 5,000 labor-management committees in defense plants employing seven million workers were registered with the War Production Board. Approximately one thousand dealt with productivity directly. Nevertheless, the committees were credited with improving the climate of industrial relations -enhancing both morale and productivity. True, it was an emergency, and at war's end, the urgency drained off and most of the committees were abandoned in the post-war labor-management disputes.

One early example that still operates is the Tennessee Valley Authority's program of joint cooperative committees. Their objective is to eliminate waste, increase efficiency, stimulate training, safeguard health and generally improve morale. Other labor-management committees have been organized in connection with the plan

developed by a steelworker official named Joe Scanlon. The Scanlon Plan involves a network of departmental and central plant joint worker-manager suggestion committees combined with a plant-wide bonus based on cost savings. The Center has published a detailed study of how the Scanlon Plan has operated in a paint plant and its benefits and problems. There is growing interest in such plans linking group bonuses and productivity.

A second point that comes through is that interest in labor-management cooperation on plant problems of common concern has been expanding in recent years. As the scope and maturity of industrial relations have broadened, many unions and employers have established joint committees on issues than cannot be dealt with at the bargaining table, such as health and safety, pre-retirement planning, pensions, alcoholism, drug abuse and training. In the auto industry, according to UAW Vice President Bluestone, literally thousands of corrective actions have resulted from the joint efforts of union-management health and safety teams at the national and local levels.

A major impetus to labor-management cooperation came from the steel industry in 1971. The 10 major corporations and the United Steelworkers agreed that in order to protect jobs and profits, joint employment security and productivity committees should be set up at the plant level to deal with

problems of waste, absenteeism, work quality, morale and operational problems. In the steel and in other union situations, the scope of committee operations is limited to matters not covered in the collective bargaining agreement. President I. W. Abel in a pamphlet describing the program published by the Center, credits the committees with contributing to more mature collective bargaining relationships throughout the industry.

The Center recently published a Directory of Labor-Management Committees, listing about 180 in different industries, to facilitate exchange of information about committee operations. These committees are found throughout the country with the greatest concentration in the industrialized East and Midwest. Many of the companies and unions which are pacesetters of American industry have been engaged in cooperative activities. A dozen examples of these joint committees are described in the Center's publication Recent Initiatives in Labor-Management Cooperation.

A third point to note is that joint labor-management committees vary widely in their origins, goals and procedures, each adapting to particular circumstances. We can distinguish three basic types -- at the (1) plant, (2) community and (3) industry level -- each with an appropriate agenda.

(1) Joint committees at the plant or company level, made up of union and management representatives have been organized to deal with a wide range of matters not usually covered by collective bargaining or grievance procedures. Depending on the degree of trust they range from committees that are concerned only with better communication to those dealing with problem solving.

Meeting monthly some committees simply provide a regular channel for sharing information about business conditions and competitive factors affecting the prospects of the company and employment security. Such meetings clear the air of rumors and help create mutual understanding. They are often the starting place for more serious problem solving approaches.

Where both parties develop a common perspective about the need to improve the firm's competitive position and maintain employment, there is an opportunity for enlisting employees in identifying areas for improvement. In some plants a network of labor-management committees provide a channel for tapping the ideas of the workforce about the way plant operations can be improved and their job done more effectively. Given recognition of their interest in doing a good job and their desire to work for a successful business, employees often contribute ideas about reducing waste and scrap and cutting down on rework and rejects. Some plant committees focus

on ways to save energy and materials and improve work quality, all of which goes into making a contribution to the improvement of productivity.

Recently in plants where a high degree of mutual trust and confidence has been established, labor and management have expanded the scope of cooperative efforts, to cover issues that usually have been the exclusive province of managers. Such committees are concerned with enlarging the decision-making role of the worker in the production process and giving workers a "say" about work structure, job content, supervision, plant layout, and other working conditions that are covered by the broad term "quality of working life".

These experiments rest in the premise that when employees are given a better understanding of the context in which they labor they will be able to make significant contributions to improving the efficiency and effectiveness of the entire organization. By more fully utilizing an individual's talents and skills there is an improvement in the quality of working life.

Among the more advanced quality of working life experiments that includes Harman International, Springfield, Ohio, and Rockwell International is one with autonomous work groups in the Rushton Coal Mine in agreement with the United Mine

Workers of America. The Center assisted in helping to start the project now being studied by the non-profit National Quality of Work Center under an EDA grant. Apparently, impressive improvements can take place when workers are given greater responsibilities and collaboration replaces competition among the workforce. As we seek to expand our domestic energy supply, the Rushton experiment may point the way to improving productivity and worker satisfaction in the vital coal industry.

(2) A second type -- joint labor-management committees at the community level -- have been established to deal with common employee and union concerns about economic development, employment expansion and industrial peace. Such community-wide committees were established in the 50's in Toledo, Louisville, South Bend, Youngstown and other Midwest areas but the Jamestown, New York program which Representative Lundine initiated as Mayor, has gone beyond these earlier examples. A unique feature of the Jamestown area labor-management committee is its successful effort to establish programs at the plant level. Over 10 plants have joint committees now in operation.

One of the keys to its success is the employment of a full-time professional coordinator who helps to get plant union-management committees started or restarted, implement

skill development training for workers and managers, and to extend joint committee activities to work redesign, improved communications, grievance handling and safety.

The Jamestown plan, now in its sixth year, has become a model for a number of other committees in the East and Midwest which have been suffering distress, high unemployment and industrial conflict. Joint labor-management committees on the Jamestown model have been established in Buffalo and Dunkirk, New York; Cumberland, Maryland; Lock Haven, Pennsylvania; Muskegon, Michigan and Evansville, Indiana, with assistance from the Center, EDA, FMCS, Appalachian Regional Commission and the Department of Labor. A neutral coordinator working with plant committees plays a key role in their operations.

(3) A third type of joint consultative committee is taking place at the industry level. Most notable is the Joint Labor-Management Committee of the Retail Food Industry chaired by Wayne Horvitz. In such joint committees, labor and management leaders discuss broad issues of mutual interest and try to develop general guidelines that could improve collective bargaining between individual firms and unions. The potential benefits of such joint consultation are no doubt substantial but so too are the difficulties of establishing and maintaining industry committees.

In addition to the union-management cooperative plans, there is a wide range of programs that have been introduced by management in non-union companies to reduce turnover, absenteeism and low productivity. Some of these plans involve simply the redesign of jobs and work practices to reduce monotony and boredom. A few emphasize greater participation of workers and modification of supervisory practices. Often these projects are limited to sections of plants or offices. Other approaches to improving morale and efficiency concentrate on work schedules and/or financial incentives such as profit sharing or stock ownership.

There is need for more evaluation and objective reporting of joint labor-management programs and other plans. Nevertheless, the evidence, though fragmentary, suggests that there are potential benefits, in terms of improved productivity and worker satisfaction.

The kind of possible results from cooperative activities is exemplified in a statement by Lt. General W. W. Vaughn, Director of the Defense Logistics Agency evaluating joint labor-management productivity councils that the Center helped to establish at Depots in Tracy, California and Columbus, Ohio. The unions involved were the AFGE and the Laborers International Union:

"Our experience at these three activities does provide persuasive evidence that where local commanders, managers, and

union officers do succeed in establishing a viable, functioning joint council, significant and valuable intangible gains are realized. These gains manifest themselves in terms of improved communication between workers and managers, greater mutual trust and understanding between labor and management, more constructive attitudes on the part of employees and their representatives toward Agency missions and objectives and the obstacles which must be overcome in accomplishing them, fewer grievances, and higher morale and better teamwork.

Significant tangible benefits have been achieved, including specific improvement in production standards, work rules, locator accuracy, sick leave abuse and absenteeism."

Officials of the unions involved expressed similar opinions of the benefits from the point of view of the employees.

In summary, joint labor-management committees have adopted, with some success, a problem-solving approach to a wide range of problems, including plant performance, training, quality of working life, and productivity. These have been adopted on the initiative of the parties themselves, most of them without government assistance. However, some projects have been helped by the FMCS, and some receive financial assistance from other Agencies.

In spite the fact that these cooperative efforts directly affect the economic well-being of both employers and employees involved, these programs have not yet been widely adopted. Among the reasons are the attitudes, skills, and leadership of the parties. Managers, union leaders, employees and foremen fear possible loss of prerogatives, control, rights, or jobs and are reluctant to adopt unfamiliar approaches. The major problem of encouraging this approach is to demonstrate that there are advantages on balance for all parties, with profitability, job security, and work satisfaction interrelated with the survival of firms.

As American industry faces more intensive competition from abroad, cooperative efforts become more urgent. In communities and plants in the older industrialized sectors of the country, facing competition from more modern facilities labor-management cooperation maybe becoming better understood as one of the cornerstones of their survival.

If a Federal effort is needed it should be directed to help employers, unions and employees understand the process and learn from the experience of those who have been engaged in cooperative efforts.

While better labor-management relations may be a by-product of such cooperative efforts to become more competitive,

it is the primary objective of committees which the Federal Mediation Conciliation Service have helped to set up. As Mr. Searce has testified, the FMCS has developed a highly useful method for resolving conflicts and encouraging industrial peace. This effort should be continued.

The National Center for Productivity and Quality of Working Life and its predecessor commissions have, over the past two years, tried to encourage understanding and support for labor-management cooperation through workshops and conferences, publication and distribution of popularly written reports and pamphlets and by providing information and advice to those seeking assistance.

The Center's experience in labor-management cooperative efforts suggests at least four areas for further consideration.

First, more information about benefits and problems, more exchange of experiences and practical how-to-do-it yourself ideas need to be developed. The Center has been working with state universities and community colleges and non-profit centers on a limited basis to hold workshops where practitioners share their experiences. But our work has barely scratched the surface.

Second, while large organizations often have internal resources to launch projects involving work restructuring,

retraining and upgrading, gains sharing and other human resources development programs, small businesses usually lack the capability and need outside assistance such as trained third parties. Such projects have been sponsored by community labor-management committees (as in Jamestown) state quality of working life centers (as in Massachusetts) and state universities, institutes of industrial relations (as in Illinois) or schools of business administration (as in Utah and Washington). The assessment of these efforts by labor and management will be essential if the concept is to be expanded.

Third, there is a need to coordinate the activities of various Federal agencies which support and sponsor productivity and quality of working life projects. The Center convened a conference of directors of non-profit institutes last year and published a directory describing their activities. We've been advised that it would be useful to continue this effort.

Finally, the support of top business, labor and government leaders is needed to reinforce and encourage cooperative approaches adopted by local plants and unions.

II

Since Sec. 3(a)(2) of H.R. 2596 proposes to support projects to minimize cyclical layoffs by firms, it is

appropriate to consider this issue both from a national perspective and from the viewpoint of the firm.

The issue of job security and productivity improvement is one the Board of Directors of the National Center has dwelled upon in some length. In their memo to President Carter they said:

"Nationwide, productivity improvement and employment are interdependent. Other things being equal, productivity improvements generally come about by changes in workflow or by the introduction of new equipment which yield greater or equal output with the same or less amount of labor. At each point where such a change is introduced there is a potential threat to the job security of the employees involved and in these cases the changes may be understandably resisted. Even where changes are not resisted, there is little net benefit to the economy if the labor saved in one place cannot be put back to work productively somewhere else. Thus, unless jobs are widely available, productivity growth is retarded.

In a time of economic recession and high unemployment, there is considerable pressure for strong measures to increase employment throughout the economy. From a productivity standpoint, the goal of increasing employment is essential because high levels of employment are a prerequisite for long-term productivity growth. There is also a risk that some methods of increasing employment will undermine productivity. In the private sector, for example, one method suggested by some to increase employment in the short-run is to retard or even reverse the normal progress of technological change, thereby using more labor-intensive processes that would otherwise be the case. In the public sector, various forms of direct job sponsorship or emergency employment may be considered.

Solutions of this type contain significant risks and should be viewed with caution. The use of more labor-intensive production methods would result in less output per worker and thus less total income; in effect, this solution simply redistributes the burden of unemployment without remedying the underlying cause. Similarly, unless government-sponsored jobs are designed to be productive, or at least to provide the training which will lead to productive work, there is a danger that unemployed workers will simply be made permanently unproductive at public expense.

Therefore, long-term productivity is best served by policies which stimulate demand and provide a stable investment climate, in conjunction with policies which insure that all members of the workforce have the appropriate skills, training, and unrestricted entry to participate in the resulting job opportunities."

While the objectives of the Center and the proposed legislation are similar, there is some possibility of disagreement over the means of achieving greater job security. A basic assumption is that it is more desirable to have employees remain in work status rather than drawing unemployment insurance but the method of protecting job security as far as possible should not result in reducing the productivity of the firm. For this reason it may be helpful to review briefly -- and hopefully not too simplistically -- several underlying causes of layoffs by firms and some possible preventative measures that might be considered in addition to the program envisaged by HR 2596. For the purpose of this discussion I have assumed three basic sources of layoffs:

- (1) a downturn in demand;
- (2) cash flow; and
- (3) modifications to the production function.

(1) One source of layoffs is a downturn in demand for products or services caused by the general business cycle or seasonal fluctuations. In the goods producing sector this is either a time for reducing variable costs -- i.e.

labor -- or building for inventory. With the costs of materials in manufacturing now representing over 57% of the value of shipments the high cost and commensurate risk of inventory maintenance make it preferable to lay off workers.

Under these circumstances, one alternative that has been utilized abroad has been for the government to provide some type of inventory maintenance support to avoid layoffs.

There are problems, however, in insuring that production levels are maintained at some median rate rather than at peak levels. From the point of view of organized labor in the industry, smoothing out its employment cycle is very desirable but doing so in a fashion which strengthens management's bargaining position -- as solid finished goods inventories do -- is considerably less so.

Another approach to dealing with this form of layoff is to make an effort to modify demand so that the influences causing the fluctuations in demand are reduced.

(2) A second source of layoffs is the tightening of cash flow. The remedy is for cash loans to carry the operation through the shortage. Commercial lending institutions such as banks, factoring companies, etc. already are in business making these kinds of loans to companies whose operations are sound enough to warrant the risk. Were

the government to interfere it would probably be to remove risks unnecessarily from the banking sector and/or subsidize essentially marginal companies. Small businesses represent a different category in that banks are less likely to be willing to assess the potential risk involved in any given loan because of the limited payback and therefore choose not to make the loan at all. The Small Business Administration has as one of its basic charters the underwriting of such loans. If the SBA functions can be sped up so that the program in fact provides this type of service, I see no reason to duplicate it through another loan guarantee program as proposed by HR 2596. In fact there is nothing to assure any more speedy a response by the proposed loan guarantee plan. Reaction time in this context becomes critical to the program's effectiveness.

(3) A third source of layoffs is a shift in demand for various skills and trades caused by changes in product mix and/or manufacturing technology. This form of layoff severely affects the individuals laid off because of the threat to individual competence it represents and unfortunately is most usually blamed on productivity improvements. Because displacement can generate resistance to change, it potentially has the greatest impact on our economic viability. The National Center has endeavored to encourage innovative and cooperative approaches to dealing constructively with this problem through dissemination of examples

of successful practices. A recent study Productivity and Job Security: Retraining to Adapt to Technological Change dealt with five exemplary cases. Similar studies are in process covering ways of protecting job security through attrition, relocation and manpower planning.

There is a need in our country today to upgrade the skills of workers for new, projected jobs. In some instances we have not avoided losses associated with worker retraining, such as loss of seniority or job status. The French have focused the major portion of their national productivity improvement efforts on an adult continuing education/training program. The Center is also studying ways by which continuing education programs in industry can assist professional and technical employees adjust to technological changes.

These are extremely complex issues which we have historically chosen to address in ways that are oriented to the individual. A shift away from that orientation may be appropriate but I feel we should begin that shift in less direct ways than a subsidized payroll as proposed.

* * * *

There are organizational disputes raised by this bill that will include the future role of the National Center. As much as I would like to claim on the behalf of my

organization the jurisdiction of the activities contained in this proposed legislation, I fear that doing so now would not be in the interest of the common objectives we seek. We would rather see the issues being addressed somewhere than not at all and to burden an effort such as this with our own institutional insecurities would not be fair.

I hope it has been clear that no matter how critical I may appear on portions of H.R. 2596, that the objectives that have been set forth must be accomplished if we are to deliver on the expectations our economic society has created.

Thank you for this opportunity to comment.

Mr. LUNDINE. Thank you very much.

I am going to recognize Mr. McKinney.

Mr. McKINNEY. Thank you very much, Mr. Chairman.

Mr. Kuper, unfortunately, I have to be in six places at once, so the chairman has been kind enough to let me proceed at this time.

I would like at this point, Mr. Chairman, to ask unanimous consent to include in the record an article in the New York Times of Wednesday, March 9, by A. H. Raskin, on the need for productivity increases, and so forth.

Mr. LUNDINE. Without objection, so ordered.

[The article referred to follows:]

[From the New York Times, March 9, 1977]

THE NEED FOR PRODUCTIVITY RISE: RHETORIC, BUT NO CARTER PROGRAM

With the Carter Administration in headlong flight from anything that smacks of wage-price controls, the White House these days is stressing the need to step up industrial productivity as the key to noninflationary economic growth. Few public utterances by Secretary of Labor Ray Marshall, Secretary of Commerce Juanita M. Kreps or Secretary of the Treasury W. Michael Blumenthal fail to make reverent obeisance at the shrine of heightened productivity through cooperative labor-management action.

The notion that greater efficiency in both the private and public sectors makes it possible to wed higher living standards to price stability while also strengthening America's competitive position in world trade draws no thunderbolts from such disparate worriers over governmental meddling in the economy as George Meany, head of the A.F.L.-C.I.O., and Edgar B. Spear, chairman of the United States Steel Corporation. Nor is there anything but praise for the idea from inflation's implacable foe at the Federal Reserve Board, Arthur F. Burns.

Yet, despite the unanimity of support for the basic concept, there is as yet no glimmer of a specific Carter program for translating rhetoric into concrete experimental projects aimed at more efficient use of the country's productive resources and at easing the job discontents that irk many workers, undermine quality and push up costs.

Instead of moving forward on this front, the one explicit Administration action thus far is a retreat. The principal Federal agency fostering efficiency, the National Center for Productivity and Quality of Working Life, which was to have received \$5 million in the next budget year under the original Ford draft, has had its proposed allotment cut to \$2.9 million in the Carter revision, an amount unlikely to do much to lift the efficiency ratio.

The center is about to suffer an even more severe blow in the prospective decision of Vice President Mondale not to follow his predecessor, Nelson A. Rockefeller, as chairman. The group is made up of top-level representatives of labor, industry and the public, but such prestige as it has had derived in large measure from Mr. Rockefeller's exuberant involvement.

In a telephone interview this week, the Vice President said that his strong inclination was to shun all specific assignments that would tie him down and thus interfere with his availability to be of maximum usefulness to the President.

"It is not that I consider the center unimportant," Mr. Mondale said. "On the contrary, I consider its work very important. But to become its chairman would require a mastery of detail and an application I cannot give it."

While there can be no question of the genuineness of these Vice Presidential reservations, it is also unquestionable that the productivity agency is back in the kind of moribund state that has kept it from piling up any significant record of accomplishment since its precursor, the National Commission on Productivity, was launched with great fanfare by President Richard M. Nixon in mid-1970.

No sustained commitment to action ever followed the hyperbolic White House announcements on how much the agency would do to shore up the work ethic, and the commission was reconstituted in November 1975 as an information center and a stimulator of experiments in particular industries or communities.

A genuine turn toward activism would be welcomed now. A subcommittee of the House Banking Committee is holding hearings March 23 and 24 and April 5 on a bill introduced by Representative Stanley N. Lundine, Democrat of James-

town, N.Y., with 65 co-sponsors. It would empower the Labor Department to underwrite innovative experiments by private companies and unions to upgrade job skills and redesign work practices.

Mr. Lundine is a former mayor of Jamestown where a community wide labor-management committee helped reduce unemployment from 10.2 percent to 4.2 percent in the recession period by lifting productivity and attracting new industries.

Sidney Harman, who left the presidency of Harman International Industries last month to become Under Secretary of Commerce, is another pioneer in productivity innovation now in position to promote that idea on a broader scale. And Labor Secretary Marshall has brought in Basil Whiting, a Ford Foundation expert in supervising quality-of-work projects, as a temporary adviser.

In Dallas, C. Jackson Grayson, Jr., whose 15 months as chief price controller in the Nixon era left him permanently sour on controls, reported that he had raised \$10 million in pledges from 75 of the nation's largest corporations to establish a privately financed American Productivity Center in Texas. He said operations would start in June in either Dallas or Houston.

Perhaps the long sleep is about to end, after all, for the Rip Van Winkle of productivity.

Mr. McKINNEY. Mr. Kuper, this has nothing to do with the subject, but I am still tilting with the same windmill that I tilted with in both the Nixon and Ford administrations, because I see, much to my surprise, the same monster arising in the Carter administration.

Was your testimony expurgated or reviewed by the Office of Management and Budget?

Mr. KUPER. It was.

Mr. McKINNEY. Were there changes in policy made within your statement by the Office of Management and Budget?

Mr. KUPER. I don't believe changes in policy were made.

Mr. McKINNEY. Were there changes in emphasis?

Mr. KUPER. Yes.

Mr. McKINNEY. Were there deletions?

Mr. KUPER. Yes.

Mr. McKINNEY. Were positives and proposals made more ambiguous?

Mr. KUPER. There was a tendency in the proposed changes in my testimony which would, I think, be more reflective of the administration's lack of position on the proposed legislation. I think the administration right now is unprepared to state some of the conclusions which our Board had come to in its previous deliberations.

Mr. McKINNEY. All right.

Well, Mr. Chairman, I just wanted to bring up this point once more. I am a great admirer of Mr. Lance's. In fact, I said that I knew his predecessor very well personally and never agreed with him, and that I have agreed with a great deal that Mr. Lance has had to say, and I never knew him before. Maybe there is a message there.

I particularly like his statement, "If it ain't broke, don't fix it."

But I'm going to have to say this, Mr. Chairman—and now you know I am bipartisan, because I screamed at Secretary Lynn for a great many years that the Congress passes the law; the executive branch, through its Secretaries and Cabinets, should create the policy; and the Office of Management and Budget should be in the financial business and not in the business of clearing every single testifier from every single agency we see in front of this committee and every other

committee I sit on. Now, enough said. We can get down to productivity.

Mr. KUPER, would you see any role in cooperating with Mr. Grayson's private effort down in Dallas?

Mr. KUPER. Indeed, Mr. McKinney. After this hearing I am getting on a plane and going to Dallas to meet with Mr. Grayson and several other people. He has assembled and put together plans for his American Productivity Center. He has, as you know, been actively raising money within the private sector and has received sufficient commitments to go ahead. And I at the moment am very optimistic that we will be working very closely together, specifically on our industry-focused activities.

Mr. McKINNEY. I think I should mention the importance of the fact that Mr. Grayson has been able to get together \$10 million, I understand, from the private sector for this productivity center. Is that true?

Mr. KUPER. I think it is a little less than that.

Mr. McKINNEY. Mr. Raskin in his article in the New York Times which I put in the record says the White House these days is stressing the need to step up productivity as the key to noninflationary economic growth. And yet I notice that OMB has taken a proposed \$5-million budget of the previous administration and cut it to \$2.9 million.

How is this going to hamper you?

Mr. KUPER. Well, at the risk of deterring the hearings on proposed legislation and switching them to our budgetary problems, we find ourselves restricted in our ability to work with specific industries as a result of that budget cut. We will obviously work within those restraints, regretfully.

Mr. McKINNEY. Everyone talks about productivity as being as fundamental to America as apple pie. Why is it, if it is apple pie and everything else, that suddenly everyone is getting so edgy about it?

Mr. KUPER. I think we are understanding that apple pie is made up of a number of different ingredients, and we are understanding a lot better what those ingredients are, and I think we are also understanding what the neglect for the source of those ingredients has cost us when during the period of 1972 to 1974 we had in seven consecutive quarters a downturn in productivity in this country. We have not yet assessed the impact of that downturn on productivity, on our ability to compete, and on our ability to provide the wherewithal that provides the quality of life we have come to demand of our economic society. That has forced us, I believe, into considering much more stringently, much more in depth, the sources of productivity growth which we have taken for granted previously.

Mr. McKINNEY. Do you feel that when we get down to the subject of labor and management committees and groups and getting together the whole subject of this legislation, do you feel—and this would have to be strictly an opinion question—when the subject of productivity is interjected into this labor and management dialog, there is a resistance still to the subject out of fear on the part of labor, or out of lack of knowledge?

Mr. KUPER. I believe there is still a lot of deepseated distrust in discussions around productivity with labor. I believe the sources of that

distrust are probably fairly well founded in that the benefits of productivity have historically not accrued to labor, directly.

I sense a shift on the part of management in our Nation to be more concerned with that very issue and—again, this is a reaction, a personal reaction—I see a very different trend in the way we are going. Whether or not we will get there fast enough is another question entirely.

Mr. McKINNEY. One last question.

How much latitude do you feel we should give the Secretary of Labor or his Department in their own discretion to define small business?

Mr. KUPER. As the legislation proposes demonstration projects, I think the latitude is very important and, in fact, I would not only argue for latitude in the definition of small business but I would also argue for some more latitude in the definition of what would be a project that would qualify.

Under the terms of the act as it is now drafted, I am not sure that the project which the distinguished acting chairman started in Jamestown would qualify for support. If we look at cooperative labor and management efforts, we see a spectrum of activity which at first starts off with the very basic understanding that we are in the same boat together.

We need support for stimulating that understanding, the kind of support the FMCS has been giving.

After that acceptance of being in the same boat, we can progress through the spectrum of sophistication in improving the relationship between labor and management. But that basic issue needs a lot of attention.

Mr. McKINNEY. So you are coming back to one of my favorite points. It seems to me that we only go one way down here. We pass a piece of legislation. Then we push it at 90 miles an hour in 50 different States; whereas a corporate entity trying to market, say, a new peanut butter—which seems proper these days—would test it in a few test markets first to see the latitudes and the definitions that are needed in order to make it work.

And I think that my chairman—although I cannot speak for him—feels the same way I do about this program, and I will certainly look at the bill in that light.

Thank you very much. I am sorry I have to run out.

Mr. LUNDINE. Thank you.

I must observe that your next-to-the-last question reminds me of a constituent I ran into, and I asked him whether he felt ignorance or apathy was a bigger problem; and he said he didn't know and he didn't care. [Laughter.] You made the comment at one point, talking about the gaps, that a Federal effort is needed. In your judgment, is a greater Federal effort needed in the area of encouraging human resource development as a part of a productivity program?

Mr. KUPER. My reaction to that, Mr. Chairman, is yes.

It is too easy for us to assume rigid roles with relation to one another. Unless there is some outside source which tries to push and refine and improve those roles, we are likely to carry on with them as we have become comfortable with them. I think that is definitely the case in labor/management relations over the last 40 years in this

country. Without at least the stated desire from Government for increased cooperation, I do not believe the change is going to take place.

I feel it is very important that the support must not be intrusive, but rather conform to the strict definition of the term: It must be helpful. I tried in my testimony to outline what I perceive to be the sources of help that labor leaders and managers need, as they have told us.

Mr. LUNDINE. I think that is a very important point, and I'm sorry that Mr. Kelly was unable to come back.

But I would also like to ask you: Is it not true that there are many unassisted efforts going on in the United States in this area; in fact, in some of the biggest corporations in this country and the world?

Mr. KUPER. That is true, Mr. Chairman.

We attempt to keep a fairly up-to-date directory of those—at least of those people who will talk about it.

One of the interesting phenomena about these cooperative labor and management efforts is that some corporations feel that having them puts them at such a competitive advantage that they don't want to share their experience with other corporations. In the straight, good principles of competitive systems, that's a good idea. The difficulty we see is that we do need some effort to disseminate these experiences in spite of the fact that it represents a competitive advantage for those who have done it.

Mr. LUNDINE. I was very interested in your comment on the layoff prevention aspect of this legislation. You also noted that the eligibility criteria in the bill are excessively restrictive. In fact, the subject on which you had a colloquy with Mr. McKinney was that greater latitude was needed.

Do you think there is excessive limitation now in the legislation that would inhibit innovation?

In other words, do you really think that the language in this bill would prevent the kind of experiments that you suggested?

Mr. KUPER. I do, Mr. Chairman.

As a for instance, in section 3(a) (2) (A) of the proposed legislation, you refer to a series of definitions which would be a qualifier for a project. My perception is that this particular provision would apply to maybe 100 projects in the country that we know of but would not get at the base of such labor-management cooperative efforts as that which you pulled together in Jamestown in the first part of this decade.

As another for instance, I would propose that redesign of task responsibilities and time patterns ought not to be conjunctive; they ought to be and/or I would also say that you should think about adding a provision to make a project qualify when its basic goal is merely to improve communications between labor and management in the interval between bargaining. With that kind of flexibility it seems to me that we can get at the base we are trying to work at. I'm not sure that we should be pushing the state of the art with this legislation so much as we should by trying to raise the level of performance to the best known. I guess that's where philosophically we perhaps might have some argument.

Mr. LUNDINE. I must say, I must observe, that that is the kind of criticism that is easy for me to take.

The Chair is going to impose first on himself the restriction of the 5-minute rule and although I have other questions I will not propound them now.

Mr. Barnard?

Mr. BARNARD. Thank you, Mr. Chairman.

I was likewise interested in your comment on the degree of Federal Government participation in such an undertaking.

Let me ask you this:

Now in this bill we're setting up a third organization known as the Human Resources Advisory Council. Given the already ongoing work of the National Center for Productivity and Quality of Working Life, the Federal Mediation and Conciliation Service, do you think we have need to establish a third organization as proposed in the Human Resource and Development Act?

Mr. KUPER. Congressman Barnard, indeed I do.

However, I view the surfacing of this legislation and discussion around it to be extremely important, and not because it creates a new organization, which may, in fact, be an unfortunate byproduct. It does raise discussion around an extremely important issue whose priority ought to be raised. If we can do it through this process, let us do it.

If we can do it without creating another organization, let's do that. But let's also make sure that what becomes everybody's responsibility does not get lost because it is everybody's responsibility. Let's focus responsibility a little more.

Certainly the legislation under which we operate as a Center assigns us responsibility. However, whether or not we can meet that responsibility as we ought to is dependent upon the resources we get and the commitment of the participants who make up our board.

Mr. BARNARD. It seems to me that you both have had valuable experience in this field which could well be utilized in our consideration of establishing a third organization.

How has organized labor responded to your efforts? Do you find them as interested as industry in this area of productivity?

Mr. KUPER. I think it's safe to say that certainly because of our own authorization and the issues raised by and discussed in this committee, without the support of organized labor, our organization would not exist.

There are some issues within the topic of productivity on which there is no consensus. We have tried, however, to get those issues out, get them discussed, and where there is some motion toward consensus we have tried to say so.

In fact, the latest effort to pull together the ideas as represented by labor, management, and the former administration was this memo to Mr. Carter. I think we have come a long way. In the words of one labor leader at our meeting in January, who would have believed 4 years ago that a group like this would be sitting around a table talking about productivity?

Mr. BARNARD. In discussing productivity, does the quality of productivity also provide a main arena of examination?

Mr. KUPER. Indeed it does.

Mr. BARNARD. To me this is an extremely serious problem in this country today. Certainly we want to keep the cost of production at

a minimum, while at the same time increasing goods and services at more reasonable prices. I am greatly concerned about inflation and think that the quality of production has contributed to our inflation problems. The Japanese have only painfully brought this point home to the inflation-ridden economies of the United States and West Germany. I hope that our subcommittee will address this aspect of productivity in the legislation.

Mr. KUPER. That very point was discussed at some length in that same meeting in January.

The Board's point of view was that among the purposes of worrying about improving productivity is to have a quality of product that is commensurate with our demands and our quality of life. The product made more efficiently but which falls apart sooner is not what we as a society want.

Mr. BARNARD. This is one of the reasons I am so interested in this legislation is the fact that I think that message has got to get over to management and labor or else we are not going to survive as the industrial giant that we are today.

I don't have any further questions, Mr. Chairman.

Mr. LUNDINE. Thank you very much.

Mr. Caputo?

Mr. CAPUTO. Mr. Kuper, it is good to see you here.

I have two questions. The first is: Do you have any idea what the prudent amount of Government resources that ought to go behind this kind of program what are we talking about, \$5 million, \$20 million, \$200 million?

Mr. KUPER. Given my reservations with some of the methods proposed by the legislation, I would not, at this stage of the game, even care to guess at what a sufficient funding level would be.

I do know that from our own standpoint—and OMB knows this as well—with a million bucks spent directly on stimulating labor-management cooperative efforts, we could, I believe go a long way to getting some of the objectives proposed by this legislation just in our own organization.

Mr. CAPUTO. Let me ask if you think it is appropriate to use loan guarantees to finance this kind of activity? It seems to me the prudent use of the guarantee is, for example, the seasonal loan where a manufacturer has to buy raw materials in one end of the year in anticipation of sales and revenues at the other end of the year and that kind of seasonal financing which is the bread and butter of commercial banking is a sensible thing to guarantee because there is a high probability of repayment and you can control the conditions under which your money is going to be used and the likelihood of repayment.

But with this there is very little of that and therefore I have reservations about using guarantees for this kind of activity. Either it makes sense and we ought to grant funds to do it, or it doesn't make sense and we should not give them guarantees one way or the other.

Mr. KUPER. I tried to address that also in my testimony. I agree with you.

I think by having a guarantee program we might be underwriting the banking industry which needs little underwriting at this stage of the game. Rather, I feel it is important for us to shore up the loan guarantee programs that we already have in place.

If we look at the charter of the Small Business Administration quite closely, we see that it can be turned to the purpose of supplying cash on a cyclical basis to firms with cash squeezes.

The problem has been that the SBA administrative mechanism has been so slow that by the time the loan is guaranteed the firm is likely to be out of business or at least have a significant reduced payroll. If there were some way we could speed that process up, I think we would achieve the objectives as envisaged by the legislation proposed.

Mr. CAPUTO. Mr. Chairman, my time is about to expire, but I would like to say for the record that I would hope by the time we get to markup that we would have some specific cost estimate and the reasons why that is the right level, and second, a real thorough review about the propriety of guarantees for this kind of program.

I am enthusiastic about encouraging people to be more productive and am pleased to hear that labor and management seem to agree on this concept, but I do think it would be sensible to know how much money we are contemplating and some justification for guarantees of a program that does not have a high probability of repayment.

Mr. LUNDINE. Very good.

Mr. Steers?

Mr. STEERS. I have no questions.

Mr. LUNDINE. Thank you very much gentlemen. It has been a great pleasure to have your testimony, and, as I said before, the constructive criticism you have offered will no doubt help us in improving and fashioning this kind of concept into constructive legislation.

Mr. KUPER. Thank you, Mr. Chairman.

In closing perhaps I can leave some of the clearinghouse type of material which Mr. Searce said we ought to be in the business of producing for the benefit of the subcommittee and its deliberation.

Mr. LUNDINE. Thank you.

We now have a panel comprised of Michael Brower, of the Massachusetts Quality of Working Life Center, the Honorable Thomas Moody, mayor of Columbus, Ohio, and Leonard Elenowitz, director of the Office of Federal Relations, Maryland Department of Economic and Community Development.

I thank you for being so patient and understanding of our procedure since we have gone into session during the course of this hearing. We are under a time constraint since this hearing room will be used to markup other legislation in approximately 1 hour. Because of that I would appreciate your making your introductory remarks to the point and sharing with us your very valuable experience.

I would appreciate the members' courtesy in trying to limit our questions to the time allowed.

Mr. Brower, I have been tremendously impressed by your work in Massachusetts, and it is a great pleasure to have you with us today.

You can proceed, please.

STATEMENT OF MICHAEL BROWER, EXECUTIVE DIRECTOR, MASSACHUSETTS QUALITY OF WORKING LIFE CENTER

Mr. BROWER. Thank you very much, Congressman Lundine.

I would just like to say I appreciate very much the opportunity to appear before you and the subcommittee to express our experience and my point of view.

I think this legislation is one of the most exciting pieces of proposed legislation that this Congress has considered in many years and I would just like to take a very few minutes to describe to the committee some of the outcomes of these labor-management committees and quality of working life programs where they have existed around the country.

And I will not try to read my complete statement which I have prepared and left with the committee, but I would like to draw your attention to pages 3 and 4 where I describe some of the kinds of outcomes of these programs.

When workers become involved with supervisors in discussion groups, in problem-solving sessions and workshops and weekly meetings at the shop or office floor level the results can really be astounding. For one thing, workers at the bottom level have excellent ideas about how to do the job easier, how to do it faster, how to improve the quality of the product and service, how to save waste and scrap, and other ways to improve the operation. I can assure the subcommittee that rank and file workers are concerned about the effectiveness of their organizations and are eager to contribute their ideas once these programs get underway.

Workers involved in these programs report an increased interest, an increased dignity and satisfaction in their work. Very often they seek on their own initiative ways to develop new skills, new learning programs. The workers at the Bolivar, Tenn., Harman International factory have developed their own school where workers teach other workers.

One of the most usual outcomes of these programs is a reduction in tardiness, in absenteeism, and in turnover. Sometimes these drop very dramatically, even almost down to zero.

Congressman Barnard was raising the question about the quality of the product or service. Again a very common result of these programs is that workers take a great deal of interest in the quality of the product or service and it increases dramatically; and there is some documented evidence for that. And it is only natural because workers who are turned on and excited about their work and treated with respect are going to treat the materials and the products that they are producing with greater respect.

The scrap and waste of raw materials and intermediate products very often declines and may drop to one-half or even less of previous levels and that is a cost saving for the company, of course, or for the municipality.

The concern for safety increases dramatically, and the number of accidents and lost time days drop. Serious grievances continue, and the grievance procedure must remain in place in a unionized corporation or organization, but typically the number of grievances filed drops dramatically in these programs.

And the number of strikes, wildcat strikes and walkouts or serious labor-management disagreements also tends to go down. Overall for the organization this means that costs go down and that productivity goes up.

Productivity defined narrowly may go up in terms of the output per hour or the output per day, or it may not. But productivity defined broadly, which is what the organization and the country must be

concerned with, the cost effectiveness of the organization, almost always goes up.

If turnover goes down, that is a saving in cost. If quality goes up that makes the product more marketable. If waste and scrap go down, that is a cost saving.

With lowered cost and improved products and services, marginal and failing companies can be saved, they can again become thriving and competitive, foreign competition can be matched and overcome, and in many companies job security can be increased.

The result is beneficial for workers, for management, for the whole community, the State, and ultimately the Nation as these examples spread and multiply.

Why, then, do we need a third party? Why do we need national legislation? I think Mr. Kelly raised the right questions.

And the answer is that today in our workplaces there is boredom, there is apathy, there is anger, there is distrust. I remember a worker from Bolivar, Tenn., mirror factory that I mentioned earlier, Harman International, saying that before the program started there 3 years ago with outside help, with third party money, he said in this factory everything was on a very even keel—solid, steady anger.

Workers and their union leaders are reluctant to enter these programs because they are suspicious. In all too many places management have played games. They have used Musak, they have tried various new kinds of human relations techniques. The workers like it temporarily and then they find that it is really a gimmick to try to get them to speed up or to raise the production standards.

Workers are suspicious. They go into these programs somewhat reluctantly and somewhat slowly. Yet several times I have heard workers say:

I would never go back to the old way. I had no idea that work could be so meaningful, so interesting, so exciting, that I could be treated with such dignity, that I could actually enjoy going to work.

There is distrust and fear on the part of management. Management is afraid sometimes of giving up its prerogatives. Middle-level managers and first-level supervisors are especially worried. Are their jobs going to be abolished, are their jobs going to be changed so much that they will have to shift or retire because they cannot adapt to the new circumstances?

We need, therefore, demonstrations of success. And we are getting them. But we're getting them very slowly. Jamestown is a classic and a beautiful demonstration of success and we have all learned from it across the country.

The city of Springfield, Ohio, and now the city of Columbus, Ohio, represented by Mayor Moody, beside me here, are building patterns for municipal project development.

But we need leadership, we need training and education in the factories and in the offices to bring labor and management together, to provide them some communications training, some problem analysis, some problem-solving skills that do not now exist very often in the union ranks or in the middle and bottom management ranks.

We therefore need third-party intervention for 1, 2, perhaps even 3 years in some organizations. It is our goal to work ourselves out of business, gentlemen. We feel that we will fail if we cannot get into

a particular institution. If they don't want us that is a small kind of failure, unless they do it on their own. But if we are there for 3 or 4 years and they still depend on us we have also failed because our job is to go in and work ourselves out of business by training people within the institutions to carry on for themselves.

We need funding for third-party institutions, which is part of what this bill is all about, and I would like to speak a minute about our funding.

The Ohio State Quality of Work project set the pace and created the concept of a statewide institution and then merged down into an Ohio State University project. We picked up on their example and on Mayor Lundine's example in Jamestown and on the example of the National Quality of Work Center which is out developing demonstration projects, and created in Massachusetts what is today I think the first, or at this moment the only statewide labor-management government, tripartite committee on institution. I see the gentleman here from Maryland by my side, so I believe we are now being joined, or are about to be joined by a second, and I'm sure there will be more State institutions if the funding can be found.

Our State government in Massachusetts is in the midst of its worst fiscal crisis in modern times, mentioned in the newspapers as being somewhat parallel to New York City's fiscal crisis, and still it came up with \$50,000 to get us started in each of our first 2 years. Our State government cannot put more money in, even though in the long run the benefits will be very great, because the short-range crisis of our State and our cities and towns is so great that they cannot afford the full cost of these programs in the early years.

I was fortunate enough to come at the right time and to receive a receptive audience and enthusiastic support at the National Center for Productivity and Quality of Working Life and they have given our organization a series of very small grants to fund conferences and educational programs. They have said, however, that they have no more funding available and that they have given us perhaps more than our share and that their budget is so limited that they could not continue to help us.

They did help us, however, to open other doors in Washington and I have just been notified of a grant to our program from the Department of Labor for which we are extremely grateful.

However, my point here today is what about the other States that will try to follow in our shoes? There is no funding available at either of these Federal institutions today to set up institutions like ours in cities and towns and counties and States around the country. There will be a high social and economic rate of return for workers, for companies and for communities from these programs. But just as public education and public health and basic research in new hybrid seeds and in other forms of new developments in our society require Federal funding in the initial years, so, too, do these new initiatives in labor-management cooperation and worker participation require Federal funding and support.

Gentlemen, I thank you for giving me this opportunity.

I have prepared for the subcommittee a written testimony which includes a number of my suggestions for possible improvements in the legislation. I have attached to it an editorial in the Boston Globe

which can only be interpreted as a ringing endorsement of this legislation, and I second that endorsement. I would like to have them included here in the record along with a copy of our first year report.

And I thank you again.

[The prepared statement of Mr. Brower, on behalf of the Massachusetts Quality for Working Life Center, together with the referred-to article from the Boston Globe of March 16, 1977, and "Report on the First Year: 1975-1976," follow:]

PREPARED STATEMENT OF MICHAEL BROWER, EXECUTIVE DIRECTOR, MASSACHUSETTS
QUALITY FOR WORKING LIFE CENTER

Mr. Chairman, Congressman Lundine, members of the Subcommittee on Economic Stabilization: My name is Michael Brower. I am the Executive Director of the Massachusetts Quality of Working Life Center. I am grateful for the opportunity to present to you this morning my views on H.R. 2596, the Human Resources Development Act of 1977 and on the issues and programs it addresses.

First, I would like to explain briefly the nature of our organization. The Massachusetts Quality of Working Life Center is a nonprofit corporation supported and partially funded by the government of the Commonwealth of Massachusetts. We are a tri-partite government, labor and business organization, whose Directors are drawn from all three sectors. We are the only existing such state-wide organization in the country today. We have three basic long range goals:

1. To help raise the quality of working life in Massachusetts.
2. To help business, local and state governments, and other organizations to increase their effectiveness through joint worker-management involvement in quality of working life programs.
3. By these means to help existing business to stay, prosper, and expand in Massachusetts, and to attract new business here, leading to more and better jobs, higher incomes, increased state revenues, and reduced burdens on state unemployment and welfare funds.

To promote and achieve these goals we have a variety of educational and action programs. At the heart of our program is the creation of Quality of Working Life (or QWL) demonstration action research projects within the state of Massachusetts. These projects are or will be in all the major sectors of our economy and employment: municipalities, state agencies, private manufacturing and service corporations, and non-profit organizations such as hospitals and school systems. Some will be in non-union settings but most will be where there are unions. And where there is a union, that union must be a full and equal partner. We insist on joint labor-management guidance for our programs, and if either side does not want the project, we will not be involved.

In simplified outline, the way our Quality of Working Life (or QWL) projects work is as follows: Staff of the Massachusetts QWL Center talk separately with top management leaders and union leaders. If both sides are interested in going into a project, we help them to set up an upper level QWL, or Steering, or Labor-Management Committee. We then work with that Committee, helping it to analyze what factors they believe determine high quality work and working environment, what the main problems of their organization are, what their own goals and priorities are for quality of working life projects, and what are their strategies for implementation.

When that top level joint committee is ready, our staff work with it in selecting one or more target locations down at the bottom level of the organization. Together with members of that committee, our staff people talk with and attempt to enlist the support and participation of middle level managers and supervisors, and then of the first level foremen and shop stewards, and then of rank and file workers. When all of the key people down the line, including the workers to be involved, agree that they will participate, the first shop or office floor project is actually launched. We then work with management and labor to set up a bottom level steering committee or working committee, and we then work with that committee to assist it in developing its own statement of purposes and its own strategies, etc.

With both committees at both levels (and in larger organizations there may be need of three levels of committees) our staff also provides a number of learning

workshops where communications, problem identification and problem solving skills are developed and applied to real workplace problems presented to the committees by their members.

When rank and file workers have agreed to participate and their steering committee is in place and clear on how it wants to proceed, our staff will also run similar skill development workshops for the workers. And our staff continues to meet with and work with these bottom level workers, and with the committees at all levels, at least once every week or two, to 1) help them develop and resolve new agenda items, 2) plan for and implement expansion to additional work groups, and 3) learn the skills to insure continuation of the program after we withdraw.

In these projects in the early weeks and months suspicion is high, communications are usually poor, trust is often very low, and ability of union and management to perceive and work together on common objectives and interests is often lacking. Over the course of the months of workshops, of developing a common set of objectives, and of jointly analyzing and solving problems, all with the help of a trained and skilled third party, all of this slowly turns around. When these projects are successful after a year or two of activity which includes bottom level workers and supervisors the results can be very dramatic.

From the experience of a number of companies and unions in various parts of the United States we can draw up a list of typical, although certainly not guaranteed, outcomes:

1. Workers become involved together with their supervisors in developing suggestions on new ways to organize, allocate and pace the work; to lay out, maintain and repair machinery and tools; to improve the products and services offered; and to save time, effort, materials and money for the organization.
2. Workers report increased involvement, interest, dignity and satisfaction. Very often they begin to seek out opportunities to develop new skills, new training opportunities or in one case even a whole school, which was created by workers at Harman International's factory in Bolivar, Tennessee.
3. Absenteeism, tardiness and turnover drop dramatically, sometimes almost to zero.
4. The quality of product or service increases.
5. Scrap and waste of raw materials and intermediate products declines to one half or less of former levels.
6. Concern for safety increases markedly and the number of accidents and of days lost to accidents drops.
7. Serious grievances continue, but the number of grievances filed drops to a small fraction of former levels.
8. Strikes, wildcat strikes and walkouts are far less frequent and severe.
9. Overall, for the organization, costs go down and productivity broadly defined goes up. In private sector companies, profits increase. It is important to understand that this is because, as several union leaders have put it, the workers are "working smarter, not harder".
10. With lowered costs and improved products and services, marginal or failing companies can sometimes be saved, foreign competition matched and overcome, and in most companies job security can be increased. Workers and whole communities benefit from improved security of employment and from workers who are more productive and are therefore paid more.

There are six over-riding basic considerations about these QWL projects and programs which I would like to point out.

First, it is very important that QWL projects be developed and supported for some years still solely or primarily in unionized organizations, and that the unions in each and every case be included as full and equal partners. Some non-union firms and consultants have promoted the superficially similar concept of job enrichment as a way for management to avoid unionization by making workers happier and more satisfied. This naturally gave the term and practice of job enrichment a bad name with our labor organizations, and rightly so. It was a narrow, manipulative and ultimately self-defeating approach to dealing with the problems of narrow, repetitive and boring jobs which lack responsibility. Quality of Working Life programs, on the other hand, depend for their initiation and their success on full union and worker involvement and participation. Therefore, after initial scepticism, over a dozen major internationals are now involved in one or more QWL programs.

Second, the QWL programs and projects do not in any way replace collective bargaining. Instead they are designed to provide for a process of mutual problem solving and worker participation and input between contract negotiations.

Third, these projects take a long time to get started and to show results. Often it takes one to two years after the initial conversation with a union or management leader before all of the key people on both sides have been talked with, consulted, have had a chance to think and check with colleagues, and have decided to participate. At that point they are ready to set up a joint committee. Once the joint committee starts meeting it may take another 3 to 12 months of meetings, workshops, communication and problem solving skill development, and planning before bottom level workers begin to be involved. From that point it will be another few weeks to many months before the initial distrust and scepticism at the bottom level turns around into full enthusiastic participation and the above list of outcomes begins to develop.

Fourth, a third party team and organization is virtually essential. There are a few examples around the country of successful labor-management committees and joint problem solving programs without a third party involvement. But the lesson of experience is that these committees are much more likely to be initially formed, to meet often enough to be effective, to survive past the first few meetings, and to develop really effective programs of worker involvement, only if there is a trained and skilled third party working with them for at least one to two years.

Fifth, long term federal funding for third party institutions is essential. The start up time is long, and the third party involvement varies greatly from occasional to very intensive at times. Our trade union organizations do not have the resources, or are not yet likely to commit them, to hiring consultants skilled in these processes. And if the hiring is left to the management side, the consultants will work as they have in the past, only for management. This is a sure way to abort the process from the beginning. What are needed are many more organizations similar to the Jamestown, N.Y. Area Labor-Management Committee, the Buffalo-Erie County and the Evansville, Indiana Labor-Management Committees, all operating at a city or regional level, the Massachusetts Center which I represent, at the state level, the National Quality of Work Center at the national level, and the Ohio State Quality of Work Center and the UCLA Center for Quality of Working Life operating out of universities. All these organizations need funding for time periods of three to five years at a time to allow for building and training of staff and time for that staff to invest in the long slow start-up time of these projects. After two to four years of start-up, the payoffs in human benefits and in economic benefits, for workers, unions, managers, companies, communities and states can be many many times the investment. But the investment must be made, and only the federal government can make it. The fiscal crisis of our local and state governments is so acute that they cannot and will not make these long term investments on their own today.

Sixth, if the United States government does not gear up now to make this kind of investment in human development in our workplaces, in labor-management cooperation, and in worker participation, we will fall farther and farther behind in the international productivity race. We are already lagging and we will lag more. The Japanese are far ahead of us with their system of quality circles and their close involvement of government and industry. This is one reason why their productivity growth was for years so much more rapid than ours. The Germans have set up a "Humanization of Work Program" in their Ministry of Labor & Science which is spending at the rate of about \$40 million per year. France has a similar national government program of about \$6 million yearly. Even tiny Holland is spending \$1.5 million annually on these kinds of programs. The Canadian government is now establishing a Quality of Working Life Center within the federal Ministry of Labour to provide technical assistance to worker participation programs. The British government three years ago established in the National Department of Employment a "Work Research Unit" which offers information, advice, consulting and research on improving the quality of working life—all at no charge to the company or union. Today this unit has fifteen full time professional staff members offering this advice and consulting. And in addition three years grants have been made to a dozen university based consulting groups to allow them to do the same farther out into all regions of Great Britain. Can the United States government afford to do less in this vital area than its much smaller European, Canadian and Japanese friendly competitors?

For all of these reasons I am delighted to be here today to strongly urge support and adequate funding for H.R. 2596, the Human Resources Development Act of 1977. It is a program that makes sense in human terms, economic terms, and national interest terms. It is timely and it is urgent.

I would like at this point to add a few suggestions for ways in which I believe the present wording of the bill might be improved, for the consideration of the Committee.

First, I believe that human beings are human beings and not human resources. I would therefore prefer that the Act be entitled the Human and Economic Development Act of 1977. This point has been made to me recently by Dr. Michael Maccoby. Since he will be appearing before this Committee soon I will leave it to him to elaborate on the point. But I do wish to endorse here what he will be saying about it.

Second, I believe that a new Human Development Center or Administration should be set up, headed by an Assistant Secretary, to carry out the mandate of this Act. It is too important, and it involves too many new concepts and approaches, to be dropped into the existing administrative bureaus and agencies.

Third, I would like to suggest that Sec. 3. (a)(1) be amended to read: "through contracts with States, units of general local government or combinations of such units, institutions of higher education as defined in section 1201(a) of the Higher Education Act of 1965, non-profit organizations, and labor organizations as defined in section 2(5) of the National Labor Relations Act." The new words are underlined; the suggested deletion is crossed through. The reason for the addition is probably obvious. The deletion is because I believe that private corporations alone, without involvement of either a union or a third party organization should not be eligible to apply for and receive grants from this program directly from the federal government. Given the history of some companies using job enrichment efforts as an anti-union campaign, I believe the risk here is too great that these funds would go for similar purposes if they go from the federal government directly to private corporations. If, on the other hand, federal funds are administered by joint labor-management organizations at the national, state or local levels, or by tri-partite organizations such as ours, then there is a greater probability of adequate screening to insure that projects in non-union companies will not be used to defy or avoid collective bargaining.

Fourth, I suggest that Sec. 3. (a)(1) be further strengthened by changing lines 17-24 of page 2 and lines 1-2 of page 3 to read: "In entering into contracts under this section, the Secretary of Labor shall give priority to organizations which involve labor-management cooperation, and include the advice, technical assistance, and moderation of a "third party" organization or agency independent of both labor and management, such as the Federal Mediation and Conciliation Service, or a labor-management cooperative committee or organization, or a bi-partite or tri-partite corporation." This language can and should be improved upon. The point is simple: I suggest that the Secretary of Labor and the federal government should not contract directly with the companies in which projects are carried out. The federal government should contract with national, regional, state, city, etc. organizations and non-profit corporations which will in turn provide the third party services to start up and assist these new projects.

Fifth, I suggest that Sec. 3. (a)(2)(A)(iii) on page 3, lines 10-12 read: "(iii) redesign of the tasks, responsibilities, and time patterns connected with particular units of employment, with input and participation by the employees involved, or".

Sixth, I suggest that language be added directing the Secretary to make initial grants or contracts for a minimum of three years to the organizations which will carry out this legislation.

Seventh, Sec. 3. (a)(2)(B) on pages 3-4 needs some strengthening in the criteria, with some wording added similar to the following: "... and in each case shall involve employee input and participation, and, where there is a union, a joint union-management committee to conduct the project."

Finally, I am not completely clear on the purposes of the Loan Guarantee Program, on the links between it and the opening sections of the Act, and on the limiting criteria by which loan applicants will be accepted or rejected. Can this be clarified?

Thank you for the opportunity to share with the Committee some of my experience, concerns and suggestions.

[From the Boston Globe, March 16, 1977]

THE QUALITY OF WORK

While the Carter Administration and Congress have plenty to say about the need to increase the quantity of employment in the nation, they have had precious little to say about the quality of the country's jobs. This is particularly regrettable because there is substantial evidence that the improvement of life in the workplace could increase productivity, thereby reducing inflationary pressures, and might even lead to expanded employment opportunities.

The issue of job satisfaction is hardly a new one. The 1972 strike by workers at the General Motors Lordstown, Ohio, assembly plant focused national attention on the problem of worker alienation. The 1972 report by a task force from the Department of Health, Education, and Welfare entitled "Work in America" found that worker discontent resulted not only in lower productivity but in a variety of social problems ranging from political alienation to alcoholism and drug abuse.

Yet the government has done little to stimulate efforts to restructure jobs, to foster experiments aimed at reducing the grinding repetition of production line work and replacing it with a more flexible, less authoritarian manufacturing process. The only government agency created specifically to stimulate such efforts, the National Center for Productivity and the Quality of Working Life, has received an annual budget of less than half the \$5 million authorized by Congress. It has limited its activities to encouraging the formation of labor-management committees and collecting statistics.

Now, however, the Carter Administration and Congress have a new opportunity to address the quality of work in America. Rep. Stanley N. Lundine, a Democrat from Jamestown, N.Y., has introduced legislation under which \$40 million would be appropriated to pay for technical assistance to aid labor unions and private corporations in conducting experiments designed to improve working conditions, worker contentment and, ultimately, productivity. The House Banking Committee is already seeking inclusion of the \$40 million in next year's budget. Hearings will start later this month, and the testimony of Secretary of Commerce Juanita Kreps will give the first indication of the new Administration's view.

Rep. Lundine's interest in the issue derives from personal experience. As mayor of Jamestown, he led a communitywide effort to establish labor-management committees that restructured work, increased productivity and contributed to a decline in the local unemployment rate from 10.2 percent to 4.2 percent. In Western Europe, particularly West Germany and Sweden, programs of industrial democracy—ranging from worker participation on boards of directors to redesigned assembly processes—are widespread. And, almost without exception, they have won at least the qualified praise of both workers and management.

In this country, however, the reception to such efforts has been notably cool. Management has seen moves toward restructuring work as infringement of its prerogatives. And, ironically, labor has tended to agree and has been willing to make the historic American tradeoff—increased wages in return for leaving management authority with management.

But the inflation rate in the nation has returned to unacceptably high levels; our per capita output of goods and services lags behind several Western European countries, as does the growth in our rate of productivity. Improving conditions on the production line, an effort that would be stimulated by the Lundine bill, won't solve all these problems—but it just might help.

THE MASSACHUSETTS QUALITY OF WORKING LIFE CENTER

A non-profit center supported and guided by business, labor and government.

"Being recognized as people who can make creative suggestions has given the men a certain dignity."

Dino Pappavero, President, United Steel Workers of America Local
at Kaiser Steel Corporation.

"It boggles the mind that by creating a better work culture, you can get 10%, 20%, or 40% more productivity without any significant new capital investment."

Sheldon Davis, Vice President of Organizational Development at TRW, Inc.

"The average worker wants to make an intelligent and creative contribution."

Warren Hinks, President, Ruston Mining Company

Board of Directors

Frank Every, Directing Business Representative, District Lodge 38, International Association of Machinists and Aerospace Workers.
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 Sheldon Appel, President, Perkit Folding Box, and President, Shoe Carton Corporation.
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 Erskine W. Barrett, United Auto Workers Sub-Regional Director for Massachusetts.
 Harvey Brooks, Benjamin Peirce Professor of Technology and Public Policy, Harvard University.
 Representative Richard Demers, Chairman, Committee on Commerce and Labor, Commonwealth of Massachusetts.
 Bertram C. Farnham, President, International Union of Electrical Radio & Machine Workers, Local No. 201; Executive Vice President, Massachusetts State Labor Council, AFL-CIO.
 Representative Nils Nordberg, Member, Committee on Commerce and Labor, Commonwealth of Massachusetts.
 Nicholas Roussos, Commissioner, Department of Labor and Industries, Commonwealth of Massachusetts.
 Howard Smith, Secretary of Manpower Affairs, Commonwealth of Massachusetts.
 Joseph A. Sullivan, President, Massachusetts State Labor Council, AFL-CIO.
 ALTERNATES: Alex Berzins, President, UAW Local 470
 Donna Caruso, Legislative Assistant to Senator Atkins
 Ed Clark, Assistant Commissioner of Labor & Industries
 Richard Giesser, Assistant Secretary of Manpower Affairs
 (Several more members are to be added to the Board. Labor and Management will have an equal number of representatives.)

Officers

Frank Every, President
 John E. Wolfe, Treasurer
 Michael J. Brower, Assistant Treasurer
 JoAnne Kennedy, Clerk
 Ruth W. Connolly, Assistant Clerk

Staff

Michael J. Brower, Executive Director
 Ruth W. Connolly, Administrative Assistant
 Joseph Krzyz, Consultant and Project Coordinator (part time)
 Will Phillips, Consultant and Project Coordinator (part time)

Counsel

Herrick & Smith

Auditor

Cohen, Greenstein and Company

To the Board and friends of The Massachusetts Quality of Working Life Center:

The Center is one year old. It has been a challenging, exciting year for all of us involved in creating this dream and bringing it to life. We have made a strong beginning; there is much more to do. It is my honor to submit this report on how we came to be, our goals, programs and activities, our accomplishments, and the processes we are using to develop OWL projects. Respectfully,

Michael J. Brower

Michael J. Brower
 Executive Director

"They treat you with dignity and respect."
 "Oh, I love it."
 "I wouldn't want to work anywhere else."

Workers at Sony Corporation in San Diego, California.

The Goals of The Massachusetts Quality of Working Life Center Are:

1. To help raise the quality of working life in Massachusetts.
2. To help business, local and state governments, and other organizations to increase their effectiveness through joint worker-management involvement in quality of working life programs.
3. By these means to help existing business to stay, prosper, and expand in Massachusetts, and to attract new business here, leading to more and better jobs, higher incomes, increased state revenues, and reduced burdens on state unemployment and welfare funds.

Structure of the Center

The Massachusetts Quality of Working Life Center is a free standing, non-profit, tax-exempt corporation. Leaders from government, organized labor, business and the general public serve without compensation on its Board of Directors. The Center receives financial and other support from all of these sectors and from federal agencies. It is independent of each of these sectors; it is controlled by none of them. It is the *only* statewide tri-partite organization of its kind today.

14 Beacon Street, Suite 402
 Boston, Massachusetts 02108
 Tel. 617/227-6266



"Our unemployment went all the way down from 10% to 4.2%..."

Joe Mason, Directing Business Rep. of the Machinists Union and Co-chairman, Jamestown Area Labor-Management Committee

Quality of Working Life Programs Around the Country

In the past few years several score companies and unions in the United States have developed labor-management committees and other efforts to work jointly in improving the quality of working life, organization effectiveness, or both. The results they have achieved have served to arouse interest and determination among Massachusetts leaders to bring similar processes, programs and results to benefit the people and economy of our state. Among the company/union projects are:

The Dana Corporation/United Auto Workers (UAW)
General Foods/Amalgamated Meatcutters
General Motors/UAW
H.J. Heinz/Amalgamated Meatcutters, Teamsters
International Nickel/United Steelworkers of America
Kaiser Steel/United Steelworkers of America
Kelly Springfield Tire/United Rubber Workers
Midland-Ross/IBEW
Nabisco/Bakers and Confectioners International
Rockwell International/UAW
Stromberg-Carlson/ILUE and IAMAW
TRW/UAW
Uniroyal/United Rubber Workers
Weyerhaeuser/International Woodworkers of America

AMONG SMALLER COMPANIES/LOCAL UNIONS WITH OWL PROGRAMS ARE:

AMSCO Equipment/IAMAW
Crawford Furniture, Penn. & N.Y./United Furniture Workers
Fallcon Plate Glass/United Glass & Ceramic Workers
and a dozen other companies/unions in Jamestown, N.Y.
Herman International Industries/UAW
Rushion Mining Corporation/United Mine Workers

Similar OWL programs with worker involvement, team building and worker representation on worker-management committees are also being adopted in a large number of non-union companies. Some of the better known are:

Donnelly Mirrors
Eaton Corporation
Goodyear Tire & Rubber
General Foods Gaines Pet Food Division
John Hancock Life Insurance
Mead Corporation
Procter & Gamble

Public sector agencies, state governments, cities and non-profit organizations are also involved in OWL:

Tennessee Valley Authority/TVA Engineers Assoc.: OPEIU
State of Washington/8 Unions
City of Tacoma, Washington/13 Unions
Cities of Springfield and Columbus, Ohio/AFSCME
Mt. Sinai Hospital/NUHCE: NYSNA; CIR

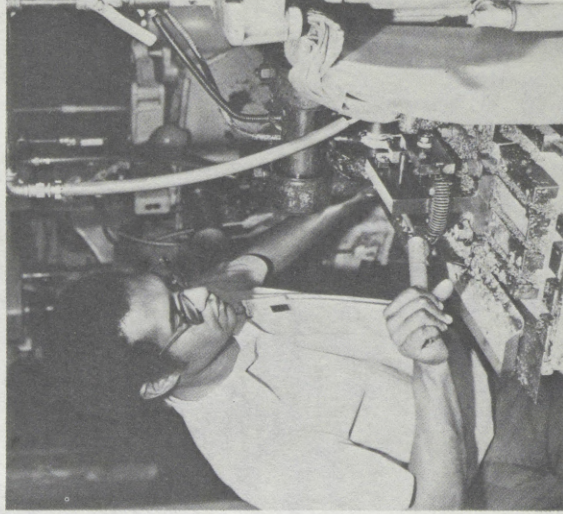
In addition, over a dozen cities and regions have established private sector Labor-Management Committees to work on mutual problems and, in a few cases, most notably that of Jamestown, N.Y., to promote and assist in plant labor-management and QWL Committees.

Some Typical Results of These Programs Are:

- Workers in almost every one of these projects report increased involvement, interest, dignity, satisfaction. Very often workers seek to learn new knowledge and skills, such as the miners at Rushion. The workers at Herman International set up their own school with courses taught by the workers themselves.

"Some results are: costs go down, fewer supervisors, better quality...better utilization of raw materials...less scrap."

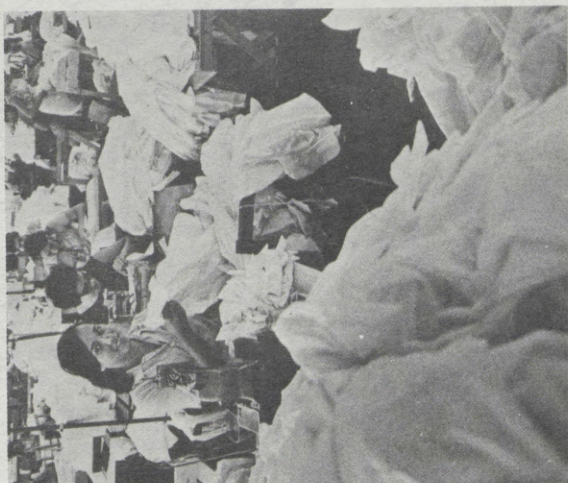
Edgar Mertz, Executive Vice President, H.J. Heinz-USA



Typical Results:

- In almost all of these programs, absenteeism, tardiness, and turnover drop to very low levels. For example, at Donnelly Mirrors the absenteeism dropped from 5% to under 1%, and the tardiness dropped from 6% to 1%. At the Gaines Dog Food plant the absenteeism is 1% and the turnover is 5%.
- In virtually every project, the quality of product or service improves. For example, returns from customers of Donnelly mirrors dropped from 3% to 0.1%.
- Scrap and waste drop dramatically. For example, the new program at Falconer Plate Glass cut breakage almost in half.
- Concern for safety increases markedly and accidents decline. The experimental sections at the Rushion mine had the best safety record in the mine and one of the best in all of Pennsylvania.
- While serious grievances continue, the number of grievances filed drops dramatically, as in the Midland-Ross case where they dropped from 80 to 15 per year.
- Strikes, wildcat strikes, walkouts decline, as at Crawford Furniture where walkouts went from 5-6 per year to zero. Jamestown dropped from 302 days work lost in three years to 41 in 3 years.
- Productivity (defined broadly) increases; costs decline. For example, one suggestion at Alan Wood Steel saved \$100,000 per year. ORMET Corporation and USA Local 5724 saved \$16 million. Workers involved say they are "working smarter, not harder."
- Costs of doing business decline, profits rise, the share of the market increases and this leads to increased employment, greater job security, and greater revenues for the community or state.

"We must progress from dwelling on the symptoms and causes of the state's economic problems...



Programs and Activities of the Center

1. DEMONSTRATION PROJECTS are the heart of the Center's program. They are described on the following pages. To develop them requires first spreading information and interest about QWL processes and results to managers and union officials through the following kinds of research, educational and informational activities of the Center.
 2. NEWSLETTER, mailed monthly to 1,000 readers.
 3. LIBRARY of books and studies for use in the Center offices.
 4. VIDEOTAPE CASSETTE LIBRARY of speakers and panels and TV shows.
 5. SPEAKERS. Officers, staff, Board members speak on QWL.
 6. RESEARCH AND EVALUATION. The Center will conduct or coordinate research on each QWL project and on similar programs if invited.
 7. INFORMATION EXCHANGES with national and city QWL Centers.
 8. CONFERENCES AND SEMINARS. Here are highlights from 4 conferences and 2 seminars the Center has conducted in its first year.
- FIRST AMHERST QWL CONFERENCE, JUNE 1-3, 1975. Sidney Harman's keynote talk emphasized the necessity for business to support efforts to improve QWL as an end in itself if they do, the added benefit will reap productivity benefits as a side effect. But if all they seek is productivity, he warned, often it will not come. Panels from Jameson, Springfield, Harman International, International Nickel and the Ohio Project shared participants the process, results and problems. The final morning, "where do we go from here," workshop gave the solid recommendation to go ahead and establish a new institution which 3 months later became the Mass. QWL Center.

...to collaborative ventures to strengthen the foundation on which economic prosperity can be achieved..."

Michael S. Dukakis, Governor, Commonwealth of Massachusetts

EXECUTIVES CONFERENCE, NOVEMBER 1975. Keynote: Edgar Mertz, H.J. Heinz V.P. spoke of his experience there and earlier at P&G and elsewhere with QWL: "... costs go down, fewer supervisors, better quality, fluid responsive organizations, problem solving atmosphere, openness, candor, promotion from within ... better utilization of raw materials, better quality, less scrap ...". John Hancock 2nd V.P. Peter Janetos also presented the results of their QWL programs, showing sizeable productivity increases.

LABOR CONFERENCE, JANUARY 1976. This was co-sponsored by the Massachusetts State Labor Council, AFL-CIO and it was hosted by IUE Local 201. Keynote speaker, Joe Mason, Ditching Business Rep. of the IAM in Jamestown and Co-chairman of the Jamestown Area Labor-Management Committee told us: "In one of my plants they were complaining about the productivity being real low. Well, they had a brake operator that had one inspector and 15 brake operators. Each brake operator before he would start production had to go with a piece to the inspector and wait ... the people themselves brought this to the company. Today each guy does some inspecting. That inspector ... he's a rotator, going around to check everything. Their productivity rose 50%. It took the people to tell them how to do it. The guy in the shop knows more about what the hell's going on out there than the guy sitting in the office ... our unemployment in Jamestown went from 10% all the way down to 4.2%."

SEMINAR, APRIL 1, 1976. George Nestler of the Amalgamated Meatcutters in Pittsburgh: "What do workers want? They want to identify with the company, the union, the product, and the group they work with. They want responsibility, they want communications, and they want to contribute. They want to grow and develop. They want someone to listen to them. They want to participate in their jobs, to have input ... These things are meaningful to workers. They want to care about people ... They want a sharing of the aims and goals, and of the financial rewards. They are looking for new skills in their work, and for training. They want job security. And they want the right to question what's going on in their environment."

SEMINAR, APRIL 21, 1976. TRW V.P. Sheldon Davis talked about his company's commitment to develop QWL programs throughout their 70 plants, both new and old. He said: "What we are after is not a single specific change or program ... What we are really after is to end up with a very different culture at the workplace ... We're after a situation where a worker would say: 'I'm treated as an adult, I'm valued, I'm listened to, I'm told things, I'm treated with dignity, and I've decided to work hard because I think that comes along with it. I don't have to be pushed into it. I'm not demotivated.' And we will have a helluva lot more productivity and people will enjoy working there more. It's a mind boggling thing that by creating a better culture, you can get 10%, 20%, or 40% more productivity without any significant new capital investment."

SECOND AMHERST QWL CONFERENCE, MAY 23-25, 1976. Alfred Warren, General Motors, Director of Personnel Development: "It's amazing what can happen when people are given the chance to become more involved. Let me give you an example. We just finished building a new plant. It was a plant in a city where we were moving a group of people from one location to another. We said to the employees of the plant, all of them, 'We are going to build a new plant. How should we do it?' You will not believe the ideas, the genius that came out of that group. They entered their new plant in a much different frame of mind than they would have otherwise. They entered it now to find out how they as a team did in building a new plant." Also speaking were the UAW's Don Rand, Ted Mills and Lee Ozley of the National Center, Michael Macobby, Margaret Duckles, Warren Jennings, and panels from Jamestown, Springfield and Spicer Axle.

"Workers want to identify with the company, the union, the product...they want to grow and develop...to have input."

George Nestler, Amalgamated Meatcutters International

Development of QWL Demonstration Projects

During the first year, after securing funding, incorporation, tax-exempt status, an office, and conference programs, the Center intensified its project development efforts. Initial discussions about possible projects were held with the leadership of about two dozen local unions, and with management people in five cities and towns, two federal and several state agencies, and over two dozen corporations. In over a dozen of these locations the Center was invited back for more discussions. Where the union leadership was interested, the Center went to management, and vice-versa. In three sites both sides have agreed to set up a project. Another three to five projects will probably emerge after further meetings with Center staff, and there is some interest in another half dozen sites. Beyond these the Center will continue to seek additional possible project locations. Five brief histories illustrate here the many ways a project can begin, and the role of the Center in the developmental process.

MASONELAN INTERNATIONAL INC./UNITED AUTO WORKERS LOCAL 470

In May 1975 the UAW Director was asked by those organizing the Center to select a local union and company likely to be interested. A meeting was held with the local President he selected and two management people. More discussions and planning sessions were held at the company and Center conferences. In January 1976 the Center assisted in a presentation to higher management which brought agreement to set up a joint labor-management committee to study and recommend action towards a QWL program. This joint committee moved cautiously at first, while members became acquainted with the issues and each other. In May 1976 it sponsored a Sunday conference on QWL for the foremen, stewards and certain office personnel. Center staff assisted in planning and gave keynote addresses. Feedback was positive.

In June the Joint Committee accepted a Center offer to provide regular third party assistance. It began to hold weekly meetings and with the Center's assistance it developed an agenda, a statement of principles and objectives, a training program for itself, and guidelines for choosing the first shop floor locations, for introducing the concepts there and for making involvement voluntary. In early fall workers in the first target area voted unanimously to have a project and a core committee is being set up there. Plans are underway to select other shop floor areas.

A separate QWL Committee has also been set up with management and office (non-union) employee membership to develop office projects. The Center is helping this committee develop its own statement of purposes, strategy, training program, etc. Meanwhile, the joint labor-management committee also set up a temporary larger committee which planned and carried out, with participation by dozens of employees, a Sunday Open House attended by hundreds of employees and their families.

A FOOD PROCESSING PLANT AND LOCAL UNION

The Center approached the President of this company and found him interested. At the same time the Center invited the local union President to a QWL seminar. He also was interested, and set up a meeting with a small group of union people. A second meeting was held with union people and second and third meetings with management people separately. When both sides agreed to go ahead, each side named five people to a joint QWL committee. This committee began to meet weekly with Center staff to open lines of communication and begin a process of joint problem definition. Meetings are currently suspended while the collective bargaining is underway but will be resumed when the contract is agreed upon.

"...the ideas, the genius that came out...
when we asked employees how we should
go about building a new plant."

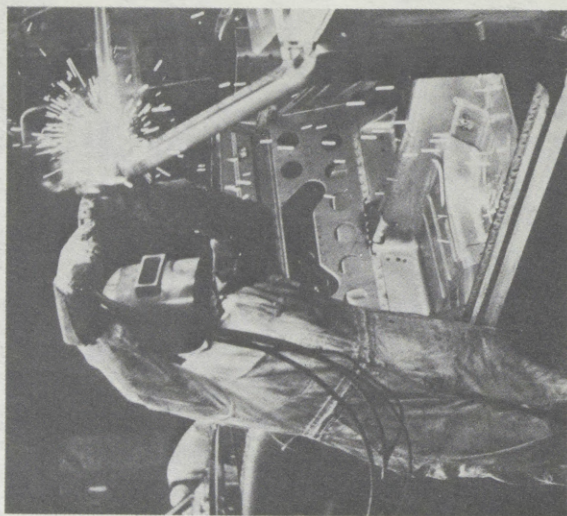
Alfred Warren, Director of Personnel Development, General Motors Corporation

A MAJOR SUBURB OF BOSTON AND SEVERAL MUNICIPAL UNIONS.

The Director of Personnel came to a Center conference and expressed strong interest. The Center Director has met with him on a number of occasions, and also with the Mayor and the Board of Aldermen. Leaders of one of the unions have attended two of the Center's conferences. Center staff have met with them and with the leadership of two other unions, and have held several telephone conversations with the President of a fourth, out of nine total. A commitment has been made by management and by leadership in two of these unions to go forward with QWL projects. After a full year of preliminary discussions and meetings, joint QWL Committees should soon be set up in at least two departments. The Center will work with these committees and will continue to seek participation by other unions and department heads.

TWO WESTERN MASSACHUSETTS MANUFACTURING PLANTS/ LOCAL UNIONS.

Union officials came from one of these locals to the Center's January 1976 conference and from both to the May 1976 Conference. In June the Director met with the President of one of these locals and with the Executive Board of the other, which voted unanimously to participate if the company would. Center personnel have met twice with management leaders in each of these two companies. Both are considering a project. In one, half a dozen management people are interested. Further action has been delayed pending return of some key officers from overseas.



"It's a new era with new union members and new management...by working together we can serve our people better."

Alex Barzins, Labor Co-Chairman, Masonellian (UAW Local 470 QWL Committee)

Guidelines and Principles for QWL Projects

At the heart of the Center's program is the creation and support of QWL demonstration projects in this state. The following principles and guidelines are used in the selection of project sites and in their development. The Center will work with local and state government units as well as with private corporations. Although the Center gives preference to union settings, it is also interested in developing projects in some non-union settings.

- In each project there will be a joint labor-management steering committee. Each side will name an equal number of members. This joint committee, with Center help, will define its own name and goals, its own strategies, its needs for training, research, etc.
- The purpose of every project is to involve shop or office floor workers in a continuous process in which their knowledge and ideas are sought out and utilized on how to make the organization a better and more effective place to work.
- Upper levels of management must be involved. The Center will insist that top managers be informed, consulted and committed. Support from the international union will also be sought.
- Management is naturally interested in reducing costs and increasing efficiency. Experience teaches that if this becomes the primary objective in these programs they will usually fail. Management must be committed to improving the quality of working life as a valuable goal itself. Where this is so, and where the QWL process works with competent third party help, experience also teaches that workers will come up with many ideas not only on improving working conditions for themselves, but also on how to improve quality and cut scrap and other costs for the organization, and in general to "work smarter, not harder."

- The involvement of first and second level supervisors is crucial. Projects must be designed from the beginning to enlist them and their ideas on how to improve the quality of their working life and on how to do things better. If they are involved the project will likely succeed; if they are opposed, it will surely fail.
- The joint committee will be cautioned by the Center to start small in one or two locations of manageable size. With learning from those first pilot projects, the committee should be prepared, and soon will be under pressure from other employees, to expand the process until everyone who wants to be is involved.
- The QWL process and QWL joint committee(s) do not replace collective bargaining or the grievance procedure. Instead they provide a process for finding common interests, for problem solving, for worker involvement, between contract negotiations.
- During the first year or more of a project publicity and visits must be discouraged, until the project has taken root, has some strong support, and some concrete results. The Center requires that once these are achieved the project should be opened to visitors on a limited basis, under the control of the committee.
- Some research should be conducted at each project. In each case the results should be fed back to participants, and the design and purposes should be under control of the joint committee. The Center will supply staff and research help, will make recommendations, and assist in the analysis and feedback.
- Within these guidelines each project will be different; each must develop in ways consonant with the unique characteristics of the organizations and individuals involved.

Financial Support

The Center gratefully acknowledges initial financial support from:

The Commonwealth of Massachusetts
The National Center for Productivity and Quality of Working Life
The Polaroid Corporation
Maselanian International, Inc.
United Auto Workers, Region 9A & Locals 470, 948 & 1596
The Labor Guild of the Archdiocese of Boston
The Billposters, Billers and Distributors DALU #3047
The Retail Store Employees Union, Local 372
Sheldon Appel, Naor Cotter, Cynthia McClintock, Leslie Woods

How the Center Came Into Existence

In early 1974 several Massachusetts people began to share information about new developments around the country in labor-management relations and programs to improve quality of working life. Involved were people from various sectors, including state and local government, business, labor, and education. The Commerce and Labor Committee of the Massachusetts General Court, which included both legislators and advisors to both the present and future Governors, six of them visited the Ohio QWL conference that fall and returned convinced that our Commonwealth should take action in this new field. More people were consulted and involved in planning meetings. This expanded group, including representatives from labor and business, conducted a QWL conference in Amherst on June 1-3, 1975. Speakers and panels from QWL projects around the country told their stories of success. The conference was a turning point in the state's early skepticism turning to enthusiasm and commitment because of the benefits for everybody — workers, managers, stockholders, citizens, and the community. Participants from Massachusetts business, labor and government saw, heard, and discussed the possibilities. The following year, 1976, the Governor's Quality of Working Life Commission was set up to bring these ideas and projects to our state. They said it

should be independent of government, and that business and labor should be equally represented on the Board. More planning meetings were held, the new Governor reconfirmed his support, and on September 15, 1975 the Center was incorporated.

Acknowledgements

It is impossible to list here the many people of Massachusetts who have helped to make the Center a reality and supported it and its programs. The Center would like to express its deep appreciation to the National Center for Productivity and Quality of Working Life for its support of our four conferences. And to the following people who traveled here from other states to speak at our conferences and seminars thereby allowing us to learn from their creative work.

From the Jointed Arms Labor-Management Committee:
John Elder, Robert Kocik, Joseph Mason, James Schmitz,
John Sweeney, Joseph Stiglitz, Robert Stinson, Joseph
Robert Blockstein, Anthony Blum, William Hancz, James Laughner,
John F. Loefer, Brian MacKenzie, William Marshall, James
From the American Chemical Society:
Neil Herriot, Donald Work, Donald Stokel, Joseph Tomasi
From the American Society of Mechanical Engineers:
Earl Bowers, Margaret Duckles, Robert Duckles, Ted Mills, Lee Oley
From the American Society of Heating, Refrigerating and Air-Conditioning Engineers:
Howard Dean Jackson, John L. White, Michael McCarty, Les Woods
From the American Society of Mechanical Engineers:
C. Gordon Emmons, Arthur J. Hill, Michael McDermott, Don Smith
From the American Society of Mechanical Engineers (ASME):
John H. Evers, Robert E. Gorman, Robert E. Gorman, John H. Evers,
Warren Jennings, James Eddy, Marie McKelown, John
From the American Society of Mechanical Engineers (ASME):
Charles Thompson, Donald Work, Donald Stokel, Joseph Tomasi
From the American Society of Mechanical Engineers (ASME):
John H. Evers, Robert E. Gorman, Robert E. Gorman, John H. Evers,
Warren Jennings, James Eddy, Marie McKelown, John
From the American Society of Mechanical Engineers (ASME):
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From the American Society of Mechanical Engineers (ASME):
John H. Evers, Robert E. Gorman, Robert E. Gorman, John H. Evers,
Warren Jennings, James Eddy, Marie McKelown, John

And our special thanks to Mentie Whipple for Graphic Design.



Mr. LUNDINE. Mayor Moody, the bells mean we have another vote, and I think it would be best if we take a break. I assure you I will be right back.

I want to make a comment that may not be obvious to everyone, that the subcommittee deeply appreciates your testimony. It will be studied carefully in our deliberation on this bill, and the fact that we are running back and forth is only a condition of our own existence and has nothing to do with our interest or lack thereof; certainly nothing to do with our lack of interest in your testimony.

We will stand in recess for less than 10 minutes.

[Brief recess is taken.]

Mr. MOORHEAD [presiding]. I understand the next witness is to be Mayor Moody. And Mayor, would you proceed?

Mr. Lundine will be back, and we certainly welcome you to the subcommittee, sir.

STATEMENT OF HON. TOM MOODY, MAYOR OF THE CITY OF COLUMBUS, OHIO

Mayor Moody. Thank you, Mr. Chairman.

My name is Thomas Moody, and I am the mayor of Columbus, Ohio.

I am also first vice president of the National League of Cities and a member of several organizations and boards which are concerned with this entire program of productivity and quality of working life.

I do not speak for the National League of Cities in my testimony, but I speak personally as the mayor of a large city.

I wish to identify that there is nothing in the policy of the National League of Cities which in any way contravenes any position or any part of this present legislation. Indeed, in principle, it is supported by many segments of our policy on effective government, which encourages good labor and management relationships and the improvement of working conditions for employees.

Perhaps more importantly, insofar as I know, I am the mayor of the largest city in the country which has a quality of working life program underway. That program was some 2 years in the shaping and has been approximately 7 months in its implementation and is proceeding quite nicely.

Mr. Chairman, in the interest of time, which has become critical in these hearings, I should like to adopt as a part of my remarks everything that was said by Mr. Brower in his remarks except those references to Massachusetts, which I cannot endorse, simply out of my own ignorance.

However, any statement made with regard to the working climate and the relationships of labor and management and productivity and quality of working life made by him, I adopt as my own.

One of the things that is important to me as a chief executive, and which is supported in principle by the membership of the National League of Cities, is that this legislation would not mandate or impose upon us a solution, a program, or a method of doing things.

It would create a mechanism which we could employ at local initiative and at the time and under the conditions which the chief executive or other governing body felt appropriate.

We take a very strong stand on not having costs or programs or regulations and rules foisted upon us or imposed upon us. This legislation does none of those. It creates a tool.

I should like to respond very briefly to questions raised, Mr. Chairman, by other members of the subcommittee earlier, and unfortunately, those persons were not able to be here for my reply, but I should like to make it a part of the record.

Congressman Kelly expressed some wonderment if this is such a good idea, why are not the fine American managers doing this and why must it be supported by Federal dollars?

Well, I should like to call to the attention of the subcommittee that indeed this has been done for many years, and in its initial stages was totally funded by management.

I should like to cite the Lincoln Electric Co., an Ohio corporation, which during World War II received a great deal of publicity because it cut costs on Government defense and war supply contracts, while it greatly increased the wages of its employees, and while it allowed them a voice in management.

There may be older and more dramatic examples of management and labor participation, profitsharing, and all of the things that we are talking about, than the Lincoln Electric Co. But if there are, I do not know them.

In addition, within the borders of the State of Ohio, there are a number of companies which have been in such programs for 5 to 6 years, within my certain knowledge. And in the city of Toledo, in the year 1945, a council was created under the auspices of the then-mayor which continues in operation to this day, and it has changed Toledo from a city which had one of the worst records for being shut down by strikes to a city which has one of the best records today.

So, contrary to the assumption which I understand Congressman Kelly to make in his question—and I may not have read his question right—I think enlightened managers and enlightened labor people have been aware of this secret for certainly 35 years or more.

The difficulty is that not all of us, even those who are elected to public office, are as enlightened or informed as we ought to be.

Congressman Barnard had some questions dealing with the quality of output. I would share his concerns and respond in identical words to that used by the previous witness, Mr. Michael Brower.

There are a couple of details that I should like to question about this bill, and I do so in a constructive way. One of my concerns is that the advisory commission seems to me to have a built-in difficulty in it, in that it imposes a membership upon certain Secretaries and then allows some six public members to be selected.

At the risk of embarrassment of another branch of Government, I should indicate to you, Mr. Chairman, that I serve also as a member of the Advisory Commission on Intergovernmental Relations, and it has been our observation that the schedules of Secretaries and the schedules of Senators and the schedules of Members of Congress prevent their attendance, except on rare occasions, and everytime that we have failed to have a quorum, it was because those Federal representatives who were mandated under the law could not attend.

I am not critical of them for that. It is the same problem which you have here this morning.

This leaves six public representatives, and there are indications that those public representatives should be from industry, commerce, agriculture, and so on. I find it a little bit disturbing from my point of view that there is no mandate that there should be representation of either local or State government. I think it would be appropriate to have representation from both local and State levels, because this is indeed a public problem as well as a private sector problem.

Mr. Chairman, I am tempted to discuss further a number of other things, but I want to call particular attention to the third-party aspects of Mr. Brower's testimony. I would like to expand upon that, had there been more time. And there are a couple of other items.

I think the closing note, however, is that this kind of legislation is in principle acceptable to local officials because it does not force upon us anything, and it does provide a tool for us. The third-party financing and funding provides an incentive for people to get into a program which sometimes they cannot do for either emotional or political or other kinds of reasons. And, more particularly, it focuses on a center.

I would tell you that part of the reason that the Columbus quality of working life program was 2 years in its inception was not because we had difficulty in deciding to do it, but because we were juggling balls with the Department of Commerce, EDA, the National Institute of Mental Health, and the Department of Labor, about the funding.

And because there was a political change in Ohio from Governor Gilligan to Governor Rhodes and actions and inactions following that change, it became very uncertain whether we would get into the act at all.

There is approximately \$100,000 of noncity funds in that, part of that coming from the National Institute of Mental Health, part of it coming from the George Gunn Foundation. The city of Columbus has made a contribution—or will make a contribution over 2 years—of \$50,000. And our local union will make a contribution of \$2,000.

Mr. Chairman, what I would also like to suggest is, because of some questions asked about labor, that it would be well worth the time of this committee to hear from Warren Jennings, who is the executive director of District Council No. 53 in Columbus, Ohio, and who has experience in both the Springfield, Ohio, and the Columbus project.

I understand that that testimony was not proffered today because these are all public sector people.

I most earnestly recommend to the committee that Mr. Jennings could contribute invaluablely to your knowledge.

Thank you, Mr. Chairman.

Mr. MOORHEAD. Thank you, Mr. Mayor. And if you want to submit a further statement or letter in writing, it will, without objection, be made a part of the record, sir.

The committee would now like to hear from Mr. Leonard Elenowitz, director, Office of Federal Relations, Maryland Department of Economic and Community Development.

Without objection, your entire statement will be made part of the record. If you could abbreviate it in view of our time constraints, the subcommittee would appreciate it.

STATEMENT OF LEONARD ELENOWITZ, DIRECTOR, OFFICE OF FEDERAL RELATIONS, MARYLAND DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

Mr. ELENOWITZ. Thank you, Mr. Chairman.

I will do the best I can.

You may wonder why a State agency has asked to appear. And we are very pleased that we have been permitted to appear before your subcommittee.

Maryland, like many of the industrial States of the Northeast in the last several years, has suffered a tremendous decline in manufacturing firms, manufacturing jobs, and manufacturing payrolls.

We, as a State department of economic and community development, feel it's important for States, not just Maryland, but for all States to begin to address the basic issues that have been causing losses of jobs in our State and, I am sure, in many other States.

In looking behind the scene, we found that many of our industries are closing down, are certainly not expanding in the State, because they feel that their productivity, if you wish, the ability to compete has been hampered.

We find that in Maryland that when you look at the labor force, we have a dichotomy between industries which are unionized and those which are not unionized, and they vary tremendously.

In many parts of the State, we have had years, you could say, of recognized strikes, especially in the western mountains of Maryland.

About 2 years ago, our department began a very aggressive role in speaking out on issues that affected the economy of the State of Maryland. In June of 1975 we began to address the issue of productivity, and we were fortunate to have the help of the National Commission on Productivity and Quality of Working Life. And especially through the services of Bill Batt, who was here, and others, we began to address the problem.

What is the proper role of the State? In fact, the question is, is there a proper role for a State in bringing together labor and management and the Government sector to address these issues?

We studied very carefully some of the approaches that were going on. In Maryland, we decided that the proper way for Maryland, which is really to be suggestive that when any State or any community begins to address the problem of productivity through labor and management committees, or other types of organizations, they very carefully look at their particular situation and not accept some other technique, or approach lock, stock, and barrel, but rather they examine it. They examine their own environment, and begin to develop a program that is appropriate for their State and their community and their situation.

The Maryland approach was to develop at the University of Maryland an ongoing institution that could provide a variety of services to labor, management, and to government and the public sector.

Our feeling was that the university in a small State would be the best possible place because of its objectivity, its neutrality, its respect—in this case. Maryland has had a track record of objectivity and respect with the business and labor community—and because it could bring to bear ongoing resources through the professors at the univer-

sity, through staff, and through other people that could be drawn to the university, the types of talents that could be brought to bear in such a way that they would be accepted, not as a Government agency coming in and imposing their wishes but as an objective participant.

We were fortunate, Mr. Chairman, in that the people who were concerned in Maryland, and who helped us formulate our ideas represented not only government but the major universities in Maryland and the business community, representatives from Black & Decker, from Westinghouse, from General Electric, and, importantly, people from the national unions, Mr. Paul Wagner from the Steelworkers, and I believe, Mr. Dean Klaus from the Auto Workers.

We put together a program which is in the record, and began the business of attempting to find resources, seed money resources, to help us get our program off the ground.

And, as the other people at the table have indicated, they had difficulties in obtaining seed money resources.

It has only been in the last week, after 2 years of trying, that we have been able to be fairly assured that we will have some seed money to begin the center, to be totally operational this summer.

The mayor has indicated that he has received support through NIMH and the Department of Commerce. We have not been so fortunate, but we have been fortunate in that a sister State agency, using moneys made available through the title I of the Higher Education Act from HEW, has been able to bring some resources to help us. This took a year to do, but we were so firmly committed that something had to be done that we were able to start our program, embryonic as it was. The first major effort that has been successful is the Cumberland Area Labor Management Group. It is modeled after Jamestown, and they have been very successful.

We have been able to obtain resources from the Appalachian Regional Commission.

We also found that as a State agency, or as a center, if you wish, that there are other benefits that can be brought together through a State approach.

I think this is illustrative of the type of projects that, as we look at the bill, we think can be funded.

Many of our problems in the State start off as a factory problem. In one particular case, Westinghouse, if you wish, discovered they had a tremendous problem of downtime. The machinery, the technical machinery, was always down. They could not keep enough people, trained people, on their payroll to correct this problem. And we found this in other factories.

Through our center, through the knowledge that the Maryland center was becoming operational, Westinghouse began to address the problem through the Society of Manufacturing Engineers, not as a factory problem, but as an industry problem, and it was accelerated to be a statewide problem. And through a statewide institution, we have begun to address a problem that normally would not have been addressed before.

We found that we would be upgrading the entire electrical maintenance skills in the State, modifying our apprenticeship program and creating new jobs.

The point is, Mr. Chairman, this bill, which we strongly endorse, is indeed helpful to us, and I think will be helpful to the others.

I would like to offer two suggestions. We are all concerned about the need for seed money to set programs into motion. We are not asking for 100 percent grants, even though that would be nice. What I am concerned about in this bill, Mr. Lundine, is perhaps in my reading of it, I think your interpretation—or my interpretation of the definition of project perhaps might be too narrow. We are suggesting that either the definition be very clear that seed money grants to establish an ongoing institution is an identifiable and proper project. That language should be written into your bill, making that very clear.

I think it is very critical for larger organizations that are trying to get started.

A second concern we have again—and we all alluded to it—there appear to be many different agencies that have an interest in productivity. I guess we can, in a sense, pat ourselves somewhat on the back by saying we had enough ingenuity to go out through the maze of Federal programs and identify agencies that would like to help.

But, again, the testimony varies all over for where we go and whether we are successful. But it would seem to me that one of the things the subcommittee would perhaps like to consider is somehow giving an agency, whether the Secretary of Labor or whether the National Commission on Productivity or whoever, some type of responsibility to coordinate the Federal role in productivity so that future States and future communities do not have to continue to go through a maze of looking for funds.

I am concerned that, in the interest of doing something, we may be perpetuating a fragmented approach, and we would hope that the subcommittee could handle that problem as well. And I grant you that is indeed a very difficult problem.

Thank you very much.

[The prepared statement of Mr. Elenowitz, on behalf of the Maryland Department of Economic and Community Development, together with a concept paper of the Maryland Center for Productivity and Quality of Working Life, a letter dated May 20, 1976, from George H. Kuper, Executive Director, National Center for Productivity and Quality of Working Life, and the newspaper articles referred to in Mr. Elenowitz' prepared statement, follow:]

Statement of Leonard Elenowitz
Director, Office of Federal Relations
Representing Secretary Joseph G. Anastasi
Maryland Department of Economic and Community Development
Before the Subcommittee on Economic Stabilization
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Concerning H.R. 2596, the Human Resources Development Act of 1977
Rayburn House Office Building, Room 2128
March 24, 1977, 10:00 a.m.

My name is Leonard Elenowitz. I am Director of the Office of Federal Relations of the Maryland Department of Economic and Community Development. Secretary Anastasi has asked me to express his thanks to the Subcommittee on Economic Stabilization for the opportunity to present our views on the critical need for a definitive Federal program directed to promoting economic stabilization by increasing productivity, improving job security, encouraging retention of jobs, and promoting the better use of human resources in employment.

The economic support for the economy of the State of Maryland is a strong manufacturing community, with its central core being the Port of Baltimore. Over the last ten years, however, the number of manufacturing firms in Maryland has decreased from 3,217 to 2,471; manufacturing employment in the last four years has decreased by 5.8% and the manufacturing payrolls in Maryland have decreased by 16.1% in the same four year period.

Service employment and federal employment have increased significantly in the Maryland economy. Federal employees now number 130,527 (fifth in the nation in federal employment), while State employees number 65,943, compared with a total of 255,400 employed in manufacturing payrolls. It is anticipated that both

State employment and Federal employment will increase, although not at the same rate of the past two decades. Manufacturing employment improved slightly in 1976, but only at a rate sufficient to regain only a small part of jobs lost in recent years.

The changing picture of the State's economy suggests the need for changing skills and experiences that facilitate the change from a blue collar labor orientation to an orientation of white collar workers. Our educational system must continue to direct its focus to a more academic orientation which stresses more office and institutional service employment. In the area of continuing adult education, the transformation has been slow.

One reason for the decline in manufacturing in the State has been a lessening of productivity and the quality of working life. This decrease has been exasperated by outmoded plant and equipment, changing skill demands which the educational system has not readily addressed, and technical advances.

Concerns for the quality of work situation for both management and labor, are in two sectors; a large bureaucratic atmosphere and a manufacturing community. Management in these sectors requires different approaches because of the much heavier direct interpersonal relationships required in a bureaucratic institutionalized work situation. Worker/manager attitudes affect productivity in many work situations and the need to strengthen the work ethic relationship is true whether we are discussing the highly urbanized areas of the Baltimore-Washington Corridor, or the lesser urbanized areas of the State. Wherever we have people working, there appears

to be a need to provide continuing adult education in the economic development area. More specifically, adult continuing education for economic development should be directed towards increasing productivity and the quality of working life.

Fresh approaches to improving economic performance and enhancing job satisfaction are matters of major concern to the State. Innovative productivity in many ways is a key to putting people back to work, while keeping prices stable and, most important, sustaining an atmosphere that encourages business to locate in Maryland, or remain and expand within the State.

One way of increasing jobs and job satisfaction is to focus on the human side of productivity by encouraging cooperative efforts of labor and management to improve economic performance through better utilization of skills and by the introduction of proven methods in technology. The effectiveness of the delivery of these services requires, however, an institutional framework which will bring together both labor and management in both the public and private sectors.

Interest in creating such an institution was brought to the forefront in July, 1975, by both the Maryland Department of Economic and Community Development and the National Center for Productivity and Quality of Working Life. DECD, as the state agency concerned with economic development, assumed a catalytic role in seeking to bring together the essential public and private resources necessary to effectuate the Center. We believe that it is a proper and important role for States to participate jointly with

labor and management to encourage economic growth through projects that could be supported under the provisions of this bill.

DECD convened a task force consisting of representatives of national unions, management, education and the National Center on Productivity and Quality of Working Life. Included were such people as: Mr. Benjamin W. Anderson, Jr. of Western Electric Company, Inc. representing Personnel Association of Greater Baltimore; Mr. Dean Clowes of United Steel Workers; Mr. Charles Larson of Westinghouse, representing a State Society of Manufacturing Engineers; Mr. Jerry Moon from the Social Security Administration; Mr. Ed Oppedal of Westinghouse, representing the American Institute of Industrial Engineers; Dr. Roman Verhaalen of The Johns Hopkins University; Mr. Paul Wagner of the United Auto Workers; Mr. Jay A. Jacobs of Black & Decker Manufacturing Company; Mr. Nordy Hoffmann, Sergeant at Arms of the U. S. Senate; Dean Rudolph Lamone of the University of Maryland; and Mr. Edward W. Taylor of ATTI Consultants, Ltd.

The committee recommended establishment of the Maryland Center for Productivity and the Quality of Working Life. The Maryland Center is a non-profit corporation, located at the University of Maryland, directed by a Board of Directors drawn from leaders of labor, management, government, academic institutions, and professional associations, and is associated with the College of Business and Management. The Center's activities will focus on the following areas: (1) information exchange about our own efforts and developments elsewhere on issues of productivity and quality of working life; (2) education and training; (3) research; and (4) technical assistance and demonstration programs. As part of

the written testimony which I am presenting to the Committee, I have included a copy of the Maryland Center concept paper.

You may wonder if we had difficulty securing the resources necessary to bring the Center to fruition. The answer, of course, is Yes. We have received encouragement and technical advice from the National Commission on Productivity and Quality of Working Life. We are aware that several Federal agencies, such as HEW, HUD, the National Science Foundation, and EDA have supported, on a limited basis, some productivity projects. We have been unable to identify any Federal agency that is able or willing to provide support for the development of new institutions. We expect, however, to receive generic and programmatic support through the cooperation of one of our sister State agencies that considers, as we do, that productivity is a primary State concern. (See letter from NCPQWL, appended.)

We expect the Center to be formally operational by August 1. Even without a formal institution, we considered the issue of productivity to be so important that we have attempted to support and introduce productivity activities both at the State and local levels. Let me illustrate by two examples which are direct results of our efforts to create the Maryland Center. At the local level, we have been able to assist the City of Cumberland in Allegany County to create a Cumberland Area Labor/Management Committee modeled after the Jamestown, New York, experience. The Appalachian Regional Commission provided support for this activity. For the record, I am including copies of newspaper clippings that review the Committee's labor relations activities during 1976.

My second example illustrates how a productivity center can serve as a vehicle to identify industry-wide manpower problems that, once corrected, lead to new jobs, upgrading of existing jobs and pay scales, increasing plant productivity by reducing costly downtime, and identifying other situations that need to be addressed. Specifically, a member of our task force who represented the Society of Manufacturing Engineers (SME) and who is employed at Westinghouse (EWI) told us about the problem of industrial maintenance mechanics and costly downtime when plant machinery is not working. The problem initially was considered as a plant problem, but we looked at it as an industry-wide problem. Various meetings were held with manufacturers, electrical unions, State Apprenticeship Board and State Vocational-Technical Education staff. Together we have identified at least 65 new jobs to be available on the Eastern Shore and Southern Maryland. Training programs are now being negotiated with the local community colleges. Secondly, a need to upgrade skills throughout the State was identified, and steps have been initiated to develop an improved apprenticeship program for industrial maintenance mechanics and to institute enrichment programs for those currently employed. The point is that the Center was able to address a manpower problem that was holding down manufacturing productivity, deadending jobs and reducing income potential, while identifying new job opportunities.

As we read the bill, these types of activities and others would appear to be eligible for project support under the

provisions of this Act. The problem that we still face, and believe that other states and communities will face, is difficulty in finding funding to help initiate an ongoing PQWL institution. We believe that a formal institution would be the most viable vehicle for coordinating efforts to achieve improved productivity and working life environments. Although the proposed bill is very clear in its support of projects, we would be more comfortable if it also explicitly stated that "projects" were so defined to include seed money grants for organizing institutions of an ongoing nature, or that a new section be added for this purpose. We believe that this would lead to the encouragement of institutions in other states and localities.

As I mentioned previously, we were able to identify several Federal agencies that expressed interest in or supported some projects in the productivity area. Their efforts were welcome, and should be further encouraged. However, we are concerned their efforts may be fragmented and counter-productive. Consequently, we would suggest that the Subcommittee seek to eliminate the potential fragmentation by providing for a lead Federal agency to coordinate Federal activities in this most important area. Perhaps that coordinating function should be a responsibility of the National Commission on Productivity and Quality of Working Life. The Commission could also serve as the national agency to promote and encourage public knowledge and understanding of project activities throughout the country.

Our recommendations are offered in a constructive spirit. On behalf of Secretary Anastasi, let me again thank the Subcommittee on Economic Stabilization for permitting us to make our views known on this important subject.

MARYLAND CENTER FOR PRODUCTIVITY
AND
QUALITY OF WORKING LIFE

The Productivity Problem

The United States has traditionally enjoyed a high standard of living because of abundant national resources and an economy which has been very productive compared to the rest of the world. However, since shortly after the end of World War II, many other nations have been increasing their manufacturing productivity faster than we. Our rapidly diminishing lead in the important manufacturing sector adversely affects our competitive position in world trade and, therefore, affects our standard of living.

Productivity is a complex matter and changes in it can be influenced in a number of ways. Among these are: improve work practices, reduction of material waste and modernization of plant and equipment. All of these measures utilize technical and human resources which in turn require research and development training and transfer of information. Some can result in immediate savings; others may require long-term investment.

Over the last decade, a growing number of corporations, unions, public agencies, universities, colleges, and government organizations have been experimenting with new approaches to improve the working life of the individual, while simultaneously gaining economic benefits. Many of these approaches can benefit other organizations if a mechanism existed to make such information and implementation assistance available to others.

The Maryland Center for Productivity and Quality of Working Life will focus State attention on productivity performance, and foster efforts toward solving productivity problems.

The Maryland Center for Productivity and Quality of Working Life (MCPQWL) is a nonprofit corporation, directed by a Board of Directors drawn from leaders of management, labor, State Government, academic institutions and professional associations. It has three overall general purposes:

- (1) To stimulate improved productivity and quality of working life in the State of Maryland.
- (2) To act as a catalyst and focal point by assisting organizations to become more competitive by lowering unit costs of production and by increasing the quality of goods and services through programs designed to improve the safety, health and general quality of working life of their employees, and to improve the State of Maryland's competitive productivity position.
- (3) By such means, to encourage existing businesses and business communities to continue their operations and grow in Maryland; thereby, improving the general economic climate of the State and making it more attractive to new business and industry.

In further pursuit of these objectives, the Center's activities will focus on the following main areas:

- I. Information
- II. Education
- III. Research and Evaluation
- IV. Technical Assistance and Demonstrations

I. Information

The Center will serve as a source for information within the State about both its own efforts and developments elsewhere on these matters. The Center will undertake activities such as:

- A. Establish and maintain a library of case studies and other literature on productivity and work quality, and disseminate such information to labor, management and other groups and individuals.
- B. Provide a newsletter.
- C. Develop and provide information on the Center's projects in Maryland. Special emphasis will be directed toward identifying and publicizing exemplary activities of Maryland companies. This may be done by developing case histories and disseminating that information through a variety of dissemination techniques.

- D. Exchange information with other states and with the National Center for Productivity and Quality of Working Life.
- E. Publicize and operate a "hot line" wherein Maryland businesses, unions, organizations and individuals interested in productivity and quality of working life could secure rapid responses as to projects, research and activities on these areas both in Maryland and elsewhere.

II. Education

The Center will assist labor and management to initiate processes that have been effective through activities such as:

- A. Organizing symposia at which labor, management, researchers and other persons will discuss difficulties and successes.
- B. Providing speakers, presentations and information on work quality and productivity to public and private organizations.
- C. Running training sessions and workshops.

III. Research and Evaluation

The Center will provide research capabilities such as:

- A. Assisting organizations in gathering information before and during their projects.
- B. Keeping a history of the projects.
- C. Analyzing and evaluating the information for summary reports of these projects, and publishing reports. Research activities of the Center will be designed to support the Center's primary purpose of improving productivity and quality of working life.

IV. Technical Assistance and Demonstrations

The Center will emphasize the initiation of productivity and quality of working life demonstration projects, and will provide assistance in transferring information and activities to other companies once a project has graduated from a demonstration project. In this regard the Center will undertake activities such as:

- A. Acting as a "third party" catalyst in seeking out and setting up demonstration projects.
- B. Assisting in gathering baseline data to measure and evaluate the progress in these projects.
- C. Providing a means to technical assistance and information for organizations seeking aid to solving their own productivity and quality of working life problems.

V. Organization of the MCPQWL

The MCPQWL is directed by a Board of Directors. The Board of Directors will be composed of the following:

... 6 representatives of labor and labor unions.

... 6 representatives of management.

... 3 representatives of state government consisting of the Secretary of the Department of Economic and Community Development, Secretary of the Department of Human Resources, and Commissioner of Labor, or their designated representatives.

... 6 representatives of educational institutions and organizations. The Dean of the College of Business Administration of the University of Maryland will serve as an ex officio member.

... 5 representatives of state professional associations, including one representative from each of the following: Society of Manufacturing Engineers; American Institute of Industrial Engineers; and American Society for Personnel Administration. In all categories above it is assumed broad representation will be provided.

VI. Location of MCPQWL

The Center will be located on the campus of the University of Maryland, College Park, as an institute associated with the College of Business Administration.

VII. Organization of MCPQWL

The Center policy will be determined by a Board of Directors. The Board will employ an Executive Director to carry out its policies, and to manage the Center and its programs. The Board will meet periodically to determine Center policy and to review the Center's work. The Board will elect a Chairman and Vice Chairman from its membership. The Dean of the College of Business Administration of the University of Maryland will serve as an ex officio member. The Board will establish a seven-person Executive Committee, which will meet monthly with the Executive Director to review the Center's program.

March 17, 1976

AD HOC COMMITTEE ON PRODUCTIVITY

PERSONNEL ASSOCIATION OF GREATER
BALTIMORE, Inc.

Benjamin W. Anderson, Jr.
Senior Specialist
Department 8230
Western Electric Company, Inc.
2500 Ereening Highway
Baltimore, Maryland 21224
Phone: 301/675-9000 X2348

UNITED STEEL WORKERS

Dean Clowes
815 16th Street, NW
Washington, D. C. 20006
Phone: 202/638-6929

SOCIETY OF MANUFACTURING
ENGINEERS -- CHAPTER 13

Charles Larson
Chairman
P. O. Box 746 MS 133
Baltimore, Maryland 21203
Phone: 301/765-3001 or
301/765-2611

NATIONAL CENTER FOR PRODUCTIVITY
AND QUALITY OF WORKING LIFE

Charlton Price
2000 M Street, NW
Room 3002
Washington, D. C. 20036
Phone: 202/254-9890

AMERICAN INSTITUTE OF INDUSTRIAL
ENGINEERS -- CHAPTER 42

Jerry Moon
1019 Greenhill Farms Road
Reisterstown, Maryland 21136
Phone: 301/594-6900

AMERICAN INSTITUTE OF INDUSTRIAL
ENGINEERS -- CHAPTER 42

Ed Oppedal
5457 Marsh Hawk Way
Columbia, Maryland 21045
Phone: 301/765-3141

THE JOHNS HOPKINS UNIVERSITY

Dr. Roman Verhaalen
Dean, Evening College and
Summer School
Baltimore, Maryland 21218
Phone: 301/366-3300 X871

UNITED AUTO WORKERS

Paul Wagner
1125 15th Street, NW
Room 600
Washington, D. C. 20005
Phone: 202/296-7484

DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT

ADVISORY COMMISSION'S SUBCOMMITTEE ON PRODUCTIVITY

Jay A. Jacobs
Black & Decker Manufacturing Co.
Joppa Road
Towson, Maryland 21204
Phone: 301/828-2851

Frank N. Hoffmann
Democratic Senatorial Campaign Ctte.
Room 130, Russell Senate Office Bldg.
Washington, D. C. 20510
Phone: 202/224-2447

Dr. Rudolph P. Lamone
Dean, College of Business
and Management
Tydings Building
University of Maryland
College Park, Maryland 20742
Phone: 301/454-5383

Edward W. Taylor
ATTI Consultants, Ltd.
2125 Maryland Avenue
Baltimore, Maryland 21218
Phone: 301/837-2292

DEPARTMENT STAFF

Leonard Elenowitz
Director
Office of Federal Relations
Department of Economic and
Community Development
2525 Riva Road
Annapolis, Maryland 21401
Phone: 301/267-5103

James A. McComas, Jr.
Director, Division of Business
and Industrial Development
Department of Economic and
Community Development
1748 Forest Drive
Annapolis, Maryland 21401
Phone: 301/267-5514

George W. Hubley, Jr.
Director, Office of Business Liaison
Department of Economic and
Community Development
1748 Forest Drive
Annapolis, Maryland 21401
Phone: 301/267-5727

November 1975

NATIONAL CENTER FOR PRODUCTIVITY
AND QUALITY OF WORKING LIFE,
Washington, D.C., May 20, 1976.

Mr. LEONARD ELENOWITZ,
Director, Office of Federal Relations, Department of Economic and Community
Development, Annapolis, Md.

DEAR MR. ELENOWITZ: Thank you for your letter of May 11th with its warm commendation of the several members of the Center staff who have been helpful to your Department and the State's labor, industry, and academic leaders in your planning of a productivity and quality of work program for Maryland.

I am particularly impressed by your plans to undertake an educational effort with labor and management in the State to encourage their undertaking programs to improve productivity and quality of working life in their workplaces. The experience of several other states in recent months indicates that the conferences involved in such an effort can be largely self-supporting, particularly if the participation of a university and a few key faculty members can be obtained. We will be happy to help out with advice and assistance on recommending panels for such seminars when they appear timely in your scheme of things. Other states have also found useful the provision of some of our publications outlining exemplary cases of labor-management cooperation for conference participants. This we will be happy to do for Maryland as well.

As regards direct financial assistance, however, the Center's budgetary limitations simply will not permit considering grants for that purpose. Massachusetts, another state that has progressed along a path similar to yours, is receiving modest support from the Legislature and is raising other support from business and labor participants and local foundations.

I hope the effort proceeds to fruition in Maryland. There are such excellent examples of high productivity available to draw upon on the one hand, and such examples of high unemployment in locations like Cumberland in the West and the Eastern Shore on the other, that a greater exchange of knowledge and experience should prove fruitful.

Sincerely,

GEORGE H. KUPER,
Executive Director.

[From the Cumberland (Md.) News, Feb. 12, 1977]

LABOR RELATIONS ACTIVITY REVIEWED BY COMMITTEE

Stanley Zorick and George Wyckoff, co-chairmen of the Cumberland Area-Labor Management Committee, recently reviewed labor relations activities during 1976 when the committee's executive board met.

They noted that in the labor analysis survey prepared for the Allegany County Economic Development Company (ACEDC) in August, 1975 it was stated, in part, "Notwithstanding the relatively peaceful and seemingly improving labor climate . . . 14 out of the 24 unionized firms (out of 34 interviewed) have contracts coming up in one year—next year, 1976."

Mr. Zorick and Mr. Wyckoff said that with the end of 1976, the area could point to the fact that of the 24 contracts referred to, all of them had been negotiated or in the process of renegotiation with no lost worktime.

The building trades union and the contractors association reached agreement on a new two-year contract effective May 1, 1976. The negotiations involved 14 crafts.

The city of Cumberland reached agreement on a three-year contract with Local 1715, International Association of Fire Fighters; Fort Cumberland Lodge 90, Fraternal Order of Police; and Local 553, American Federation of State, County and Municipal Employees (AFSCME).

There was no lost time in the negotiations with the building trades union or the city of Cumberland negotiations.

Despite the year's successes, there was one strike in the area during 1976. The teamsters, representing drivers for the Kelly-Springfield Tire Company, were unable to reach agreement and began a strike September 28, with accord on a new contract announcement on October 12.

Another portion of the report given by Mr. Zorick and Mr. Wyckoff noted that Microdyne Corporation decided to expand its operations at the Cumberland plant because of the "stable and productive work force in this area."

In his talk following ground-breaking ceremonies for the new local facility, Louis H. Wolcott, president and chairman of the board of Microdyne Corporation, stated, "We have been completely satisfied with our local employees," adding, "workers here are a real credit to the community."

Patterned after a successful operation in Jamestown, N.Y., the local labor-management committee has as some of its principal goals the improvement of the labor relations image in the area; providing a climate conducive to attracting new industries, and providing a climate conducive to keeping present industries.

The co-chairmen feel that the successful negotiations and the plant expansion of Microdyne speak for themselves regarding the good labor relations atmosphere in the Cumberland area. They said this points out that the area does have a climate conducive to attracting new industries and keeping the present ones.

A further example of the labor-management cooperation in the Cumberland area is the membership of the labor-management committee executive board.

Executive board members are Mr. Wyckoff, Mr. Zorick, James Schmid, Karl Feise, Charles Steiner, Robert Nevy, William George, Patrick Allender, Robert Seymour, Joseph Brandenburg and Dale Coleman. The members are local business and labor leaders who are giving their time and talent to help achieve the goals of the Cumberland Area Labor-Management Committee.

[From the Cumberland (Md.) News, Feb. 17, 1977]

LABOR-MANAGEMENT EFFORT SEEKS SECOND-YEAR FUNDS

The executive board of the Cumberland Area Labor-Management Committee has decided to seek funding for a second year of operation.

George Wyckoff and Stanley Zorick, co-chairmen of the committee, said the decision to request funding for another year was made at a recent executive board meeting.

Although action was started in the fall of 1975 to establish the labor-management group activity did not start until May 1, 1976 when Charles G. Witt was hired as coordinator. The committee currently has funding through April 30 of this year.

The co-chairmen noted that the principal goals of the committee are:

To improve the image of labor relations in the area.

To improve the quality of working life.

Assist in manpower development.

Provide a climate conducive to attracting new industries.

Provide a climate conducive to keeping present industries.

At present, the Cumberland Area Labor-Management Committee has an active labor-management committee representing the city of Cumberland and Local 553, American Federation of State County and Municipal Employees; and an in-plant labor-management committee representing Cumberland Steel Company and Allegheny Lodge 489, International Association of Machinists.

It is hoped that during the first quarter of 1977 an in-plant labor-management committee representing Allegheny Ballistics Laboratory and Local 261, International Chemical Workers will begin meeting.

Kelly-Springfield Tire Company and Local 26, United Rubber Workers union have an in-plant labor-management committee in operation, but it was established during contract negotiations and not through the Cumberland Area Labor-Management Committee.

These committees provide an opportunity for labor and management to meet in a non-adversary situation and discuss mutual problems, Mr. Wyckoff and Mr. Zorick stated.

The labor-management committee also has been active in providing training for supervisors and union officers and stewards utilizing the services of the Federal Mediation and Conciliation Service.

Mr. Zorick and Mr. Wyckoff stated that they are pleased with the activities of the committee thus far and are hopeful of more involvement during the remainder of this grant year and in the proposed second year of operation.

[From the Cumberland (Md.) News, Feb. 24, 1977]

LABOR-MANAGEMENT GROUP CITED BY N.Y. CONGRESSMAN

The Cumberland Area Labor-Management Committee was cited recently in the Congressional Record. The panel was mentioned during a presentation by Rep. Stanley N. Lundine (New York) during his presentation before the House of Representatives on the Human Resources Development Act of 1977.

The purpose of the area organization is to provide an opportunity for labor and management to meet in a non-adversary situation and discuss mutual problems.

Speaking before the House, Rep. Lundine said he and 50 of his colleagues were introducing H.R. 2596, the Human Resources Development Act which is designed to expand employment opportunities and promote job security through increased productivity and improved quality of working life. His remarks appear in the January 27 issue of the Period.

Mr. Lundine discussed the Jamestown, N.Y., labor-management committee which he said was able to revitalize the economy of a depressed northeast manufacturing center.

"Programs similar to the Jamestown effort are now in operation in other areas, including the Upper Peninsula of Michigan and Cumberland, Md. Many large companies and unions are presently involved in human resource development," he said.

A former mayor of Jamestown, Mr. Lundine said, "I honestly believe that we must focus on the better utilization of our human resources if we are to achieve our long-range goals of full employment and economic stabilization.

"Productivity improvement can play a key role in any incomes policy upon which the administration may decide. As a nation we have not emphasized the human side of productivity, or the humanization of work, to the degree that the other industrial democracies have," he said.

Earlier this month the executive board of the labor-management group decided to seek funding for a second year of operation.

Although action was started in the fall of 1975 to establish the area group, activity did not start until May 1, 1976 when Charles G. Witt was hired as coordinator. The committee currently has funding through April 30 of this year.

At present, the organization has an active labor-management committee representing the city of Cumberland and Local 553, American Federation of State, County and Municipal Employees; and an in-plant labor-management committee representing Cumberland Steel Company and Allegany Lodge 489, International Association of Machinists.

George Wyckoff and Stanley Zorick are co-chairmen of the committee. They noted that *the principal goals of the committee are to improve the image of labor relations in the area, improve the quality of working life, assist in manpower development, provide a climate conducive to attracting new industries, and provide a climate conducive to keeping present industries.*

The committee *also has been active in providing training for supervisors and union officers and stewards, utilizing the services of the Federal Mediation and Conciliation Service.*

Mr. MOORHEAD. Thank you, Mr. Elenowitz.

I would suggest to the members of the subcommittee that I would now yield 5 minutes to the gentleman from New York, the author of the bill, and the two remaining members the balance of the time until 1 o'clock.

Mr. LUNDINE. I will pass and allow the others to ask questions.

Mr. MOORHEAD. Mr. Vento.

Mr. VENTO. Yes; Mr. Chairman. Just some brief questions.

I had a chance to look at Mr. Brower's statement, and Mr. Elenowitz, I have listened to part of the mayor's statement. I think you present to us a working model of programs that might come under the funding provisions of this proposal, and I am interested just a little bit in your activity.

I think, if I understand Mr. Brower and the gentleman from Maryland correctly, you are just getting involved with these, and

you haven't got a fullblown model. You don't know exactly how it's going to work. Did I read that correctly or not?

Mr. Brower. Well, I think that Mr. Elenowitz, in a way, spoke for both of us. We both put a tremendous amount of energy over the last year and a half into trying to find funding.

The States can put up enough to get some person, full time or part time, going and try to put these things together, but to really do a job in Massachusetts, which is, after all, one of our smaller States, we need between a quarter of a million and a million dollars a year to do the job right in both assistance to private industry, labor, State agencies, and labor, and municipalities and labor. And we are nowhere near that level of funding now.

We spent about a year and a half putting together the board of directors, which you will see in our annual report, which appends my prepared statement.

We are now working with a number of corporations and developing programs with the parallel unions, and with a number of cities and towns and with their parallel unions.

I think it is safe to say that we are on the threshold now. I have been building staff for the last few months, and we are near to having a half dozen to a dozen projects underway. They are still too young to talk about, really, in terms of results, although we have seen some beginning results at one location.

It does take quite a long time to put the projects together. You have to go out and talk to the people who are afraid, who are worried their jobs would be obliterated or ruined. You have to seek commitments from management that people won't get laid off as a result of these programs. You have to meet with the union leadership and then with the union executive committee and then with the union rank and file. And it does take up 1 to 2 years for startup time first for the institution itself and then 1 to 2 years for the startup time for each individual project.

Of course, these two could go on parallel, in part, and that is why in my prepared statement I urged that the legislation encourage or require 3-year grants to institutions, and not expect performance in the first year. That is the plague of Federal funding and the 1-year budget cycle, the expectation that you can accomplish miracles in one year.

Mr. ELENOWITZ. Mr. Vento, we are having the same problem, of course. We are like a wounded duck, you could say, in trying to get things started.

We were lucky last year. The Appalachian Regional Commission provided funds for Cumberland as a pilot project.

You will find in my additional material there are newspaper clippings that after the first year they are having difficulty obtaining funds for the second year.

Mr. VENTO. Let me interrupt you at that point. I know you need money, and we know there is no end to the amount of good we can do if we can provide money to anyone and everyone at the Federal level, and I in no way cast any aspersions on these programs as opposed to others, except that we know that you want money.

But what I am trying to get at is, these are new programs, and I am trying to explore what success you have had. So I am interested

in this, are we rediscovering systems that have existed in the past? Are we only dealing with economies and businesses that are having problems? Is management ready to share decisionmaking roles where they are being successful as well as where they are not being successful?

These are the kind of questions I am interested in.

Are we searching for a new mechanism to arrive at productivity, or are we rediscovering old ones that need some life breathed into them?

These are questions I would be interested in. And perhaps you might not have the time to respond right now. I am sorry I haven't had a chance to read all of the testimony.

Mayor Moody. Mr. Vento, I would like to reply in a fashion that is either very simple or very complex, and I am not sure which.

It would appear to me on observation—and we have had an extremely successful program in 7 months and have accomplished more in that 7 months than we thought we would in 2 years, as a matter of fact, and we have not yet had a disappointment. We are waiting for that shoe to drop.

I think there is a mixture of these things. One of the things that is most outstanding about the program in Columbus is that we are learning something about the old virtues that we used to read about in our elementary textbooks and which our mothers and fathers and our grandparents preached to us, something about trust, something about not expecting to get the worst of the deal, and all that kind of thing.

So to that extent we are learning some very old things all over again.

In a technological area, I think, we are learning some new things which are pretty simple but which are also pretty ridiculous—that enlightened management had not discovered a long time ago—that people find the easiest way to do a job, very often, even though it is not an approved way according to some civil service regulation or according to an OSHA regulation or something of that sort.

So I think it is a mixture of new and old. And I believe that there is virtue in both of these things.

I also want to point out one other thing.

The city of Columbus did not really need that Federal funding and did not need the private funding from the foundation. We could have come up with the money.

The very interesting thing, however, was that every indication was that if we used our money, it would not give us a neutral third party. So as a conservative, with a city that is fiscally sound and is not begging for every Federal dollar and doesn't want to see you fellows waste even one Federal dollar, I am still suggesting that Federal money spent here is a good thing. You spend it in the courts; you spend it in the Federal Mediation and Conciliation Service, all of those places. And to me, what this bill provides is fire prevention. The cities have spent 200 years in fire suppression, and all they have bought is bigger trucks with more water and larger pumps, and the real answer is in fire prevention.

I think the real answer in labor is the prevention of those difficulties that have led us into what we all know to be the condition of this country today.

Mr. MOORHEAD. If it would be all right, I would like to yield to Mr. Steers, particularly, because we have a Maryland witness here, and he is a distinguished Representative from Maryland.

Mr. STEERS. Well, thank you very much, Mr. Chairman.

Mr. Chairman, I did want to particularly welcome Mr. Elenowitz, and I was gratified to learn that the Maryland Center for Productivity and Quality of Working Life is scheduled to be operational by August 1. I think it is wonderful that Maryland, once again, is leading the Nation.

I also wanted to say to Mayor Moody, I was informed—and I guess he also repeated himself—that he would like to respond to Congressman Kelly to a degree.

I have great respect for the Congressman from Florida, but I would like to make it clear that his views were not the views of the minority in general, because they are not the views of myself.

I would be glad—I don't know how much time you are going to have available, Mr. Chairman, but if Mayor Moody would like to counteract or further give his comments on the views expressed by Mr. Kelly, why, I would like to call on him to do so. And I might say that, to me, the problem is that Mr. Kelly was, in effect, it seemed to me, with all due respect, saying do nothing. And that, to me, is unacceptable.

And if you would like to comment, I would be happy to hear you.

Mayor MOODY. Thank you, Mr. Steers.

The chairman has given me permission to write a letter after this—and I will do so—for Congressman Kelly and for others.

I think you have correctly diagnosed that situation, from my point of view, as one who claims to be a rational human being. There should not be need for psychiatrists, psychologists, social workers, teenage counseling, marriage counseling, or any of those people, because all of us who have a proper background, both educationally, morally, and religiously, simply don't need any of those wild things.

My observation of society is, however, that many of the people in our society both desperately need them and are indeed well served by them. And that is what I am saying this is.

I think it is a treatment for a sick condition in our society, and the real sickness in our society is that we don't trust each other.

I recognize that what I am about to say is very gauche, but the newspapers in my community who take polls continually find that people in my community do not trust the Congress of the United States. I do trust the Congress. I am often disappointed in the Congress, but hopeful, and that is why I am here to testify.

Mr. MOORHEAD. I now yield to Mr. Lundine to close the proceedings.

Mr. LUNDINE. That was about as good a closing as we could possibly expect.

I would just like to respond to a couple of things that have been said.

I want to assure Mr. Elenowitz that it is the intention of this bill to try to have seed money available for projects such as yours. There may be ambiguities in this legislation as drafted, and if so, it was purposeful, because I don't think that the legislators should tie the hands of whoever is trying to carry out innovations and new initiatives. But we will try to assure that there is adequate flexibility, at the

very least, in the report language, because I am totally dedicated to that and understand that need.

To Mr. Moody, I thank you, Mr. Mayor, for your calling my attention to my oversight. As one who is still called mayor by half of the colleagues I have around here, first of all, not providing for State and local government representatives on that board was a terrible oversight that I think we can correct. Second of all, not being prudent enough to have a majority of public members so that we could get a quorum on that board was perhaps another oversight.

I thank you very much for your comments.

Your testimony, all three of you, has been very helpful. I thank you very much for taking the time to share your varied experiences with us.

And I appreciate your courtesy, Mr. Chairman.

Mr. MOORHEAD. The invitation I extended to Mayor Moody goes to all three of the witnesses, because we have been rushed. If you have anything to add, we will keep the record open so that you can add it.

You have given us excellent examples. I particularly want to know the history, let us say, of the Columbus experience so that we know the kinds of things we can suggest to other communities.

Mr. MOORHEAD. Gentlemen, thank you very much. And we are only 5 minutes overtime.

The committee stands adjourned.

[Whereupon, at 1:05 p.m., the subcommittee adjourned, subject to the call of the Chair.]

THE HUMAN RESOURCES DEVELOPMENT ACT OF 1977

THURSDAY, MARCH 31, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC STABILIZATION
OF THE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
Washington, D.C.

The subcommittee met at 10:10 a.m. in room 2325 of the Rayburn House Office Building; Hon. William S. Moorhead (chairman of the subcommittee) presiding.

Present: Representatives Moorhead, Blanchard, Badillo, Lundine, Vento, Barnard, Watkins, and Caputo.

Mr. MOORHEAD. The Subcommittee on Economic Stabilization will please come to order.

Today, we continue hearings on H.R. 2596, the Human Resources Development Act of 1977. This legislation is intended to expand employment opportunities and to promote job security through increased productivity. If adopted, the legislation could provide fresh approaches to improving the performance of our economy. With an unemployment rate in excess of 7 percent and a rate of inflation in excess of 6, 6½ percent, it is not difficult to understand the worthiness of the objectives of this legislation, nor the critical nature of the problems that it is intended to help overcome.

Witnesses appearing before this subcommittee last week provided us with valuable testimony regarding the role that cooperative labor-management efforts can have in stabilizing community labor-management relationships and in contributing to local economic development. Further, the evidence they submitted suggests that the potential benefits in terms of improved productivity and worker satisfaction can be significant. The witnesses identified five gaps which need to be filled if the promise of cooperative practices are to be more widely realized. These are:

First, the development of an exchange of information about benefits, problems, experience, and practical how-to-do-it yourself ideas; second, technical support for starting projects; third, the training of people who are capable of assisting in the introduction of such projects; fourth, the coordination of the activities of various Federal agencies; and fifth, the support of top business, labor and Government leaders to reinforce and encourage the cooperative approaches adopted by local plants and unions.

We are fortunate to have as our witnesses today the Under Secretary of the Department of Commerce—my text says designate, but in view of the happy occurrence of yesterday, I can delete that word from

the record; and my congratulations—Under Secretary Sidney Harman, and Assistant Secretary for Employment and Training of the Department of Labor, Ernest Green. Mr. Harman brings to this hearing his unique experience in the establishment of joint decisionmaking and increased job autonomy in a plant of Harman Industries. Assistant Secretary Green brings a considerable experience in employment and career guidance. I am sure that these two witnesses will have many useful comments regarding H.R. 2596.

Before turning to our first witness, I would like to ask if any other members of the subcommittee may have any opening comments that they wish to make.

[The opening statement of the ranking minority member, Congressman Stewart B. McKinney, follows:]

OPENING STATEMENT OF HON. STEWART B. MCKINNEY

Mr. Chairman, I am grateful that we are going to have the chance to hear from these spokesmen of the two Executive departments which would be so instrumental in attaining the objectives of H.R. 2596, the H.R.D.A. If anything, the week's delay while these gentlemen got their act together—or it may be more appropriate to say while OMB got *their* act together—has served to heighten my interest in what we will hear from these witnesses.

A complaint levelled at past Administrations was the failure to follow rhetoric with any sustained commitment to action. As I mentioned in last week's hearing on this issue, it is distressing that the one step relative to this matter taken by the Carter Administration has been a cut in the funds budgeted for the National Center for Productivity.

I have no doubt that the President and his Administration are as committed to attacking the problems of unemployment, inflation and productivity as we in Congress. I would be more convinced, however, if we could see a policy of positive action being developed at the Department level with strong leadership from the oval office. I hope our witnesses today can give us some indication that such a policy—and one that would be consistent with the goals of H.R. 2596—will be forthcoming.

Mr. MOORHEAD. I now recognize the gentleman from New York, Congressman Herman Badillo; then the author of the legislation, the distinguished gentleman from New York, Congressman Stanley N. Lundine.

Mr. LUNDINE. Thank you, Mr. Chairman, members of the subcommittee, Under Secretary Sidney Harman, Assistant Secretary Ernest Green.

As we continue our discussion of H.R. 2596, the Human Resources Development Act, it becomes clear that our national economic policy should include support of cooperative labor-management efforts to encourage fresh approaches toward improving productivity and the quality of working life. The testimony which we heard last week from agencies of the Federal Government and from State and municipal witnesses indicates that we can develop better policies than we have at present to avoid dislocations in the private sector of planning.

The alleged tradeoff between unemployment and inflation has been demonstrated to be invalid. We have had the worst of both worlds in the last few years: high unemployment and high inflation. Productivity growth clearly provides the key to sustained noninflationary economic expansion. In my judgment, the way to improve economic performance is through a national commitment to the best development of human work potential.

Constructive labor-management programs can expand employment opportunities, and make them more rewarding and satisfying work experiences. It is with particular pleasure that I look forward to hearing from our witnesses this morning. Their backgrounds and expertise in every phase of employment should be of particular assistance to us in evaluating the further potential of H.R. 2596.

While scheduling difficulties made it necessary for us to postpone today's meeting from last week, I am sure that you will find these gentlemen well worth the wait. Mr. Sidney Harman, Under Secretary of the Department of Commerce, is one of the national leaders in the field of quality of work. He not only advocates, he practices, and in many instances, he has pioneered some of the most effective examples of creative humanization of work taking place anywhere in the world today.

The success of Harman International Industries is dramatic proof of the economic potential of such programs.

Assistant Secretary of Labor Ernest Green has been working to expand employment opportunities at the grassroots level. He has been a pacesetter in developing new opportunities since his school days, and I know that he's going to continue that tradition at the Department of Labor.

Mr. MOORHEAD. Mr. Caputo?

Mr. CAPUTO. Nothing.

Mr. MOORHEAD. Mr. Barnard? Mr. Vento?

Mr. VENTO. No, thank you, Mr. Chairman.

Mr. MOORHEAD. Mr. Blanchard?

Mr. BLANCHARD. I just came in, Mr. Chairman. I just wanted to say hello to my old friend Ernie Green from Michigan State.

Mr. MOORHEAD. That is nice.

I think we would proceed with both of the witnesses giving their statement either in full or in summary, in which case, without objection, the full statement will be made part of the record. We will start with you, Mr. Harman.

STATEMENT OF HON. SIDNEY HARMAN, UNDER SECRETARY OF COMMERCE

Mr. HARMAN. Mr. Chairman and members of the subcommittee, thank you for the opportunity to appear here today, especially in this modest, interesting, and obviously carefully-selected room, to remind us that there is the possibility of another world [laughter], and to speak in connection with H.R. 2596, the Human Resources Development Act.

This bill has a number of far-reaching purposes, ranging from the promotion of economic stability through the better use of human resources, to increasing productivity generally and increasing job security for employees specifically. The essential mechanism to achieve these ends is the encouragement of greater employee participation in the decisionmaking process, as well as sharing in the gains that may result from that process.

Any such comprehensive measure must take into account the social and economic environment in which its provisions would operate. As Under Secretary of Commerce, I believe I can best contribute to your

deliberations on the bill by relaying some personal observations on the nature of that contemporary socioeconomic scene as I have seen it and as I see it. My views have been formulated from practical experience as former chairman and president of Harman International Industries.

As the distinguished author of this bill, Congressman Lundine, mentioned, my perspective has been structured by practical experience at the plant level, from observing and sharing the ambitions and frustrations of real people, both workers and managers.

My first observation is that the day is past when the American worker can be viewed as a simple part of the productive process. There was a time in our history when people were quite prepared to serve as replaceable parts in the machinery. They could perform mundane tasks at the factory or mine, but were somehow able to retain a sense of personal worth, dignity, and equilibrium by returning at night to positions as the head of their families. The family simply does not occupy that role in American or European life any longer. Workers are not uneducated symbols of the so-called scientific management system, which fractionalized production to its lowest, deadly dull common denominator.

Today, workers in plants are more independent, and significantly better educated. If they are to develop a sense of selfworth and constructive identification with the process, that process must provide for genuine worker participation in the decisionmaking that affects and defines their daily lives. Merely "having a say" is simply not enough, and I have observed the bankruptcy of that notion time and again.

A corollary to my first point is the importance of distinguishing between true human development activities and those aimed at promoting efficiency or productivity. In my judgment, job enrichment or quality of working life programs that are conceived as basic productivity devices are destined to fail. This is because, from the worker's view, the term "productivity" generally suggests speedups with the "bottom-line" benefits headed to management and the stockholders. There is no incentive for labor to give such a project any kind of genuine support, no matter how well packaged it may be.

One must also consider the attitude of the manager or the supervisor who has worked his way up from the laboring ranks and is now asked to share that newly won authority with the workers in a design aimed only at increasing productivity. He will not yield traditional responsibilities unless he knows how his own future will be affected, unless he feels that that future is going to be constructively affected. As a result, both parties often start out in an antagonistic state of mind that will probably lead to failure.

The upshot is that if a true work improvement program is to succeed, it must be launched with the conviction that there are deeper satisfactions and greater rewards for all those involved in the enterprise than simply generating greater efficiency or increases in the rate of productivity.

To overcome the latent mistrust between the parties to such a project, a spirit of appreciation for each other's differing roles and a sense of mutual respect and trust must be engendered. I am absolutely convinced that if one enters such a program openly, courageously and with reasonable counsel, it will almost surely result in enhanced operating

results and ultimately—and as a byproduct, and an important byproduct—in productivity increases.

Furthermore, it is my firm conviction that if our current market-oriented U.S. economic system is to survive and flourish, the adversary relationship between management and labor that has burgeoned over the years around the collective bargaining process must be attenuated. One of the greatest opportunities for achieving this and for promoting mutual respect and cooperation between management and labor is in the human development field. Case histories of progress through labor and management committee structures are now legion, as Congressman Lundine can verify from his own direct and very creative experience.

Therefore, labor and management should pursue initiatives that facilitate a climate in which they can come together—outside of the contract negotiation context—and jointly sponsor corporate and other institutional job improvement actions that enrich the working lives of all the people involved. Once a record of progress is achieved in this arena, the reservoir of trust and mutual respect it generates can be carried over to the bargaining table with excellent results. The incalculable distortions to the economy that now result from uneconomic inventory adjustments, work slowdowns, and other steps taken in anticipation of strikes that may or may not materialize can be gradually eliminated over time through this approach to human development.

In sum, I believe that labor and management must simply recognize the present day necessity for establishing an equilibrium between economic and technical considerations, on the one hand, and social human considerations on the other. Failure to act responsibly in establishing this equilibrium can have serious consequences for the Nation's economic health.

As I noted initially, my comments derive from the work improvement projects carried out at Harman International. The company employs well over 4,000 people in 13 manufacturing plants located principally in the United States, but also in England, Scotland, Denmark, and Germany. Harman International's growth during the past 5 years has compounded at an annual sales rate in excess of 34 percent, at an annual profit rate of almost 40 percent, and that is compounded.

The firm had total sales in the year ending August 31, 1976, of about \$137 million, earned over \$9 million—or \$4 per share after taxes—and it was revealed as the 94th best company in terms of return on investment of all the companies listed in last year's "Fortune 500." I cite these statistics because it is my firm belief that the company's deep concern for the personal development of all its people at every level is the primary explanation for its remarkable growth in sales, earnings, and return on investment.

Of the work improvement projects at Harman International, the most advanced—and the most highly publicized in current human development literature—is located at the Automotive Division in Bolivar, Tenn., where automobile mirrors are made. That program was begun in the spring of 1973. It developed from a series of meetings between the company and the United Automobile Workers.

Harman International chose to make its initial and major effort in Bolivar because working conditions there were by far the worst in any of its facilities; Bolivar was a small, rural town; many of its people

had never worked in industry before; and, because the plant was organized by a national union in a "right to work" State.

I will not detail here all the milestones in the program at Bolivar. They have been well documented and are available elsewhere. Permit me to say, however, that the crucial element in the study that inaugurated the whole system was the recognition that people are different one from another. They cannot be, and must not be, perceived as replaceable parts in an all-encompassing machine. These differences are not easy to take into account, because industry has historically been designed to make all people the same. Understanding the differences, however, is essential if a program is to develop, and if a program is to succeed.

Six months after the program began, I remember attending a meeting of the night shift in one department that stirred me as have few events in my life. There were approximately a dozen men at that meeting, half of whom were black, and I heard them speak about the dignity of their work. One man told me—and I must interrupt to make the point that the work in which they were engaged was in the polish and buff department of this factory. These people took zinc die castings on which a buffing compound had been placed, and they held them in place against buffing wheels that generated incalculable amounts of dust and dirt, that fed the room and stuffed the room and clogged their lungs and clogged their hearts. It was, indeed, the worst work in the plant.

At that meeting, I heard them speak about the dignity of their work. One man told me that he regarded himself as a craftsman, and that he would simply not permit a product to pass him that was not right. A white man said of a black man, "I worked next to this fellow for 6 months and didn't even know his name. Today, we are partners." The foreman told me how his job had changed. He used to work as a policeman; he used to work as a warden. Now he works with other departments on a lateral basis, expediting the flow of materials so that his people have them when they are needed.

Today, all departments of that plant have one or more core groups whose job is to devise their own work improvement changes. A core group consists of the foreman, the union shop steward and one other worker chosen by the department's work force. Meetings—day and night—about work improvement have become the way of life at Bolivar; and, I must add, have become a way of life outside of the plant as well as inside the plant.

At the beginning of the project, four operating principles were identified that would have to be recognized as systemic; that is, all would have to be applicable if the project were to be successful. Those principles stated, in effect, that the worker must:

First, be secure about his job and feel free of fear and anxiety concerning his health, safety, income and future;

Second, the worker must be treated fairly;

Third, the worker must feel that his needs are respected and that he can develop his individual capabilities to the fullest; and

Fourth, that he or she has a say in the decisions that affect him, starting with the job itself.

These principles were crucial when the Bolivar project began, and they are frequently referred to now as new formulations are con-

sidered. They have, however, become so much the weave of what is done in Bolivar that it can now reasonably be said that they are ingrained, and what has derived is the conviction, not so much that every employee counts, but that every employee truly matters.

Earlier I said that productivity and collective bargaining dividends can flow from human development programs. This has proved true in Bolivar. When the program began in 1973, production per hourly employee per day was approximately \$132. Adjusted for inflation, it had risen to \$155 per day in April 1975, and I estimate that it now approximates \$165 to \$170 per day.

The company's contract with the union, due to expire in February 1977, was renegotiated and a new agreement signed the previous November. And in some ways, I regard that as historic. The new contract, providing for the most far-reaching benefit package in the company's history, was concluded in an atmosphere of cordiality and creativity. Absent from the process was the familiar gamesmanship played by both sides—threats and counterthreats, the pounding on the tables, the all-night sessions, the bleary-eyed eruptions, the grand scenario that we are all so familiar with; that scenario which usually marks this process and costs our economy unbelievable amounts in lost productive time, energy, and output.

Now, from the vantage point of my new public service role, I frequently find myself asking, "Where should the Federal Government fit into human development programs in the workplace?" It seems to me that the proper Federal role should be to support proven human development processes predicted on universally applicable principles. Those principles I have, in effect, summarized as security, equity, individuation, mutual trust, and participation in the decisionmaking process. In any legislation devoted to this end, however, I think it is important to avoid spelling out any prescribed methodology for carrying out Government-supported programs. The precise format or program that works for Jamestown, N.Y., or Bolivar, Tenn., may not, probably will not, work for Bridgeport, Conn., or you name the city or the place.

Accordingly, if a law evolves, it should provide broad parameters with adequate flexibility so that its application may be made on a case-by-case basis, tailored and responsive to local needs and conditions, local heritage, local character, local differences.

Mr. Chairman, I believe that human development, in the fullest sense of the term, is the whole purpose of Government, of the agencies of Government in which we serve, and ultimately of life itself. I am its devoted advocate both as a general concept and in its specific application to the workplace, where we all spend such a large portion of our lives.

Earlier, I spoke of the necessity for equilibrium between technical and economic concerns on the one hand, and social human concerns on the other. I have long been fond of a great man who embodied those principles throughout his life, and who once wrote something I think worth quoting as well as I recall it, because it seems to me a very appropriate conclusion to my comments.

Albert Einstein said that a human being is a part of a whole called by us universe, a part limited in time and space, in which he perceives himself as somehow separated from the rest; a kind of optical illusion

of his consciousness. That illusion is a sort of jail which limits us to our individual sensitivities, to our emotions, and to affection for just a few people close to us. Our task must be to free ourselves from that prison by widening our circle of compassion to embrace all living persons and the whole nature in its beauty.

Nobody can accomplish that task fully. But the effort is itself an act of liberation, and a foundation for inner security.

Thank you, Mr. Chairman. I will be happy to respond to your questions.

Mr. MOORHEAD. Mr. Secretary, before I call upon Mr. Green, let me say that I am very pleased that you have been confirmed, because I find your testimony absolutely shocking. I have heard witnesses from the Department of Commerce many times, and this is the first time I have heard a witness from the Commerce Department talking about social human considerations in this way. And it gives me great, great hope for the future. I think it was an extraordinary statement.

Mr. HARMAN. Thank you, Mr. Chairman.

[Mr. Harman submitted the following newspaper articles for inclusion in the record:]

[From the New York Times, Mar. 30, 1977]

A MOVE FOR JOBS ENRICHMENT AND HUMANIZATION OF WORK

(By A. H. Raskin)

WASHINGTON—Contrary to popular belief, Michael Maccoby did not spring full-armed out of the primordial ooze as a stalker of victory-obsessed team captains in corporate executive suits. Long before his book "The Gamesman" started zooming up the best-seller list, Dr. Maccoby had won renown among social scientists as a chief theorist for an experiment in work humanization that has been transforming fundamental attitudes toward work, productivity and industrial democracy at a Tennessee auto-parts factory.

Last week, over French toast at breakfast in the Capitol, the soft-spoken director of Harvard University's project on technology, work and character joined a legendary pioneer in reshaping the workplace, Einar Thorsrud of Oslo, in outlining to three influential members of Congress ideas that may help speed the United States along paths of labor-management innovation long familiar in West Europe.

The first thrust in that direction will begin tomorrow when the economic stabilization subcommittee of the House Banking Committee opens hearings on a bill sponsored by the host at that breakfast, Representative Stanley N. Lundine, Democrat of Jamestown, N.Y. The measure has strong support from the two other legislators at the session—Representative Henry S. Reuss, Wisconsin Democrat, who heads the full Banking Committee, and Senator Jacob K. Javits, New York Republican, who has introduced a companion bill in the upper chamber.

The bill would make available \$40 million in Federal grants to foster projects, primarily in private industry, to make employment more secure through cooperative efforts by workers and employers to redesign jobs, upgrade skills, spur productivity and heighten job satisfaction.

As Mayor of Jamestown, N.Y., before coming to Capitol Hill, Mr. Lundine helped demonstrate practicality of such ventures by presiding over development of a communitywide labor-management committee that was instrumental in cutting local joblessness from 10.2 percent to 4.2 percent in a three-year period when the rest of the country was slumping into recession.

The Lundine bill faces formidable obstacles. Most of organized labor is cool to quality-of-work experiments for fear that they can be exploited by nonunion employers and corporations oppose them on the ground that they tear down traditional lines of authority and thus undermine plant discipline.

Within the Federal Government, jurisdictional jealousies between vested interests in the Labor and Commerce Departments could wreck the new initiative just as they have orphaned and abandoned the supposedly independent National

Center for Productivity and the Quality of Working Life, which Congress chartered two years ago.

But roadblocks like these are not insuperable, in the judgment of so seasoned a legislative tactician as Representative Reuss. As one who believes "small is beautiful" when it comes to ventures to generate jobs through Federal stimulus, Mr. Reuss considers the Lundine approach a sensible one that involves no risk of enormous additions to the deficit and that stands a much better chance of Congressional approval than would most bills put forward by a sophomore on Capitol Hill.

The experience Dr. Maccoby has gained from four years of wet-nursing the job-enrichment program that he and Dr. Thorsrud cooperated in installing at the plant of Harman International Industries Inc., in Bolivar, Tenn., offers persuasive support for more experiments, though both experts stress that no single pattern can succeed if it is applied mechanistically in a different setting.

"Ideas for change must come from all levels top to bottom," Dr. Maccoby said, "but it requires exceptional leadership to release the creativity that exists within the work force." The crucial initial factor at Harman was the intense support given the project by Irving Bluestone, an international vice president of the United Automobile Workers union, and Dr. Sidney Harman, president of Harman International until his nomination by President Carter in January to be Under Secretary of Commerce.

The workers at Bolivar, half of them women, formed teams to perform various operations involved in the preparation, painting and packing of auto mirrors. They decided among themselves who would do what jobs, kept their own records, covered for one another in periods of absence and worked out an intricate formula for sharing with management the labor-cost savings that have resulted from the project.

The improved communications and mutual trust built up at all levels through the establishment of clear principles for joint decision-making and increased job autonomy paid off this month in the remarkable conclusion of a new wage agreement—three months ahead of schedule—without any intervention by top officers of either company or union.

"That's the real triumph of this project," commented Gus Howard, a worker in the plant's receiving department and head of the local union.

The triumph goes well beyond Bolivar, however. Mr. Bluestone, enthusiastic over the progress there toward breaking down at avistic labor-management hostilities, has enlisted the support of the General Motors Corporation in a much more embracing experiment in job enrichment under union-company auspices at dozens of G.M. plants.

Similarly, now that Dr. Harman is going into Government, the Beatrice Foods Company of Chicago, a huge conglomerate, that is in process of absorbing his company, has assured Dr. Maccoby that one of the chief points of attraction is the harmonious and productive relationship that the project achieved. And Dr. Harman himself, as Commerce Under Secretary-designate, is scheduled to lead off for the Administration at tomorrow's hearings on the Lundine bill, embodying precisely the principles that underlay his own experiment.

For Dr. Thorsrud, the Norwegian expert, who has been involved in guiding more such ventures throughout the world than any other social scientist, the potential benefits seem boundless. He enthralled the Capitol breakfast guests with his description of the retraining programs that Norway instituted with unemployment insurance funds when the nation's idleness rate reached what was considered a calamitous level of 2 percent at the low point of the recession.

As Dr. Thorsrud described it, the greatest success in equipping workers with new skills (through a combination of on-the-job training and community vocational schools) came in plants with active programs for workers to participate in industrial decisionmaking. Senator Javits found in the Thorsrud report new ammunition for his pet campaign to convert the \$17 billion a year that the United States now spends on unemployment insurance into something more substantial than a substitute for welfare.

[From the Wall Street Journal, Mar. 15, 1977]

(BY PETER F. DRUCKER)

The newest world economic trend is "production sharing." Although neither "export" nor "import" in the traditional sense, this is how it is still shown in our trade figures and treated in economic and political discussions. Yet it is actually economic integration by stages of the productive process.

Few people have heard of production sharing, but everyone who has a hand-held calculator is familiar with it. The semiconductors that do the calculating are "Made in America" and then shipped for assembly to a developing country such as South Korea or Singapore. The finished product is then marketed primarily in developed countries.

Traditional statistics show the calculators as "imports," but actually they are the way in which American-made electronics go to market, earn foreign exchange and create American jobs. Indeed, the old 18th-Century German term *Veredelungsverkehr* (upgrading trade) describes the transaction better than any of the familiar-terms of international economics and international trade theory.

A similar example of integration by stages of production is the large European textile group that spins, weaves and dyes—all automated, capital intensive and high technology processes. Then it airlifts the cloth to Morocco, Malaya or Indonesia where it is converted into garments, bedding, rugs, towels, upholstery fabrics or curtains. Finally, it is airfreighted back and sold in European markets.

There is also the production sharing actively promoted by the government of Japan, under which a Japanese company exports an entire industrial plant and receives much of its payment in that plant's products, which are sold in Japan.

The developed countries are strong in management, capital and technology, and consumer purchasing power. The developing countries offer enormous and rapidly growing labor surpluses.

We lack figures on the size of this process. But major multinational banks estimate that the volume has at least doubled since 1974. And some banks consider it so significant already as to justify setting up special units within their traditional international or corporate banking divisions.

Production sharing is bound to grow, for behind it is an inexorable economic force, population dynamics. One can argue about employment and unemployment figures in the developed countries, which are indeed very confusing. Nevertheless, more than half of all the young people entering the labor force in developed countries have attended some school beyond high school, thus they are not available for traditional low- or semi-skilled work.

DIFFERENT POPULATION DYNAMICS

In the developing countries, however, population dynamics are vastly different. There the babies who did not die in the late '50s and '60s when infant mortality dropped precipitously—by 60% or 70% in some areas—are now entering the labor force and need jobs. Mexico, for instance, will have to find almost three times the number of jobs for young new workers in each year between now and 1990 than the country ever created in any previous year.

Few of these young people are highly trained or highly skilled, but they are far better prepared than their parents were—and increasingly they are in the cities. Farming cannot possibly provide the necessary jobs. "Land reform," whatever its emotional appeal, would in most places exacerbate the problem.

Only in very few countries, countries like Brazil that are well past the "development takeoff," is there much potential for rapid growth of the domestic market. Moreover developing countries usually lack population base, purchasing power or capital necessary for rapid domestic growth. The only employment conceivable for the masses of new workers is producing for the consumer markets of the developed countries, which no longer have adequate unskilled labor.

Production costs in developing countries tend to be high, often a good deal higher than in the developed countries, despite relatively low cash wages. Productivity tends to be low, managerial and governmental overhead costs are often astronomical. Moreover, production sharing has fairly high costs of its own—heavy management requirements, high cost of capital, and added transportation expenses.

What propels the move toward production sharing is not primarily lower costs but the shortage of people available for the traditional production work in the developed world. Almost all developed countries—Sweden is the only partial exception—have structured unemployment compensation, seniority rules and retirement plans so as to discourage manual workers from looking for jobs outside the industry that originally employed them.

Production sharing may, in the last quarter of this century, become as dominant in the world economy as the traditional multinational corporation became in the world economy of the last 20 years. Paradoxically, the multinational that organizes production sharing will be more controversial than ever.

This is because production sharing offers developing countries their only real opportunity to provide the jobs and skills their people need. But this won't necessarily make them grateful, so that they are more likely to continue the old rhetoric the more dependent they become on the "wicked imperialists."

Still, many developing countries are rapidly adjusting their policies and their behavior. "Multinational" is still a dirty word in the developing countries, but their governments increasingly court the multinationals, to build and run export industries—the products of which the multinational is then expected to market in the developed world.

Only 10 years ago the countries on the west coast of South America, from Venezuela to Chile, solemnly joined the Andean Pact, designed to drive out the multinationals. Within the last few years, each of those countries has either repealed most of the Andean Pact laws or quietly filed them away.

In developed countries, production sharing threatens the very base of traditional unionism, which lies in the old manual manufacturing industries. It is indeed likely to create more jobs than it displaces, above all jobs for better educated members who make up the new labor force. But displaced workers will be far more visible and will be concentrated in areas that are already declining. They will also tend to be older people with limited skills. The same will largely be true of the businesses that employ these workers: yesterday's businesses in already declining industries.

Multinationalism will thus once more become a major issue in the developed countries. Indeed, the main attack against the multinational has already shifted from host countries to home countries, especially to the U.S. Congress, the IRS, the SEC, and a host of other government agencies now pose greater threats to multinationals than did either de Gaulle or Third World nationalism. Yet no developed country can hope to find full employment or to preserve its standard of living without fairly rapid expansion of mass-produced consumer goods.

Therefore, we badly need policies enabling the economy to adopt production sharing at minimum cost to displaced workers.

THE SWEDISH POLICY

We need the kind of policy the Swedes pioneered to make possible a similar transition from an almost pre-industrial, raw material producing nation of the 1940s into the highly industrialized and highly competitive nation of today. Twenty years ago they organized employers, unions and governments to work together to retrain redundant workers and place them in new jobs (an approach that accomplishes much more than any unemployment compensation system, at a fraction of the cost).

We also need to revise the trade figures so that they enable us to know where production sharing creates and where it displaces jobs. Free trade or protectionist arguments only add to the confusion, for both assume an exchange of goods rather than economic integration by stages of production in which export and import are mutually dependent.

But the new emerging multinational integration poses equally great challenges to management.

It does not fit the traditional organization structure of the multinational corporation, with a central top management to which management of subsidiaries reports. It requires, rather, a system's approach, in which one body coordinates autonomous managements that do not "report" to one another.

The new multinational does not rest on capital investment or ownership. In fact, the "parent company" in the developed country typically invests little or nothing, although it often provides its partners in the developing country access to financial resources by purchasing their output. For this reason, those that are likely to do best as "new multinationals" may well be marketing businesses rather than, as in the past, manufacturing businesses.

Smaller businesses are also likely to do better than giant companies, since they have the necessary flexibility. This explains why some medium-sized businesses are doing well in consumer electronics.

A major requirement is the ability and willingness to adapt to different cultures, and to work with people of different habits and traditions. For production sharing is not only transnational, rather than multinational, it is, above all, transcultural. And it is an idea whose time has come.

Mr. MOORHEAD. Mr. Secretary Green?

**STATEMENT OF HON. ERNEST GREEN, ASSISTANT SECRETARY FOR
EMPLOYMENT AND TRAINING, DEPARTMENT OF LABOR, ACCOMPANIED BY WILLIAM B. HEWITT, ADMINISTRATOR, POLICY
EVALUATION AND RESEARCH**

Mr. GREEN. Mr. Chairman and members of the subcommittee, I am pleased to appear before you today to discuss H.R. 2596, the Human Resources Development Act of 1977, introduced by Congressman Lundine. I might point out that I had the pleasure of meeting with Congressman Lundine earlier, before even getting confirmed, and found our discussions very enlightening.

A major source of this Nation's strength is its labor force. During periods of high unemployment, substantial portions of this vital human resource are wasted. Unemployment means lost time, and lost economic growth to the national economy as well as cutbacks in livings standards, a sense of frustration, and possible loss of self-respect to the individuals concerned. The longer that high levels of unemployment persist, the greater is our national loss. By any standard of measurement, the current 7.5 percent unemployment rate is unacceptably high, and the President is committed to reducing it; that is the goal of the economic stimulus package.

At the same time, we must continue to explore measures to improve the quality of the workplace.

This country has developed an extremely productive and affluent economy. Much of this reflects the talents, diligence and resourcefulness of the American worker, as well as the development of practical labor and management institutions, particularly collective bargaining, that have created a climate for economic growth and productivity advances.

More recently, however, the pace of the Nation's productivity gains has slackened, leading to considerable concern about the future course of the economy. One promising avenue to improved productivity performance lies through improvements at the workplace—improvements in cooperation among employees, their union representatives, and management officials, in the design of work and work assignments, and in the greater participation of employees in the production and managerial decisionmaking process.

These concerns are reflected in H.R. 2596.

In general, the Department of Labor supports the objectives of H.R. 2596. It is important that we not lose sight of the human relations aspects of the marketplace as part of the overall employment and job creation picture. Efforts such as those proposed in H.R. 2596 may well be a vehicle to stimulate a more intensive examination of such basic problems as cyclical layoffs, demonstrate efforts to improve economic performance, and enhance job satisfaction.

In summary, H.R. 2596 authorizes the Secretary of Labor to fund demonstration projects involving labor and management cooperation which would consist of increased worker participation in problem solving and the decisionmaking process, increased worker participation in sharing the cost savings resulting from productivity increases, and job redesign projects.

It also provides for demonstration project grants to employers in areas of high unemployment for the purpose of retaining employees

who would but for the grant be laid off. The funds could be used by the employer for improving plant design, job restructuring and skill development.

The bill further establishes a 13-member Human Resources Advisory Council to provide technical assistance and advice on projects established under the act and a loan guarantee program for projects to be administered by this Department. We support the objectives of this bill, but we do have concerns with some of its provisions. Let me discuss these briefly.

Section 3 embraces the essential operational concepts of the legislation—authority for the Secretary of Labor to fund projects involving labor-management cooperation, and demonstration projects to assist employers in maintaining levels of employment during countercyclical downturns in the economy.

This Department generally supports the use and evaluation of realistic demonstration projects involving labor management cooperation. We feel that this concept is consonant with the thrust of the Department's Organic Act, which is "to foster, promote and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment."

While issues involving the quality of work life have not been a major Labor Department concern in recent years, the Department has funded considerable research that touches on these questions. For example, in 1969-70, and again in 1972-73, the Department, at the initiative of the Employment Standards Administration, conducted national sample surveys of employed workers. These studies, carried out under contract by the University of Michigan, were aimed at determining the frequency and severity of workplace problems on the well-being of the workers affected.

The Department is now proceeding to develop plans for a similar study to be conducted later this year or early 1978. In addition, the Employment and Training Administration, with research funds under the Comprehensive Employment and Training Act—CETA—has funded a modest number of such projects in the area of quality of working life. We will be glad to share with Congress the results of these studies.

Evaluations of various types of present programs could serve to enhance the long-range effectiveness of the concepts of H.R. 2596. We would suggest that before embarking on an enlarged Federal effort, it would be appropriate at this time to evaluate those cooperative labor management programs currently in place. Programs envisioned in the bill appear most promising where the local problem is easily identifiable and all the necessary ingredients for a solution are also present locally. Despite the success of some local experiences, it is not clear without further assessment that these programs or variations of them can be applied on a national scale.

One problem we have found with projects is that they tend to perpetuate themselves as Government-funded activities. It would be our intent, therefore, in administering such a provision, to place time limits on all projects and to make self-sustaining those projects that prove effective as rapidly as possible.

Certainly, the National Center for Productivity and Quality of Working Life has already made substantial contributions in encouraging improved national productivity. The Department of Labor's focus in reviewing and evaluating cooperative labor-management projects would be to build on the currently in-place work of the Center and utilize a number of initiatives that the Center has been responsible for generating. Of course, there would be close coordination and consultation between this Department, the Department of Commerce, and the Center on this effort.

Section 4 would establish a Human Resources Advisory Council to furnish advice and assistance in the administration of the legislation. We strongly believe that yet another advisory council with an independent life and mandate of its own is unnecessary. This is in accord with the President's frequently stated intent to simplify the workings of the Federal establishment. The advice and assistance which this Council is designed to give should be readily available through outside consultants. In addition, the Advisory Council could very easily duplicate the function of the Board of Directors of the National Center for Productivity and Quality of Working Life, which has a similar composition.

Section 7 would establish within the Department of Labor a program of loan guarantees to small businesses to carry out the objectives of the bill. Certainly, a loan guarantee program can be an important part of an established operating program. However, until such time as an adequate data base is available to determine the effectiveness of a "demonstration project" approach to labor force problems, it would be inadvisable and premature to establish a program of the complexity that a loan guarantee mechanism would entail.

We would also recommend that the funding of projects involving labor and management cooperation be obtained from the CETA discretionary funds available to the Secretary of Labor under title III of that act. Certainly no more than \$5 million would be necessary to fund adequately such projects during the initial year.

To say again, we applaud Congressman Lundine and his cosponsors for their efforts. We strongly favor the concepts of H.R. 2596 which are in harmony with the Department of Labor's basic mandate, and look forward to working with Congress in further exploration of innovation in this area.

If you have any questions, I will be happy to respond to them. Thank you.

Mr. MOORHEAD. Thank you very much, Mr. Secretary.

I would like to say, for the record, that this is a very happy occasion to have representatives from the Department of Commerce, who are usually thought of as representing business; and the Department of Labor, usually thought of as representing the working people in America, sitting together at this table discussing problems that are national and universal in scope.

The first question I would ask you is, if H.R. 2596, or some variation thereof, is enacted, what steps would Commerce and Labor take jointly to achieve the legislation's objectives? While there may be reservations about particular parts of the particular bill, I think we both agree on the objectives. How can Commerce and Labor work together better than they have in the past?

Mr. HARMAN. Well, I would suggest in two ways. One, if you like, individually; by demonstrating the merit and the applicability of these very principles within our own Departments. I would find it inordinately uncomfortable to be out prosyletizing this point of view from a Department of Government which itself operated in a fashion which was inconsistent with those views.

So, I think we can begin at home to practice what we preach. Second, I would suggest that if legislation of any sort emerges as a consequence of your deliberations, irrespective of its specifics and irrespective of who is given the lead, I simply cannot imagine in this administration that Labor and Commerce would not very effectively work together. There is clearly a common set of values shared by those two Departments. In no sense do I find any vestige of adversary attitude.

I am convinced that each of those Departments has available within it specific facilities and specific previous experience that would be very, very useful; and with the spirit to coordinate those facilities and to cooperate clearly in front of us, and clearly an end, we would work very well together.

Mr. MOORHEAD. Do you have any comments, Mr. Green?

Mr. GREEN. Well, Mr. Chairman, I think Secretary Marshall and Secretary Krebs had a close working relationship before coming into Government. Certainly, I see no philosophical differences between the Departments; no reason why we couldn't achieve a close working relationship in the same manner as we are attempting to do with other Departments.

Mr. MOORHEAD. Mr. Harman, Secretary Green seems to be taking the position that the objectives of the legislation can be accomplished without establishing a new agency. For example, by using the National Center for Productivity and Quality of Working Life. You didn't direct your testimony to that point. I would like to have your comments on it, sir.

Mr. HARMAN. Yes.

I think that the objectives, as I interpret them, as I understand them, could not effectively be pursued by the National Center. It simply does not have the facilities. I think the Center plays a meaningful and educative and informative role, but it does not have the resources, it doesn't have the staff, and it doesn't have the experience; and I would think the Center would probably agree with that statement.

Mr. MOORHEAD. Then what you're saying is that mere addition of funds would not enable them to achieve the objectives of this legislation.

Mr. HARMAN. No; I can't say that. I would imagine that any agency of proper spirit and purpose, if adequately funded—and therefore, presumably, adequately staffed, with a knowledge of this material—could gear itself to exercise the work that is implicit in this legislation. I merely suggested that, as it is presently constituted, it doesn't have those resources.

Mr. MOORHEAD. I am going to yield to another member. But if you want to make a comment, Secretary Green—

Mr. GREEN. No.

Mr. MOORHEAD. Mr. Badillo?

Mr. BADILLO. Thank you, Mr. Chairman.

Mr. Chairman and colleagues, I strongly support this legislation. I think you know that I spent 4 years in the Committee on Education and Labor. I was one of those who helped to write the CETA bill, and particularly title III. I must say that my experience with that title has been very disappointing. We have not been successful in really implementing that title, and authorizing it to carry out as many demonstration projects in different fields as we had in mind when we wrote the bill in the Congress.

And, for that reason, I would agree with you, Mr. Harman, that there is still a large function in the Department of Labor which has not been carried out since that bill was passed in 1972. Some of those areas haven't even been funded; for example, there was a specific mandate included on bilingual job training. Yet to date, nothing significant has been undertaken in that area.

So, I would support Mr. Lundine in seeing to it that we maintain the separate identity, if we are going to test this program out successfully.

Now, one of the things I found over the course of my experience is that many programs are successful because they are carried out and developed by individuals who have strong personalities and convictions. And I think that was the case in your situation. And apparently, according to Mr. Raskin's story, you had Mr. Bluestone, who was a very effective labor union supporter.

We have this in other areas. For example, I am on the Select Committee on Narcotics, and I find that drug addiction programs are very successful when you have a strong personality who is in charge of the programs. The issue whether we can develop a program that we could duplicate and reduplicate throughout the country, and that would require that the average employer or businessman, or president or vice president, and union leader, be more predisposed to try this kind of thing out.

I am not sure that we are ready for that, because, among other things, I am a certified public accountant. I have audited many businesses throughout the country in different kinds of fields, and I haven't found that attitude prevails to any large degree. Do you feel that American business and labor are prepared to develop these programs on any significant scale today?

Mr. HARMAN. Well, I would respond in a number of ways, Mr. Badillo. And I am, as you know, very well aware of your previous experience.

The notion of the "great man" application to almost any program is one that I find, frankly, abhorrent. It is certainly true that programs of this sort—

Mr. BADILLO. Well, greatness—I don't mean just greatness, you see; but interest, commitment. You understand what I mean?

Mr. HARMAN. I see. Somehow, though, it is often seen that way; if this man disappears, it is all over. And it is in these terms that I spoke of the "great man."

In fact, probably the origin of much of this thinking traces back to the beginning of the Industrial Revolution, when Robert Owen did incredible things in terms of education, in terms of child day care centers for the children in the mills in Edinburgh; really stunning

things for that period in history. And when he left, it disappeared. And that is essentially your point.

The reason, however, that it disappeared, and the reason that frequently programs of this apparent type will disappear, is that they depend almost totally on the paternalism of the great man, of the man of inspiration. And if he once begins to lose interest in it, having treated it in paternal style, there is nobody around to pick it up and carry it forward.

If a program of this sort is to survive, then it is incumbent on that person who brings it its original leadership to understand that nothing succeeds better than programs from which the initiator removes himself at an important time. If for no other reason than that, I welcomed the opportunity to come to Washington. I believe that the program throughout our company will be manifestly growing over the next number of years, even though I have no personal engagement in it. And that is because it has moved organically from the bottom up. That is because the people who really make that program live and breathe and work—not the man who started the idea, but the people who work at the machines, the supervisors; and ultimately, and in a way most importantly, the managers, about whom we somehow frequently feel they are perfectly content, they are living fine old lives, they are not alienated—when indeed, they are so very frequently the most terrorized people in the world, seeing the world in terms of very narrow parameters, fearful that they are passengers along for the ride; that if they didn't show up the following day, that business, which has a life of its own, would just kind of proceed without them.

Those people—just to complete the comment—those people are the ones who can kill a program of this sort when the initiator departs, unless they somehow have become part of the woof and the weave of the program.

Mr. BADILLO. I am concerned about the conditions, for example; and your principles, here—the first one that you say is, in order for the program to succeed, the worker must be secure about his job and feel free from fear and anxiety concerning his health, safety, income, and future. I don't think any member of Congress would meet that qualification. [Laughter.]

Mr. BADILLO. And I doubt there would be many other people who would fit into that category.

What does concern me is, I read that American industry generally is now producing at about 70 percent of capacity, and it was pointed out we will have a very high unemployment rate under those conditions, you see, where we have a problem of bringing production up to capacity.

Do you think that we can get those programs developed in any widespread way?

Mr. HARMAN. Mr. Badillo, I meant every word that I said. And I can say quite simply that, if I mouth that kind of language before a body of this sort, that I have no palpable experience or evidence to reach for, I could undoubtedly be regarded as a pleasant, well-intentioned kook.

But I draw your attention to the circumstances in that very plant that I made reference to in Bolivar, Tenn. During a period when the automotive industry—this was a supplier to the automotive—

Mr. BADILLO. What was the productivity rate at this particular plant?

Mr. HARMAN. When it began, it was horrible. At best, it would approach something like 70 percent of efficiency.

Mr. BADILLO. In terms of capacity?

Mr. HARMAN. In terms of capacity, we were probably operating, when this program began, at about 50 percent of what would have then been its measured capacity. That's a rather dynamic thing; its capacity, curiously enough, has grown, not necessarily because of additional buildings or additional machinery, but because of the capacity of the people who had been involved.

To complete the comment I was starting to make there; during the very period in which the automotive industry was suffering its worst recession in decades, this plant grew. Production efficiency moved from something like 65 to 70 percent to 100 percent. We then had an interesting problem: what do you do when there is a limited call, or reduced call, for what you're able to do in that plant, and people are completing their work in 5 hours—and they were—and making excellent products?

That led, in turn, to what we unfortunately referred to as an "idle time" program. It wasn't idle at all. School developed on the premises of the plant. That was the darndest school you ever heard of in your life. You could study guitar, you could study French, you could take lessons in the arithmetic of business; so that the employees in that plant, for example, could read and interpret the financial statements, could read and interpret the daily operating statements. That school, and various other developments that were a product of this whole process I am speaking about, I think, represent the real development in that company. And it prospered during the most difficult times. It is growing at a very rapid rate today, as the automotive industry recovers.

Mr. BADILLO. Just one last question, because my time is expiring. Do you think this would apply to offices as well as to factories?

Mr. HARMAN. Absolutely. In fact, I believe that it must. If it doesn't, then the office people will hinder such progress in the factory.

Mr. BADILLO. All right. My time is up, Mr. Chairman.

Mr. MOORHEAD. Mr. Lundine?

Mr. LUNDINE. Thank you, Mr. Chairman.

First of all, I would like to thank you for making clear what I have been trying to say for some time: there is no way to talk about this whole process as effectively as by example. And you are, I would judge, American's finest example.

When you decided to undertake the Bolivar project, you did that on your own. Is that not correct? I mean, there was no Government intervention in any way?

Mr. HARMAN. That is correct.

Mr. LUNDINE. But as I understand it, you did bring in a third party, an outside consultant to work with you.

Mr. HARMAN. Yes.

Mr. LUNDINE. Do you want to tell us a little bit about your consultant, how you got him, and what he did for you?

Mr. HARMAN. Yes, I would be happy to.

Actually, it was a group headed by Mr. Michael Maccoby, who is becoming rather famous because of a book he has written recently called "The Gamesman." At the time, he wasn't nearly as well-known; he was a good deal more easy to get my hands on. He at that time headed a Harvard study on work character and technology, and was very, very interested in this kind of material.

I encountered him, told him of my thinking, and he was very skeptical about it; and said something to the effect that it is easy enough to talk that way—are you prepared to do something about it? And faced with that rather interesting challenge, I said I was. And we quickly—and by a curious circumstance—involved Mr. Bluestone, to whom reference has been made before. He and I appeared before a Senate committee back in 1973, and we sat as Mr. Green and I are sitting together, and Mr. Bluestone was rather astonished at the things I had to say. And we decided to meet outside in the hall after the meeting; not for the conventional purpose, but to discuss the implications of our individual testimony.

And, as a consequence, he, Mr. Maccoby and I, in effect, put together—at the beginning, Maccoby's team had two primary rules. One was—if you like, he provided much of the philosophic base; but very, very importantly, he provided a third party role at a time when distrust between the workers and their union representatives—that is between the two of them—but distrust between the workers, union, and management was at a high level.

This third party provided the opportunity, the synthesizing, facilitating opportunity that was really quite necessary there. It is interesting that today, we are moving in complete agreement between union and management to the essential departure of that third party, because it is no longer needed. I am no longer needed. Mr. Maccoby per se is no longer needed. This program is really in the hands of the people at that factory.

Mr. LUNDINE. Well, you made an investment in a third party, and you feel like you got a return on that investment.

Mr. HARMAN. A most remarkable return on the investment, probably No. 1 in the "Fortune 500."

Mr. LUNDINE. There has been some comment in recent articles that this kind of participation is gimmickry. It will work for awhile, to cite a recent example—that it is no longer working at General Foods and that a period of disillusionment has set in. What's your response to that?

Mr. HARMAN. I believe that danger is there if the principle——

[Pause]

[Discussion off the record.]

Mr. LUNDINE. Excuse us.

Mr. HARMAN. I will.

I believe the danger is if the principles that I was alluding to earlier are not generally applicable, I believe the danger is that if the effort is made either artificially—and by artificially, I refer to any number of things; for example, an effort to simply transplant the program developed in one place automatically someplace else probably won't work. The people are different, the culture; the inheritance is different. We just simply must design the program in terms of the circumstances in the place in which we are operating.

And it also won't work, and disillusion will probably set in, if you set it up almost too ideally. I think it was a rather fortunate break, not brightness, that persuaded us to make our first effort at our worst situation. We took it as it was. If you begin by building the perfect plant, and hiring the perfect employees, and the perfect managers, I think there is a kind of unreality about that, and there is a danger and the risk of that failing ultimately, and of disillusionment setting in.

What one must do, I believe, is recognize truly the absolute importance of that cardinal consideration that we live in a time when human development is the essence. And if a program is generated around the human material that exists in the particular place, it has an excellent chance of surviving. And when it really survives, its implications for not only that industry, but for the community in which that industry functions, are really stunning.

Quickly, let me just suggest to you that, among other things, our people—who were never interested in the educational system in the county in which they worked—are running for the board of education down there. Our people, who were really not very interested in anything except getting to that horrible job and getting the heck away from there at the end of the day, are now becoming very much more interested in not only education, but how that community functions and how the family functions.

And so, I suggest that programs like this have a much deeper penetration into the real core of our society than they do just at the plant level.

MR. LUNDINE. The chairman has reminded me that I didn't have 5 minutes to question Mr. Harman and 5 minutes to question Mr. Green and has generously said that I could question after everybody else has.

MR. MOORHEAD. My concern, frankly, gentlemen, was that we might lose some people with the quorum call coming up. I want to be sure that those who could not return would have a chance to question the witnesses.

Mr. Caputo?

MR. CAPUTO. Thank you, Mr. Chairman.

Mr. Harman, when I left the room, you were talking about metaphysics and kind of an existential philosophy. When I came back to the room, you were talking about French and guitar.

[Laughter.]

MR. CAPUTO. I am afraid to leave again.

[Laughter.]

MR. CAPUTO. The question in my mind, Mr. Green; I share your concern for the use of guarantees for a program of this kind. I am sympathetic with the desire to approve productivity, but it seems to me a guarantee program is best suited to a seasonal loan, like a manufacturing company that gets its raw material in one part of the year, and makes its sales at another time of the year, and has a high probability of having the cash to repay the loan supported by the guarantee. And that is a suitable and sensible kind of Government guarantee program.

But we are talking about something close to pure research here, or at least far removed from a situation where we know with a degree of

certainly what the result of our investment is going to be, and have some assurance that there will be a repayment of cash flow somewhere down the line.

Therefore, it would seem to me, however laudable the purpose here, it doesn't lend itself well to a guarantee program. And your Department has a lot of guarantee programs which are, I think, more sensibly structured, based on business operations. Do you feel that if we really believe in this, as I do, we ought to ante up grant money; but in any event, we should not use guarantee money, because that is wrong under both sets of facts?

Mr. GREEN. Well, as I outlined in the testimony, Congressman, we feel that the guarantee portion of the bill is a concept that needs a great deal more looking at. We simply don't have enough data to make an effective judgment at this point. The process is certainly new, as applied to this aspect. Our general view, again, is that we think this is an interest that ought to go forward, and I share some of Congressman Badillo's concerns about title III.

Secretary Marshall has made commitments to us, however, and I am sure to various committees of Congress, that we will use our title III moneys in an innovative, effective way. That does lay out new ground for us to explore such demonstration projects that would not normally be carried on by the CETA prime sponsors. This activity certainly is one that prime sponsors have not been able to consider. It is not on their list of items; but it is one that, from a national effort demonstration perspective, is where we would like to put some money; as outlined in the testimony are willing to commit at this point \$5 million of the Secretary's discretionary fund to expand the demonstration base—not just pure research, but actual demonstration projects.

Mr. CAPUTO. All right. I gather you prefer grants, then, to guarantees?

Mr. HARMAN. So as not to disappoint you, I will quote H. L. Mencken—

[Laughter.]

Mr. HARMAN [continuing]. Who once said that for every profoundly complicated problem, there is a simple answer, and it is wrong. My emphasis in my testimony this morning has been on the principles involved that underlie this bill. I, too, share with Mr. Green some concern about some of the mechanics of it. But it seems to me that that is not so important this morning.

Surely, I would have some concern about guarantees for reasons I could explicate, if there were more time. But I want very much to give emphasis to the view that these are no longer, I think, reasonably perceived as isolated experiments. There is a growing catalog of successful expressions of the kind of material that Congressman Lundine and you, Mr. Caputo, and others here and I support. And I would be concerned if somehow, we were diverted from this material by the suggestion that yet another study be done.

Whatever form the legislation, in your wisdom, does take, I would hope that it would proceed on the basis that there is indeed sufficient evidence of the validity of the kind of approach we are talking about, we should get on with it, and not bury it in some additional study or two. I can identify for the subcommittee studies that are in process,

studies that have been completed. I think they make very interesting reading indeed.

Mr. CAPUTO. Thank you, gentlemen.

Mr. MOORHEAD. Mr. Vento?

Mr. VENTO. Mr. Chairman, I looked this over. I have a number of questions for the Under Secretary of Commerce, Mr. Harman.

In the experience that you have had with this project in Tennessee with your company, was that company in kind of a growth phase at that particular time? I mean, I understand that productivity increased; but, you know, the application of this is envisioned to cover areas where there are different types of problems. And I am interested in the characteristics of the example that you have discussed.

Mr. HARMAN. Mr. Vento, I think that is a particularly perceptive and likely revealing question. In fact, the company has been through every phase you can imagine during the course of the program. When it began, the automotive industry was in a growth phase. This division of the company was not. When it began—a perfectly reasonable question to be asked is whether that kind of program was not truly a full employment program; which is to say that were the people interested in human development at the time because it was tough to get people to come to work?

And I recall that during the period, there were numbers of firms that were rather interested in exploring the possibilities like this, because it seemed like an engaging way to attract people to come to work when they were looking for employees, and who rapidly lost interest when, of course, employment had fallen. This division ran the entire cycle of that. It was there when employment levels were high. It was there when national and local employment levels were low. It survived very, very effectively through all of those permutations because of the program.

Mr. VENTO. So the point is that—have you tried other methods of improving productivity prior to this, or not?

Mr. HARMAN. Oh, yes. We had engaged in the very traditional stuff. Methods engineers would go on the floor—

Mr. VENTO. We used to call them time studies.

Mr. HARMAN. They would do their time study work, and they would come back and redesign the work. There isn't the ghost of a chance in that plant that an engineer would begin to make that kind of effort today without first consulting in detail the people who are doing the work. We have discovered that there is the reservoir of real information.

Mr. VENTO. How did you select the members to participate in this unit? You yourself participated, Mr. Bluestone at one point. But obviously, it has to, you know, kind of involve in a different way, at the grassroots level—how did that process work?

Mr. HARMAN. It actually began over something immediate and palpable; the roof was leaking. The place was too bloody hot. A group was formed called the working committee.

Mr. VENTO. How did you pick the members? Is it based on the problem?

Mr. HARMAN. We didn't pick them. They picked them.

Mr. VENTO. Who are they? The people who were concerned with the problem?

Mr. HARMAN. Well, I will try and answer that.

The committee had equal representation from workers, and those workers were selected by the workers themselves. Keep in mind, now, that Tennessee is a right-to-work State, so that there was a union there and there were people who were not members of the union. But principally under the guidance of the union leadership, workers were either selected or volunteered, and we at that point said, "Fine; you are part of that working committee."

Managers were selected in much the same process; that is, the managers met. There were to be five members from management supervision. And out of a kind of rump meeting of their own, five people emerged. The representatives from the task force were there, and of course became members of that working committee.

The working committee has changed over time; as the core groups to which I referred in my testimony developed, people began to emerge who were active, vocal, interested. And there is a shifting of the committee. The committee is a fairly dynamic thing, in that its composition changes from, certainly, year to year.

Mr. VENTO. Mr. Green, you have pointed out that the National Center for Productivity and Quality of Working Life could absorb some of these responsibilities if it had the resources, you know. What is the history of that? How long has it been in existence? And I know you have pointed out they have done some research work. Do you feel that they ought to be doing it, or that model, if it is successful, ought to be applied?

Mr. GREEN. Congressman, I addressed my remarks to the National Center for Productivity and Quality of Working Life, the advisory body. I didn't address them to the financing. Bill Hewitt, who is from my staff—

Mr. HEWITT. It came into being—

Mr. MOORHEAD. I think it would be appropriate, Mr. Hewitt, if you would state your name and position for the record.

Mr. HEWITT. William B. Hewitt, Administrator for Policy Evaluation and Research of the Employment and Training Division.

That was developed following the enactment in 1975 of the statute—the exact title of which I don't recall at the moment.

Mr. VENTO. Fine.

Mr. HEWITT. Productivity and Quality of Working Life—and set up the Center for Productivity.

Mr. VENTO. Thank you, Mr. Chairman.

Mr. MOORHEAD. Mr. Barnard?

Mr. BARNARD. I will be very brief.

Mr. Harman, is this more of a philosophy or a technique?

Mr. HARMAN. It is a philosophically based technique, Mr. Barnard. [Laughter.]

Mr. BARNARD. You are going to make a fine Secretary. [Laughter.] Is this not a practice that good business managers have been doing on a regular basis already?

Mr. HARMAN. Yes. I would say that we are looking at a relatively recent development, and relatively recent perceptions. The people who have managed good businesses are beginning to get very excited about the possibilities of the kind of material we're talking about today.

Mr. BARNARD. I'm sure you have read Dr. Schumacher's book, "Small Is Beautiful," right?

Mr. HARMAN. Absolutely.

Mr. BARNARD. Do you think this is more adaptable to small businesses such as yours than it is to General Motors?

Mr. HARMAN. I think it is more readily adaptable. But I think it is interesting that next month, a major colloquium is being held in some city in the Midwest on the very question that we're talking about. And the two principle case studies that are going to be presented for the attendees there are, one, the General Motors story; and two, the Harman International story.

Mr. BARNARD. Who is sponsoring that meeting?

Mr. HARMAN. I think either the Center—likely the Center for Productivity and Quality of Working Life.

Mr. BARNARD. That is a governmental body, is it not?

Mr. HARMAN. Yes.

Mr. GREEN. I might point out, Congressman, that we have some moneys in that through our title III program: the Work in America Institute; the National Center for Productivity and Quality of Working Life is sponsoring that seminar.

Mr. BARNARD. Do you find this is an area where the Federal Government needs to get further involved? Do you think that the U.S. Chamber of Commerce, the National Association of Manufacturers, the AFL-CIO and other organizations could promote this technique as well as the Federal Government?

Mr. HARMAN. No, I don't think they could promote it as well as the Federal Government. There is one Federal Government. When it sanctions, in whatever terms it chooses to do so, and dignifies this kind of a process through some kind of legislation or other, in my judgment, it tends to coalesce the many interests that exist in a rather diffuse way. And it does indeed do that very important thing; it legitimizes, it sanctifies the process. I don't know anybody else who can do it as well.

Mr. BARNARD. Do you think the Federal Government can presently afford to fund this activity?

Mr. HARMAN. In the first place, the kinds of funds required I think need to be—and here I am in agreement with Mr. Green—rather carefully explored. But I would say that, although I do not think those funds need to be enormous, I would argue that we can't afford not to be doing it.

Mr. BARNARD. The purpose of this bill has my total support. However, if business and labor could accomplish the objectives of this legislation without Government intervention, I would be pleased. Taxpayers could be saved this output of revenues while at the same time productivity could improve.

I would like to see the pendulum start swinging back toward less Government involvement in our lives—but if the only means to upgrading productivity is via this bill, it has my support.

Mr. MOORHEAD. Mr. Watkins?

Mr. WATKINS. Secretary Harman, I was very intrigued and very enthusiastic about this bill, and also about your attitude. I would like to ask the question, do you think we could take the same approach to Government and make the Government work better?

Mr. HARMAN. Yes. That is a rather grand response, I am afraid, but I did say earlier, in response to another question—which was aimed at how Departments of Government might participate in a program like this—it would be a pretty good thing if we began to apply those principles within the departments.

Now, at Commerce, we are really quite determined to do that. I could think of no institution that would not benefit from such an approach.

Mr. WATKINS. I like to feel that you can't underestimate the strong person with a strong motive and strong dedication. In some way we have got to reestablish this spirit in private industry and in Government.

I know you are going to have some tremendous tools to work with in the Department of Commerce. I state that because I served at one time as executive secretary of an economic development district and wrote a lot of the papers that probably gave birth to the EPA Act.

But I think what we are talking about here is a person being dedicated and motivated and willing to give a little bit extra. I think that is something that is going to be a tremendous challenge.

I am very impressed with your delivery today, and I am very enthused about your being in a position in Government. I hope you will not lose that enthusiasm and dedication.

Mr. Harman, your testimony gives me a great deal of hope that we are going to get those things pulled together and that you are going to enthuse some people to go in that direction. This is something I hope you will work at, because you have got the tremendous tools in that Department to really work with, and I hope that you will bring life back to the Department again.

Mr. HARMAN. Well, Mr. Watkins, I thank you very much for that. I think if I face any risk at all, it is less that I will lose my enthusiasm and more that I may lose my job. [Laughter.] I have some fear that I may, in fact, leave as I arrive, and that is, fired with enthusiasm. [Laughter.]

Mr. WATKINS. I would like to make one other comment.

I am deeply appreciative of both the Department of Labor and the Department of Commerce. With both of you working together in cooperation to ignite something like this, I think it will be a tremendous factor in private industry. Also I think this program merits looking into, to make it work within this Government.

Mr. MOORHEAD. The Chair would announce that apparently on the floor we are considering House Resolution 393, a funding resolution. Apparently, we haven't had the original quorum call or vote usual, but we may get it at any time. So I would like to recognize any members who will not be able to return if we do get a vote at this time. Any members—I am assuming that Mr. Lundine and I will come back if we are called away.

Mr. CAPUTO. Mr. Chairman?

Mr. MOORHEAD. Yes, Mr. Caputo.

Mr. CAPUTO. I had one question I didn't ask because my time had expired. And that is a fear that the quickest and surest way to improve productivity is to add capital, especially if you define productivity as output per man hour, you know. The more capital you throw into the process, the more output per man hour you have. At a time of high unemployment, that is a sort of problematic remedy.

Do you think that the drive for productivity per se, as a separate objective, is going to lead to substitution of more capital for labor? Did that characterize your experience?

Mr. HARMAN. I do have such a concern. It does not characterize my experience.

Is that an adequate answer to your question, Mr. Caputo?

Mr. CAPUTO. Sure.

What are the guards, if we were to guarantee large investments in productivity improvement, which seems to be consistent with the statute as it is written in this bill? There is nothing in here that would protect against doing exactly what the bill says, and that is improve productivity. And the clearest way to do that would be to have machines do what men and women now do.

Do you think we need some safeguards of that kind?

It is in the best interests of labor and management to do that to some degree, but it is not a full employment policy.

Mr. HARMAN. Yes. I think that the matter of capital additions is the problem of the private sector. And I believe that programs of this sort should absolutely avoid basing themselves on making available substantial funds that would go into machinery. That is not at all what I visualize as the affirmative aspect of this kind of thinking or the affirmative aspect of the material that underlies—

Mr. CAPUTO. But don't you think this bill heads us off in that direction, guaranteeing investments by small businesses for the purpose of improving productivity?

Mr. HARMAN. If the bill moves in the direction of guaranteeing investments, guaranteeing borrowing for the purchase of new machinery, I would not agree with it.

Mr. CAPUTO. It is not that narrow.

Mr. HARMAN. I would agree with you that it would move in the direction contrary to that which I feel it ought to be going. It is much more the motivation of management to begin to understand the needs of people who work in those plants and the enormous resource they represent for the development of those companies as human beings that stimulates my interest and my enthusiasm.

Mr. CAPUTO. All right. I think I overstated my case. The bill does permit those kinds of investments too, so I didn't mean to exaggerate my point.

Thank you, Mr. Chairman.

Mr. MOORHEAD. Mr. Badillo has graciously, though entitled to recognition—has said that I could recognize Mr. Watkins.

Mr. WATKINS. Before I came to Congress, I was in business. I am very interested in the productivity phase of business and the deep involvement of employees in management decisions.

Were the employees also involved with compensation and working with stock?

Mr. HARMAN. Yes.

Mr. WATKINS. So the employees felt like whenever productivity and stock improved, their investments improved and with the management still having—

Mr. HARMAN. Yes. We did have, actually, two programs going. And I would simply caution that because these programs were used by us and seemed to have a salutary effect, that they are not necessarily the

devices that ought to be used. I am concerned always about prescriptive attitudes about this sort of thing.

But, having offered that caveat in introduction, let me simply respond directly to your question.

Our company was one of the first that introduced an ESOP, an employee stock ownership plan, really a trust. And the way in which it worked was that a trust was set up which purchased—which borrowed money and purchased stock in the company. It is a New York Stock Exchange traded company. The stock owned by that trust became available to all of the employees except for officers of the company, who were excluded from the plan, and with participation based as a ratio of the employee's compensation to the total compensation in the company, with a ceiling of \$20,000, as I remember. So it was a plan obviously designed to help most those people with the lowest income.

Something in excess of 10 percent of that company's public equity is now owned by that trust, which means that it is either owned by the employees or will be over a period of time, because there is a 5-year vesting period. It will be owned over time by the employees of the company.

Mr. WATKINS. What percent of your employees participated in that stock?

Mr. HARMAN. With the exceptions that I indicated, 100 percent.

Mr. WATKINS. I think that gives them a feeling that they are part of the lifeblood of that company also. Whatever the productivity increase, it will also benefit them.

Mr. HARMAN. I think it does, although again I point out that it is not the only way in which that can happen.

One of the interesting byproducts of it, however, is that they become stockholders. As a consequence, they receive quarterly and annual reports, and they even receive the proxy material. And, as Mr. Badillo would be quick to point out, there is an awful lot of information in that proxy material. Everybody in that company used to know how much money I was paid every year.

Mr. WATKINS. May I ask for a copy of some of your activities, especially the ESOP, as you call it?

I would like to talk to some of the business and industrial people concerning this program. I think it is something that would be very beneficial to look into for people in our area.

Mr. HARMAN. Mr. Watkins, I will be happy to send you a package of material.

Mr. WATKINS. Thank you.

That is all.

Mr. MOORHEAD. Mr. Badillo?

Mr. BADILLO. How much money is there in the discretionary fund of the Secretary?

Is there any amount uncommitted as yet?

Mr. GREEN. The major portion of it is mortgaged. We expect it to be around \$60 million this year.

Mr. BADILLO. How much do you think you could do with \$5 million, which you said is the amount which—

Mr. GREEN. \$5 million would support a substantial increase of program activity in this area. Presently, our funds on projects of this type are less than \$1 million.

Mr. HEWITT. On this kind of project, yes.

Mr. BADILLO. Well, not knowing how much it costs, what would you say \$5 million would enable the Department to do in its first year?

Mr. HARMAN. Well, it really depends, you know, on what we are speaking about. If we are talking about funding the development of programs, talking about making experienced teams available and counseling teams available, \$5 million could be useful. If you are talking beyond that with respect to the financing of broader scale activities, schooling, training activities, the participation through one financing effort or another, and the underlying costs of the development of programs of this sort, \$5 million is simply not going to do it.

Mr. BADILLO. Isn't that what we are talking about?

We're talking about the larger scale activities.

Mr. HARMAN. I think so.

Mr. BADILLO. What would you think would be reasonably required if we are going to do a thorough job, an adequate job?

Mr. HARMAN. I think it is premature, Mr. Badillo, for me to offer you an estimate at this moment. Certainly some multiple of \$5 million.

Mr. BADILLO. Do you think that we could persuade some local governments to allow this kind of experiment in areas such as garbage collection, police, or some other public service functions?

Mr. HARMAN. Yes.

Mr. BADILLO. Have you talked to anyone about that, either of you?

Mr. HARMAN. Mr. Green?

Mr. GREEN. Yes. Just before coming here I participated in a briefing with the Center for Productivity and the Quality of Working Life. There is a project ongoing with the city of San Diego that involves private foundation money as well as participation of the public employees union, the city government, on a whole series of work changes.

Mr. BADILLO. What kind of—

Mr. GREEN. Well, they are looking at a series of municipal job functions. I could furnish for the subcommittee and would have it forwarded here details on that. But there are a number of areas that are involved. Somewhere in the Midwest, I think it's Minneapolis, with the teachers union, they are looking at different approaches to the problems of education. I would be happy to furnish for you specifics on that and the projects that they have. But they are involved in multiple financing from a number of sources, foundations as well as corporations participating, et cetera.

Mr. HARMAN. I am aware of a program that is going on right here in the Post Office Department, which strikes me as a pretty interesting place.

Mr. BADILLO. Well, there is nothing in this bill that prevents multiple financing, is there?

Mr. GREEN. No.

Mr. BADILLO. Thank you, Mr. Chairman.

Mr. MOORHEAD. Mr. Lundine—Mr. Vento?

Mr. VENTO. Mr. Chairman, I did have a few questions.

Mr. LUNDINE. Go ahead.

Mr. VENTO. I won't be coming back.

One of the questions that I had is that you talk about replication as being doubtful in terms of some of these projects. Despite the success, you say that replication is doubtful.

Why is that? Because of innate characteristics, or what?

Mr. GREEN. Well, I didn't want to leave that impression that I said replication was doubtful. It was within the scale and the time frame with which we do the replication.

My job before I came into the Department as Assistant Secretary was to participate in a demonstration project attempting to improve job opportunities for blacks and other nonwhite youth in the apprenticeship program. That began on a demonstration basis, and from that it grew into a national program.

I think that we need to examine the base information and limited examples that are, and would be, available to determine what items would be transferable to a national scale program. That is really what I am advocating.

Mr. VENTO. I think that that is a good point, because, you know, if this bill provides \$40 million and there is no transferability between, you know, these systems or the way it is used, then it means that we ultimately could be depended upon to fund, you know, all of them. So I think that is why we call in experts. I think there has to be some replication possible, myself. I think that our emphasis should be to identify those that offer the greatest cost-benefit for the dollars that we spend.

The other aspect dealt with, you know, we are talking about focusing on, in this case, the example that Mr. Harman gave, an automobile plant. I guess the scale of that was large enough to justify the type of investment, obviously, that you made. But some of the examples that you've had—you used, for example, the State of Maryland has a program; I believe the State of New York, Jamestown, the entire community was involved.

And when I looked at it, is that the proper focus that we have? You know, Mr. Harman, in that sense yours did not apply to the entire community, did it?

Mr. HARMAN. It didn't begin that way. The entire community has kind of moved toward it as a consequence of what has happened. Those people who work in that plant live in that community. There is simply no way that a program of that kind, once it gathers momentum, can be contained by the walls of the plant. It breaks right through into the community.

Mr. VENTO. Well, I understand that. But I think that many of the others, many programs start with the entire community and all the different problems, points of emphasis, and so forth and so on. Mr. Lundine's efforts in Jamestown went in that direction.

The other aspect that I think has to be examined carefully is, where for instance, the decisions and the problems that relate to the contract, if there is a contract. And that goes both ways in terms of business contracts, labor contracts, and where they relate to regulations or other types of problems that develop.

How often did that occur, and actually start changes flowing, or did it?

Mr. HARMAN. I do hope I am going to be responsive to your question.

One of the things you can simply depend on is that a professional labor union is going to guard jealously its role in the collective bargaining process—and, indeed, it should. There were circumstances

where we were looking at gray areas: Is this part of the collective bargaining process? Was it part of this new thrust?

Any time there was uncertainty as to where it belonged, we were happy to say, "Let it be in the bargaining; let it be in the collective bargaining process." But if the Chair will permit, I would like to just extend my answer to that for another minute or two.

Mr. LUNDINE [presiding]. Sure.

Mr. HARMAN. I made a comment in my testimony to the effect that we had renegotiated an expiring contract some 3 months or 4 months before it expired. That would have been impossible in the days prior to the real growth and development of this program. And I don't think I can say anything more important at this session than what I am about to say: That program generated through the years a spirit of genuine trust between the management and the union. Had we 4 years ago approached the union and suggested early negotiation, they would have told us "Forget it; not a chance."

I am certain there have been many studies conducted by Government and other parties dealing with the cost and waste that has been generated as a consequence of negotiating situations that ended in strike. I am unaware of any study that has ever been conducted by anybody about the costs generated by negotiation situations that did not end in strike.

And yet you must be aware of the remarkable kind of charade that is frequently practiced; the terrible sense of tension that generates inside a factory; the distraction of the workers from their work; the rumors about how the negotiation is going; ultimately, in many industries the requirements to build an inventory to satisfy the needs of the customers in the event that a strike takes place; and I could go on at some length developing this. And then finally, perhaps 3 or 4 days after the contract has expired, these dog-tired people come to a conclusion.

All that time, that inventory built on overtime and that terrible cost because the plant is ripped with concern about how the negotiation is going; now you have got the inventory, what do you do with it? Now layoffs.

Multiply the kind of example I have just offered, which is much more familiar than the example of a situation that terminates in a strike and walkout. Multiply that by the thousands of such situations that take place in this country every year and calculate—if I may use that kind of formulation—the incalculable costs, the waste that is involved, and consider that against the cost of development of a program that would generate a new set of operating relationships between labor and management.

The underlying material in this bill is the stuff that speaks to that possibility.

Mr. VENTO. You are talking about something that can impact on that process, not necessarily replace it?

Mr. HARMAN. Oh, absolutely. I am saying that process is right and good and healthy and can be healthier. One does not have to go through the kind of mad scenario that we exercise ourselves over every 3 or 4 years, or 2 years, in this country, time and time again.

And that doesn't in any sense diminish the critical role of the negotiating party.

Mr. VENTO. Thank you. I have to leave.

Mr. LUNDINE. I know you do, and so do I.

Before you leave, I just want to make one comment, that I wholeheartedly want to agree with the comments made in Under Secretary Harman's testimony, to the extent that what I understand is being proposed here is not one model which would be uniformly applied in every situation. And I—frankly, every time I hear the word "replicability," it's like the chalk on the blackboard to me, because I hope that nobody leaves with the idea that anybody is advocating anything other than local initiatives, perhaps based on common principles.

Would you like to comment on that?

Mr. HARMAN. Yes. I liked it.

Mr. LUNDINE. I'm going to have to recess, and Mr. Moorhead will be back—that's why we split this up—just for a few more minutes, a few more questions, if you will indulge us. He should be back momentarily, and he will start as soon as he returns.

The subcommittee will be in recess.

[Brief recess.]

Mr. MOORHEAD [presiding]. In the interest of expediting things, we are resuming the hearings. Mr. Lundine will be back to ask additional questions.

I have a few questions to ask both of you.

The first, for you, Mr. Harman. Is the reduction of EDA technical assistance funds seriously hampering efforts of that agency to breathe life into the overall productivity and quality of working life?

Is the Department of Commerce reconsidering that decision? And, if not, what is the future contemplated by the Department for this technical assistance program?

Mr. HARMAN. Well, that technical assistance program is a very important function in the Department. The Department has requested the restoration of the reduction. And, though it is not my place to determine whether that restoration will occur, I am certainly hopeful that it will.

Mr. MOORHEAD. Does Labor have any funds to supplement and work with Commerce in this area?

Mr. GREEN. Well, as we mentioned, Mr. Chairman, funds from the Secretary's discretionary funds would be available for this kind of activity.

Mr. MOORHEAD. Do you know whether or not the Secretary has any plans to use that discretionary fund in this area?

Mr. GREEN. Yes, as I outlined in the testimony, we are ready to commit up to the amount of \$5 million to proceed beyond our ongoing research programs in this area, into demonstration activity.

Mr. MOORHEAD. Let's turn specifically to the bill before us.

Are the financial incentives in H.R. 2596 appropriate to the purpose of the legislation?

And, if not, what are your suggestions?

Mr. HARMAN. Mr. Moorhead, I would really prefer not to, if I may, deal with the specifics of that legislation. And I would simply observe that I would hope that whatever legislation, in the wisdom of the Congress, emerges will not be cast in terms of incentives; that is, it would not be cast in terms that provide money as incentives to do this, but that the funds will be more structural in purpose.

I think that the incentive to move in this direction has to come from an understanding of the possibilities and of its opportunities, and I would hope that in no way would funds be used for either the purpose of purchasing that interest or in any way that might be perceived as such.

Mr. MOORHEAD. Do you have any comment?

Mr. GREEN. No, I have no comment.

Mr. MOORHEAD. It seems to me that one of the jobs that we have is, quite frankly, what I call a selling job to convince both management and labor that increased productivity enhances the opportunity, the financial reward, of both business and labor.

Would you two gentlemen agree with me on that?

Mr. GREEN. I would concur with that wholeheartedly. I feel that one of the ways to sell these ideas is to be able to come back with more examples, obviously, to convince the parties that this is a viable process to proceed on.

Mr. MOORHEAD. Yes.

Now, it seems that much has been accomplished abroad regarding productivity and Government policy to promote productivity. And we haven't done that as much, with a few notable exceptions, in the United States.

In your judgment, both of you, what are the major restraints in the United States that would keep us from following the example of some of our friends abroad?

Mr. HARMAN. Well, I did not respond to your previous question, Mr. Chairman. I would like to.

I know this is not likely to be the most popular observation, but programs that sell productivity run into all kinds of trouble. Programs that sell humanness as a disguise for productivity run into all kinds of trouble. Programs that generate real, mutual trust on the part of labor and management eventually produce rather remarkable consequences, which is a by-product, it is my own conviction, result in increased productivity.

I have found very little in what Mr. Green has said today that I disagree with. But I do think he and I have a modest disagreement on one subject. I think there is good evidence, substantial evidence, and substantial study of the evidence already available to us to demonstrate or to indicate, rather, that this material, this approach, this process works.

And, therefore, although I would be happy to participate in any way in the stimulation of additional such projects, I would be a little uncomfortable if we found ourselves moving rather to doing another study. But what I am emphasizing is that I think the time is ripe to move to the stimulation of additional programs, as opposed to moving toward a study of what has been done. That work is well before us.

Mr. MOORHEAD. Mr. Harman, are you now in a position to express the support of the Department of Commerce in favor, let us say, of the objectives of this legislation?

Mr. HARMAN. Indeed I am and have always been.

Mr. MOORHEAD. So you now are testifying that the Department of Commerce supports at least the objectives—I am not asking you about the details of the legislation; we will have to work that out in markup.

Mr. HARMAN. Its purposes, its spirit, its basic objectives, we very eagerly support.

Mr. MOORHEAD. Let me suspend off the record for a second.

[Discussion off the record.]

Mr. MOORHEAD. I will yield the Chair to you, Mr. Lundine, because I have to go.

I want to express my appreciation of the witnesses.

I don't think he is going to keep you very much longer.

Mr. LUNDINE. You may be sure that I cannot.

Mr. Chairman, I ask unanimous consent that a letter from the United States Conference of Mayors be entered into the record of these hearings.

Mr. MOOREHEAD. Without objection, so ordered.

[The letter referred to may be found at the end of the proceeding of this day.]

Mr. LUNDINE [presiding]. Mr. Green, let me ask are you suggesting that a lot of evaluation of the fundamental concept of labor-management cooperation needs to be done and that studies need to be conducted extensively, or are you suggesting that action research needs to be done? In other words—

Mr. GREEN. I view it in its applied sense not detached research, obviously. The Secretary's concern was that we look at more actual examples that we were willing to help finance, and these would be, as we characterized it, demonstration projects in that sense. We would certainly expand the range of such projects to look to other localities, to experiment with variations to determine what are the transferability and the applicable items. They go from item to item depending upon size, characteristics, and so forth, and the impact of various labor-management agreements, types of bargaining agreements, characteristics of those agents representing the workers.

Mr. LUNDINE. And once we have demonstrated, you would agree that there is necessity to develop and to encourage the development of these principles or concepts?

Mr. GREEN. Clearly; as I attempted to outline in my comments, we in the Labor Department are in favor of the principles. I believe it is something we should support. But I put my words into the context where we saw ourselves proceeding forward at the immediate time.

Mr. LUNDINE. And from your background, I think I know the answer, but you certainly recognize the need for different local initiatives in different places?

Mr. GREEN. Undoubtedly.

Mr. LUNDINE. I want to make a comment.

You made the point that there should be some time limitation on projects. I couldn't agree more. There has to come a time, if the Federal Government is involved financially, when the project becomes self-sustaining. I wonder if you wouldn't agree with my conclusion, however, that it is not at all certain when that time is.

In other words, you are not suggesting that a 2-year funding limitation will be placed on projects, but you are just advising that we must be cognizant that there is a time when they have to stand on their own.

Mr. GREEN. That is correct.

Mr. LUNDINE. I would like to ask you—it will only take another couple of minutes—about your comments on the Council.

I realize that we have a lot of advisory bodies and I am sympathetic to President Carter's attitudes about that. But how can we tell people that they ought to have a participatory kind of experience at the local level if we are not willing to listen to the advice and counsel of people involved in this kind of an initiative?

Mr. GREEN. I think the principle is, obviously, one that we have to have throughout all facets of our life in America. It is a point that we have in this Government an abundance of advisory bodies. As you know, as I mentioned in the testimony, the President has spoken on this.

Obviously, if the intent of the subcommittee and of the House is to go forward with that, we and the administration will carry it out. But I simply put that forward as the administration's concern on advisory bodies in general.

Mr. LUNDINE. I would rather submit in writing to you a couple of questions about your discretionary suggestion of using CETA funds so that we don't have to go into that today.

Finally, I would like to ask you, because of your tremendously impressive experience, about the employment security part of the demonstration section of this bill. This section has not received the attention today that it will when we have other testimony addressed specifically to this aspect.

Is it your judgment that even though income is secure, people are really distressed when they are out of work?

In other words, even if a person were to get nearly 100 percent of his wages in unemployment compensation, isn't it your position that people really are asking for the opportunity to have a quality working existence?

Mr. GREEN. It is our experience that that is true, yes. And in addition to that, my personal experience is that I have found the overwhelming majority of individuals would much rather be involved in work than receiving income, almost to any degree. I mean, it is the self-satisfaction, the individual's feeling of belonging, of participating is what I think we all strive for in this system.

Mr. LUNDINE. So if we can find a way whereby the Federal Government would be investing in getting people back to work in a quality working life situation, that would be an objective we would share in common.

Mr. GREEN. I support that.

[Pause.]

Mr. LUNDINE. I have no further questions.

I want to thank you gentlemen very much. The spirit of cooperation between your Departments here today has been outstanding, as has been the quality of your testimony.

Thank you.

[The letter from the United States Conference of Mayors, referred to by Chairman Moorhead, along with an attached statement of the conference in support of H.R. 2596, follows:]

UNITED STATES CONFERENCE OF MAYORS,
Washington, D.C., March 30, 1977.

HON. WILLIAM S. MOORHEAD,
*Chairman, Subcommittee on Economic Stabilization, Committee on Banking,
Finance and Urban Affairs, U.S. House of Representatives, Washington,
D.C.*

DEAR CHAIRMAN MOORHEAD: Please find attached a statement by the United States Conference of Mayors in support of H.R. 2596, The Human Resources Development Act of 1977.

The Conference of Mayors is extremely interested in this bill because of its potential impact on public sector employees and urban economic development progress. Experiments such as those outlined in H.R. 2596 have been successfully conducted in many cities in both the public sector and in economic development. We have followed these activities with great interest and have received numerous inquiries regarding the programs in Jamestown and other communities. Given the expressions of interest we have received, the Conference of Mayors has itself begun work on a project to demonstrate a human resources approach to economic development in a number of test cities. These demonstrations will be geared toward larger cities and aimed at raising the productivity levels of urban workers in order to improve their ability to compete for private capital investment.

My own city of Newark is about to embark on an extremely innovative program to apply quality of work principles to the organization of a new business venture in the word processing field. This project and others like it are needed to fully explore the potential of these concepts in neighborhood development and industrial retention. It is my hope that H.R. 2596 will provide the resources for such experiments and raise the priority of human capital development in national as well as urban economic programs.

Thank you for the opportunity to have this statement entered into the record.

Sincerely,

Kenneth A. Gibson,
President.

STATEMENT OF THE UNITED STATES CONFERENCE OF MAYORS ON THE HUMAN
RESOURCES DEVELOPMENT ACT OF 1977—H.R. 2596

The United States Conference of Mayors wishes to express its support for the Human Resources Development Act of 1977, H.R. 2596. The support of the Conference of Mayors for this bill rests upon two critical factors. The first and most obvious is the opportunity that would be made available under Section 3 for units of local government to undertake innovative projects aimed at improving the productivity, quality of working life and job security of public employees through labor-management cooperation.

The needs in city government for improved productivity are enormous if high levels of municipal services and improved wages and working conditions for public employees are to be sustained by a reasonable level of local taxation. Experimentation with new forms of management and organization hold tremendous potential for increasing the capacity of city governments to adapt to the changing urban environment and the increasing variety of services cities are being called upon to perform. More efficient city services that can be provided through a dynamic relationship between labor and management is a critical objective which the Human Resources Development Act of 1977 can help to accomplish. These kinds of efforts are now being undertaken in such diverse cities as Milwaukee, Cincinnati, Columbus and Springfield, Ohio and New York City.

The second factor which underlies Conference of Mayors support for this bill is the opportunity for local governments and private sector labor and management groups to embark on a cooperative human resources development approach to urban economic development. As Congressman Lundine has so dramatically demonstrated during his tenure as Mayor of Jamestown, the potential benefits of this emerging field of endeavor for urban areas are substantial. The U.S. Conference of Mayors has followed the progress in Jamestown carefully and has received numerous inquiries from cities regarding then-Mayor Lundine's initiatives. In his role as Mayor, Congressman Lundine and the consultants from Jamestown participated in a number of U.S. Conference of Mayors meetings and activities designed to make cities more aware of the human resources approach to development activities. It is hoped that H.R. 2596 will go a long

way toward enabling local governments in large as well as small cities to further experiment in adapting this approach to their urban economic development needs. Some of the areas where this potential exists lie in improving the labor-management climate in cities, redesigning work and supervision patterns to increase the employability and productivity of unemployed city residents, strengthening neighborhood development programs and community organization processes and offering a potential vehicle for greater labor and management participation in planning and implementing urban development programs.

The results of incorporating a labor-management approach to economic development in Jamestown have been extremely promising. Unemployment was reduced from 10.2% in 1972 to a point today where the possibility of labor shortages in certain skills are foreseen. A major new employer, Cummins Engine, has been attracted into the City and several existing employers who had planned to move or expand elsewhere have decided to stay and invest in the City. The strong focus of the labor-management approach on job retention has also been successfully demonstrated in Muskegon, Michigan where the Sealed Power Corporation had planned to close its plant which employed over 1400 workers. Not only was the plant saved through a cooperative community-wide labor-management process, but Sealed Power decided to make a \$5 million modernization investment and is now closing a plant in Belgium and moving many of its operations back to Muskegon. It is also constructing an office building along the Muskegon lake-front. The City of Buffalo is also undertaking a labor-management program and committees have been operating in communities such as Evansville and South Bend, Indiana, Pittsburgh, Youngstown, Ohio, Lock Haven, Pennsylvania and others. A community organization and labor-management program in Lock Haven succeeded in saving that town's only major employer, Piper Aircraft and thus prevented an economic catastrophe.

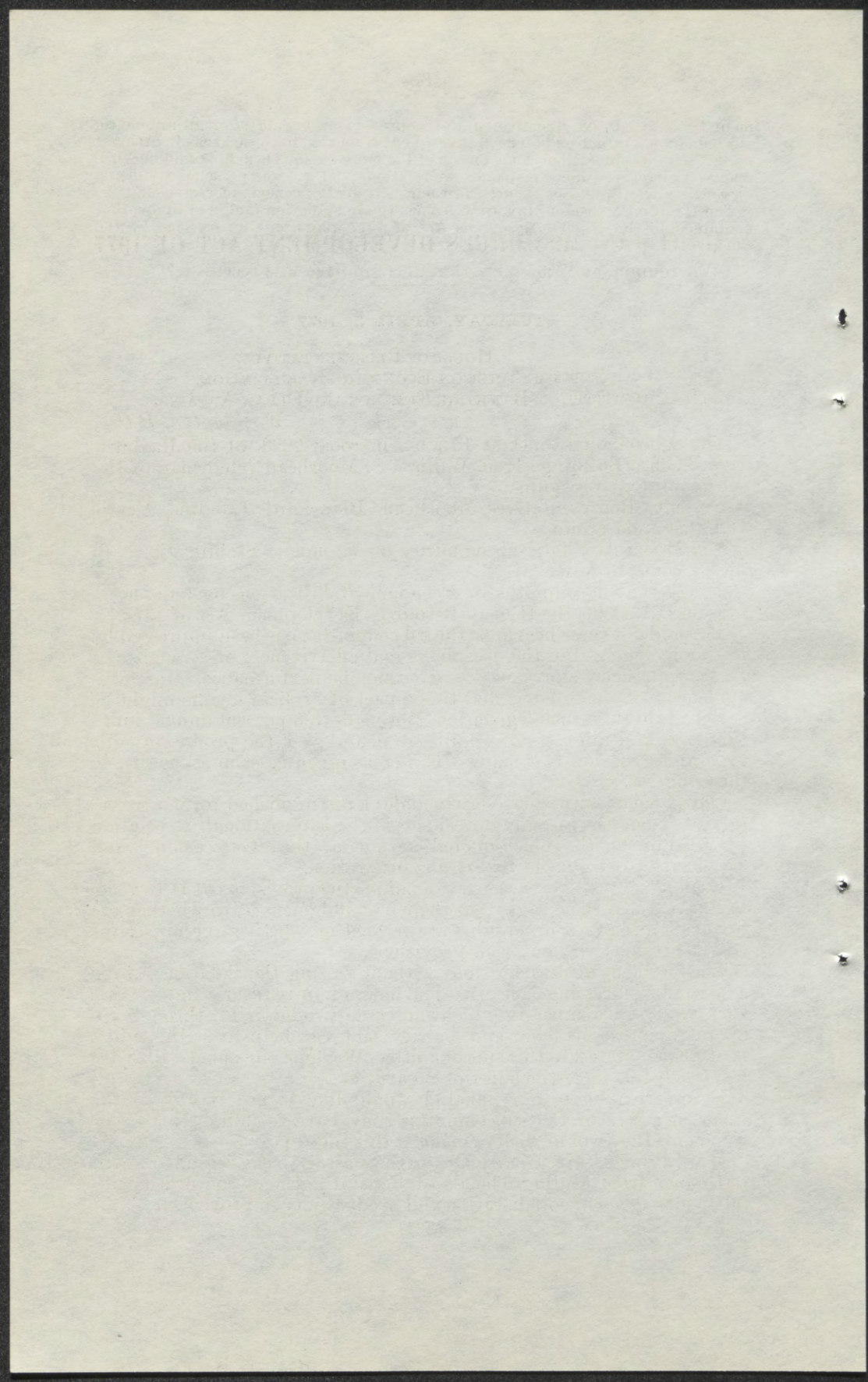
The City of Newark, New Jersey is also about to undertake a ground-breaking project to organize a neighborhood business venture aimed at retaining clerical employment in the City. Using the principles of community organization and participatory management structures demonstrated in Jamestown, a word processing business will be developed. The premise for this business is to combine highly sophisticated word processing technology with a quality of work life approach in order to raise the productivity levels of local neighborhood residents. The business will operate similarly to a computer time-sharing system and serve the major insurance industry in the city. By using these techniques to raise productivity levels it is anticipated that the new enterprise will be able to successfully compete for clerical work and stem the outflow of jobs to suburban areas. Similar experiments in combining behavioral science with advanced and intermediate technologies could raise productivity levels of unemployed city residents in other industries as well and serve as the nucleus for bringing jobs back in city neighborhoods. These initiatives have sparked significant interest in cities across the country and the Conference of Mayors is certain that many more such experiments will be undertaken as a result of H.R. 2596. Interest in this field has reached the stage that the U.S. Conference of Mayors, in cooperation with the University of Pennsylvania, Wharton School of Finance and Commerce, is planning a demonstration project to further adapt the innovative process begun in Jamestown to other communities. While in the formative stages this project will be geared to helping larger cities apply the principles of labor-management cooperation and community participation to their neighborhood development and to revitalizing their aging industrial sectors. The Conference of Mayors will also be co-sponsoring a meeting with the Federal Mediation and Conciliation Service in Los Angeles this summer. The subject of the meeting will be Economic Development through labor-management cooperation.

A further feature of H.R. 2596 which holds tremendous opportunity for local governments as employers and urban economic development in general falls within the sections related to demonstration projects aimed at promoting job stability during periods of economic downturn. Allowing employees who would otherwise be laid off and collecting unemployment compensation to maintain their labor force attachment by working on projects involving improved design of the work place or by receiving skill upgrading would enable transfer payments to be converted directly into investments in human and physical capital. Since older urban areas tend to have the greatest propensity toward public sector lay-offs and contain industrial facilities that are often marginal and are therefore most prone to workforce reductions, the ability to channel unemploy-

ment benefits into constructive capital improvements would offer an automatic mechanism for targeting potential investment resources to those areas in greatest need. These considerations come on top of the more obvious benefits of higher productivity, improved labor-management relations and greater personal wellbeing of workers who would be secured in their jobs during periods of recession.

The U.S. Conference of Mayors welcomes the imagination and bold innovation contained in the Human Resources Act of 1977 and urges its passage by the Congress.

[Whereupon, at 12:05 p.m., the subcommittee was recessed.]



THE HUMAN RESOURCES DEVELOPMENT ACT OF 1977

TUESDAY, APRIL 5, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC STABILIZATION
OF THE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 2220, of the Rayburn House Office Building; Hon. William S. Moorhead (chairman of the subcommittee) presiding.

Present: Representatives Moorhead, Blanchard, Lundine, Vento, LaFalce, and Caputo.

Mr. MOORHEAD. The subcommittee on Economic Stabilization will please come to order.

Today, the Subcommittee on Economic Stabilization concludes hearings on H.R. 2596, the Human Resources Development Act of 1977.

Throughout these hearings, the subcommittee has been impressed by testimony suggesting the usefulness and effectiveness of a number of fresh approaches for improving economic performance. Moreover, evidence has been offered that the impact of cyclical layoffs might be softened through such legislation. With a 5- to 6-percent annual inflation rate, and in excess of 7 million unemployed, the promise of this type of legislation is a matter of increasing interest and concern to the Congress.

Our panel of witnesses today include: a distinguished former Secretary of Labor, the incoming president of the International Association of Machinists, the much-quoted author of the "Gamesman," and executives from a large American corporation.

Each panelist has been asked to examine the provisions of H.R. 2596. We have asked them to give us their best judgment as to whether the financial incentives it contains are needed or whether the objectives can be attained without such provisions.

The problem of creating jobs without raising the inflation rate is a matter of pressing concern of a new administration and of this Congress. The manner in which increased productivity, through cooperative efforts of labor and management, can help focus this effort is of prime interest to this subcommittee. We hope our panel will spare us no helpful suggestions in this regard.

Before turning to our panel, I would like to ask if any of the other members of the subcommittee may have opening remarks or comments they would wish to make at this time?

Mr. LUNDINE. Mr. Chairman, in the past 2 weeks we have heard testimony from leading officials of Federal agencies concerned with labor-management collaboration and productivity improvement.

We have also heard from representatives of municipal and State governments engaged in quality of working life projects. Their testimony has underscored the need for a national commitment to heighten the economic performance and the quality of working life through labor-management collaborative programs.

Today I am very pleased to have with us Bill Winpisinger, the president-elect of the Machinists Union; Michael Maccoby, as you pointed out, a distinguished author and consultant to one of the pioneering quality of working life projects in America; Mr. Edelman, who is a businessman and is at the cutting edge of job security in his plants in New Jersey, and Mr. Wirtz, the distinguished former Secretary of Labor with us.

I also understand that Mr. Mertz, of the Heinz Co., will submit a statement.

Since the introduction of the Human Resources Development Act in January, I have received scores of letters from labor leaders, businessmen, economists, academicians, and professional mediators throughout the country regarding the bill and expressing the need for local efforts to enhance job satisfaction and productivity through labor-management collaboration.

I request permission to introduce into the appendix of our hearings copies of some of this correspondence, in particular letters from Irving Bluestone, vice president of the United Auto Workers; Robert A. Georgine, head of the Building Trades Council; Betty Southard Murphy, Chairman of the National Labor Relations Board; Robert Holland, of the Committee for Economic Development; Richard Allison, plant manager, Cummins Engine Co. plant at Lakewood, N.Y.; Donald C. Burnham, director of the Westinghouse Corp.; Lester Thurow, Professor of Economics at M.I.T.; Al Marnati, president, Local Union 2869 of the United Steel Workers in Fontana, Calif.; John Carmichael, executive secretary of the Newspaper Guild of the Twin Cities, Minn.; and Francis Cornelius, program coordinator of Clinton County, Pa., Labor-Management Committee.

I also ask permission to include in the appendix of the hearings excerpts of testimony before the House Budget Committee this March, by Carolyn Shaw Bell, professor of economics at Wellesley College.

Mr. MOORHEAD. Without objection your requests will be granted.

[The material referred to will be found in an appendix to the hearings.]

Mr. MOORHEAD. We have such a distinguished panel today that I will call on you in alphabetical order. I suggest we hear from each of the members of the panel before we proceed with questioning.

Mr. Wirtz has advised us he will be here by 11 a.m. We may commence the questioning and then resume with former Secretary Wirtz at that time. We will start with Jules Edelman.

STATEMENT OF JULES EDELMAN, VICE PRESIDENT, GREATER NEW YORK BOX CO., INC., CLIFTON, N.J.

Mr. EDELMAN. Thank you, Mr. Chairman. Thank you for the opportunity to testify before the group.

I have a prepared statement and I would like it included in total in the record.

Mr. MOORHEAD. The full statement will be made part of the record and we appreciate your summarizing the statement.

Mr. EDELMAN. I am Jules Edelman, executive vice president of the Greater New York Box Co. of Clifton, N.J.

The corrugated box industry is often referred to as a business barometer that can accurately forecast general economic fluctuations.

The published statistics on the demand for our products as reported by the Fibre Box Association, a prestigious, nationally recognized trade association which includes most of the box firms, large and small, across the country, indicates that year to date industry shipments are only 1.6 percent ahead of 1976 as compared to the industry's normal growth rate of approximately 5 percent.

The lackluster increase of only 1.6 percent concerns me deeply, as it should all of us.

This serious dropoff in demand in late 1974 and in 1975 forced us to reduce the number of production workers in our employment substantially. Traditionally, between December and April of each year we lay off a number of employees because of a seasonal letdown, but the layoff in early 1975 was substantially greater than the usual seasonal layoffs.

Frankly, this traditional layoff of production employees has always disturbed me from a very practical and realistic business viewpoint. We found that historically when that time of the seasonal cycle arrived for seasonal layoffs, there was a tendency on the part of the employees to slack off, to reduce their productivity, to pay less attention to quality standards, and to be less concerned about routine preventive maintenance responsibilities for the machinery and equipment.

We found that these costs really become a major factor in our business and took away from our profits. We have found traditionally that when costs go up, prices go up, and when prices go up inflation increases.

We also know that as unemployment increases, there is less buying power which means less buying demand, which in turn, creates a serious problem for our company, as it will for any manufacturer of products.

We think that the key to reducing unemployment, and to reducing inflation, is to keep workers employed and performing constructive and productive jobs.

In the past we could attempt to reduce manufacturing costs by purchasing newer and the latest designed capital equipment. But the cost of machinery today has become so very expensive as to make any sizable purchase almost prohibitive for the average firm. Our estimates show that it is now more profitable to invest our money in human resources than in capital equipment.

In late 1976 when our demand began to peak and we began to think about laying off some of our workers, we decided to take a good hard look at what we had done about this in the past and see if there were other solutions to the traditional layoff problem, worker inefficiency in the face of impending layoffs, and the fantastic capital equipment costs we would have to consider if we were to replace the labor force.

Frankly, we couldn't disregard the fact that we were going to have a seasonal drop in demand and that we wouldn't require the services of all our employees. Our projections indicated that we might possibly

do without 10 employees which would save us about \$30,000 for the 3-month cyclical layoff period.

We discussed our objectives with Mr. Sidney Rubenstein, president of Participative Systems, Inc., who has worked on quality control and increased productivity projects for us in the past years. Mr. Rubenstein described a program, which he termed "participative problem solving," that seemed a realistic way to cut down on cyclical unemployment layoffs, to increase productivity, and to reduce costs in manufacturing industries.

Very briefly, Mr. Rubenstein's program calls for workers in industries experiencing seasonal, and/or lessening market demand to spend part of their normal working hours solving problems that hamper productivity in their plants.

For example, suppose that decreased demand for a certain product forces its manufacturer to curtail production by 5 percent of the company's production forces, as traditional management methods dictate. Mr. Rubenstein's program would use 5 percent of all workers' time for training and problem-solving activity. The training in the skills and thinking patterns that aid creative problem solving would take place during working hours, and employees would receive compensation for the training equal to their normal wage rates.

They would become a think tank looking into basic, practical problems involved in the manufacturing process and come up with practical solutions which would increase productivity, decrease costs, and permit the firm to market its products at a lower competitive price, thus enhancing its profits.

At the time we discussed the program with our employees, last November, our management was not, frankly, committed enough to the participative problem-solving program to implement the formal problem-solving training course that Mr. Rubenstein recommended.

What we did was assure our workers that we would not have our traditional layoffs this year. In return, we asked for their cooperation in recouping the moneys being paid in excess payroll by attempting to reduce costs in every aspect of our operation, to improve our product, to stimulate increased market demand, and to increase productivity.

We explained that should any positive and tangible results develop from any of their suggestions and recommendations that we would consider the program a success and invest further into it, meaning that we could possibly eliminate, for all practical purposes, any seasonal layoffs due to the cyclical nature of our business.

In the short period we have been involved in the program we have already seen encouraging results, the most significant one occurring as early as early December when our production workers energetically encouraged management to enter into a comparatively new development in the corrugated box industry; namely, the laminating of pre-printed four- and five- and six-color litho labels to the regular brown kraft colored boxes, making the box not just a container to ship products in, but a traveling advertising billboard.

For some time, we have been considering entering this market but were reluctant to do so because we were concerned that our workers

did not have the creative ability nor the concern to produce a quality product at a competitive cost. Our employees, with the encouragement from their labor union, presented a very good case to management, and we decided to proceed with the new operation.

The results have been very, very rewarding, not only in that one particular venture, but we found that overall the attitude in the plant has become more positive and the people recognize that this is a joint cooperative operation. And frankly, we have found that in every other aspect of cost, our costs have been reduced.

Frankly, an additional plus is our customer reaction to the innovative packaging product. Several of our customers who converted some of their brown kraft boxes to the litho-laminated packaging have already experienced increased demand of their products which in turn has increased their demand for our product.

We project that our sales shipments will increase by a minimum of 8 to 10 percent over 1976 due to the litho-laminating involvement alone.

The positive results from our experience with even this limited form of participative problem solving has led our management to commit our firm to participate in a demonstration program being sponsored by the U.S. Department of Commerce and the New Jersey State Department of Labor and Industry.

The program is designed to use 30 workers in a training program to be developed to demonstrate the use of employees in problem solving and thereby prevent increased unemployment.

The program will involve management, labor union officials, and workers in reviewing the conditions which result in industrial slow-downs, loss of productivity, higher costs, and increased inflation.

Frankly, the decision on the part of management to join in the program was far from unanimous. Some of our executives are not convinced that we should invest in this field of human resource management.

However, because others of us are so personally convinced that unless new approaches are discovered to attack the problems confronting us on the economic as well as social scene, we will continue to slide backwards instead of moving ahead with spirit and confidence into the next century.

It is obvious that participative problem solving is not a foolproof concept, but it is a valuable tool of human resource management, a field critical to the country's economic growth today.

Given the economic conditions many manufacturing industries are experiencing, the goals of our free enterprise system, and the traditional managerial resistance to innovative programs such as this, I cannot overemphasize the need for Federal financing to help set up participative problem solving and related human resource management programs in factories throughout the United States.

H.R. 2596 is a highly commendable effort in this direction, and I urge you to strongly recommend its passage.

Thank you.

[The prepared statement of Mr. Edelman, on behalf of the Greater New York Box Co., Inc., Clifton, N.J., follows:]

PREPARED STATEMENT OF JULES EDELMAN, VICE PRESIDENT, GREATER NEW YORK
BOX CO., INC., CLIFTON, N.J.

My name is Jules Edelman. I am the Executive Vice-President of the Greater New York Box Co., Inc. of Clifton, New Jersey. It is a family owned business manufacturing corrugated shipping container and allied corrugated paper products. I wish to thank the members of this subcommittee of the House Banking, Finance, and Urban Affairs Committee for the opportunity to testify concerning H.R. 2596, the Human Resources Development Act of 1977.

The Corrugated Box Industry is often referred to by financial forecasters as a kind of business barometer that fairly accurately forecasts general economic fluctuations. When the demand for our products is strong it is a good indication that business will be good; unemployment will be on the decline. When the demand lessens the opposite results usually take place, business loses, productivity decreases and unemployment increases. The published statistics on the demand for our products as reported by the Fibre Box Association, a prestigious, nationally recognized trade association which includes most of the box firms, large and small, across the country, indicates that year to date Industry shipments are only 1.6% ahead of 1976 as compared to the Industry's normal growth rate of approx. 5%. Frankly, this lackluster increase of only 1.6% concerns me deeply. If the demand rate does not accelerate, we will surely be facing increasing unemployment, decreased productivity and higher inflationary costs.

In 1972 the Industry experienced a slight incline of demand over 1971. The improvement accelerated in 1973 and continued strongly into 1974. Year end 1974 started to show a decline and in 1975 we had a major decrease in demand. Our companies shipments in 1975 decreased by approx. 20% from 1974. In 1976 we showed a 5% improvement over 1975 but still 15% below 1974.

This serious drop-off in demand in late 1974 and in 1975 forced us to reduce the number of production workers in our employment substantially. Between December 1974 and April 1975 we found it necessary to lay off 40 employees from a force of 144. Approximately 30% decrease in the number of employees. Between December 1975 and April of 1976 we laid off temporarily an additional 10 employees, but this lay-off was not unusual because we reach our business peak in October and early November each year usually, and we have traditionally laid off some of our employees in late November or very early December, as I'm sure many other plants and many other industries that experience cyclical market demands do.

Frankly, this traditional lay-off of production employees has always disturbed me from a very practical and realistic business viewpoint. It stands to reason that when that time of the business cycle arrives for seasonal lay-offs it is only natural for the employees to slack off; to reduce their productivity; to pay less attention to quality standards; to be less concerned about routine preventive maintenance responsibilities for the machinery and equipment. Each of these loss factors has a direct impact upon cost of manufacturing and we all know that increased costs reflect themselves into increased prices to the customer. And increased prices usually mean increased inflation. Conversely, lower costs of manufacture usually translate into lower prices to the customers and lower prices usually bring increased demand which in turn requires increased productivity to meet the demand, thus the need for greater productivity brings with it increased employment. As employment increases so does the purchasing power of the public which in turn means increased demand for goods. A worker receiving an unemployment or relief check rather than a pay check is a much less valuable stimulant to a good economy. So it is to a business man's direct interest to keep employment up and unemployment and relief rolls at the minimum.

The key to reducing unemployment, to reducing inflation is to keep workers employed and performing constructive and productive jobs. By increasing production per man hour, lower costs will result which can be translated into lower selling prices but at increased sales volume. Increased sales with corresponding lower costs will reflect an improved profit picture and profit is the name of the game in the business world.

In the past we could attempt to reduce manufacturing costs by purchasing newer and the latest designed capital equipment. But the cost of machinery today has become so very expensive as to make any sizeable purchase almost prohibitive for the average firm. Our estimates show that it is now more profitable to invest our money in human resources than in capital equipment.

In late 1976 when our demand began to peak and we began to think about laying off some of our workers, I decided to take a good hard look at what we had done about this in the past and see if there were other solutions to the traditional lay-off problem, worker inefficiency in the face of impending lay-offs, and the fantastic capital equipment costs we would have to consider if we were to replace the labor force. Frankly, I couldn't disregard the fact that we were going to have a seasonal drop in demand and that we wouldn't require the services of all our employees. Our projections indicated that we might possibly do without 10 employees which would save us about \$30,000.00 for the three month cyclical lay-off period.

I discussed my objectives with Mr. Sidney Rubenstein, president of Participative Systems, Inc., who has worked on quality control and increased productivity projects for us in the past years. Mr. Rubenstein described a program, which he termed "participative problem solving," that seemed a realistic way to cut down on cyclical unemployment lay-offs, to increase productivity, and to reduce costs in manufacturing industries.

Very briefly, Mr. Rubenstein's program calls for workers in industries experiencing seasonal, and/or lessening market demand to spend part of their normal working hours solving problems that hamper productivity in their plants. For example, suppose that decreased demand for a certain product forces its manufacturer to curtail production by five per cent of the company's production force, as traditional management methods dictate, Mr. Rubenstein's program would use five per cent of all workers' time for training and problem solving activity. The training in the skills and thinking patterns that aid creative problem solving would take place during working hours, and employees would receive compensation for the training equal to their normal wage rates. They would become a think tank looking into basic, practical problems involved in the manufacturing process and come up with practical solutions which would increase productivity, decrease costs and permit the firm to market its products at a lower competitive price, thus enhancing its profits.

At the time we discussed the program with our employees, last November, our management was not frankly committed enough to the "participative problem" solving program to implement the formal problem-solving training course that Mr. Rubenstein recommended. What we did was assure our workers that we would not have our traditional lay-offs this year. In return we asked for their cooperation in recouping the moneys being paid in excess payroll by attempting to reduce costs in every aspect of our operation, to improve our product, to stimulate increased market demand and to increase productivity. We explained that should any positive and tangible results develop from any of their suggestions and recommendations that we would consider the program a success and invest further into it meaning that we could possibly eliminate, for all practical purposes, any seasonal lay-offs due to the cyclical nature of our business.

In the short period we have been involved in the program we have already seen encouraging results. The most significant one occurring as early as early December when our production workers energetically encouraged management to enter into a comparatively new development in the corrugated box industry; namely, the laminating of pre-printed 4 and 5 and 6 color litho labels to the regular brown kraft colored boxes making the box not just a container to ship products in but a traveling advertising billboard.

For some time we have been considering entering this market but were reluctant to do so because we were concerned that our workers did not have the creative ability nor the concern to produce a quality product at a competitive cost. Our employees, with the encouragement from our labor union, presented a very good case to management, and we decided to proceed with the new operation. From the time we started to think seriously about the venture to the present day, we have been receiving the greatest cooperation from our workers to insure the success of the program. Suggestions have been made which have eliminated otherwise unnecessary start-up and production costs. Our waste factor has improved and the general attitude in the entire plant is a more positive one. Frankly, an additional plus is our customer reaction to the innovative packaging product. Several of our customers who converted some of their brown kraft boxes to the litho-laminated packaging have already experienced increased demand of their products which in turn has increased their demand for our product. We project that our sales shipments will increase by a minimum of 8-10 percent over 1976 due to the litho-laminating involvement, alone.

The positive results from our experience with even this limited form of participative problem solving has led our management to commit our firm to participate in a demonstration program being sponsored by the U.S. Department of Commerce and the New Jersey State Department of Labor and Industry. The program is designed to use 30 workers in a training program to be developed to demonstrate the use of employees in problem solving and thereby prevent increased unemployment. The program will involve management, labor union officials and workers in reviewing the conditions which result in industrial slow-downs, loss of productivity, higher costs and increased inflation.

Frankly, the decision on the part of management to join in the program was far from unanimous. Some of our executives are not convinced that we should invest in this field of human resources management. However, because others of us are so personally convinced that unless new approaches are discovered to attack the problems confronting us on the economic, as well as social scene, we will continue to slide backwards instead of moving ahead with spirit and confidence into the next century.

Our problems are not local problems; they are not even national problems; they are worldwide problems. This great nation has shown the world how to live a more productive and meaningful life for the past two hundred years. We have passed through the Industrial Revolution Age and we are now confronted with a Human Resource Development Revolution Age. The United States must continue to be the spokesman for the entire Free World but it can only be the spokesman if our economy and our way of life is on a firm basis. We have the greatest natural resources in the world; we have the greatest human resources in the world if we will only help to develop them. We can reinstill self-pride in our people by making employment more secure through cooperative efforts by workers and employers to redesign jobs, upgrade skills, spur productivity and higher job satisfaction.

It is obvious that participative problem-solving is not a fool-proof concept, but it is a valuable tool of human resource management, a field critical to the country's economic growth today. Given the economic conditions many manufacturing industries are experiencing, the goals of our free enterprise system and the traditional managerial resistance to innovative programs such as this, I cannot overemphasize the need for federal financing to help set up participative problem-solving and related human resource management programs in factories throughout the United States.

H.R. 2596 is a highly commendable effort in this direction, and I urge you to strongly recommend its passage.

The time has come for the government and private industry to invest in sound programs, such as participative problem-solving, which will increase productivity and reduce business costs through an improved working climate. These programs are the keys to the employment of more men and women, who will, in turn, invest more money to stimulate our businesses and industries and to generate the need for still greater productivity. They are, in short, the keys to a much healthier, more vital economy.

Mr. MOORHEAD. We will now hear from Michael Maccoby, director of the Harvard Project on Technology, Work, and Character.

Mr. MACCOBY. I would like permission to submit my full statement for the record.

Mr. MOORHEAD. Without objection, that is so ordered. We appreciate this motion.

STATEMENT OF MICHAEL MACCOBY, DIRECTOR, HARVARD PROJECT ON TECHNOLOGY, WORK, AND CHARACTER

Mr. MACCOBY. I would like to congratulate Congressman Lundine for setting up these hearings. I would like to congratulate him for this initiative and for his exceptional achievement in Jamestown, N.Y., and to endorse his viewpoint that a "combination of common principle, innovation, and respect for local differences is the key to successful national programs."

This legislation could play a key role in building an integrated policy that would complement and eventually inform larger scale programs to stimulate the economy. To do so, however, it must include a clear statement of philosophy. Otherwise, there is danger of misinterpretation and confusion on the part of those in the departments who will administer the legislation.

I speak as one who was invited in as a third party researcher in Bolivar, Tenn., and I have been a consultant to management-union projects in Springfield, Ohio and Coatbridge, Scotland. From these experiences, I have learned that human and economic development in the workplace requires that companies establish cooperative relationships with unions and that this relationship be based on shared commitment to principles. These principles ideally include job security as a goal, fairness in rewards, participation in decisionmaking starting with the shop floor, and concern for the fullest possible development of the individual's abilities.

In an age of shrinking resources, rising costs, and intensified international competition, this approach may be the most effective way to remain profitable. It may be the only way to improve productivity that does not add to social costs.

There is no way to calculate fully the economic, social, and human costs of dehumanized work. They are immense. But we can observe that a mechanized approach to productivity has built-in limits due to human resistance.

The benefits of commitment to principles of human development include better methods and fuller cooperation. Workers do not have to be artificially "motivated." This spirit of mutuality is gained because the program is concerned with job security, fair rewards, and the fullest possible development of the individual.

In Bolivar, Tenn., this has led to decisions that protected jobs and created educational programs requested by workers and managers. Some of these courses are business related. Others range from courses in crafts, music, literature, to courses in health that are being organized by a group from the American Medical Students Association.

The point to be emphasized is that it is a sincere concern for human development that leads to improved effectiveness or productivity. The well-being of employees is an end in itself, not a means to gaining productivity. In fact, the original agreement between Harman International and the UAW stated that the aim of the project was not to increase productivity but to improve work. However, if there were productivity gains, they would be shared equitably. And so they have.

This brings me to a criticism of H.R. 2596: Its concept of human resources development. What does it mean? Are people resources to be developed for some purpose other than their own well-being? If so, for what purpose are they being developed?

The development of human beings, in terms of their capacity for reason, mutual aid, and creative activity, should be the purpose of our system, not a means to some other goal. Indeed, we should evaluate everything else in terms of whether or not it furthers that goal. Both economic criteria and human criteria should be considered in evaluating all new programs, and I believe the Federal Government should

contribute to finding new ways to move toward both goals simultaneously.

It would be less ambiguous and more accurate to call H.R. 2596 The Human and Economic Development Act. This would require a clearer statement of purpose, a "whereas" stating that since it has been demonstrated that both human and economic development can be achieved where work is organized according to principles of security, equity, participation, individual development, and union-management cooperation, it is resolved that the Federal Government support demonstrations in different kinds of industries and workplaces and in different regions of the country, in order to promote more efficient, competitive, and socially productive industry.

Such a statement makes clear to various Departments of Government that there is a philosophical commitment to furthering human economic development and learning how best to do it, so that these findings may be shared by firms and unions throughout our country.

Such a statement also justifies support for technical assistance and research as an aid to management, unions, and local governments which must take the leadership role. Such research should provide information concerning the economic, technical, social, and psychological boundaries to change and how these factors make a difference in reaching the goals. This research should, I believe, be carried out so that it is useful to the participants and written in language they can understand.

In both the United States and the United Kingdom the most useful research has been carried out by social scientists who combine the role of educator-researchers with that of third party facilitators of union-management cooperation.

To conclude, I have some comment about the administration of the bill which I believe ideally should be in the Commerce Department for two reasons. One is that this whole approach could inform and eventually transform EDA, which has as its goal now the economic development of the country and the more productive development of industry.

Second, because Sidney Harman is Under Secretary of Commerce and has been one of the most creative leaders in this movement as president of Harman International Industries, I think having his initiative in the Commerce Department would lead to this plan being carried out in the most effective way.

Finally, I would like to emphasize that I think such programs will not develop anywhere unless they have the full support of organized labor and that organized labor takes a real leadership role and not one in name only. In both Bolivar and Jamestown, the evidence is when the union is most active and most a part of the development of these programs, these programs are most effective. Therefore, any evaluation of the program should include some kind of commission which would include the Secretary of Labor and representatives from organized labor as well as management.

By supporting such projects, H.R. 2596 can be an example of Government at its best, articulating principles and providing assistance for a development which will benefit all involved and which can create a model for improving productivity in a world of rising costs and

shrinking resources. Thank you, Mr. Chairman, for the opportunity to testify.

[The prepared statement of Mr. Maccoby, on behalf of the Harvard Project on Technology, Work and Character, follows:]

STATEMENT BY MICHAEL MACCOBY, DIRECTOR, HARVARD PROJECT ON TECHNOLOGY, WORK AND CHARACTER, SPONSORED BY THE SEMINAR ON SCIENCE, TECHNOLOGY AND PUBLIC POLICY

Although there are a number of programs in the Federal Government which have the goal of improving productivity, training, and education of workers and of furthering union-management cooperation, I believe that legislation on the lines of H.R. 2596 can uniquely fill the need for a clear and creative statement of policy to stimulate and support human and economic development in companies. I would like to congratulate Congressman Lundine for this initiative and for his exceptional achievements in Jamestown, New York, and to endorse his viewpoint that a "combination of common principle, innovation, and respect for local differences is the key to successful national programs".

This legislation could play a key role in building an integrated policy that would complement and eventually inform larger-scale programs to stimulate the economy. To do so, however, it must include a clear statement of philosophy. Otherwise, there is danger of misinterpretation and confusion on the part of those in the departments who will administer this legislation. Particularly given that the bill supports innovative programs, the intent must be as clear as possible.

The main premise of H.R. 2596 as I understand it is that it is possible to stimulate human development, and at the same time increase productivity in the workplace. In this regard, the concept of productivity is too narrow to describe the gains in effectiveness and competitiveness that result from a spirit of mutuality in the workplace. Everyone cooperates to improve production methods. Mistakes are avoided. The organization becomes more responsive to changes in markets.

We have already learned in Bolivar, Tenn., and Jamestown, N.Y., that this positive development requires that companies establish cooperative relationships with unions and that this relationship be based on shared commitment to principles. These principles ideally include job security as a goal, fairness in rewards, participation in decision-making starting with the shop floor, and concern for the fullest possible development of the individual's abilities.

In the Bolivar Project, managers of Harman International Industries and members of the United Automobile Workers have expanded their traditional collective bargaining relationship to a new kind of cooperation or "cooperative bargaining" in which decisions for change are made on the basis of social-human as well as economic-technical criteria.

In an age of shrinking resources, rising costs, and intensified international competition, this approach may be the most effective way to remain profitable. It may be the only way to improve productivity that does not add to social costs. The alternative approach to increasing productivity through mechanizing work and policing workers who are parts of the machine results in physical illness caused by stress and escapism or negativism due to repressed anger. There is no way to calculate fully the economic, social, and human costs of dehumanized work. They are immense. But we can observe that this approach to productivity has built-in limits due to human resistance.

Given that society pays costs for dehumanizing methods, the question will be asked whether, in fact, concern for the human development of workers is always compatible with productivity. It is in Bolivar and Jamestown, that I am not sure we can yet answer that question for a full range of industries, production technologies, and parts of the country. We have evidence for some types of industry that maximum effectiveness requires human development. For example, where the technology of production is very costly (e.g. continuous process technology), only those workers who are respected enough to be given authority to make on-the-spot decisions will develop the skill and confidence to keep that machinery running and in good condition. On the other hand, where the worker must wait for orders, he does not and cannot take responsibility, and the cost of errors may increase before the chain of command can respond. In this example, which might describe a paper and pulp mill or production of soap, it is obvious that factors

that stimulate human development—increased authority, learning, and cooperative decision-making—also increase productivity and keep down costs. In other cases, where it is not so obvious, the results have proved equally positive. For example, if industrial engineers make methods changes without consulting with those who know the jobs, mistakes are often made which could have been avoided. When the Harvard Project first surveyed attitudes in the Harman factory in Bolivar, over 50 percent of the workers said they had ideas for improving work but had not told anyone about them because no one would listen or because they would receive no credit. Now, after three years of the Work Improvement Program, all methods changes are made by industrial engineering only after consulting the workers involved, and their suggestions may determine the decisions.

The benefits of this practice to the company include better methods and fuller cooperation. Workers do not have to be artificially "motivated". This spirit of mutuality is gained because the program is concerned with job security, fair rewards, and the fullest possible development of the individual. This concern has led to decisions which have protected jobs and have created educational programs requested by workers and managers (including supervisors and foremen). Some courses, like time study and the nature of paint, are useful to work. Other courses, like piano playing, literature, or sewing, help develop the individual's talents and understanding. Courses such as what causes high blood pressure (now being organized by a group from the American Medical Students Association) will be useful both inside and outside the workplace.

The point is that it is the sincere concern for human development that leads to improved effectiveness or productivity. The well-being of employees is an end in itself, not a means to gaining productivity. In fact, the original agreement between the company and union stated that the aim of the project was not to increase productivity but to improve work. However, if there were productivity gains, they would be shared equitably. And so they have.

This brings me to a criticism of H.R. 2596: its concept of human resources development. What does it mean? Are people resources to be developed for some purpose other than their own well-being? If so, for what purpose are they being developed? The development of human beings, in terms of their capacity for reason, mutual aid, and creative activity, should be the purpose of our system, not a means to some other goal. Indeed, we should evaluate everything else in terms of whether or not it furthers that goal. (And we must not mistake human development for convenient numerical measures such as hours of training or number of individuals employed.) Both economic criteria and human criteria should be considered in evaluating all new programs, and I believe the federal government should contribute to finding ways to move toward both goals simultaneously.

It would be less ambiguous and more accurate to call H.R. 2596 The Human and Economic Development Act. This would require a clearer statement of purpose, a "whereas" stating that since it has been demonstrated that both human and economic development can be achieved where work is organized according to principles of security, equity, participation, individual development, and union-management cooperation, it is resolved that the Federal Government support demonstrations in different kinds of industries and workplaces and in different regions of the country, in order to promote more efficient, competitive, and socially productive industry.

Such a statement makes clear to various departments of government that there is a philosophical commitment to furthering human and economic development and learning how best to do it, so that these findings may be shared by firms and unions throughout our country.

Such a statement also justifies support for technical assistance and research as an aid to management, unions, and local governments which must take the leadership role. Such research should provide information concerning the economic, technical, social and psychological boundaries to change and how these factors make a difference in reaching the goals.¹ This research should, I believe, be carried out so that it is useful to the participants and written in language they can understand.

In both the United States and Western Europe (especially Norway and the United Kingdom), the most useful research has been carried out by social scientists who combine the role of educator-researchers with that of third party facilitators of union-management cooperation. They include such distinguished

¹ Our research at Bolivar has been funded by Harman International, the United Automobile Workers International, The National Commission on Productivity, the Ford Foundation, the Sloan Foundation, the Metro Center of NIMH, and the German Marshall Fund.

researchers as Einar Thorsrud of Norway, Eric Trist of the United Kingdom and now the University of Pennsylvania, William F. Whyte of Cornell, and Richard Walton of the Harvard Business School. So far, there has been relatively little support for training students in these methods, and I recommend that we learn from the example of the United Kingdom Work Research Unit which provides both senior and junior fellowships for educator-researchers who are invited by unions and managements to help in projects to improve work. These fellows meet regularly and share their methods and knowledge, thus developing a valuable resource for the United Kingdom. Because the Harvard Project is cooperating with the Work Research Unit in a project sponsored by Tannoy Ltd. (a division of Harman International) and the General and Municipal Workers Union, I have had the opportunity to observe at first hand the work research program in Great Britain.

For H.R. 2596 to make a significant difference, it must be administered by officials who understand the creative aspects of business and the interrelation of economic, technical, social, and human factors. There are two reasons why it would be desirable to locate a Human and Economic Development program in the Commerce Department. One reason is that Commerce already has responsibility to promote more effective business, science and technology for business, and economic development throughout the country. Ideally, H.R. 2596 could establish a Human and Economic Development program in Commerce which eventually would become integrated with EDA. A second reason is that the present Under Secretary of Commerce, Sidney Harman, is uniquely qualified to lead such a program. As chief executive officer of Harman International Industries, he pioneered economic and human development in his company.

Harman and others have demonstrated that the human resource which has been developed in Bolivar and Jamestown is that of leadership. Union-management cooperation requires exceptional leadership, and if successful, develops leadership abilities on all levels of the management and union, leaders who understand development in terms of human as well as economic and technical criteria. Many corporate managers report that their work stimulates intellectual and technical abilities, but that it usually does not stimulate their idealism. And the best managers recognize and regret it. (See M. Maccoby, *The Gamesman, The New Corporate Leaders*, New York: Simon & Schuster, 1976.) Projects in Bolivar, Jamestown, and others provide a way for managers to express their best ideals in a practical form, and in so doing, they both gain greater respect from employees and become more effective managers.

Organized labor must also take a leading role in determining and evaluating demonstration projects. This might be achieved through a committee of evaluation which includes the Secretaries of Labor and Commerce and public members including leaders of organized labor and distinguished corporate managers. The evidence from Bolivar and Jamestown is that projects are strengthened because of union leadership and that these cooperative projects strengthen the union as well as the company. Local union officials gain knowledge about the company and more confidence in their abilities to cooperate, as companies demonstrate that they can be trusted. Last fall, the local union and management at Bolivar were able for the first time to negotiate a contract without the intervention of top officials and the contract was signed three months ahead of schedule in order to save the company the costs of stockpiling in case of a strike, thereby saving the workers from lay-offs. This is an example of economic and human gains achieved through a cooperative program that overcame a history of union-management hostility.

By supporting such projects, H.R. 2596 can be an example of government at its best, articulating principles and providing assistance for a development which will benefit all involved and which can create a model for improving productivity in a world of rising costs and shrinking resources.

Mr. MOORHEAD. Thank you very much. The subcommittee will hear now from William B. Winpisinger, general vice president and president-to-be of the International Association of Machinists and Aerospace Workers, AFL-CIO.

Mr. WINPISINGER. I am pleased to be here. May I thank you and your subcommittee. I would like my testimony to be placed in the record, as written, and I will try to capsule it and hit the important points as I go on this morning.

Mr. MOORHEAD. Without objection, your statement will be made a part of the record.

STATEMENT OF WILLIAM W. WINPISINGER, GENERAL VICE PRESIDENT, INTERNATIONAL ASSOCIATION OF MACHINISTS & AEROSPACE WORKERS, AFL-CIO

Mr. WINPISINGER. The IAM is one the largest unions in the country and it is the most diversified in terms of the kinds of people and number of skills we represent of any of the unions. We have contracts with only 12,000 employers in the United States which run the gamut of contracts with such giants in industry lines as Lockheed, United Airlines, and so on, right down to small machines, job shops, two-to-five-man auto repair garages throughout the country.

We have grown to our present size from the humble beginning of a single skill, single industry union in 1888 when it was formed by railroad machinists. Because of our present diversity, we are interested in the subject that this legislation embraces. Everyone knows, I think, that over the long run increased worker productivity is the key to a higher standard of living in our country.

Unfortunately, most working men and women, those who work for wages in the occupations we are talking about can't always wait for the long run and survive. There are plenty of day-to-day problems that are worthy of note as we address the subject. Very recently, in our own union, we ran a survey of average wage rates unionwide. We learned that magic number is \$6.11 in hour. That suggests if each of our members were fully employed, the nominal 40-hour week, 52 weeks a year, his annual income would be under \$13,000 or \$3,000 less than the Bureau of Labor Statistics tells us provides a family of four a moderate, but decent standard of health and safety in the average American city today.

If our average member is in that kind of shape, his posture is none too good in terms of developing standards of health and decency. A lot of people talk about rates of unemployment only ranging between 7 and 8 percent. They tend to forget that though unemployment add up to 7 or 8 percent of our work force from week to week, it touches the life and existence of about one worker in every four throughout the course of any given year.

And though layoffs may last no more than a few days, sometimes only a few weeks, the result is those incomes that are marginal are further diluted by those kinds of cyclical layoffs.

It is easy for people like myself, the business community and some of the intellectuals in this field to talk about the virtues of increased productivity. But the poor people on the factory floor who are most directly affected by it have a lot of reasons because of the history of labor relations in our country to be somewhat skeptical. They are. We think we are making strides and we think this kind of legislation would go a long way toward eradicating some of that skepticism.

I don't think anyone views it as a means to that kind of increased productivity that necessarily stimulates a full employment economy. A lot of the unemployment we experience is already traceable to the computerization and automation that was introduced into the factories and offices 15 and 20 years ago. I think we have to be mindful of the fact that people on the shop floor don't necessarily share the same feelings as do Government and management about the—the same enthusiasm as Government and management show when it comes to participation in some of these schemes.

There is a wide history of them. Some are failures, some successes. I hope this legislation directs itself and I believe it does to the successes and we will all try to forget about the failures. By so doing, I hope we reduce that reservoir of skepticism that does exist.

It is for that reason that our union hasn't opposed technological progress either now or in the past. We have always supported it and we are in favor of any scheme or idea that promotes the technological progress of our country and at the same time increases funds for employment or insulates people against cyclical unemployment.

With that backdrop, I would like to address specific comment to the bill. It is no secret that our union was focally involved in one of the successful experiments in this field that was conducted in Congressman Lundine's home district in Jamestown, N.Y. We are proud of our experience there and I was and am proud that one of our representatives there was cochairman for labor in this experiment. He tells me endlessly about its virtues and its successes. There is no question that the way it was conducted there was a very dramatic improvement in the climate of industrial relations in the community. It stimulated training of skilled manpower and made more industrial development possible. There was a significant increase in productivity in several of the places of business.

There can't be any doubt that all of that generates a new spirit of cooperation between labor and management and reduces the potential for strikes which are simply another form of unemployment.

There are even signs that some of those involved are willing to tie their future wage increases to a level of productivity in their place of employment. That, I think, is an extremely significant step. Because of what we have seen accomplished here, we are especially enamored of that portion of this legislation which devotes itself to making grants available for supporting projects designed to keep people on the payroll when they might otherwise be laid off during those periods of low business activity as was alluded to by one of the prior witnesses.

I think we all know that unemployment is very, very costly.

Federal, State, and local governments pay out billions of dollars every year in unemployment compensation, welfare, food stamps, various other kinds of programs, most of which receive the contempt of my fellow citizens.

Management, in addition to that, spends millions of dollars in support of collectively bargained schemes to insulate us against the rigors of unemployment like severance pay, supplemental unemployment benefits, and so on. The whole society and workers very directly pay a very substantial cost.

Obviously, those that are directly involved in being unemployed bear the entire burden of family breakups and all of the social problems, crime, suicides, alcoholism, and all of those things that flow from unemployment.

We would be better off if something like this were in place to insulate people from that kind of existence. It seems to me there is a bit of evidence around that it might initially cost more to keep people on the payroll than to keep on the welfare, but the long term costs would be lower if they were on the payroll, rather than on welfare.

Toyota, of Japan, figures that the worker solutions that have been

generated by problem-solving committees in slack times on things like job safety, product quality, and energy conservation result in a savings of from \$3 to \$5 for every dollar they spend on job maintenance projects. I would capsule the remainder of what I have to say by making three precautionary observations. It should be made clear, either in the bill itself or in the legislative history which will serve as guidance for the Secretary of Labor, that the labor-management committees to which the legislation refers and which would be established under the authority of H.R. 2596 ought to be considered supplementary to, rather than as a substitute for, collective bargaining.

Second, we need to have some firm assurance somewhere along the way that Federal grants will not be made under this legislation in a manner that would give nonunion, unorganized plants or areas a competitive edge over organized plants or organized areas. We have had some experience under prior legislation, the Rural Development Act of 1972, wherein some of the employers with whom my union has contracts have complained long and bitterly that unorganized companies in right-to-work-for-less States, primarily in the South, were given Federal grants, were granted low-cost loans as the case may be, to develop their business to the competitive disadvantage to those that were organized. I hope we can insulate any such potential as far as this legislation is concerned.

Lastly, I want to express concern that is shared by a great many of my colleagues in the organized labor movement and I guess maybe the reason a lot of them haven't come forward, who normally might, to testify in favor of this legislation is a fear by some that Congress might view H.R. 2596 as a way of bypassing, short-circuiting or diluting the Humphrey-Hawkins full employment bill.

I would say if these two bills are being considered on an either/or basis, we too would join with our colleagues and much prefer the Humphrey-Hawkins solution because of the broad-range treatment it gives to the problem. I don't believe that an either/or situation is necessary.

The enactment of this legislation along with Humphrey-Hawkins in some form won't create irreconcilable conflicts since both are based on the same problem. The solutions offered by each of the legislation are complementary, rather than contradictory. For that reason, I would like to see them both passed.

If we get into either/or situation, I have to come down on the side of the broad treatment, rather than the narrow. I would be happy now to respond to questions, if you have any. Thank you.

[The prepared statement of Mr. Winpisinger, on behalf of the International Association of Machinists and Aerospace Workers, AFL-CIO, follows:]

Testimony by William W. Wimpisinger
General Vice President

International Association of Machinists
and Aerospace Workers, AFL-CIO

Before the

Subcommittee on Economic Stabilization

of the

Committee on Banking, Financing and Urban Affairs

On H.R. 2596, The Human Resources Development Act of 1977

Mr. Chairman, distinguished members of this subcommittee.

My name is William W. Winpisinger. At present I am a General Vice President of the International Association of Machinists and Aerospace Workers, but perhaps it is appropriate to note that I was recently nominated, without opposition, to become the IAM's chief presiding officer. I will succeed to the office of International President as of July 1 of this year.

Without burdening the subcommittee with detailed documentation let me note for the record that the Machinists Union is not only one of the five or six largest organizations of workingmen and women on the North American continent, but is also one of the most diversified. We have contracts with more than 12,000 employers. Our members are employed in enterprises that range in size from such well known business names as Lockheed, Continental Can and United Airlines to small machine shops and auto repair garages in every corner of the country.

Although we started out in 1888 as an organization limited primarily to skilled journeymen on the railroads, today we represent everything from unskilled floor sweepers to semi-skilled production workers to highly skilled tool and die makers to white-coated technicians and professionals in some 300 industries.

I have provided this brief thumbnail sketch of the Machinists Union to indicate that this committee's objectives, both generally and in the specific legislation before us today, are matters of everyday concern to those for whom I am privileged to speak.

Mr. Chairman, when you invited me to come here today and comment on H.R. 2596, the Human Resources Development Act of 1977, you stated that members of your subcommittee are especially interested in finding fresh approaches to improve economic performance, prevent cyclical layoffs and enhance job satisfaction. Let me say that in this respect members of your subcommittee and members of my union have a lot in common. However, there are some differences in the perspective from which these objectives are viewed. So before I address myself to the specific provisions of H.R. 2596, I would like to make a few general observations that will, I hope, help to explain some common worker apprehensions about efforts to increase productivity and job satisfaction.

Everyone agrees that over the long run increased worker productivity is the key to higher standards of living. But workingmen and women cannot always wait for the long run. In fact most of the ones I know seem to have trouble getting by from pay day to pay day.

It may interest you to know, for example, that we recently ran a union-wide survey of the hourly wage rates of our members. We know that on the whole these members are better compensated, both in wages and in fringe benefits, than non-union members in similar occupations. We found that the weighted average hourly wage of our membership amounts to \$6.11. That means that if an average member is fully employed 40 hours a week, 52 weeks a year, that member's annual income will come to \$12,729 -- which is about \$3,000 less than the Bureau of Labor Statistics says a family of four needs to maintain a moderate standard of health and decency in an average American city. Thus, even if our average member is fully employed, he or she is substantially below what is considered a modest standard of living in the United States today. The fact is, however, that the odds on an average worker's being employed 40 hours a week, 52 weeks a year are none too good. When people talk about rates of unemployment

ranging between 7 and 8%, they tend to forget that unemployment is a scourge that afflicts many more than 7 or 8% of the total work force. Much more significant, in terms of unemployment's total impact is the fact that during the course of any given year one worker out of every four suffers a layoff of one kind or another. Such a layoff may last no more than a few days or a few weeks, but the result is that each year the already inadequate incomes of 25% of the industrial work force are further diluted by layoffs.

Though it is easy for business men and economists, and even union leaders, to rhapsodize on the virtues of increased productivity, the people who are most directly affected, those down on the factory floor, have reason to be skeptical. When labor-saving devices or techniques are introduced, factory workers can generally assume that something's going to go. It may only be their overtime, which helps them keep up with the cost-of-living, or it may be their job, which is all that stands between them and a long wait in the unemployment compensation, or the welfare, line.

The point I am trying to make, Mr. Chairman, is that increased productivity does not necessarily stimulate full employment. In fact, much of today's unemployment is directly traceable to the automation and computerization that has already been introduced into the nation's factories and offices. And that is why working people, in the shop, do not necessarily share government's and management's enthusiasm for such concepts as job enrichment and worker participation. To management job enrichment may seem to be a good way to motivate more production. To workers it is just as likely to be a code word for the speed up.

Let me make it clear, Mr. Chairman, that just as we do not oppose technological progress, we are not against the idea of job satisfaction. That's what unions have been trying to achieve for several generations. We have tried to enrich the jobs of our members by increasing their safety, seniority rights, grievance procedures and compensation on the job. But when management begins to talk to our members about job enrichment, we know this is not what they have in mind. Basically the purpose of job enrichment is the same as automation: To get more production with less labor. In the old days they used to call it time and motion study and they did it with stop watches. Today they call it job enrichment and do it with questionnaires. But the objective is identical. As the noted labor historian and author, Thomas Brooks, pointed out some time ago in the American Federationist, "Substituting the sociologists' questionnaire for the stop watch is likely to be no gain for the workers. While workers have a stake in productivity, it is not always identical with that of management. Job enrichment programs have cut jobs just as effectively as automation and stop watches. And the rewards of productivity are not always equitably shared."

It is in this broad context then that I would like to comment on H.R. 2596, which has been introduced by our good friend, Congressman Stan Lundine, and at least 50 of his colleagues in the House. I understand that a companion bill, S. 533, has been submitted to the Senate by Mr. Javits of New York.

Proceeding on the assumption that members of this committee are familiar with H.R. 2596, I will not waste your time or mine by restating its provisions. But I think it is appropriate to note that the main thrust of this bill, which is to provide federal financing for productivity

improvement projects carried on by local labor-management committees, got its initial impetus from an experiment in labor-management relations which involved a goodly number of our members in Mr. Lundine's home district, Jamestown, New York.

The Machinists Union is quite familiar with the Jamestown experience. We have 15 local lodges with 4,116 members in that city. As of the end of last month, 430 of those members were unemployed. Wage rates for our various locals range between \$3.24 and \$6.02 an hour with the bulk of our members earning between \$4.50 and \$5.50 an hour. For many years Jamestown has been a depressed area and until 1971 it had a reputation as a tough and somewhat strike-happy labor town. Through Mr. Lundine's efforts when he was mayor, management and labor agreed to try to work together to stem what had become an outflow of jobs from the area. They set up a Jamestown Labor-Management Committee to achieve four principal goals: An improved climate of industrial relations, the training of skilled manpower, more industrial development and increased productivity.

Of these goals, increased productivity was considered the most essential if companies located in Jamestown were to become more competitive. Recognizing, as I have previously indicated, that union members equate the word "productivity" with speed ups and time and motion techniques, management agreed that in exchange for any higher productivity resulting from worker cooperation, there would be no resulting loss of jobs.

This experiment in labor-management cooperation has not been totally free of problems. But there can be no doubt that it has generated a new spirit of cooperation between labor and management. Strikes have been

reduced substantially, the skills of the work force have been upgraded and productivity has risen. In at least one case, workers have agreed to a wage rate tied directly to their productivity increases. The climate for industry has become so favorable that companies are no longer moving out. To the contrary, one large concern has moved in and two existing firms have made major expansions.

What the Jamestown plan has done for one city in up-state New York, H.R. 2596 proposes to make possible for cities and towns throughout the United States. As a participant in the success of the labor-management cooperation that has turned Jamestown around, the Machinists Union is in full agreement with the objectives of this bill. We believe that a federal program, administered by the Secretary of Labor, which fosters higher productivity through cooperative labor-management committees can help other communities to achieve what Jamestown has achieved. We especially favor the priority for grants supporting projects designed to keep workers employed who would otherwise be laid off during periods of cyclical unemployment.

As we all know, supporting the unemployed is costly. Federal, state and local governments pay out billions of dollars every year in unemployment compensation, welfare relief, food stamps, etc. Management spends millions of dollars in support of collectively bargained supplemental unemployment benefits and severance payments. Society, as a whole, and the affected workers in particular, pay the indirect costs related to alcoholism, family breakups, crime, suicides, mental illness and all the other known by-products of unemployment. All elements of society would benefit if we could divert a portion of this national expenditure into keeping people on the job, rather than merely to help them survive being off the job.

In authorizing federal grants for projects designed to keep people employed during slack periods, H.R. 2596 is not proposing mere busy work or make work. It is drawing upon a concept, known as job maintenance, which is fairly common in Japan and which has been tested in pilot programs conducted by various companies in New Jersey, West Virginia and New York. To put it very simply, jobs maintenance works like this: Instead of laying off a certain percentage of the work force during periods of low market demand, those not needed for production are shifted to training and problem-solving activities. As Sidney Rubinstein, president of Participative Systems, Incorporated of Princeton, New Jersey has testified before a subcommittee of the House Committee on Education and Labor, "Under the joint and equal control of an organization's management and its...unions, workers are organized into problem-solving teams, given appropriate training in behavioral and technical aspects of problem-solving, and proceed to deal with such work area problems as methods, processes, materials, morale, equipment, quality, etc."

Although it might initially cost more to keep people employed than to put them on the unemployment compensation or welfare rolls, there is evidence to indicate that the long-term cost would be substantially lower. I understand, for example, that Toyota of Japan figures that worker solutions of such problems as job safety, product quality and energy conservation result in a saving of from \$3.00 to \$5.00 for every dollar spent on job maintenance projects.

Mr. Chairman, let me begin to wrap up my remarks by saying that despite our general reservations about job enrichment schemes, we believe that the experience of our members in Jamestown warrants our support for H.R. 2596. We especially urge the enactment of those

provisions authorizing federal grants for job maintenance during periods of economic down turn. I would, however, like to put three precautionary observations into the record. First, it must be made clear, either in the bill itself or in the legislative history which will serve as a guide to the Secretary of Labor, that labor-management committees, established under the authority of H.R. 2596, shall be considered as a supplement to, rather than a substitute for, collective bargaining.

Second, we need to have some firm assurance that federal grants will not be made in a manner that gives non-union plants or areas a competitive edge over union plants or areas. This is a very important consideration. We are having some very bad experiences with plant improvement loans made under the Rural Development Act of 1972. Very recently, for example, an Illinois company with whom we have a contract informed us that its chief competitor, a large non-union operation, has applied for an \$800,000 Federal Rural Development loan to expand one of its plants in Tennessee. According to the management of the Illinois company, the granting of this loan will have a seriously adverse effect on its Illinois employees and thus on the jobs of our Illinois members. We would prefer no law to one giving non-union employers in right-to-work-for-less states any more of a competitive edge than they already enjoy due to their lower wage rates.

Finally, I want to express a concern that is shared by many people I've talked to in the rest of the labor movement. Quite frankly there is a real fear that some Congressmen and Senators view H.R. 2596 as a way of bypassing H.R. 50, the Humphrey-Hawkins Full Employment Bill.

If these two bills are being considered on an either/or basis, we would much prefer the Humphrey-Hawkins solution. I personally do not believe such an either/or approach is necessary. The enactment of

H.R. 2596 along with H.R. 50 would entail no irreconcilable conflicts. Both are aimed at the same problem, the problem of unemployment, and both offer solutions that are complementary rather than contradictory.

I believe it is important to make this point, because there are some, in the labor movement, who are withholding support from H.R. 2596 on the basis that its enactment would preclude passage of the Humphrey-Hawkins Bill. As I have just indicated, I do not believe the one result must necessarily follow the other. But if this committee determines that only one of these bills can be passed then I would have to stand with the rest of the labor movement in wholehearted support of the Humphrey-Hawkins approach.

Mr. Chairman, this concludes my prepared testimony. I want to thank all the members of this committee for their courtesy in permitting me to appear here today. If it is the desire of this committee, I am now ready to answer any questions you may have.

Mr. MOORHEAD. The subcommittee will now proceed with the questioning of the panel, but we will suspend any moment now—that moment being now to recognize our colleague from New York, Representative Gilman from the 26th District of New York.

We appreciate your coming.

Mr. GILMAN. I appreciate your taking me before my turn on this panel.

Mr. MOORHEAD. I suggest we hear Mr. Gilman and then direct our questions to Mr. Gilman so he can get back to his other duties.

**STATEMENT OF HON. BENJAMIN A. GILMAN, REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. GILMAN. Mr. Chairman, I want to thank the Subcommittee on Economic Stabilization for this opportunity to testify on behalf of the Human Resources Development Act, H.R. 2596, and I commend the gentleman from New York, Mr. Lundine, for his hard work and thorough study of the Nation's manpower policy.

I would like to request that my statement be made a part of the record.

Mr. MOORHEAD. Without objection, that will be done.

Mr. GILMAN. One of the finer aspects of this bill is that it recognizes the strength, the potential for future growth and expansion and the opportunities for innovation of any industry or business relies upon the ability to develop the creativity and potential of its employees.

It poses a vital challenge to the Federal Government: the challenge not to create jobs for the jobless because it is "the humanitarian" thing to do, not to define jobs and training in ways that omit large numbers of people, not simply doing something for somebody else, but the challenge of creating a viable program which allows people to do something for themselves; to provide them with productive alternatives for employment and the opportunity to learn new skills and take pride not only in their job, but in the company for which they work and contribute to.

The Human Resources and Development Act highlights the need to focus Federal legislation not only upon those unemployed individuals who are identified as "poor," "disadvantaged," or a "minority," but upon a large, and growing, segment of the population which can be identified as what the Presidential Commission on Manpower Policy has termed the "technologically unemployed."

This group constitutes what will be a major challenge to our economy. Every day, automation and technology are doing away with jobs by the thousands. Training and guidance must be made possible for these individuals on an intensive, long-range basis.

There is too much emphasis on labor intensity, on profits. Seldom do we make corporate decisions on the basis of community needs or values.

We must begin to focus on the cost that the American economy is absorbing for having shut out individuals from the system without giving them an opportunity for productive alternatives.

Our economic ills and budget deficit are not the direct result of either overspending or inflation, but from the underutilization of our own human resources and talents.

We will not be able to correct either inflation or recession until we make effective use of our own work force and have a greater number of individuals back on the job.

As long as unemployment carries with it all the burdensome forms of compensation—medicaid and medicare, Federal supplementary benefits, food stamps, and all other forms of welfare—the individuals who have jobs will be paying an ever-increasing share of their salaries to support those for which our Nation cannot provide jobs. Our entire population suffers as the result of the 25 million unemployed individuals whom this Nation has not been able to utilize.

True, we have Federal programs to deal with manpower policy and implementation—WIN, CETA, the Job Corps—but these programs are only the beginning.

If we continue to approach full employment in a piecemeal fashion, we are kidding ourselves.

There is something basically wrong in the way our economy is organized and in the educational system for our workers.

We are going to have to undo several decades of governmental policy which has contributed to people being unemployed and unemployable, and find ways to make both our young and old a contributing part of the Nation and its economy.

It is time to escalate the war on unemployment by getting away from stale economic theories. We should closely examine how much we can utilize our human resources for the good and to determine how much of the burden on our taxes we are prepared to bear.

It is time we tried to find every American employment and to allow every American to become a contributing citizen.

It is as much an error to set Federal policy without recognizing local implications as it is to mandate specific action by operators at the local level unless the Federal Government provides realistic incentives to stimulate private involvement and make what Marion Pines of the mayor's office on manpower in Baltimore called community dynamics an integral part of manpower policy.

The basis for a national policy which contributes to the people should be derived from the bottom up, not from the top down.

This legislation provides a method to achieve this while meeting national goals.

Manpower policy can only be productive if local communities are given the time, money and the incentive to work through their own problems.

If we can maintain flexibility and independence at community levels, our national economy as a whole will blossom.

As the economy forges toward full employment, it means higher costs for employers, which are then translated into higher prices, accelerating the spiral of inflation.

But must the higher costs paid by employers necessarily lead to higher prices for output?

If manpower programs exist to train workers already employed by the firm in areas of competence, or if, as firms increase their production, the productivity of their workers also increases, then the costs of output need not rise.

Developing programs to enhance productivity, as outlined in the Human Resources Development Act, represents a recognition of the

fact that the key of all economic development is the use of human resources.

Developing on-the-job training programs to enhance productivity represents a major step forward in redirecting our technology so that it serves our purposes and enhances the life of our workers.

It means local manpower authorities working with local firms and unions to estimate, on a plant level, the number and type of individuals it will hire if production expands.

It means future-oriented thinking and planning at the local level, from the bottom up, so that people are matched with anticipated production demands.

This type of program focuses on the potential productivity of people, on the human resources available rather than merely the material or fiscal resources.

There is a final factor stimulating the demand for labor which should be discussed.

To promote private sector employment there is talk of removing restrictions, or of lowering costs to employers.

Suggestions have been made to have the Federal Government pick up social insurance or pension contributions of unemployment taxes for those employers hiring specific targeted groups—for example, employees or full-time workers approaching retirement.

The term wage subsidy is out of bounds for some, yet I know of no labor official or businessman who objects to the investment tax credit, which subsidizes the employer of capital, the purchaser of new equipment.

Accordingly, why can we not encourage the investment in human capital, using financial incentives tailored to the size of the firm or the amount of employment needed?

Even if the Government cannot or should not subsidize wages, surely it should share in the formation of human capital. It has been doing precisely the same thing for years through public education.

We must train our people now and give them the work experience that enables them to amass human capital for future productivity.

It may be the unemployed who suffer hardships today, but the whole Nation will be worse off tomorrow because of it.

So incentives to private firms to hire and train workers to reduce unemployment to a newly defined number of unemployed persons will pay off in the future like any capital investment.

This Government must rethink the idea of human resources development.

Somewhere along the line I believe that human resources development must take its rightful place as a basic social policy rather than being restricted to manpower planning as only an economic policy.

Therefore, of equal importance to the subsidization of human capital is the provision in this legislation for Federal assistance, through contracts with the Department of Labor, for innovative projects involving both management and employees in innovative job programs.

The development of a willingness to experiment with new ideas which grow from a cooperative effort between employer and employee.

Such flexibility offers two advantages: It will increase, on one hand, productivity and on-the-job creativity and efficiency; but, just as im-

portantly, it will allow people to develop their other interests and expand their own potential resources and talents.

All in all, this legislation should make sure that the following goals are dealt with head on:

First: Decisions regarding which programs should be emphasized at a local level should be made at the local level. Certainly, all areas should work within a broad Federal framework, but planning should take place at the local level based on a specific labor-market area and its specific needs.

Second: National goals should be adapted to the special labor market needs of State and local areas, reflecting the differences in the structure of labor forces and markets.

Third: Local administrative jurisdiction should be related to labor markets and local controls should be based on accountability to the Federal Government.

Fourth: The roles of decentralized manpower systems within market areas should be defined, particularly the roles of such systems in regional economic development.

Fifth: As we move toward expanding employment opportunities and the promotion of job security, it will be necessary to develop support services. Daycare centers and counseling services must be set up so that the opportunities which will be increased under this measure can be taken advantage of by specific groups such as unmarried heads of households, women returning to the job market, and minority groups.

In closing, let me mention that it should now be clear that a national policy cannot and will not work effectively without active support and cooperation of the private business community and local unions, even after the relationship and responsibility of national, State, and local authorities is worked out.

The time has come to invite input from both the private business sector and organized labor for developing a national manpower policy.

If we expect our citizens to be actively concerned with their jobs as part of the economy, to take pride in the work they perform and the firm for which they work, we must show our concern for them and their potential.

Every day, automation and technology is doing away with jobs by the thousands. Training and guidance must be made possible for these "technologically unemployed" individuals on a permanent basis.

In a growing economy, manpower policy must serve not only the new worker, with vocational testing and guidance, and remedial education, but continually serve any worker who has the desire to test new skills or learn new trades or experiment with new modes of working.

We must deal with the quality of life of the worker as well as his employment.

The well-publicized job redesign experiment underway in foreign manufacturing plants such as the Volvo experiment in Sweden is illustrative of the search for improved job satisfaction and manpower policy being implemented as social as well as economic policy.

Manpower policy must, after all, be a study of how to help people satisfy their being a creative part of the production process, not being a slave to it.

In the end, the fundamental source of our economy's wealth is its own people.

Thank you.

[The prepared statement of Congressman Benjamin A. Gilman follows:]

PREPARED STATEMENT OF HON. BENJAMIN A. GILMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I want to thank the Subcommittee on Economic Stabilization for this opportunity to testify on behalf of the Human Resources Development Act (H.R. 2596) and I commend the Gentleman from New York, Mr. Lundine, for his hard work and thorough study of the nation's manpower policy.

One of the finer aspects of this proposed measure is that it recognizes that the strength, the potential for future growth and expansion and the opportunities for innovation of any industry or business relies upon the ability to develop the creativity and potential of its employees. It poses a vital challenge to the Federal Government: The challenge not to create jobs for the jobless because it is "the humanitarian" thing to do, not to define jobs and training in ways that omit large numbers of people, not simply doing something for somebody else, but the challenge of creating a viable program which allows people to do something for themselves; to provide them with productive alternatives for employment and the opportunity to learn new skills and take pride not only in their jobs, but in the company for which they work and contribute to.

The Human Resources and Development Act highlights the need to focus Federal legislation not only upon those unemployed individuals who are identified as "poor," "disadvantaged," or a "minority," but upon a large (and growing) segment of the population which can be identified as what the Presidential Commission on Manpower Policy has termed the "technologically unemployed." This group constitutes what will be a major challenge to our economy. Every day, automation and technology are doing away with jobs by the thousands. Training and guidance must be made possible for these individuals on an intensive, long-range basis.

There is too much emphasis on labor intensity, on profits. Seldom do we make corporate decisions on the basis of community needs or values. We must begin to focus on the cost that the American economy is absorbing for having shut out individuals from the system without giving them an opportunity for productive alternatives. Our economy is not producing at its maximum potential. Statistics from the composite index published by the Department of Commerce indicated a decrease in the number of hours worked, a decrease in the growth of liquid assets, a decline in stock market prices, a decline in the money supply (even after inflation adjustments), a sharp decrease in new housing permits and an increase in layoffs. Admittedly, some of the economic data is a reflection of the disastrous cold spell the nation suffered this winter. But some of the most troublesome statistics—poor productivity in the last quarter of 1976 and a sharp recent advance in the money supply—have little to do with the weather. Our economic ills and budget deficit are not the direct result of either over-spending or inflation, but result from the under-utilization of our own human resources and talents. We will not be able to correct either inflation or recession until we make effective use of our own work force and have a greater number of individuals who want to work. As long as unemployment carries with it all the burdensome forms of compensation Medicaid and Medicare, Federal Supplementary Benefits, Food Stamps and all other forms of Welfare—the individuals who have jobs will be paying an ever-increasing share of their salaries to support those for which our nation cannot provide jobs. Our entire population suffers as the result of the 25 million unemployed individuals whom this nation has not been able to utilize.

True, we have federal programs to deal with Manpower Policy and Implementation—WIN, CETA, the Job Corps—but these programs are only the beginning. If we continue to approach full employment piecemeal, we are kidding ourselves. There is something basically wrong in the way our economy is organized and in the educational system for our workers. We are going to have to undo several decades of governmental policy which has contributed to people being unemployed and unemployable, and find ways to make both our young and old a contributing part of the nation and its economy.

It is time to escalate the war on unemployment by getting away from stale economic theories. We should closely examine how much we can utilize our human resources for the good and to determine how much of the burden on our taxes we are prepared to bear. It is time we tried to find every American employment and to allow every American to become a contributing citizen.

It is as much an error to set federal policy without recognizing local implications as it is to mandate specific action by operators at the local level unless the Federal Government provides realistic incentives to stimulate private involvement and make what Marion Pines of the Mayor's office on Manpower in Baltimore called Community Dynamics, an integral part of Manpower Policy. The basis for a national policy which contributes to the people should be derived from the bottom-up, not from the top-down. This legislation provides a method to achieve this while meeting national goals. Manpower policy can only be productive if local communities are given the time, money and the incentive to work through their own problems. If we can maintain flexibility and independence at community levels, our national economy as a whole will blossom.

Those firms seeking to add employees to their rolls presently find that the costs of recruiting workers and of training new people are significantly high. Such costs may appear for the first time for some firms, who can no longer find experienced workers and have to start from scratch. If the firm's personnel needs include special skills and experience, then some special (and costly) effort will be required to locate individuals with the particular skills, and some special lure must be offered to attract these persons, such as higher wages. As the economy forges towards full employment, it means higher costs for employers, which are then translated into higher prices, accelerating the spiral of inflation. But must the higher costs paid by employers necessarily lead to higher prices for output? If manpower programs exist to train workers *already employed by the firm* in areas of competence, or if as firms increase their production the productivity of their workers also increase, then *the costs of output need not rise*. Developing programs to enhance productivity, as outlined in the Human Resources Development Act, represents a recognition of the fact that the key of all economic development is the use of human resources.

The time has arrived for our Nation to admit that inflation is not the necessary outcome of unemployment reduction: That there is no reason why increased costs, paid by employers, must be translated into higher prices, beginning inflationary spirals! If a push towards full employment means that competent, efficient workers become a scarcity, then labor costs will certainly increase. But if manpower programs exist to train people in areas of competence when a firm increases its production, then the productivity of their workers will also increase and the costs of output will remain relatively stable. Developing on-the-job training programs to enhance productivity represents a major step forward in redirecting our technology so that it serves our purposes and enhances the life of our workers.

If manpower programs can provide trained employees who are job-ready and receptive to on-the-job training, new hiring costs to industry will not rise significantly. This means, however, that a variety of programs are necessary to get employers in the private sector to forecast their own demands for labor. It means local manpower authorities working with local firms and unions to estimate, on a plant level, the number and type of individuals it will hire if production expands. It means future-oriented thinking and planning at the local level, from the bottom-up so that people are matched with anticipated production demands. This type of program focuses on the potential productivity of people, on the *human resources* available rather than merely the material or fiscal resources.

There is a final factor stimulating the demand for labor which should be discussed. To promote private sector employment, there is talk of removing restrictions, or of lowering costs to employers. Suggestions have been made to have the Federal Government pick up social insurance or pension contributions of unemployment taxes for those employers hiring specific targeted groups—for example, employees or full-time workers approaching retirement. The term "wage subsidy" is out of bounds for some, yet I know of no labor official or businessman who objects to the investment tax credit, which subsidizes the employer of capital, the purchaser of new equipment. Accordingly, why can we not encourage the investment in human capital, using financial incentives tailored to the size of the firm or the amount of employment needed? Even if the Government cannot or should not subsidize wages, surely it should share in the formation of human

capital! It has been doing precisely the same thing for years through public education.

The dreadful waste of today's unemployed is counted in terms of unused capacity: more than \$100 billion of GNP that was not produced last year. And this is, surely, a loss that can never be recouped. Such lost output lessens our capacity for future growth, and seriously damages the well-being of not only the economy, but of our own people and the self-esteem they derive from being able to support themselves and their families. We must train our people now and give them the work experience that enable them to amass human capital for future productivity. It may be the unemployed who suffer hardships today, but the whole Nation will be worse off tomorrow because of it. So incentives to private firms to hire and train workers, to reduce unemployment to a newly defined number of unemployed persons will pay off in the future like any capital investment.

This Government must re-think the idea of human resources development. Somewhere along the line I believe that human resource development must take its rightful place as a basic social policy, rather than being restricted to manpower planning as only an economic policy. Therefore of equal importance to the subsidization of human capital is the provision in this legislation for Federal assistance, through contracts with the Department of Labor, for innovative projects involving both management and employees in innovative job programs. The development of a willingness to experiment with new ideas which grow from a cooperative effort between employer and employee. Such flexibility offers two advantages: It will increase, on one hand, productivity and on-the-job creativity and efficiency. But, just as importantly, it will allow people to develop their other interests and expand their own potential resources and talents.

It is difficult for me to overstate the significance of developing our human resources, not only in the economy as it now stands, but for our future development as a Nation. The trade-off between inflation and unemployment does not exist when manpower programs are thoroughly exploited. Whether the pressure on inflation comes from unproductive workers or from the high cost of searching exist when manpower programs are thoroughly exploited. Whether the pressures on inflation come from unproductive workers or from the high cost of searching for skilled employees or from bottlenecks in particular sectors of the economy, or even from sources we have not yet explored or are aware of, all can be reduced to an extent by efficiency manpower programs. Training, flexibility, encouraging innovation, the redesigning of job structures and the enhancement of job satisfaction: These will defeat the dark shadow of recession and unemployment.

All in all, this legislation should make sure that the following goals are dealt with head on:

1. Decisions regarding which programs should be emphasized at a local level should be made at the local level. Certainly, all areas should work within a broad Federal framework, but planning should take place at the local level, based on a specific labor-market area and its specific needs.

2. National goals should be adapted to the special labor market needs of state and local areas, reflecting the differences in the structure of labor forces and markets.

3. Local administrative jurisdiction should be related to labor markets and local controls should be based on accountability to the Federal Government.

4. The roles of decentralized manpower systems within market areas should be defined, particularly the roles of such systems in regional economic development.

5. As we move towards expanding employment opportunities and the promotion of job security, it will be necessary to develop support services. Daycare centers and counseling services must be set up so that the opportunities which will be increased under this measure can be taken advantage of by specific groups such as unmarried heads of households, women returning to the job market and minority groups.

In closing, let me mention that it should now be clear that a national policy cannot and will not work effectively without active support and cooperation of the private business community and local unions, even after the relationship and responsibility of national, state and local authorities is worked out. The time has come to invite input from both the private business sector and organized labor for developing a national manpower policy.

If we expect our citizens to be actively concerned with their jobs as part of the economy, to take pride in the work they perform and the firm for which they work, we must show our concern for them and their potential. Every day,

automation and technology is doing away with jobs by the thousands. Training and guidance must be made possible for these technologically unemployed individuals on a permanent basis. In a growing economy, manpower policy must serve not only the new worker, with vocational testing and guidance, and remedial education, but continually serve any worker who has the desire to test new skills or learn new trades or experiment with new modes of working.

We must deal with the quality of life of the worker as well as his employment. The well-publicized job re-design experiment underway in foreign manufacturing plants, such as the Volvo experiment in Sweden, is illustrative of the search for improved job satisfaction and manpower policy being implemented as social as well as economic policy. Manpower policy must, after all, be a study of how to help people satisfy their being a creative part of the production process, not being a slave to it. In the end, the fundamental source of our economy's wealth is its own people.

Mr. MOORHEAD. Thank you for a superb, articulate statement of the problem and your recommendations.

I have no questions, but I would like to emphasize one point you made on page 2 of your testimony :

That our economic ills, which I would define now as simultaneous recession and inflation, result from the underutilization of our own human resources and talents.

Presumably the reception of more goods would keep prices under control, and an increase in the number of working people. We have to have these two working hand in glove.

Mr. LUNDINE. I have no questions, either. I appreciate the incisive statement of my colleague from New York. I only hope there are hundreds of Congressmen that share his enlightenment as the consideration of this bill proceeds.

You made a good point when you talked about our willingness to create incentives for investment in machines and not in human capital. I would like to make a particular note of appreciation for the way you made that point.

Mr. GILMAN. I want to thank the gentleman for his leadership in this important issue. I hope by working together we can convince our colleagues.

Mr. VENTO. I just arrived on the scene. I am trying to scuttle through these papers. I am sorry I missed the earlier statements. I think our colleague has done well in the presentation of his statement.

I did look at some of the information that was passed along. Mr. Maccoby had provided a statement and he, I think, set out some of the concerns that we hope that we can resolve with this legislation. And one of the questions that comes to me, Mr. Maccoby, is: Do you think that the present framework, for instance, of union-management can be woven in or utilized with such an act?

I know that is not its focus, but does that have a significant role to play if in fact the focus of this is an industrial setting, community, or whatever the setting is, in which we have to develop the ideas and better utilization of resources, productivity, and so forth.

Do you think that that framework has a significant role?

Mr. GILMAN. Mr. Chairman, with your permission I will return to my committee if there are no further questions.

Mr. MOORHEAD. Do you have questions of the gentleman from New York?

Mr. VENTO. No.

Mr. GILMAN. Thank you very much, Mr. Chairman.

Mr. MACCoby. I do believe that the framework of union-management can play a very important role in the development of these programs because it provides a structure that already exists in factories, in terms of joint consultation on various levels. Unfortunately, in the past and in the present, too often this framework is one of pure adversary relations and hostility. But it can be developed, as we have seen in Jamestown, N.Y., and Bolivar, Tenn., and Springfield, Ohio, into a new type of relationship Irving Bluestone has called cooperative bargaining.

This kind of relationship does not replace collective bargaining, and it is our experience that it strengthens it.

I will give you a brief illustration from Bolivar, Tenn.

The members of the local bargaining committee that have taken part in the cooperative bargaining have learned a great deal through this process. In the process of reanalyzing work in terms of human, technical and economic criteria, they have learned about costing prices, the market and competition. In one instance, they have cooperated with the company to save a contract and over 100 jobs.

What has happened during the 3 years of the program? Last fall collective bargaining for the first time was done by local people, totally. In the past, it was always the regional director of the union and corporate vice president from New York who did the bargaining while the local people sat in the back and watched. This time for the first time all of the bargaining was done by the local union and management. The bargaining was done 3 months in advance because in the auto parts industry you have to stockpile parts to protect the customers from a strike. That means you have overtime before the contract negotiations and layoffs afterward.

This time in order to save jobs and layoffs and also to save the company money from having to stockpile, to get the capital to do it and to pay for its storage, this early bargaining was carried out by these people. Furthermore, in the 3 years since the program began the average hourly wage of the workers has doubled.

I think there is much evidence that not only is the union-management structure important for such programs but in fact it strengthens the collective bargaining structure.

Mr. VENTO. I guess it was your intention to just ask Mr. Gilman questions. I do not want to preempt the chairman's time. I defer to the chairman with my apologies.

Mr. MOORHEAD. I hate to bring up any controversial items among the members of a united panel, but we would like your advice on one of the things Congress will have to face. As I understand the legislation, the Secretary of Labor would be the lead agency, but a mechanism is provided, under the Human Resources Advisory Council, to bring the Secretary of Commerce and others into the picture.

Mr. Maccoby recommends largely because of his dealings with Mr. Harman, that Commerce should be the lead agency.

In your testimony, Mr. Winpisinger, you recommend that the Secretary of Labor be the lead agency. Congress recognized the conflict and referred the bill both to the Committee on Banking, Finance and Urban Affairs, and to the Education and Labor Committee. It seems to me that both Departments do have a role to play, but I have not figured out what the proper role is. Can any or all of the panel give guidance on this matter?

Mr. WINPISINGER. I will comment, Mr. Chairman. Let me say first I am aware, probably more so than my colleagues on the panel here, of the ravages of jurisdictional conflict, and I would not want to see that occur. I think the focal role is for the Secretary of Labor, simply because we are talking basically about human resources as opposed to the economic.

I am old-fashioned enough to believe that there is some semblance of advocacy among the various Cabinet members, the Secretary of Commerce for commerce and the Secretary of Labor hopefully for labor.

We have chided some in the past for not being enough of an advocate. That does not mean that that bodes evil or badly for Commerce or anybody else. If we are dealing with human resources, then that is the agency I think best equipped to come to grips with it and best equipped to overcome what I think are some of the hidden resistances in the background which might be kindled into the forefront by heavy involvement in the Commerce Department.

Workers immediately are going to look to that with something of a suspicious eye. There is plenty of suspicion out there now that all of these schemes may not be in their best interests. That is because they have been taken advantage of in the past. Success stories is what we need in order to get it into proper focus.

The Secretary of Labor is better able to get the confidence and get the success going. As a starting point I think that is necessary.

Mr. MACCOBY. I would like to say first of all, Mr. Winpisinger is one of the most creative leaders in organized labor, and his opinion weighs heavily, and I take very seriously what he says.

The reasons why I believe ideally the program should be in the Commerce Department are not just because Mr. Harman is the Under Secretary but also because I believe that the concept can stimulate a new development of our views of productivity and, as has been emphasized in testimony, we are dealing with a rapidly changing industrial situation where constant automation, technology changes produce strains that this program is partly designed to overcome by developing a better atmosphere of cooperation and mutuality in the workplace.

We have also seen in Europe that some of the most innovative programs of union-management cooperation in Scandinavia and West Germany take into account science and technology as well as organization of work.

I believe the Commerce Department is one part of the Government, because of its science and technology function, National Bureau of Standards, as well as EDA, that has set up the whole mix of improving business in terms of the creation of wealth and economic development.

I believe by adding the human development component to it that we would be improving our whole concept of productivity and effectiveness in ways that have been mentioned by many of the distinguished people who have testified today.

I understand and hear Mr. Winpisinger's point that from the point of view of organized labor, suspicions might be quieted by having this in the Labor Department, and I think that is an important consideration. But I would suggest that there might be a way to

provide part of it in the Labor Department and certainly some evaluation to the Labor Department, but to do it in such a way as to strengthen the roles of science and technology and economic development in Commerce.

Mr. MOORHEAD. Do you have any comment?

Mr. EDELMAN. I do not.

Mr. MOORHEAD. We have our problems at the Federal level. We also have problems of resolving the participation of State and local governments.

One suggestion made to the subcommittee was that the advisory council include State and local representatives. That might solve part of the problem. But should we require or encourage State and local participation in projects within a particular State?

Mr. WINPISINGER. I would comment briefly that when it comes to grappling with the problem, it is such that anyone that can focus any resources on it, to generate a solution, I would be in favor of doing it.

How this legislation would key in it is something that I am at a loss to comment about it. I would think that whatever aid the Federal mechanism could get, from State or local resources, the better off the program ultimately would be. I am aware that there have been failures in that area, too, with manpower programs of many types.

I still think it takes the entire mechanism of Government to get it to the grassroots and get it done on the floor where things will finally get resolved.

Mr. MACCOBY. I think one of the strong points of the legislation as suggested is its flexibility. The project in Bolivar was started by a national union and national company. It has developed in such a way as to strengthen links with the community.

Now, both in the educational element, with the community vocational educational programs and recently with a local group, including the president of the chamber of commerce, local bank, plant manager, religious leaders who are taking from the program ideas which they are developing throughout the community.

In Jamestown the program was started by the community and mayor. In Springfield, Ohio, it was started by the city government and union. It seems to me important to build this kind of flexibility into the legislation in such a way that it doesn't necessarily have to begin as a community-sponsored program, but it is encouraged to develop in that direction.

Mr. MOORHEAD. From all of your testimony I gather you are saying that some form of Federal incentive, initial to guidance, educational experience is necessary to expand upon this problem.

Mr. EDELMAN. Might I say that the State of New Jersey, where my company is located, has taken the initiative in seeking a solution, specifically because of the problem of unemployment and the New Jersey Department of Labor and Industry has been working with private industry to arrive at practical conclusions.

But they themselves and—nor could we move this kind of program unless they have additional support. While local problems require local recognition and local approaches to solutions, we are talking about a problem that really isn't local and I think because

it is not a local problem, because it is a national problem, and I say in my statement that it becomes an international problem, that it is important that the Federal Government be a very active participant and lend their positive support and encouragement to States and to cities and to towns and if they see—if the States, cities and towns and local areas see that support they will start regenerating this interest.

Unless you get that support from the Federal Government you may find discussions but no positive action being taken. I think in this regard generally I have to say the State of New Jersey should be congratulated for taking their approach.

Mr. MOORHEAD. Thank you.

Mr. Lundine?

Mr. LUNDINE. I never thought I would get to the stage where I would be the devil's advocate about this legislation, but the question has been raised that if this is such a great idea, why does the Government have to get involved at all? Why don't people do it for themselves? As a followup to the last question I would first like to ask of you, Mr. Edelman, why does the Government have to get involved? What role do you see the Government playing in trying to stimulate employment security?

Mr. EDELMAN. My own company is a very specific example of what role Government must take in trying to stimulate employment security. We think our management is positive-minded; community-minded. And while we look at the bottom line, for the profit angle we also recognize the sensitivities of our working people. We recognize that business must accept its share of responsibility toward making employees feel more secure. When we were confronted with the seasonal dropoff of business and the layoffs, we would have to make we felt very uncomfortable. We didn't like the thought of having to lay off anyone. Yet, even with our management feeling this way we could not get unanimous support for this new program. The only way we got the others to support our participation was to let them know that the Government was going to share some of the burden with us. I believe that other firms will feel the same need to have the Government help with the seed money to get their support and involvement, at least initially, with the program. I am convinced that once the program is in effect and has proven itself that this support from the Government can be eliminated. As a matter of fact, as a businessman I would prefer that the Government remove itself as quickly as possible because its involvement only increases costs of administration and costs only increase our taxes.

Mr. LUNDINE. I want now to turn to Mr. Winpisinger and add a slightly new dimension to that question. Do you think that Government seed money, Government assistance, might help to allay the suspicion you talked about in your testimony? In other words, if management came to union members and said, "This is our scheme," might it not be a little harder to convince your members to try to see if there could be mutual benefits than if there were a Government program at least to get it started?

Mr. WINPISINGER. I would like to address comments to both parts of the question if I might.

First of all, I think seed money is exactly the expression I would have chosen to justify Federal involvement. It seems the entire thrust of all of our programs up to now has been what to do—and the tax burden flowing from our concern—has been what to do with the guy when he is not working any longer. We have elaborate schemes to cushion the impact of layoff, all of which are costly in one way or another and in which the Federal Government is largely involved.

It is a built-in payroll cost during the period of time that anyone is working. We have never come to any scheme which says, let us spend money to keep him on the job. Let us keep him working. With that kind of change in emphasis which is almost a 180-degree turn, but you can't impact further on the existing mechanisms for that money. You have to have seed money to get across that threshold. That is a Federal role clearly.

Second, there is no question that a new program to which the Federal Government is willing to commit funds that can be channeled into the problem is obviously to some extent going to allay suspicions. It is true that management on its own initiatives—the plain fact is management uses its initiative to reach the subject unless you have sophisticated representatives there on the spot.

Even if it turns out to be good it will go more slowly than otherwise. That is the real value of outside resource people such as Mr. MacCoby and his colleagues in the field. By injecting that third party, that resource person who knows what he is talking about, who engineers the confidence of both parties, you get it off the ground and into an operative structure more rapidly.

That takes outside money and the Federal Government is that source.

Mr. EDELMAN. That was our experience in the informal program. We haven't entered the formal program but after discussing problems with Mr. Rubenstein we started this informal program in December and we immediately had this initial negative reaction. There was a kind of feeling that management had an ulterior purpose.

Frankly, we called in Mr. Rubenstein and he sat in on our meetings. We also called the union to sit in with us. It was after the employees recognized that we were talking from an overall viewpoint with the assistance of an outside party that we got this cooperative, positive attitude.

Mr. LUNDINE. Before that you encountered resistance from the union as well as from management?

Mr. EDELMAN. Yes.

Mr. MACCOBY. Just to summarize and add to what has been said I can see four reasons why Federal support is very desirable in this whole area.

The first is that it is very difficult to do what we are doing. It involves research and education and third parties and so far there has been very little support for such efforts.

I was in Jamestown last week and visited two of the factories—

Mr. LUNDINE. How is everybody there?

Mr. MACCOBY. I can't speak for everybody but there were a lot of people that seemed very well.

Mr. LUNDINE. Thank you.

Mr. MACCOBY. They missed you at their annual management-union dinner. It was clear that they welcomed more opportunity for educational programs and that they were limited by lack of resources.

Second of all, as has been stated when there is something new which can naturally provoke suspicion because of long-standing and well-founded suspicion between union and management, it is important to have that new effort legitimized by a full commitment from the Federal Government.

I believe in Bolivar it was certainly important to the participants that we had funds from the National Commission on Productivity to support our initial study.

In Springfield, Ohio, the fact that Neal Herrick received support from Government agencies as well as State agencies made it clear that the Federal Government judged that our whole society and all citizens would benefit from such a program, that it was in the interests of everyone. No Federal program should be funded unless it is in the interests of everyone that is involved.

Third, I believe that we need to have ongoing research to understand which approaches work and which do not. We are early on in our experience. I think the examples of the Work Research Unit of the United Kingdom and the Norwegian Industrial Democracy Project show that when governments invest in research to understand these kinds of projects to improve technology and work, such public information can then save a lot of other people grief who might otherwise start projects without having benefit of knowing what works and what doesn't work.

The fourth reason is that I believe there are many Departments in the Federal Government which have related programs and that there is now a lack of clarity about purpose and policy. This legislation can integrate approaches throughout the Federal Government and provide a clear philosophy to promote economic and human development.

Mr. LUNDINE. You made a parenthetical statement there that I would like to get at.

I did not ask Mr. Harman this question because of my legal training that a lawyer is not supposed to ask a question to which he doesn't know the answer. Was there outside funding involved in the Bolivar project?

Mr. MACCOBY. Yes, the funding was from the company, Harman International, from the UAW, and then outside funding from the National Commission on Productivity, the Ford Foundation which has continued to fund the project, the Sloan Foundation and the National Institute of Mental Health, Metro Center.

Mr. LUNDINE. I am going to yield to Mr. Vento.

Mr. VENTO. I was looking at your statement. One of the things you seemed to agree with was the concept, and I think some of the concerns I have with regards to the old time study—that was a one-sided productivity effort and I have been involved with them on one end, anyway.

It seems one of the problems that exists there is that through the process of collective bargaining and the whole labor management field, we have evolved what is a pretty sophisticated law, case law, where you get certain rights and benefits and you try to protect those things.

But, isn't the problem a reluctance and transiency that exists, with management not giving up those prerogatives in terms of management design or however they want to characterize those?

It is important that that occur if this is going to be successful. Obviously, it can't be a one-sided arrangement in these instances. It has been in others, but do you have feelings about that yourself or perhaps Mr. Maccoby does.

Mr. WINPISINGER. I have some feelings about it. I think basically the problem is only a threshold one. These kinds of things can be an adjunct to bargaining. They can facilitate it. Help it. But they can't subvert it because of the kind of institutional arrangement that bargaining is. I fear not that it is going to be diluted or diminished as an institution. I view this as an adjunct to it. To get things started is the real value of the third party. To get out of that institutional tug of war as it were, which it winds up being most times, and get someone who can generate credibility among both parties to the equation, to get on with a better day-to-day type of relationship that addresses itself to the identified problems in that work place.

That is no easy task, and a lot of them will fail on that very basis because they are difficult problems. I don't fear for institutional bargaining as a result. Looking down the road, I don't think there is much validity left in the law of supply and demand in this economy of ours because of the adverse price structure we have in most industries and product lines.

Simultaneous inflation and unemployment is the big problem at which we direct this thrust. Maybe those kinds of economies, having reached a degree of sophistication down the road is the best insulation we have against an adverse price and an institution against an alleged supply/demand situation.

Mr. VENTO. Mr. Maccoby.

Mr. MACCOBY. Both management and unions have suspicions which may be justified, because there have been projects started under labels of job satisfaction or enrichment which actually have not led to real human and economic development and have failed.

If we had time, we could go into a number of them and talk about why they happened. However, I do think we have learned something about what succeeds.

Two elements I would like to emphasize. In projects that do develop and even go beyond the first stage of a tentative union-management getting together about something, about a common problem such as jobs and changing markets, there is the commitment to shared principles, and those principles as I said before, must include security of employment, health and safety, fairness, as well as participation and concern for human development. The second element is the structure that develops to support such a project and I think this is not understood enough and cannot be emphasized enough, that the most successful projects are the ones where the structure of union-management cooperation is built and strengthened at all levels.

In Bolivar, we had a committee at the top including the company president and the international union vice president. We have a working committee composed of members of the bargaining committee and the plant management which meets regularly and they evaluate and give approval on projects initiated on the shop floor by core groups composed of foremen, stewards, and elected workers. The workers in one department asked to learn to do time motion studies. They wanted

to see how it was done so they could be sure it was fair. That was successful. It led to both increased satisfaction and gains in productivity.

I would like to emphasize that if these projects are to succeed and to overcome the hostility that exists in many workplaces, one must be very careful to develop both principles and the structure of union-management cooperation at all levels.

Mr. VENTO. I think that is very interesting. That gets back to the point that we might look to where we have those types of relationships going that we ought to get more elaborate research in those areas and compare it to where they don't have those things.

I also wonder in looking at this, if in fact, the expectations that can be raised will not be too high. I don't think you can solve some of the economic problems—that is one reason I am glad that one of the tests—we have talked about other types of economic problems that have to be addressed in a different manner. I appreciate that.

We want to hear from the Secretary, so I will stop at this point.

Mr. LUNDINE [presiding]. Holding the temporary gavel here, I would like to welcome Willard Wirtz, chairman of the board of National Manpower Institute and the distinguished former Secretary of Labor.

Mr. Wirtz, I would like to convey to you first the apologies of Chairman William S. Moorhead, your friend and long-time colleague. He got called out of this hearing unexpectedly early. He wanted particularly to welcome you and express the appreciation of the subcommittee for your willingness to come up here and give us your views on this subject.

We have your written testimony, of course, which will be submitted for the record. We would appreciate any comments you would like to make.

Mr. WIRTZ. Thank you very much.

As for apologies, they are all mine for being late. I have filed a statement with the subcommittee and depending on your suggestion, I would be glad either to go over it or simply ask that it be included in the record in this form and speak most briefly.

Mr. LUNDINE. Please proceed as you will.

STATEMENT OF WILLARD WIRTZ, CHAIRMAN OF THE BOARD, NATIONAL MANPOWER INSTITUTE

Mr. WIRTZ. Being tired of my own exhaust, I ask that it be made part of the record and I'll speak for a moment to a particular aspect of this bill and legislation which seems to me terribly, terribly important.

I tried to say in the statement that when it comes to the improvement of productivity and improvement of the quality of working life, those seem to me important and the bill seems completely right because it addresses itself to those matters. It is on that basis that I support it unqualifiably.

I would like to emphasize the element which emerges in the bill only in a single passage referring to the emphasis which is to be placed on projects involving labor-management cooperation and perhaps to dramatize the point by referring to the other meeting in which I have

already taken part this morning—a meeting in Columbia, Md. of representatives of 21 communities from 16 States around this country.

They are engaged in the particular matter of interrelating education and work. But that purpose and the purpose of H.R. 2596 are comparable. The emphasis is on the desirability of the Federal Government saying to local communities, "Get the constituencies in these communities together, take this problem and do it your way and let us find out what it is that will come from the commonsense that develops at a local community level when those people get together."

The particular project to which I refer is one sponsored by the Department of Labor, working with HEW and with the Department of Commerce, with the National Manpower Institute, an entirely private organization, working in conjunction with the implementation of the program.

My statement includes the list of those 21 communities. You will take personal satisfaction, Mr. Chairman, from the fact that Jamestown is one of those communities.

We are simply sitting down there together recognizing that when it comes to some of these things like productivity, like the improvement of the quality of working life, like the interrelating of education and work, we are all in the first grade without a teacher.

We also know there is a lot of experience developing around the country and the effort in that project, which we call the community work education council project and the proposal in this bill, as I understand it, is to encourage that kind of local initiative, to say "Do it your way," and then let us—and the "us" is everybody—find out what works and what doesn't work in this area.

Briefly, in response to your question, I support the bill because it seems to involve a project in working pluralism and it seems to contemplate the development of an experience which this country very much needs.

Thank you.

[The prepared statement of Mr. Wirtz, on behalf of the National Manpower Institute, follows:]

Testimony by Willard Wirtz
before the
Subcommittee on Economic Stabilization
of the
Committee on Banking, Finance and Urban Affairs

U. S. House of Representatives
April 5, 1977

Regarding H.R. 2596, the
Human Resources Development Act of 1977

Mr. Chairman, and Members of the Subcommittee:

I testify as Chairman of the Board of the National Manpower Institute,
a private, not-for-profit organization with headquarters in Washington,
D. C.

My testimony is in unqualified and enthusiastic support of H.R. 2596.

This support proceeds primarily from deep conviction about the
importance and rightness of the central emphasis in this bill: on weaving
together mutual worker and employer interests in improving productivity
and the quality of working life.

Recognizing, however, the larger authority and experience and
persuasiveness of other witnesses who are testifying here regarding this
central emphasis in H.R. 2596, I want to use these ten minutes -- which
Woodrow Wilson once said was only enough time to commit a compound fracture
of an idea -- to emphasize a feature and quality of H.R. 2596 which may
well be as important as its key substantive provisions.

The Human Resources Development Act is a proposal for a genuine investment in the idea and ideal of encouraging and implementing collaborative private and public process at the local community level. We all endorse this ideal in our speeches. There is some legislation on the books which promotes the idea at least a little bit in practice. As I understand H.R. 2596, it represents a commitment to go all the way, even gambling a little if this is necessary, in relying on local labor and management representatives to come up with good sense about how to improve the effectiveness and the meaning of work in their own communities and plants.

The only reference to this in the Bill itself is in Section 3(a)(1):

In entering into contracts under this section, the Secretary of Labor shall give priority to projects which involve labor-management cooperation.

It could be wished that the importance of this had been spelled out further.

There can be no question, though, from the legislative history and the context of this Bill, about what is intended. In his introduction of it, Congressman Lundine emphasized its contemplation of "innovative projects primarily in the private sector, initiated by communities, States, educational institutions, individual plants, or other private organizations, involving employees and employers in cooperative efforts" This isn't just another proposal calling for "advisory councils" through which the views of various constituencies are solicited for such use or non-use as may then be made of them; it is a proposal for the assumption and exercise of collaborative responsibility.

The Bill draws on the classical ideal of pluralism, of bringing various different kinds of "government" -- Federal, State, and local; public and private; employment and education; labor unions and corporations -- into new and more effective working relationships. It breaks out of the hide-bound thinking that the only institutionalisms and procedures that can be relied on to work in the future are those which have worked -- sometimes -- in the past. It draws at the same time on the supporting lessons of experience which are being taught, or really so far only being learned, in various local communities across the country.

I have come to this hearing from a meeting being held today and tomorrow, in Columbia, Maryland, by representatives of 21 local communities in 16 States in which new initiatives are being taken by varying combinations of local institutions and constituencies in developing better ways of inter-relating work and education. We are using the phrase Community Work-Education Councils to identify these initiatives more readily; but they are evolving in a variety of patterns -- all worked out locally -- and they have their own names.

Proceeding under a contract with the Department of Labor, and at the direction of a Federal Interagency Steering Committee (which includes representatives of the Departments of Labor, Commerce, and Health, Education and Welfare), the National Manpower Institute has developed a Work-Education Consortium which brings these 21 communities into a working relationship with each other.

The communities involved are Bethel, Maine; Buffalo, New York; Charleston, South Carolina; Chicago Heights, Illinois; East Peoria, Illinois; Erie, Pennsylvania; Gratiot County, Michigan; Industry-Education Council of California; Jamestown, New York; Lexington, Kentucky; Livonia, Michigan; Martin County, North Carolina; Mesa, Arizona; New York, New York; Oakland, California; Philadelphia, Pennsylvania; Portland, Oregon; Seattle, Washington; Sioux Falls, South Dakota; Wheeling, West Virginia; Worcester, Massachusetts.

I mention this in further support of the representations by the sponsors of this Bill that there is already going on significant yeasting of community in this country. The 21 communities represented at the meeting at Columbia were selected from among some 300 which manifested varying degrees of interest in this project. Two similar consortiums are being developed, one under the leadership of the American Association of Community and Junior Colleges, and the other by the National Alliance of Businessmen -- working in cooperation with the National Manpower Institute.

There is equal reason, and I expect equally broad developing experience, for doing this same kind of thing -- though in different patterns -- in the productivity and quality of working life area. Indeed it will be easier here to develop projects which can be focussed more sharply on more specific objectives, with larger promise of earlier success -- or, if it turns out that way, failure; for we have as much to learn about all of this at the present stage from finding out what

doesn't work as from learning what does. One of the critically important elements in H.R. 2596 is the provision in Sections 3 and 4 for the establishment of a Human Resources Advisory Council which will, among other things, "conduct a specific evaluation of each project" mounted under this Act.

Perhaps there will be some to suggest that if there is this much going on, let it go; or that there is already basis in the Comprehensive Employment and Training Act for encouraging such initiatives as these.

Such suggestions would seem to me mistaken. A great many such local initiatives, probably including some of the most promising, start up suddenly, have a moment of life while they are still news and while initial enthusiasm sustains volunteer efforts, and then die down because there is no structure to support them. The commonest failure is for lack of a one or two person full-time secretariat -- which would cost \$25,000 to \$50,000 a year.

The other almost invariable experience is that a particular local community initiates its program in complete ignorance of what has already been learned the hard way someplace else. Speakers can be brought in and heard, and books and pamphlets read, about voluntarism and participatory democracy. But what is critical is knowing some of the key specifics about this actually pretty tricky terrain called "improved productivity and quality of working life" -- such as the lesson from the Jamestown experience that the plans could go ahead only from square assurance that nobody would lose his or her job as a result of whatever was done to increase productivity.

Every dollar invested in one community under the Human Resources Development Act will be saved dozens of times over if the story of what happened to that dollar, for better or for worse, is collected and then told generally. Most of us are still in the first grade when it comes to knowing about local community cooperation in dealing with increased productivity and improved quality of working life. There is a yeasting of community, but a lot of it is still trying to find out what to do with itself.

About the possible uses of CETA here, I can only say that it seems to me clear that H.R. 2596 is reaching for a degree of local community initiative that goes substantially beyond what has developed at all generally -- or can reasonably be expected -- under CETA. The programs contemplated here start with essentially private, clearly local initiative.

One probably too personal anecdote in conclusion: The one "manpower" -- as we called it then -- project I remember most clearly from the experience in the Labor Department, quite a while ago now, was Project PRIDE -- here in the District. Its details don't matter; but it involved turning a quarter of a million dollars over to a local private group, with what were then mighty weak credentials, on terms which were essentially "Do it your way." It was more of a gamble than anything except deep concern about the very "hot summer" of 1967 would -- I guess -- have justified. PRIDE did its job handsomely. It still does today.

I read H.R. 2596 as proposing to encourage local communities and private employers to do something more about increasing productivity and improving the quality of working life -- and to do it their way. There are better reasons than concern about street riots for the Federal Government's investing a little in local invention, and there should be a clear legislative base established for doing this.

Thank you.

Mr. LUNDINE. Thank you very much.

I do think as you know that there is a very close relationship between education and work policy, an issue that you have raised most cogently in your book, "Boundless Resource," if I recall correctly.

Mr. WIRTZ. Thank you.

Mr. LUNDINE. And that you have demonstrated in your work with the National Manpower Institute. Such a relationship is also consistent with the purposes and intention of this legislation.

I would like to go back now and ask a few questions not solely directed to Mr. Wirtz. Mr. Maccoby, you mentioned the need for labor leadership and labor participation, and that has been mentioned by Mr. Winpisinger as well.

Do you think that it would be important to have some kind of a board where labor could participate in the policymaking and could advise the persons—whether Labor Department or Commerce Department or some other department—who are charged with the responsibility of implementing this policy?

Mr. MACCOBY. I do indeed, Congressman Lundine.

It is important for two purposes.

One is that I think it is important to have the support and leadership of labor leaders as well as creative managers, Government officials, and social scientists represented on the board.

It is also important for a working evaluation board to look over the research component of what is done in this area and to take the leadership as to best apply it, to determine where there are problem areas and danger spots.

Without such a board the results of this kind of initiative cannot be properly evaluated and usefully applied.

Mr. LUNDINE. Do any of the other witnesses wish to comment?

Mr. EDELMAN. From a practical viewpoint I agree. I don't see how you can make an evaluation without the combination of thoughts.

Mr. LUNDINE. Mr. Wirtz, it has been alleged that this Government has too many boards already. I guess that is a position with which most people would agree.

Because of your tremendous experience, I wonder if you would have any comment as to the need for some kind of policy board to which this program can look for evaluation and direction.

Mr. WIRTZ. I have looked at those sections of the bill, Mr. Lundine, carefully and with this question in mind. If the question is whether there are not enough, about enough, or too many advisory councils and committees around this Government the answer is there are far, far, too many.

I am never going to sit on another advisory council of any kind. If they want my advice, I want part of the action.

The history of the thing you are talking about here is that councils of this kind are set up, they are brought in either once a year, twice a year, four times a year for one day; the first 75 percent of the time is spent making staff reports to that committee and if you are lucky there will be 10 percent of the time at the end during which you get their input. If that is what this advisory council would be, my answer to your question is forget it.

I agree with Mr. Maccoby, though, that if anything is to be done about this, especially when it comes to monitoring and evaluation, then

this kind of council is terribly important. It will, if it is in charge of the monitoring and evaluation, do these technical jobs from the standpoint of what the people engaged in this business think is important instead of what some of the rest of us think is important. I don't believe there will be sensible monitoring and evaluation except as it is participated in by those people who are on the operating end of it.

So I would say yes. I have looked at the language in that section. It is called an advisory council. I could wish that word wasn't in there, but it is. It goes further than most pieces of legislation do in identifying recommendations that they are to make. Having expressed in my answer the same qualification which made your question an honest one, I come down on the side that this kind of body is terribly important.

I add one thing. I assume we are talking about the council at the national level. When it comes to the council or whatever it is at the local level, then I feel it is terribly important that they be in charge of instead of simply advising.

Mr. WINPISINGER. Don't skip me, Mr. Chairman.

If I might I start from the same jaundice as does Mr. Wirtz and I wind up on the same side of the issue as does he, and probably for all of the same reasons, but also for one that is not mentioned yet.

I should state in the whole recommendation of the quality of working with life, I thought there were perpetuated many frauds on the American worker at the early stages of the concept and I did not hesitate to say so.

I was viewed as a beginner for a long time. I said from day one we should not discourage in any way shape or form any legitimate attempt to do productive research. I wanted to get to these frauds.

Experimentation goes on and the minute it began everyone rushed to fill the vacuum of some institute or institution that would become the countrywide repository for all of the information thus gleaned.

Professor Davis created such a mechanism on the campus of UCLA. Other universities have followed suit. You have the National Center for the Quality of Working Life, a quasigovernment entrepreneur here in the city and perhaps many I am not aware of.

A fiat mechanism by legislative fiat is probably the answer and we should encourage everyone to make that the repository for the information so that it can be disseminated by practitioners in the area and minimize the opportunities for misrepresentation, fraud and what have you in terms of what is going on, what is being accomplished and what are the results.

We will have a lot of failures. There is no question about it. Any experiment indicates that you start off with the odds at 50 to 50.

Success means gains and that means gain sharing and that is what all bargaining is about.

I don't fear for that side of the equation. But we need to have as much dissemination about the failures from responsible people as we do the successes so we don't repeat the same mistakes over and over.

Mr. LUNDINE. Mr. Vento?

Mr. VENTO. We talked a lot about the local groups and of course we don't want to mandate any particular structure on any local community or plant or whatever, but ideally we have talked about the fact that we ought to encourage or build upon where some sort of arrangement

already exists, where we can get the most out of the dollars that come into this.

The other aspect I suppose is we don't want to mandate who is on the committee. That would be inappropriate according to the motive of this.

Realistically you probably have 3,000 employees who punch a clock and you probably have 300 that work in the managerial role.

Working with all of those resources I suppose the logic in my example would indicate that we would have a committee of 30 and we could take 29 out of one side and 3 out of the other to keep the parity, so everyone gets to participate to some extent on a role.

I suppose that is rather difficult to do but is that what we are talking about? Is every individual, every plant going to participate or each subdivision? We don't want to mandate anything, but isn't that a problem? On one side we have one person representing thousands of people and on the other side they are representing stockholders. If I own stock in a plant in Jamestown and live in Minnesota, then I am not involved in the activity but I want the dividends to go up.

What about that supposition?

Mr. EDELMAN. In our practical example we employ approximately 110 factory employees. We have approximately 15 administrative people.

We have set up an informal committee. We have four from our factory force selected by our factory people and we have two from our managerial. We are presently working with this kind of informal committee.

We have the input of the entire factory force. We are not just working with four factory people. They happen to be the spokesmen at our meetings for the 110 we have in the factory, but we have 100 people involved in the program regardless of their station or regardless of their work.

They are involved in the process that we are working on right now. I know you came in a little late, but I gave a quick presentation of the project we got off the ground because of the constructive suggestion of our employees.

Mr. VENTO. I read your statement.

Mr. EDELMAN. And it has been working well with this combination. I don't know how other firms would work.

Mr. VENTO. I am interested to know what we are talking about.

Does anyone else have comments?

Mr. MACCOBY. You bring up an issue which, as I understand it, is whether legislation can require a certain kind of participation.

Mr. VENTO. We don't want to do that, but we are worrying about the practical effect on the other end.

Mr. MACCOBY. There are a number of models of participation, and the important thing is that the union officials and managers should know about those models and commit themselves to that principle rather than to require or demand any particular approach. The mode of participation has to be worked out by the union-management participants.

Mr. WINPISINGER. In terms of the practicalities of it, you have to make sure that the communities of interest are represented, not necessarily in numerical strength or anything like that.

In the practical application of the philosophy you will probably find that the low- and middle-level management are the more obstreperous in terms of blocking success than the people on the factory floor itself performing the work.

That is because of the threats to institutional behavior and everything else that some of these things pose.

The community of interest has to be represented to make a meaningful assessment of what you are doing.

Mr. VENTO. One other question Mr. Gilman raised in his testimony is the rate of technological change. That has been talked about, and affects business development and affects workers.

How effective do you think this type of a model or this particular plan in terms of human resources, in stimulating this type of performance would be to that type of phenomena?

Mr. MACCOBY. I think technological changes are a fact of life in most industries.

The question is: As we change technology, will human criteria and concern for human development as well as economic criteria be taken into account?

If it is not, we will continue to pay heavy human and social costs.

What this legislation offers—and we have seen that certainly in Bolivar, Tenn.—is a way of moving toward involving people in the process of changing methods, so that all employees will have a say as to how work is carried out.

Mr. WINPISINGER. To me it is the only logical alternative. We can't go back to the oxen for farming. In a rapidly changing technological atmosphere, you have to find a way to handle the people or the people will say "let's go backwards."

Mr. VENTO. This is a democratic method of doing it, first of all. Everyone's intention is that it be democratic.

The point is, is that a replacement for what might be referred to as creative entrepreneurship in terms of responding to change?

Mr. MACCOBY. I think creative entrepreneurship must take into account the real environment, and that includes the nature of people and their attitudes and the nature of resources and their costs. And one of the things that I think is being implicitly and explicitly stated in this testimony is that we are living in a different world from the world of 50 or 100 years ago when entrepreneurial activity was dominated by jungle fighters.

Today, the entrepreneurs who will be successful are those concerned with people as well as the best use of material resources. For a whole society to adapt to a changing world and changing environment and atmosphere you have to find a way to handle the people or the people requires this initiative.

Mr. VENTO. I would characterize it as total consequence.

Mr. EDELMAN. We had an engineering consultant company come into the company last year and they made a study of our production methods and the number of employees we had. After a rather quick study they guaranteed us that they could eliminate up to 25 percent of our direct labor force, and increase productivity at the same time. They told us they were successful in doing this in many other firms throughout the country.

We weren't happy with their report because on the face of it ours was not a tight operation. However, after several additional conferences we found that their studies were not as conclusive as they had made it appear in our initial conversations and we decided against retaining their services. The point I am trying to make is that too many businessmen assume that by reducing their workforce that they will be automatically helping their business. What is failed to be realized is that if every firm used this same approach without attempting to find other ways to utilize our human resources we would have less people with the ability to purchase products and, eventually, by continuously reducing our number of employees who are the consumers of our products we could be putting ourselves out of business.

In the final analysis, the ultimate guarantor of jobs is the consumer. Therefore, it is to every businessman's personal interest to maximize the number of consumers. To accomplish this goal means keeping the greatest number of people employed in productive work. And, I might add, creative work.

It is my judgment that we haven't yet explored the potential of the human mind. Who knows, given the opportunity, what the average mind can come up with as far as new approaches, new ideas, new designs, new products which can enlarge the number of products sold in the marketplace.

Even if we do increase our technological efforts and gain further advantages, if we can increase the number of products and kinds of products to market, it will create a need for increased productivity. I'm sure that years ago when people spoke of the effects on the economy and the standard of living that the industrial revolution was having this same question was raised.

Yet if we didn't have improvements in technological advances, by the same token, if we didn't have movement with human development, I don't know if we would have the living standards we enjoy today.

It seems as we face increased unemployment and increased inflation—and I'm talking as a practical businessman—it is to our interest to see that a program such as this is implemented so we can take advantage of the presently underutilized human resources.

Mr. LUNDINE. It was our objective to be completed by noon, but I would like to ask one bottom-line question.

Based upon your experience, and I direct my question to all of you, how much would each project be likely to need in first-year funding from the Federal Government?

Does anybody have anything to contribute to our consideration of that matter?

Mr. WIRTZ. It may be helpful, Mr. Chairman, in connection with this other project to which I refer, there has been worked out a pattern of from \$40,000 to \$50,000 per community, and it is perhaps less important—the figure itself is less important than the element in the situation which this reflects.

It is our working assumption there that any project of this kind, at least in that education and work area, has got to have a central, full-time secretariat, just as in Jamestown you finally identified a full-time professional with that responsibility.

In this different situation where you would be working within a single plant, in some of these cases it might be much less than that.

I would think in some cases it could be relatively negligible. If you are going to mark out something new by way of a collaborative process, my guess is that requires that type of investment. That leaves out any program money that might be involved.

Mr. MACCOBY. We now spend about \$70,000 a year in the Bolivar project, and that includes the whole school program which has become considerable. It includes two full-time educator-researchers, Bob and Maggie Duckles, living in Bolivar and working in the plant.

We have a plant of over 1,000 employees. There are significant differences in size among companies that might develop programs, and this makes a difference in cost.

In Jamestown, I observed three companies that are advanced in terms of developing union-management relationships. There are others that might move ahead quickly, if they were encouraged and were provided the third-party resources.

Without any difficulty, I could see the program in Jamestown spending a minimum of \$150,000 a year and perhaps more.

While I believe that all efforts should be made to spend the minimum and to look for ways to use existing resources, I also believe that these projects should be fully funded to insure participation of all levels of company and the union, and to include a research component so that the outcomes can be fully understood and evaluated.

Mr. WIRTZ. My figure did not include the evaluation. There is a point in keeping it low enough to eliminate those projects that will last only as long as the Federal money lasts.

Mr. LUNDINE. I understand what you mean.

Thank you all—I assumed that only the middlemen would know how to spend money, I didn't direct this question to labor or management.

Mr. WINPISINGER. Correct assumption.

I have a notion about where you are recouping some of the costs.

If the project inures to the benefit of the community as a whole and there is no argument that it does, and an employer has an identified number of people who at some point are surplus and are so acknowledged, and others, they would be laid off and they will be put in an environment where they will be working under the program, then the employer should be given a tax benefit or incentive.

Mr. LUNDINE. I want to thank all of you.

You have richly contributed to the understanding and evaluation of this legislation.

Mr. Maccoby gave us the philosophical underpinnings that I think are terribly important, and correctly identified the principles on which programs of the kind being proposed ought to be funded.

Mr. Edelman gave us some very practical experience in the really exciting new area of employment as an alternative to layoff.

Mr. Winpisinger's comments cannot go without answer. This bill—I would hope—and I am sure the other members of the subcommittee who have sponsored it would hope—would in no way do anything but complement the goal of full employment and complement the collective bargaining process and in no way conflict with it. Mr. Winpisinger's experience and insight and forthright comments have been greatly helpful.

Last, I want to express my own particular thanks to Mr. Wirtz. This is the second time he has testified on a version of this bill. He did so before the Education and Labor Committee last year, when, as now, he incisively explained the importance of ideas coming from the communities concerned.

The record of these hearings will be kept open until the end of April. If you have any additions, please let us know.

Thank you very much. We are adjourned.

[Whereupon, at 12:10 p.m., the hearing was adjourned.]

APPENDIX A

ADDITIONAL MATERIAL SUBMITTED FOR THE

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STATEMENT IN SUPPORT OF THE HUMAN RESOURCES DEVELOPMENT ACT (HR 2596),
SUBMITTED BY WILLIAM FOOTE WHYTE, PROFESSOR OF INDUSTRIAL AND LABOR
RELATIONS AND SOCIOLOGY, CORNELL UNIVERSITY

The Human Resources Development Act seems to me important for the stimulus it will give to local community projects for economic and human development. As I see it, our citizens have lost faith in both big business and big federal government. They doubt whether concessions to big business will provide the economic stimulus to move us toward full employment, and they also doubt that this goal can be reached simply by having the federal government impose a national plan for stimulation and regulation of the economy.

Caught between these remote organizational giants, in the American tradition, people everywhere are seeking to find ways to contribute directly to the solution of the economic and social problems of their communities. The Human Resources Development Act promises to provide the help needed to stimulate the generation of information, ideas, human efforts, and local financial resources so as to enable the people who know their own problems best to tackle those problems successfully.

Can such a program work? In the New Systems of Work and Participation Program at Cornell, which I direct, we have already seen examples of what can be done by the intelligent mobilization of local resources. The Labor-Management Committee of the Jamestown Area is a prime example. The Committee was formed in a time of economic crisis when this industrial community had been devastated by labor conflict and by the closing of plants of large corporations. Under the leadership of then Mayor Stanley Lundine, the Labor-Management Committee mobilized local human and financial resources to reorganize and maintain in existence four industrial plants, through a shift to local ownership. In one of these cases (Jamestown Metal Products), most of the investment capital was provided by the employees themselves. The Labor-Management Committee has been so successful in changing the labor relations climate of the city so that for the first time in many years a major new firm, Cummins Engine Company, has come into town to establish a plant which, from small beginnings, is to become one of the major employers in the city.

The Jamestown program has had the technical and research assistance of Eric Trist, John Eldred, and Robert Keidel of the Wharton School of the University of Pennsylvania, and more recently Christopher Meek and I at Cornell have become fully involved. The program has been financed largely by grants from the Economic Development Administration but with the city of Jamestown also contributing to the budget. Cornell's contribution is financed by a grant from the Center for the Study of Metropolitan Problems of the National Institute of Mental Health. This seems to me a prime example of what can be accomplished on a local base when local government officials work with management and union leaders and with university people to mobilize the human and financial resources of their community.

To indicate that Jamestown is not an isolated example of the potentialities of local community action to save jobs, let me describe briefly a case on which we are currently carrying on research, the Mohawk Valley Community Corporation. This plant in Herkimer, New York, had been part of Sperry Rand Corporation since 1955. It had made a profit every year except one in the following two decades, but the profits were not high enough to satisfy top corporate management, and library furniture did not fit into the global strategy of a corporation with major interests in high technology operations. Sperry Rand's announcement of its decision to close the plant precipitated an extraordinary community mobilization to save jobs and income for a depressed area where unemployment was already around 13%. There was no labor-management committee as in Jamestown, but John Ladd, the very able director of the Mohawk Valley Economic Development District, performed the kind of leadership functions that had been provided in Jamestown by Mayor Lundine. He and his associates mobilized support in a five county area and among the employees, with the

enthusiastic support of their union leaders. They secured commitments from three banks for \$2 million in loans, from the Economic Development Administration for a \$2 million loan, but all of this contingent upon raising equity money of nearly \$2 million within New York State. Furthermore, Sperry Rand required that the equity money be provided within 45 days. The local group, with the very active support of the attorney general and the Department of Commerce of New York State and the Technical Assistance Center of the State University at Plattsburg, carried through the whole program successfully, raising over \$1,600,000 within the 45 day time limit. The money was provided primarily by small investors, totalling over 3500, with the employees themselves putting up about one-third of the amount.

The result of this community mobilization effort has been to save a 3½ million dollar annual payroll in a depressed area. It is providing jobs for 270 people, with good prospects for expansion. It will continue to provide about \$875,000 a year to area farmers and rural people who sell logs to the firm for its raw materials. Also, the now employee-community owned firm is saving \$600,000 a year that it used to pay in overhead to Sperry Rand. (When I asked a member of the Board of the new firm for an estimate of the value to the Herkimer plant of the services it received from the Sperry Rand headquarters in return for the \$600,000, he gave me a figure of \$1.50!)

The cases we have studied so far point to possibilities for local self help economic development projects far beyond the imaginations of national planners. Such possibilities can only be realized through local mobilization of human and financial resources from the communities of labor, management, education, and local and state governments. The federal government cannot direct this process, but it can provide the essential economic stimuli. As in any innovative program, some of the local projects will be failures and will be considered a waste of money. However, as federal officials, monitoring the implementation of the Act, learn from experience and research to distinguish between the more and less effective programs, they can help local community people to recognize what it takes to build successful human and economic development programs. In this way, compared with past experience, the Human Resources Development Act can become a model for a new federal-state-local relationship that is both more productive and more democratic.

February 25, 1977

AN ALTERNATIVE TO TRADITIONAL MANAGING

by

Mitchell Fein, PE

Abstract

Traditional managing practices are designed to operate in an adversary relations environment, to obtain increased productivity from a work force that is not motivated to raise output. Workers and management have opposing goals and needs.

This paper discusses the shortcomings of traditional managing and proposes a way to create congruent goals for workers and management which will benefit both. The problems at the work place and factors which affect workers' attitudes toward their work are analyzed. Numerous studies and experiences are utilized to develop an approach to encourage workers to increase their will to work and to raise productivity.

AN ALTERNATIVE TO TRADITIONAL MANAGING

Advances in management concepts, theories and practices and the introduction of mathematical programming techniques are converting managing arts and lore into a management science. The trend in managing is toward closer and tighter control over operations. With computers able to process tremendous amounts of data, systems designers are headed toward the ultimate, the Management Information System, in which all organization activities are monitored and controlled from a central point.

The paradox of this trend is that just as sociologists and behavioral scientists are saying that employees want more participation and freedom on the job, management science is enabling management to exercise greater control over the workplace and the workers. Management now has the means to get more and higher levels of supervision involved in workers' tasks because they can directly supervise through computer based controls and reports. As management theorists advise that managers should delegate down the line to give workers greater latitude in their work, the new management controls enable high level managers to look over workers' shoulders via the computer.

The move toward more sophisticated and tighter controls is supported by managers who see no viable alternative approach to productivity improvement than the close controls now utilized. Their choice is mainly how much resources should be applied to the task. Management controls are designed to operate in the adversary relations environment of the workplace, to compel higher productivity from workers who are not motivated to raise their output and help achieve managements' goals.

Traditional management theory places full responsibility for productivity improvement on management. Workers have no share or voice in raising productivity, nor are their opinions sought. Through the use of work measurement and labor reporting, performance evaluation and exception reports, deficient productivity and substandard employees are pinpointed. By concentrating primarily on the low areas and bringing these into line, overall productivity is raised.

This approach is logical and effective, limited mainly by how well it is implemented. The overall cost of maintaining control systems is high, counting the clerks, technical people and supervisors involved; adding computer costs and support personnel considerably raises costs. No voice is raised against these costs. On the contrary, efforts are made to establish more controls. Managers are convinced operating costs would be higher without the control systems.

Problems with traditional managing practices

Traditional managing recognizes workers' apathy and often outright hostility to productivity improvement. All sorts of approaches have been devised to gain workers' cooperation, but none have materially changed worker attitudes.

One popular approach emphasizes goal setting and performance appraisal as a way to direct employees' energies toward reaching management's expectations. Managers and supervisors are hemmed in by accountability systems and procedures. The fashionable MBO, Managing by Objectives, has the manager strive to set higher goals, which are then used to measure his progress.

Work motivation approaches which appeal to managers usually leave workers cold. Managers have difficulty understanding why an able, hard-working employee will turn down an opportunity to advance to a supervisory job, because workers and managers have different attitudes and motivation toward work. The more motivated an employee, the more he is attracted to individual goals and measures. When roughly 85% of the work force is weakly motivated toward their work,¹ managers should look to practices which place less emphasis on individual attainment.

Appealing to the broad interests of a group or the entire plant is contrary to conventional managing concepts, which propose that motivation plans should appeal to individual employees so that each strives to improve his capabilities and performance. As highly motivated persons, managers are attracted to approaches based on rewarding individual merit. However, they are often not sensitive to the needs of those not as highly motivated by their work and they do not see that individual rewards may create hostile attitudes among workers whose efforts are not recognized. Three main motivation approaches are examples: suggestion plans, conventional wage incentives, merit wage increases.

The suggestion plan, which rewards only employees who contribute improvements, makes sense and appeals to managers. Experiences show that suggestion plans generally do not elicit employee involvement and cooperation. A case worth citing is a well known large company which pays good wages and has excellent relations with its employees and union. Their suggestion plan paid employees 15% of a year's savings, with a policy of no lay-

1. Mitchell Fein, "Motivation for Work," Section 11 in HANDBOOK OF WORK, ORGANIZATION AND SOCIETY, edited by Robert Dubin, Rand-McNally College Publishing Co., 1976.

offs due to improvements from suggestions. An employee developed improvements which eliminated three assemblers from each of six lines, and he received a cash reward of \$24,000. All eighteen displaced employees were given their choice of other jobs and their union seniority was fully protected. Management was proud of its innovative employee and he received wide publicity. Some employees were not that impressed: The award winner also received a truckload of wet concrete on his driveway and the windows of his house were smashed. Though no one lost his job, some employees apparently felt that eighteen jobs had been lost to the plant.

Visualize how these workers would have reacted if all employees in the department had shared in the productivity gains, instead of one employee receiving all. The ingenious employee would then have been a hero among his peers. The resentment of the workers was really against the system which singled one out for reward while the rest suffered the loss of eighteen jobs. The greatest deterrent to suggestion plans is the peer pressure and ire of workers against suggestion innovators.

Conventional incentives tend to accentuate workers' narrow interests. Though workers on such incentives strive to produce more, they are not motivated to raise productivity nor to cooperate with workers outside their group. In most companies barely half the employees are on incentive, because so-called non-productive work cannot readily be measured and this further splits the work force.

Merit rating also fractionates the work force as some workers try to move up in ratings. Knowing that only about 25% of the group will receive merit increases at any one time causes

jealousy. Many managers, especially those in union plants, have long since given up trying to make merit rating operate as it should, to motivate employees to work more effectively with more sympathetic attitudes to management's goals. Supervisors well know the adage that the squeaking wheel gets the grease; often that is how raises are granted. Merit rating is a one way street; with time, practically everyone gets to the top. Even if merit rating induces an employee to more effective performance, once at the top there is no further incentive for the employee to keep trying.

Managers are generally aware of the problems they face but they have no better alternatives, so they continue to do the best they can within the systems on which they operate their plants. When in doubt, they apply coercive measures to supervisors and down to the work force. As a last resort, they proclaim the institution of a new (sic) incentive plan: Work or get fired.

Behavioral science approaches

An alternative to the traditional management approach developed twenty years ago by McGregor, fashioned after Maslow's projections, received wide and favorable consideration in the management literature. McGregor's concepts, coupled with Herzberg's refinements, proposed that worker interest and involvement in work would be raised by enriching jobs and enabling workers to participate in job decisions. They theorized that money is not a motivator, only the work itself provides motivation.

Some daring management groups which set up pilot operations based on the behaviorists' teachings reported they succeeded in

raising worker job satisfaction and productivity and reducing the traditional blues of blue and white collar workers. Yet when these innovative experiments are examined after several years of operation, it is found that none of the companies extended the changes to their other companies and most of the original ventures were discontinued.

Texas Instruments, one of the more innovative and competitive companies in this country, was an early leader in job restructuring and enrichment experiments. Several of their pilot operations were widely hailed in the literature as significant breakthroughs in raising worker motivation and involvement without financial incentives. Yet TI's management has not significantly extended the concepts underlying the experiments to other company areas. Non-Linear Systems embarked on a program embracing Maslow's concepts. A recent article about NLS related that many of the successful results reported in the literature were greatly exaggerated; the experiment finally failed.¹ Though encouraging results were reported for the Medford plant of Corning Glass, none of the other Corning works adopted the Medford concepts. Many articles about the Topeka plant of General Foods reported outstanding accomplishments in raising productivity and worker job satisfaction, yet the Topeka principles were not extended to any of the other General Foods plants. A search by the author of the literature and of a number of companies reporting job enrichment successes disclosed similar experiences.

1. Erwin L. Malone, "The Non-Linear Systems Experiment in Participative Management," THE JOURNAL OF BUSINESS, University of Chicago, Vol. 41, No. 1, January 1975.

The early reports of the experiments impressed managers who sought ways to reduce the adversary relations between employees and management in their companies and to involve employees in cost reduction efforts. McGregor's formulation of Theory X and Y managing styles are legend. Labelling a manager as Theory X minded is akin to calling him a redneck. Yet labelling the traditional managing approaches as authoritarian and undemocratic has not lessened their attraction for business executives with bottom line responsibilities. Though the literature supported numerous articles proposing that employee participation in managing would raise productivity and job satisfaction, managers did not implement these concepts.

Despite the failures of the job change experiments, a small number of influential labor, business and government leaders see sparks of hope that the behavioral science concepts will lead to ways of improving the quality of work life. If new efforts are patterned after the past, these will probably repeat the failure of the predecessors.

An insight into behavioral science experiment failures

A recent National Science Foundation supported study at New York University investigating worker motivation, productivity and job satisfaction, examined over three hundred behavioral science studies published in the United States dealing with the productivity and job satisfaction of workers.¹ The study pinpointed major shortcomings of approaches to raise worker productivity and found that increased productivity depends on two propositions:

1. Katzell, R. A.; Yankelovich, D.; Fein, M.; Ornati, O. A.; Nash, A., WORK, PRODUCTIVITY, AND JOB SATISFACTION. The Psychological Corporation, New York, 1975.

"...the key to having workers who are both satisfied and productive is motivation, that is, arousing and maintaining the will to work effectively -- having workers who are productive not because they are coerced but because they are committed.

"Of all of the factors which help to create highly motivated/highly satisfied workers, the principal one appears to be that effective performance be recognized and rewarded -- in whatever terms are meaningful to the individual, be it financial or psychological or both."¹

This reads so well, makes complete sense, and is irrefutable.

Yet across the country most managers do just the opposite. Managing policies are based on coercion in practically all plants; workers are seldom rewarded financially for more effective performance. The realities at the workplace are diametrically opposite from what is needed to raise job satisfaction and motivation. Though unintentionally, it works out that most workers are generally penalized for doing a better job, so they oppose management's objectives. Management senses the antagonism and its managing and control systems are designed to operate in a hostile environment, to apply pressure and coercion to workers, to get them to do more.

Workers readily see that if they assist in raising productivity, some of them will be penalized; if they improve productivity, reduce delays and waiting time, reduce crew sizes, some will be displaced and the plant will require fewer employees. They receive no financial gains for their efforts nor are they persuaded that increased company profits will benefit them in the future. What employee will assist in raising productivity, only to be penalized for his diligence?

1. WORK, PRODUCTIVITY, AND JOB SATISFACTION, op. cit., p. 10

The "exempt" employees, executives, administrators, professionals and salesmen, are treated differently. A manager does not work himself out of his job by superior performance, nor is a salesman's security threatened because he sells too much. An engineer does not cause the layoff of other engineers by being too creative. These employees anticipate rewards for their creativity and effectiveness.

When workers excell and raise productivity, the company benefits and management is pleased, but the workers do not benefit. On the contrary, in the short term their economic interests are *threatened*, and some suffer loss of income. When exempt employees are more effective, they are covered with glory; their economic security is *enhanced*, not threatened. Ironically, the relationship between workers and management actually provides workers with the incentive *not* to cooperate in productivity improvement. Without realizing it, all most companies offer their employees for greater dedication and for raising productivity is the opportunity to reduce their earnings and job security. No wonder workers oppose productivity improvement. The system operates perfectly to *demotivate* workers. A more effective system could not have been designed to cause workers to oppose management's goals.

These realities of the workplace were minimized by the behavioral scientists who proposed that enriched work and greater job autonomy would encourage increased worker interest in their jobs and in managements' goals. The poor results obtained by the many job change experiments provide ample indications that more than job design changes are needed to raise workers' motivation to work.

The main reasons the job enrichment experiments failed to attract wide worker support and were abandoned are:

- Traditional managing concepts and practices negated the objectives of the experiments.
- Employees in the experiments received no material benefits from the programs; only management stood to gain.

Traditional management theory teaches that more effective operations and enhanced bottom line results come from tighter controls that permit closer vigilance over all activities, so that lagging workers and activities are improved. Tightened controls, however, cause increased resentment from employees who resist producing more. Telling managers they should ease up on controls to court employee cooperation goes against their experiences, which are that tightened controls raise productivity and reduce costs, even when labor relations are worsened.

Workers and unions did not support the job change programs because they saw no material benefits for workers. Behavioral scientists who counseled that workers would prefer enriched jobs to their "boring" jobs, and that money was not a motivator to higher productivity and involvement, did not comprehend workers' needs. The job change programs failed largely because workers had no stake in the gains or in helping to achieve management's goals.

Requisites to gain workers' support

An examination of who gains and loses as productivity improves forces the conclusions that for workers to support productivity improvement, a program must:

- Reward workers for improved performance.
- Eliminate practices which penalize them as productivity rises.

Many managers can see the logic of this conclusion, but they have little confidence that workers can be sufficiently won over to support management in productivity improvement to warrant any relaxation of traditional managing methods that will dilute managements' prerogatives and their control over the operations. These managers are convinced they should not share with workers the responsibility to improve productivity. Rather than involve workers, they rely on tight management controls and increased investment in capital equipment and technology.

Managers wishing to improve productivity through involving workers will find support for their views in behavioral science and industrial engineering study findings which agree on a prime way to increase worker motivation. The NSF/NYU study team developed six critical ingredients of effective systems to raise job satisfaction and worker motivation, headed by:

"Financial compensation of workers must be linked to their performance and to productivity gains."¹

The NSF study found that when workers' pay is linked to their performance, the motivation to work is raised, productivity is higher and they are likely to be more satisfied with their work.

A study of over 400 plants in the United States found that when these plants instituted work measurement, productivity rose an average of 14.6%. When plants instituted wage incentives where previously there was work measurement, productivity rose an

1. WORK, PRODUCTIVITY, AND JOB SATISFACTION, op. cit., p. 36.

added 42.9%. The average increase from no-measurement to incentives was 63.8%.¹

Most managers know that pay tied to productivity will motivate higher performance. From two-thirds to three-quarters of all the sales forces in the United States use incentives.² Approximately 78% of manufacturing companies have executive bonus plans; the median bonus for the three top executives averages 42% of their base pay.³ A study of executive compensation of 1100 companies listed on the New York Stock Exchange found that companies which had formal incentive plans for their executives earned on the average 43.6% more pretax profit than did the non-incentive companies.⁴

By any measure, pay tied to productivity is the most powerful motivator of improved work performance. Yet only 26% of United States workers work under financial incentives. In some industries, such as basic steel and sewn products, incentives cover over 80% of the work force; in many industries no incentives are employed. Few non-manufacturing operations are on incentive.

The low use of financial incentives for workers in the United States is due to several reasons:

1. Mitchell Fein, "Work Measurement and Wage Incentives," INDUSTRIAL ENGINEERING, American Institute of Industrial Engineers, Sept. 1973.
2. Weeks, D. A., "Compensating Salesmen and Sales Executives," THE CONFERENCE BOARD, Report No. 579, 1972, p. 6.
3. Fox, H., "Top Executive Compensation," THE CONFERENCE BOARD, Report No. 706, 1976, p. 4, 5.
4. Brindisi, L. J., "Survey of Executive Compensation," WORLD, Peat, Marwick, Mitchell & Co., Spring 1971, p. 52.

- Some managers are concerned that incentives will diminish their ability to control the operations and over a period of time the incentives will deteriorate, causing labor problems.
- Some managers believe that productivity improvement is largely created by management efforts; there is no need to share productivity gains.
- Management's rights advocates believe that improvement is best shared periodically as increases in wages and benefits.

Though there may be some merit to these arguments, it is undeniable that, from floor sweeper to president, all raise their productivity when their pay is tied to performance.

Everyday experiences, numerous studies and common sense support the thesis that if workers are to cooperate in productivity improvement, they must benefit from the gains and be protected against adverse conditions created by productivity improvement.

Creating congruent goals

Productivity improvement is a goal of management, not of workers. Management strives for raised output with reduced labor input. Workers have no such goal; they mainly seek increased pay and improved job security.

Workers and management strive in opposite directions. The traditional relations between workers and management is a zero sum game; it is win-lose. When workers gain wage increases these eat into management's profits. Holding wage increases down benefits management.

Workers and unions understand that increased productivity in the long run also benefits workers. Reduced costs insure new orders, jobs and the company's ability to pay increased wages and

benefits. But workers' attitudes at the work station toward productivity improvement are usually hostile to management's goals.

Management's productivity goal can become a worker goal when workers share in productivity improvement. Sharing productivity gains is simple in concept and practice. A labor cost base is established to make a product and when costs are reduced, the gains are shared. To involve all workers, the entire plant should be considered as a black box, comparing only the value of the labor input to the labor value of the output. This approach to sharing creates significant changes in workers' vested interests. Under the traditional relationship of workers to production, they are motivated to enhance their narrow interests; they want more of what they have and are little concerned with how production fares around them.

With plant-wide sharing, however, their interest focuses on how many units were completed in how many total input hours. They are rewarded for reducing overall costs. Before sharing, when there were losses through work delays, equipment breakdowns or spoilage, only management suffered the loss. Under the sharing plan, workers share the gains and the losses and are motivated to minimize production impediments. Most significant, their concerns shift to the whole box, to all areas which affect input and output. In this sense, their interests parallel management's. Both gain and lose together.

A new type of sharing plan

Utilizing ceiling and buy-back principles which are described later in this article, a significantly new type of sharing plan has been developed which meets the needs and objectives of workers and management and provides ways to remove the traditional limitations on productivity improvements. To differentiate this plan from others, I have named it the Improshare Plan,¹ derived from "improved productivity through sharing." It has these main features:

Increased productivity of groups is shared by employees in the group.

The past average productivity level is used as the measurement base. The average man-hours required during a base period to produce a unit of product is established as standard. This includes all so-called non-productive time such as the work done by material handlers, set-up men, inspectors and others involved in the group.

The value of the output of the group is the total units produced multiplied by the past average man-hours standard. With multi products, the total output is the sum of all the products completed multiplied by their respective standards.

Everyone in the plant or department is included in the plan. The input is the total man hours worked by the group.

Productivity improvement is shared 50-50 between employees and management.

Gains are calculated weekly, with a moving average to span several weeks to create a stable output level. Productivity is shared and paid weekly. Losses are absorbed into the moving average.

Man hour standards are frozen at the past average. Standards will not be changed when operations are changed by either management or the employees, except for capital equipment and technology changes, which are specifically defined. Increased productivity will be shared with no attempt to pinpoint whether employees or management created the savings.

1. Improshare is the registered Service Mark of Mitchell Fein.

An agreed ceiling is established on productivity sharing earnings. The excess over the ceiling will be carried forward to future weeks and eventually "bought back" from the workers by cash payments.

The main constraints on the plan are:

Total unit man hour costs under the plan cannot exceed unit costs in the past. Costs must decrease as productivity is raised.

Management rights are not changed. All changes in methods and quality must be approved by management. Production levels, schedules, assignment of employees, etc., are vested in management, as they were before.

Union contractual agreements are not altered.

The spirit of the Improshare Plan

The Improshare Plan is designed to create conditions under which workers and management benefit by moving on parallel paths to a common goal: more units of product made in fewer man hours of work.

Under traditional management without incentives, workers are not rewarded for increased output. The full responsibility for raising productivity falls on management.

The rationale for conventional incentives such as piece work is that workers will raise their output for increased earnings. These incentive workers have no concern for overall productivity; they are only motivated to increase their earnings. In most plants, only the production workers are covered by incentives. Those not on incentive are alienated because they do not have an opportunity to increase their pay. Conventional incentives cause workers to build protective walls around their operations to maximize their earnings. They are very creative in innovating ways of "making money with a pencil" which are practically impossible to eliminate; these substantially increase costs.

Conventional incentives fractionate the work force and create conditions which accentuate workers' narrow interests.

The sharing plan creates an opposite spirit. Narrow interests are reduced by rewarding the entire group for their gains. Counting output only as finished units packed in cartons ready for shipment and rewarding workers for productivity gains over a base period focuses their attention on the need to reduce labor input and increase product output.

As workers' interests are shifted toward management's, the rationale for traditional managing starts to fade. When workers become concerned with final outcomes, they will also be more interested in how operations proceed inside the black box, in the many details and production impediments that occur around them which today they ignore or even encourage. Since productivity gains are shared, whether innovated by workers or management, conceivably industrial engineers, who today are disparaged by workers, would instead be welcomed because workers would gain from the engineers' improvement efforts. That would indeed signal a significant change in the attitude of workers and managers toward each other's interests and needs!

Experiences with Improshare Plans

Improshare Plans are operating in a number of companies in the United States and abroad. The first plan was established in August 1974 in a company manufacturing furniture. After two buy-backs, the employees are earning 30% additional pay and costs have been materially reduced.

A national corrugated container company placed four plants on the plan; the average increase in productivity was 31%. Management is weighing results obtained against their other plants that operate with conventional incentives. After a year's operation, the Improshare plants show comparable costs to effective incentive plants; management controls in the Improshare plants are greatly simplified, labor relations and employee attitudes are good.

A company producing proprietary industrial products introduced separate plans by product lines and by major operations. A nonferrous foundry increased output by 18% and reduced foundry scrap from 17% to 7% in several months. Another plant increased output by 54%, with good control over quality. Several other plans are also working well.

A small company producing consumer products raised productivity by 30%. During contract negotiations management demonstrated to the union their inability to pay an increase management agreed the employees needed to keep up with inflation, and a wage increase was deferred for a year. The Improshare Plan was installed and the employees are earning more than they would have through a wage increase. Management's plight has been relieved.

A large company which has its own construction crew to erect new buildings and install all sorts of facilities established an Improshare Plan for 150 construction mechanics and included supervisors and managers. In the first six months productivity increased 16%. The increase mainly came from better planning.

An automotive parts plant of 500 was ready to discontinue a product line because costs were too high and rejects were excessive. An Improshare Plan was introduced for the 75 employees in this product department to replace a conventional incentive plan. In the first week of the plan, production was higher and rejects lower than before. Three employees on a major operation shut it down, called engineering and quality control, and told them they would not operate the equipment until the machines operated properly. This had never occurred before.. Costs have been reduced. Improshare Plans are now being designed for other groups in the company.

The list of companies and unions working with the plan grows steadily. A plan designed for a bank will soon be operating. A coal mine reduced costs per ton of coal and increased employee take-home pay. A wood veneer plant reduced production costs with equal benefits to the employees. A company distributing automotive products is establishing separate plans for seven warehouses around the country. A trucking company is establishing separate plans for their drivers, garage mechanics and dispatchers.

Several plants with conventional incentives have retained their incentive plans and established Improshare Plans to cover employees not on incentive. A plan is being designed for a 425 bed general hospital to reduce patient care costs and improve the quality of care as perceived by the patients. A number of federal, state and municipal agencies are studying how to establish the plan for specialized public sector services.

Several companies have not been successful with the Improshare Plan. One company which had a weak, deteriorated incentive plan in a department tried to replace it with Improshare with the co-operation of their union. The department had six groups that each assembled and packed products. Previously each group had reported its own production and was paid on its productivity. Under the Improshare Plan, the entire department output was grouped, including miscellaneous assembly and non-productive work. The employees were accustomed to work as small groups and most refused to pool their output and share their work with others.

The lesson from this case is that the group should be homogeneous with the members dependent on each other. Putting six groups together into one larger group was artificial from the workers' view. This attitude is especially prevalent where employees were on incentive or measured day work and were accustomed to reporting their own time and output. Reluctance to share output among members of a large group is often a serious obstacle to the success of a group plan.

In another plant, shortly after a plan started to operate, orders unexpectedly decreased and the work force was adjusted accordingly. Six months later, orders rose sharply. Most of the original displaced employees were not available and new employees were recruited. The large influx of new employees reduced productivity, cut off the sharing bonuses, and the employees lost interest in the plan.

Another company, which also had variations in orders and employment, offset the effect of new employees by extra training allowances for new employees. More important, they hired slowly, to minimize the effect on productivity. Their plan operates well and they have had two standards buy-backs.

Open communication between management and employees is one of the most important factors affecting success of the plan. The more management can inform employees of what is occurring to such things as productivity, incoming orders, future plant changes, and even management problems, the greater the probability employees will come to sympathize with management's problems. Management must also be open to employees' problems and act on those which are reasonable. The candor of exchanges and the degree of employee cooperation most often depends on the type of climate encouraged by management.

Companies which have used the plan as a gimmick have had the least success. Management's attitude and sincerity is readily discerned by the employees. When they see the plan as a new form of piece work, the plan will probably not work well. Employees on conventional incentives such as piece work are not motivated to cooperate with other employees and especially not with management; they produce more because they earn more. The sharing plan requires cooperation between employees and management and a wholesome regard for each other's problems and needs.

Conventional incentives vs productivity sharing

This paper is not meant to disparage conventional incentives. Many employees, managers and unions prefer traditional practices

which they have worked with for years. Some operations are better suited to conventional incentives such as piece work.

There are pros and cons to both approaches. The overall productivity of employees working on conventional incentives as individuals will be higher than that of the same employees working as a group. When a worker's earnings depend on his own efforts and ability, he is more likely to go to higher levels if he receives his own gains. With group incentives there is a general let-down by the top performers, who must share their output with lower producers.¹

However, individual worker output is only one factor in the overall results. Also important is cooperation between workers on different operations, worker creativity to improve operation effectiveness, to reduce wasteful practices, to increase materials usage; in short, to do the things that are described by the cliché: Work smarter, not harder.

Conventional incentives barely cover half the plant. When the plant is covered by a group plan which only achieves half the productivity gain of the individual plan, overall gains will be about the same with both approaches. Costs are incurred in maintaining an effective work measurement system and conventional incentive program. These must be weighed against the much reduced need for these activities in operating an Improshare program. Under conventional incentives, grievances are continually raised involving time standards and wage incentives. Productivity comparisons tell only part of the story.

1. Mitchell Fein, "Wage Incentive Plans," Section 6-2, INDUSTRIAL ENGINEERING HANDBOOK, edited by H. B. Maynard, McGraw-Hill, 1971.

The goal of an Improshare Plan is to involve all workers. The outstanding performances of a few individuals are traded for an increased will by the entire plant to raise total productivity, to produce more units of output with fewer man hours of input.

Measuring under an Improshare Plan

Measuring productivity by comparing the labor value of production to the total labor input is indisputable and valid. Only acceptable product, packed ready for shipment, is counted. Everyone in the labor force is included. In large plants a department can be the group and the measure is the value of labor added to the product in the department compared to the total labor input in that department. This overall approach to measuring productivity avoids the arguments and rationalizations which occur with conventional accounting practice that separates workers into those who work directly on product and those who do support and service work. Engineers traditionally follow accounting practice and mainly measure productive operations. Labor that goes into services, product repairs, maintenance and other such work is usually not measured. Conventional incentives usually cover only the production operations.

Determining how to measure is one of the most vexing problems in establishing a conventional incentive program, especially for varied work. The main reason most conventional incentive plans cover only a portion of the workers in a company is that it is difficult and often impossible to measure productivity of the so-called non-productive work such as maintenance, materials handling, receiving and shipping, prototype and short production

runs, and other varied work. Often up to one-half of the work force may be on such work.

When measuring groups under the Improshare Plan, a reliable measurement base is the average productivity over a past period. Considering the total output of the group against the total hours worked by the group permits the establishment of valid measures which include all employees. This principle of measuring and of productivity sharing is shown in a simplified example. A single product plant of 100 employees produced 26,000 units over a 26 week period in which they worked a total of 104,000 hours. The average time per unit is $104,000/26,000 = 4.0$ hours. Suppose an Improshare Plan is introduced under which the employees and management share productivity gains 50-50 below the past cost of 4.0 hours per unit. In a given week, if 102 employees worked a total of 4,080 hours and produced 1,300 units, the value of the output would be: $1,300 \times 4.0$ hours per unit = 5,200 hours. The gain would be $5,200 - 4,080 = 1,120$ hours, with one-half or 560 hours going to the employees. Translated into pay, this would be $560/4,080 = 13.7\%$ additional pay to each employee. Management also would gain 560 hours. Where originally the unit cost of the product was 4.0 hours, the new unit cost including productivity sharing payments is: $(4,080 + 560)/1,300 = 3.57$ hours. Thus costs have been reduced, including productivity sharing payments to the employees. Grouping the entire work force into a black box follows sound management thinking. Basic management reports often show total tons or units produced balanced against total payroll and employees. These are valid measurements of overall productivity.

This overall approach obscures details and may disturb some managers. I am not proposing that production details should be ignored. Rather, I believe that under productivity sharing employees will be motivated to pay attention to details and problems. If every employee just cared for his own work, what an enormous difference it would make. Productivity restraints from running out of work, machine malfunctions, quality problems and myriad others would be reduced. There is enormous know-how and creativity in the work force which today operates against management. With employees cooperating with supervisors and engineers to produce more product in less man hours, an entirely new climate will have been created.

In plants with multi products, a measurement base must be established which will reflect the past average productivity for all products and of the entire plant. This was done for a company with 350 employees, which produced 475 different products made of machined and sheet metal components. The plant operated under measured day work; that is, no incentives were used but conventional engineered time standards measured individual employee productivity. Since these standards only included the work of productive employees and omitted about one-third who did all sorts of so-called non-productive work, it was necessary to compute the composite productivity of the entire plant.

The time standards for all the operations to produce each product were totaled to obtain the overall engineered standard time by product. Working from records of finished product transferred from production to the warehouse, the total was obtained of each product made each week and for the year, which was then

multiplied by the respective total standard time for each product, to obtain the total standard value hours for all production. The payroll ledgers were used to obtain the total hours worked by all employees in the plant including all the non-productive workers.

In the year the workers produced 255,000 standard value man hours based on product time standards and worked a total of 725,000 man hours. The hours worked is much higher than the produced hours because the time standards did not include any non-productive work such as receiving and shipping, maintenance, materials handling, machine set-ups, waiting for work, scrap and salvage; also employees were below management's 100% measurement standards. To convert the engineered standards to reflect the previous year's productivity and to factor in all non-productive time, a Base Productivity Factor (BPF) was computed:

$$\text{BPF} = \frac{\text{Total actual hours worked}}{\text{Total standard value hours}}$$

The BPF represents the relationship in the base period between the actual hours worked by all employees in the group and the value of the work in man hours produced by these employees, as determined by the measurement standards used in the base period. In effect, the BPF is a means to "use up" all hours worked and to factor into the original standards all occurrences which were not included in the standards. This approach is equitable to employees and to management when management agrees they are willing to use the past average productivity as the measurement base from which to measure productivity improvements.

Members of national accounting firms agree that this approach produces valid product costs which include all labor

costs and reflects the productivity of the base period. In this example, the BPF = $725,000/255,000 = 2.843$. Multiplying all engineered product time standards by 2.843 creates base value standards to be used for the Improshare Plan which groups the entire plant. All 350 workers, down to the floor sweeper, are included and share equally in productivity improvement, in relation to their gross pay each week.

A similar approach was used by a 50 employee plant producing ten products. No time standards or cost records were available. Improshare measures were established by the following steps:

1. Estimates were made of the total time required to complete a unit of each product, from the first operation to packing into a carton, but not including non-productive operations, as follows:

	<u>min</u>	<u>hrs</u>		<u>min</u>	<u>hrs</u>
A	30	.50	F	120	2.00
B	40	.67	G	150	2.50
C	60	1.0	H	210	3.50
D	75	1.25	J	275	4.58
E	90	1.50	K	350	5.83

2. Totals of each product made during the past 6 months were multiplied by the corresponding time estimate:

A	1000 x .50 =	500	F	1800 x 2.00 =	3,600
B	1200 x .67 =	804	G	400 x 2.50 =	1,000
C	1100 x 1.00 =	1,100	H	2050 x 3.50 =	7,175
D	925 x 1.25 =	1,156	J	600 x 4.58 =	2,748
E	800 x 1.50 =	1,200	K	1300 x 5.83 =	7,579

Total produced hours = 26,862

3. The total hours worked during the 26 week period was
26 weeks x 50 employees x 40 hours/week = 52,000 hours.
4. The Base Productivity Factor = $52,000/26,862 = 1.936$.
5. Multiply all estimates by 1.936 and use these as average past performance product standards.

The rationale of the above two illustrations can be extended to any size company producing all sorts of products or services.

An Improshare Plan was established for the Shipping Department of a company by preparing a tally of pounds shipped against the total hours worked by the entire crew for six months. This average then became the measurement base. A BPF was not necessary because the calculations already reflect the base period productivity.

Non-producing or service departments can only increase productivity by operating with fewer employees. For example, suppose 20 employees handled and shipped 2,600,000 pounds of product in 26 weeks, for an average of 8 man hours per 1000 pounds. On the average the employees handled 100,000 pounds per week. If 16 employees could do the same work, the productivity calculations would be as follows: The value of the work is 100,000 pounds x 8 hours per 1000 pounds = 800 man hours. The 16 employees work a total of $16 \times 40 = 640$ hours per week. The productivity gain is $800 - 640 = 160$ hours. If management and employees shared gains 50-50, the employees would receive 50% of 160 hours; divided among the 16 employees, each would receive $80/16 = 5$ hours of his gross pay for the week.

Different approaches to measurement under Improshare

An Improshare Plan can be developed for any operations. The plan can be applied to one person or a thousand, to small groups or to an entire plant. It can be used to supplement conventional incentive plans; several plans can operate in a single plant.

The versatility of the Improshare Plan comes from the way

productivity is measured: hours output vs hours input. Dollars should not be used because dollar costs vary; man hour costs are relatively stable.

A large variety of measurement methods can be used for the Improshare Plan, depending on the operations, work grouping and the purpose of the plan. The following are the basic categories:

Gross measures:

- Entire facility
- By department
- For non-incentive operations in conventional incentive plant
- To supplement conventional incentives

Estimated standards:

- Job shop products
- Proprietary products

Conventional work measurement standards:

- Plant wide
- Department and groups

Past actual costs:

- By products; single plant
- By products; multiplants

Improshare Plans can be used in combination with conventional incentives to cover employees who are not covered such as those in shipping, maintenance, warehouse, materials handling and receiving. The incentives for the production operations are not changed. Improshare Plans are established for the non-production operations, usually as man hours per finished unit of product. The objective is to focus every employee's attention on overall improvement.

Using the past years' average as the base, increased productivity by these employees over the past can be shared. This approach is inexact compared to engineered standards, but when past data is studied, it is usually found to be remarkably stable.

Changes in products, methods and equipment can be reflected into the standards by several methods. The ceiling and buy-back will assure that Improshare sharing earnings do not run away.

Sharing through quality gains

Every plant working with an Improshare Plan experienced improved quality and reduced spoilage. Since output counts are only of finished product, packed in a carton ready for shipment, employees exercise greater care to avoid spoilage.

In conventionally operated plants, employees do not gain or lose as spoilage varies. With the stress on individual employee productivity, supervisors and employees are more motivated to maintain "safe" levels. With Improshare, everyone has the incentive to reduce defective parts; losses hurt everyone. The Improshare Plan highlights yield by only counting finished product.

Some companies have set up separate material usage plans with gains shared semiannually or annually. Plans for maintenance groups usually set goals to reduce maintenance supplies usage by 25%. Sometimes the savings from materials can be greater than from labor.

Management gains through productivity sharing

The capital equipment invested in a manufacturing company may range from \$10,000 to \$50,000 or more per employee. A plant with 500 employees at \$20,000 equipment per employee would require \$10,000,000 invested in equipment. To increase production by 20%, this plant would normally have to add about \$2,000,000 in facilities. But if the work force can increase output by 20% and no extra equipment is needed, what is this worth?

Fringes, payroll taxes, insurance and other such labor cost extras range from 25% to 40% and more. If, in this 500 employee plant, productivity is raised 20% and 500 employees do the work normally requiring 600, management saves the fringe costs of 100 employees.

When an employee earning \$5.00 per hour receives a 10% productivity bonus because the productivity was raised 20%, he is paid \$5.50 per hour. Management's share is also \$.50 per hour, so that in effect the employee hourly cost is reduced to \$4.50 per hour.¹ With higher take-home pay, turnover is reduced and the company becomes a more desirable place to work.

Control of work measurement standards

The keystone of an incentive plan is the system of work measurement used with it; success depends on control of the work measurement system.

Conventionally established time standards are set with meticulous care to identify and include all elements of the operation. Management defines such standards as not representing pieces per hour, but the work required to make the pieces. As operation changes are made, the time standards must be changed. Emphasis is placed on controlling time standards to insure against erosion of the measurement system. Difficulties managers have with conventional incentives arise from deteriorated standards caused by methods changes made by ingenious workers who hide their changes from management and, instead of producing more, create more idle time for themselves.

1. The exact calculations are as follows: The company gets 120% output at 110% pay; $1.1/1.2 \times \$5.00 = \4.58 .

Conventional work measurement is micro oriented; standards are in thousandths of a minute. Improshare measures are macro standards for finished product, totalling all operations. With conventional standards, when a change is made either by employees or management in how an operation is performed, the standard is revised to reflect the change, to protect the standards. Employees gain by hiding their improvements. With Improshare, standards are not changed; production just increases. Improshare standards are protected by a ceiling on productivity sharing earnings and a buy-back of productivity over the ceiling.

The ceiling and buy-back are new principles I developed to control time standards,¹ and are mainstays of the Improshare Plan. The controls work as follows: Suppose a 50-50 sharing plan has a 30% ceiling on incentive earnings, which is 160% productivity. When productivity averages 180%, the excess of 20 percentage points is "banked" for future weeks. If productivity remains over the ceiling, the standards can be bought back with the employees' agreement, when all the time standards involved are reduced by a factor so that, in this case, 180% becomes 160%. The employees receive a cash payment of 50% of the 20%, projected for a year, at their regular pay, (because this is a 50% sharing plan). A \$5.00 an hour employee would receive a cash payment of $\$5.00 \times 2000 \text{ hrs.} \times 50\% \times 20\% = \$1,000$. This buy-back is for management's right to change the product standards. Simultaneous with the buy-back all

1. The ceiling and buy-back were first discussed by Mitchell Fein, "Restoring the Incentive to Wage Incentive Plans," The Conference Board RECORD, November 1972. Details of calculating the buy-back are contained in Mitchell Fein, "Rational Approaches to Raising Productivity," Monograph 5, WM&ME, American Institute of Industrial Engineers, Norcross, Georgia 30071, 1974.

time standards would be reduced by a multiplier of $1.6/1.8 = 0.8889$. The ceiling and buy-back can also be used for conventionally established time standards.

The controls necessary for conventional time standards actually inhibit increased productivity because workers resist changes in standards; they hide their methods improvements. When management makes standards changes, workers receive no benefits. With the Improshare Plan workers receive 50% of productivity gains and when standards are bought back they receive large cash bonuses. They have every reason to aid management in introducing changes and contributing their own ideas. The ceiling and buy-back will control Improshare standards far more effectively than can traditional methods.

Conventional time standards are designed to operate in an adversary relations system. Standards for measured day work are management's definitions of a fair day's work and are used to enforce a productivity level they believe is reasonable. Standards for conventional incentives are based on the fair day's work concept but offer increased earnings opportunities to employees who exceed the standards. Those who do not achieve the standards may face disciplinary actions.

Improshare standards are not based on the traditional fair day's work concept. These are used only to measure productivity improvement and to share productivity gains, not to coerce workers to higher levels. This difference between conventional time standards and Improshare standards is the key to understanding the role of standards in a work environment. The detailed micro

elements of conventional standards and the need to control standards against deterioration are necessary for these measurements to operate. The broad, gross standards are valid and necessary for Improshare. Those concerned with work measurement must comprehend the measurement needs of the two different work environment systems.

Capital equipment and technology changes

Even capital equipment and technology gains should be shared, except that management must be assured of a prior return on its investment. I suggest that expenditures of \$10,000 or more be identified as capital change; that 80% of the cost savings attributed to the equipment be removed from the measurement standards and 20% be left in. Since productivity gains are shared 50-50, management is returned another 10%, so in effect management receives 90% of the gains created by the equipment. Workers would then get 50% of all gains on equipment which cost less than \$10,000 and 10% of gains over \$10,000. Technology changes would be treated the same way.

If the employees received full credit for capital equipment improvement rather than the reduced share suggested, the payback period for equipment justification would be doubled and in many instances would not permit new additions. Giving employees 10% of the gain increases a three year payback to 3 years, 4 months. With this approach, workers receive a share of productivity gains made through capital equipment and they gain from increased company investment in production facilities.

Productivity calculations under Improshare

Productivity measurement under the Improshare Plan is made on average conditions. Productivity sharing calculations are made on a moving average spanning a sufficient time to cover the average production cycle time. If it requires two weeks to produce a product, a three to four week period will smooth out fluctuations between weeks.

Typical calculations are shown in Chart 1, taken from an Improshare Plan which provides a ceiling at 30% sharing earnings, equal to 160% productivity. The illustration also shows how the ceiling operates. A four week moving average is used for a 20 employee department. In week 4, the figures in columns

(Insert Chart 1 here)

3 and 4 are the cumulative totals of weeks 1 through 4. In week 5, week 1 is dropped and week 5 is added; in week 6, week 2 is dropped and week 6 is added. The gain for the week is the difference between column 6 and column 3, written in column 7; 50% of the gain is in column 8. The productivity share percent for the four week moving average is in column 9, shown as column 8 divided by column 3.

The mechanics of the ceiling are demonstrated in week 7; column 9 shows the week's share to be 30.5%. Since it exceeds 30%, the figure is changed to 30%, the 975 hours in column 8 is changed to 30% of the hours in column 3, which comes to 960; the 1950 in column 7 is changed to 1920, which is double 960. The difference between 1950 and 1920 in column 7 is then carried

IMPROSHARE Plan

CHART 1
CALCULATIONS FOR PRODUCTIVITY SHARING

Week End	Actual Hours	Earned Hours	Cumulative Hours		Excess Hours	Excess + Cum Prod	Hours Saved		Employee Share	
			Actual Hours	Earned Hours			100%	50%	% (8)/(3)	(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
1	800	880								
2	780	1,040								
3	815	960								
4	810	1,200	3,205	4,080		4,080	875	438	13.6	
5	790	1,000	3,195	4,200		4,200	1,005	503	15.7	
6	800	1,450	3,215	4,610		4,610	1,395	698	21.7	
7	800	1,500	3,200	5,150		5,150	1,920 1,795	960 475	30.0 30.5	
8	810	1,100	3,200	5,050	30	5,080	1,880	940	29.4	
9	790	1,400	3,200	5,450		5,450	1,920 2,250	960 1,125	30.0 35.2	
10	800	1,000	3,200	5,000	330	5,330	1,920 2,130	960 1,065	30.0 33.3	
11	800	1,050	3,200	4,550	210	4,760	1,560	780	24.4	
12	830	1,150	3,220	4,600		4,600	1,380	690	21.4	
13	810	1,380	3,240	4,580		4,580	1,340	670	20.7	

into week 8 in column 5. In week 8 the 30 hours in column 5 is added to the cumulative hours in column 4, then added across. This procedure assures that productivity over 30% is banked for future weeks and not lost. When the excess hours in column 5 continue to increase, the time standards can be bought back. The excess hours are not bought; only the standards are.

The moving average dampens wide changes in any week. Neither management nor the employees gain by the averaging process. This method is fairer to employees than the productivity calculations under the Scanlon Plan, since loss weeks only affect the average within the moving average span. The Scanlon Plan sets aside a 25% reserve of productivity sharing earnings for a year to wipe out losses, causing employees to share in all losses. Experience shows that once productivity rises, it usually stays up. If it falls substantially below breakeven, the probability is that the cause is beyond the employees' ability to remedy; this is a management responsibility. Losses due to major equipment difficulties, engineering problems, materials shortages and such occurrences cannot be eliminated by workers. Yet under the Scanlon Plan the 25% reserve fund could be depleted by such occurrences. The moving average requires no reserve fund and it limits a loss to the moving average period.

Differences between Improshare and other sharing plans

Productivity sharing has been used in industry since the late 1800's. Scanlon and Rucker plans, which are special forms of group sharing plans, have been used since World War II. Managers are aware of the potential benefits of group productivity sharing,

but few companies have inaugurated sharing plans. The low use has been mainly due to the inflexible productivity measurements used for Scanlon and Rucker Plans, which are influenced by many irrelevant factors.

Scanlon Plans set a single ratio of dollar labor payroll to dollar sales shipments for the entire business. With changes in product mix, market conditions and labor contract settlements, the productivity measurements become distorted. Changes in technology and capital equipment cannot readily be factored out. Employees readily accept changes that benefit them, but when changes work against them, inevitably a new ratio must be negotiated, or the program fades away. Rucker Plans use measurements of value added in production. Like the Scanlon Plans, they use dollar labor to dollar sales, lumping the entire sales volume.

Improshare Plans measure by product, using man hours input against man hours output. Technology and capital changes are readily factored out. New products are easily added. These plans can be adapted to small groups and departments within a plant, not readily possible with Scanlon and Rucker Plans. Utilizing the base productivity factor method, conventional measurement can be continued. With other plans, work measurement is discontinued.

If you can't ship it, don't do it

Initiating the principle of giving credit only for packed finished acceptable product ready for shipment creates new attitudes in the plant. The byword becomes: "If you can't ship it, don't do it." Many traditional management practices are then

brought into question.

Labor reporting, employee and department productivity reports and even cost reporting have questionable value. If everyone is pushing production, why bother to keep cost records? Record keeping requires a small army who do not add value to the product. Instead of introducing all sorts of new equipment to handle the tons of computer print output, perhaps a more effective solution is just to eliminate the data and reports.

Management traditionally prepares detailed job descriptions which prescribe that the operator is not responsible for inspection; an inspector has that function. Thus we have droves of quality control employees. But when each worker is concerned with his output and is careful not to spoil product, quality should improve. Most employees are well able to monitor their own work. Do we need so many in QC?

Production control is a perennial headache, which even computers cannot handle. When workers want production to flow smoothly, there will be less need for elaborate control systems. Somehow there will be fewer shortages and less machine downtime.

An astronomical number of document copies are made in industry. When copy machines go down, activities grind to a halt. The copying machine is now indispensable. Yet not many years ago we fought World War II with no copying machines, and still won the war! Like the copying machine, many other non-production activities have proliferated which create no values; they only add to costs.

If the entire plant adopts the new slogan and examines management's sacrosanct procedures, we may see broad changes.

But if these add to values shipped, and everyone shares, who will complain?

Improved job security

A program for productivity improvement must provide for workers' job security. Though management cannot adequately protect against economic downturns such as are now being experienced, there is much that can be done. Since job security is such an important component of the work environment, managers must look upon job security as *an essential precondition to enhancing the will to work*. While the idea is not new that economic insecurity is a restraint on the will to work, its effect often is minimized by managers, behavioral scientists and industrial engineers involved in productivity improvement. Job security is as vital to productivity improvement as advanced technical processes and new equipment.

Managers must view job security not only in the social sense of how it affects workers' lives, but as absolutely essential to high levels of productivity. In plants without job security, workers stretch out the work if they do not see sufficient work ahead of them. They will not work themselves out of their jobs. When workers stretch out their jobs, though it is hidden from view, it is reflected in costs.

Managers historically have considered job security as a union demand to be bargained as are other issues. This has been a tragic error because whenever job security is lacking, labor productivity is restrained. Paradoxically, job security should

be established as a demand of *management* if managers hope to increase productivity. What would happen in contract negotiations if management started off by demanding that the new contract include job protection for the employees? This radical act might encourage profound changes in employees' attitudes.¹

Productivity sharing provides employees with the opportunity to help assure their job security by assisting in raising productivity and reducing costs. In a competitive market even small cost reductions can make a big difference in being able to secure new orders. In the final analysis, the best assurance of income protection is working for a profitable company that stays in business.

Reduced work week with full pay

When orders are low and productivity is increased, workers will run out of work. A different approach to sharing is then possible: Work less than a full week and earn a full week's pay. One arrangement would be for employees to go home when they have produced 40 hours work for the week, which could be in four and a half or four days. When the order volume returns, increased productivity can be turned into extra pay.

Tantalizing prospects

Productivity sharing is an alternative to traditional authoritarian managing. The Improshare Plan develops conditions and practices which are diametrically opposite to the tight cost

1. Mitchell Fein, "Job Enrichment: A Reevaluation," SLOAN MANAGEMENT REVIEW, Massachusetts Institute of Technology, Winter 1974, Vol. 15, No. 2.

control methods conventionally employed to raise productivity.

Traditional managing requires exact time standards, individual employee measurements, job descriptions and detailed job instructions to assure that workers perform effectively.

Increased productivity does not directly benefit workers.

Improshare establishes a loosely structured environment in which workers perform effectively because they want to and they benefit from their efforts.

Traditional managing does not rely on worker cooperation; managers marshall their resources and act unilaterally to achieve management's goals. The Improshare Plan rewards employees for helping to achieve a primary management goal: more units of production or service output with less units of labor input. Congruent goals can be developed through Improshare Plans which will enable workers and management to work together for mutual gain.

Satisfaction of people with the work they do cannot be turned on or off by manipulating job content or proclaiming a new era of worker participation in decision making. Workers' attitudes are formed from their experiences and what they want from their work. Each person has the right to shape his own values and seek fulfillment in his own terms. A democratic society should strive for greater freedom in all aspects of its citizens' lives and assurances against deprivation and job insecurity.

Managers must become more aware of workers' total needs and create opportunities which workers will view as beneficial to them. As workers and managers see there is more to be gained

by cooperation than from conflict, they will find accommodating ways.

The road to salvation is so simple it appears incredible. Increase workers' will to work by rewarding them for more effective performance; simultaneously eliminate practices which penalize them as they progress. This is all that need be done. The productivity sharing described in this paper is the essence of simplicity: Share productivity gains starting with today's labor costs. The only magic in the plan is what workers and management put into it: the will to gain together.

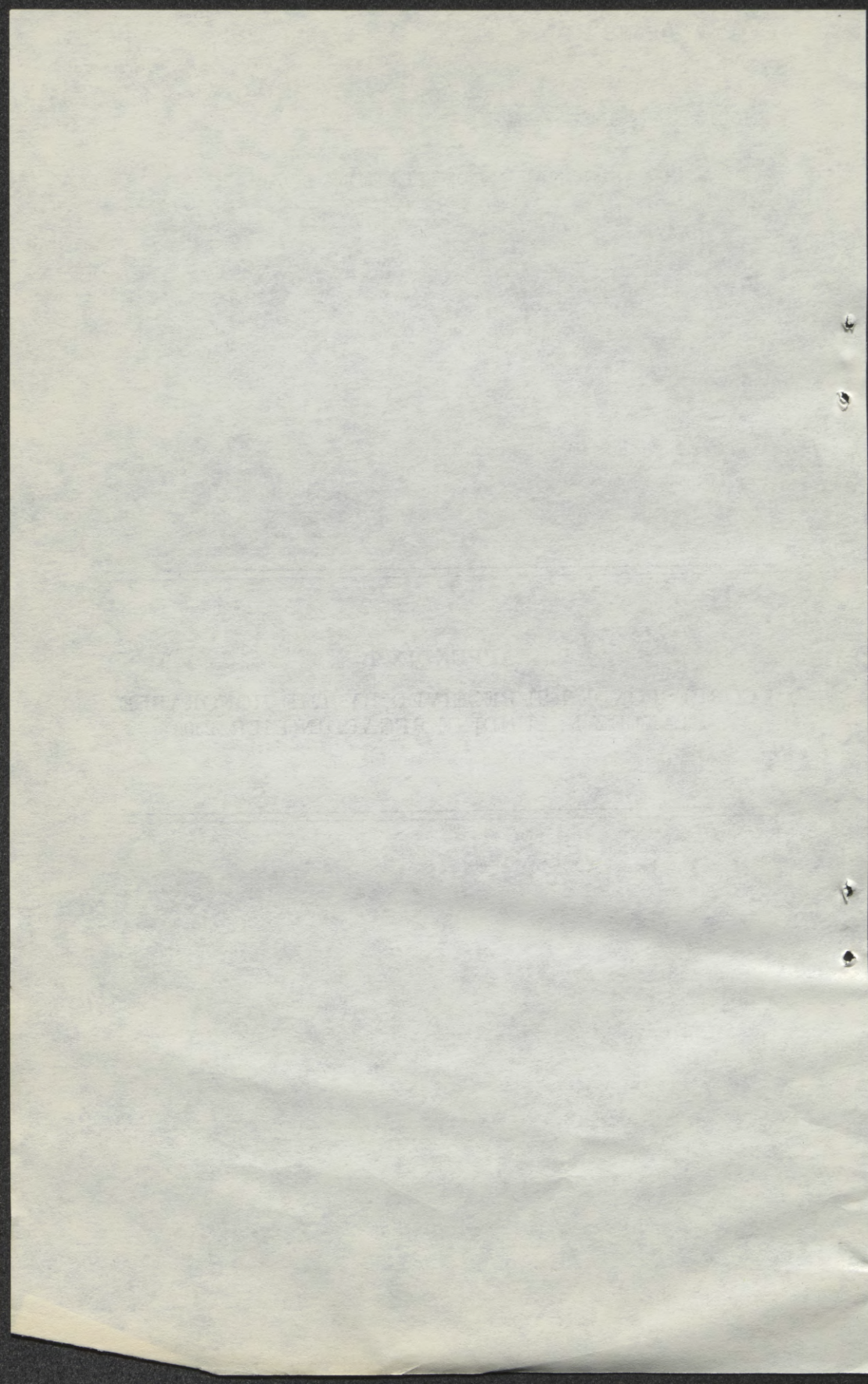
STATEMENT BY CAROLYN SHAW BELL, COMAN PROFESSOR OF ECONOMICS, WELLESLEY
COLLEGE, WELLESLEY, MASS.

First of all, I would suggest that some programs, for example those intended to alleviate the problem of prolonged unemployment, could be written so as to depend on a specific unemployment measure rather than the overall unemployment rate. The distinction between job losers and job leavers is particularly useful here. Published data already exist showing unemployment for these two groups. Prolonged unemployment among job *losers* probably implies a loss of production and income into the indefinite future unless specific efforts are taken to change the labor market situation. If, however, programs are to be designed that provide training and job placement improvement, then I would urge that special attention be given to unemployment figures on new entrants and re-entrants into the labor force. And here I would emphasize that the loss of output from such workers is two-fold. Currently they, like the other groups of those who have lost their jobs or who have left their jobs, are not providing any addition to the total national output. But they are also being prevented from acquiring skills and experience on the job. This type of training is extremely valuable as investment in human capital that will pay off in increased productivity in the future.

I believe this loss of human capital has been insufficiently emphasized, for it clearly supports the policy of creating jobs as opposed to merely extending unemployment benefits. It also justifies changing the structure of jobs to increase people's chances of finding work, and thereby improving their productivity. Specifically, I would recommend changing the WIN program so as to open up more opportunities to women. Although almost three-quarters of the WIN registrants are women, and one-fifth are volunteers, less than two-thirds of the jobs provided go to women, and unlike the men in this program these women are solely responsible for their families. I favor special efforts like the local labor-management councils on productivity proposed in a bill introduced by Representative Stanley Lundine, H.R. 2596 the Human Resources Development Act of 1977. I believe more encouragement should be given employers to create part-time jobs. And I also urge the Committee to support flexible hours of work arrangements. These and other efforts designed for particular groups among the unemployed should mean that we look at a variety of unemployment and employment indicators to assay the pace of economic recovery.

APPENDIX B

**CORRESPONDENCE RECEIVED BY THE HONORABLE
STANLEY N. LUNDINE REGARDING H.R. 2596**





NATIONAL LABOR RELATIONS BOARD

Washington, D.C. 20570

Honorable Stanley N. Lundine
U.S. House of Representatives
1608 Longworth Building
Washington, D.C. 20515

Dear Congressman Lundine:

Pursuant to your request, I have carefully reviewed H.R. 2596, entitled the Human Resources Development Act, and enthusiastically endorse its concept and objectives.

I am particularly pleased that the Congress under your leadership is taking an innovative approach to a number of interrelated problems. I concur in the view that better utilization of our human resources will help to achieve the long-range goals of full employment and economic stabilization.

As you may be aware, in addition to being a Member of the Board of Directors of the National Center for Productivity and Quality of Human Life, I am also on the Human Resources Committee. Consequently, your Bill is of great interest to me and its enactment, in my judgment, will fill a long-standing void. Perhaps the most important thing about your Bill is that it recognizes a long pent-up need for an innovative approach to achieving objectives that will restore American labor and management to its leadership role in the world.

Your Bill has my enthusiastic endorsement and support.

Sincerely,

A handwritten signature in dark ink, appearing to read "Betty Southard Murphy".

Betty Southard Murphy
Chairman



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

March 30, 1977

The Honorable Stanley N. Lundine
House of Representatives

Dear Mr. Lundine:

We have your letters of January 13, February 4, and February 14, to Messrs. Shafer, Bowlin, and myself concerning H.R. 2596, 95th Congress, which, if enacted, would be known as the Human Resources Development Act of 1977. Since the General Accounting Office has a continuing interest in national productivity, I thought it appropriate to furnish some comments.

We believe that the proposed legislation is a constructive and innovative approach to the dual problems of unemployment and productivity.

We believe however that the objectives of the proposed legislation could be improved if it were amended to take into account the following observations.

1. The Congress in 1975 enacted legislation (Public Law No. 94-136) creating the National Center for Productivity and the Quality of Working Life. One purpose of the act, stated in Section 102, was to establish an independent National Center to focus, coordinate, and promote efforts to improve the rate of national productivity growth.

Under the proposed HRDA, the National Center is not even represented in the Human Resources Advisory Council and is relegated to a technical assistance role only at the request of the Secretary of Labor.

We believe that the National Center should be the focal point and in a leadership role in the Federal Government's efforts to improve productivity and that bills such as HRDA should be framed to strengthen that role. Therefore we recommend that the National Center be designated as the agency, under Section 3 of HRDA for carrying out the purpose of the bill. Such a designation would reinforce the intent of the Congress that the National Center be the leadership center for the United States' productivity effort.

For the same reason we recommend that the functions of the "Human Resources Advisory Council" can be accommodated by the existing Board of Directors of the National Center. This Board has broad representation from industry, labor, university, and government.

We also suggest that Section 3(a) be amended so as to provide for the use of the facilities, skills or technologies available in the various Federal agencies. For example, a health management organization might well benefit from skills or knowledge available in the National Institutes of Health.

2. The bill in Section 3 (a)(1) provides in part that:

"In entering into contracts under this section, the Secretary of Labor shall give priority to projects which involve labor-management cooperation."

Then in Section 3 (a)(2) conditions are specified which in our opinion might preclude approval of any projects that did not involve labor-management cooperation, except for the special conditions relating to small business as set forth in 3 (a)(2)(B).

Although 3(a)(1) and (2) are unclear we believe that the conditions in these subsections are too restrictive in that they appear to presuppose or predetermine that the best or only ways to improve productivity, while at the same time retaining employees on the job who might otherwise become unemployed, are those set forth in the bill. We believe such restrictions can be a deterrent to the innovation and originality, attributed to the private sector in the United States, which may be brought to bear on the dual problems of preventing unemployment while improving productivity.

We suggest that paragraph (a)(2)(A) of Section 3 of the bill be amended to read as follows:

"(A) a project, involving (i) increased participation of employees in problem solving and the decisionmaking process, or (ii) increased participation of employees, through compensation,

or other benefits, in the gains associated with increased productivity by employees, or (iii) redesign of the tasks and responsibilities connected within particular units of employment, or (iv) such other projects approved by the Board of Directors of the National Center in furtherance of the purpose of this act."

Our suggested change would allow for the development of technological or managerial innovations which may or may not also involve (i), (ii), or (iii), either individually or collectively, but which would improve productivity while sustaining employment.

This is also one of the reasons we believe that the basic responsibilities under the bill should be vested in the National Center. While some project proposals might best be evaluated and assisted by the Department of Labor, others might more appropriately be evaluated and assisted by the Department of Commerce or other Federal agency. The National Center, being responsible for and interested in productivity and quality of working life is in an excellent position to provide impartial leadership to the program and guide direction of the individual projects to those Federal, private, or academic organizations best able to evaluate and assist the project, should such assistance be required.

We also believe that the flexibility of the program would be enhanced by adding grant authority to section 3(a)(1).

Whenever a new grant or contract program is established in legislation we recommend the inclusion of specific language to provide for access to records and audit authority, substantially as follows:

"Audit Requirements

"Section 8. (a) Each recipient of Federal financial assistance from the Secretary, under this Act, shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance, the cost of the project or undertaking in connection with which such assistance is given or used, the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

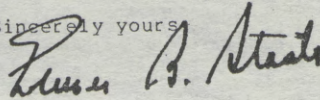
"(b) The Comptroller General and the Secretary, or any of their duly authorized representatives, shall until the expiration of three years after completion of the project or undertaking referred to in the preceding subsection of this section, have access (for the purpose of audit and examination) to any books, documents, papers, and records of such recipients which in the opinion of the Comptroller General or the appropriate Secretary may be related or pertinent to the grants, contracts, subcontracts, subgrants, loan guarantee or other arrangements referred to in the preceding subsection."

If our recommendation to assign responsibility to the National Center is adopted, then the language in Section 8 (a) (b) should be changed accordingly.

Finally, we see in the proposed Human Resources Development Act of 1977, if closely tied to the National Center for Productivity and Quality of Working Life, a potential for a contribution to the structure of United States productivity far beyond the immediate objectives of the bill. It would provide a test bed for a structure through which interested parties in the private sector could present what they believe to be meritorious productivity-oriented suggestions for Government support, and provide a basis for a high level Government Council to establish standards which could be used in evaluating those suggestions. This in turn could provide the experience for continuing interaction between Government, private (labor and management), and academic sectors (with the National Center as the focal point in a leadership role) so necessary to long range improvements in productivity and quality of working life in the United States.

We appreciate the opportunity to comment on your bill.

Sincerely yours,



Comptroller General
of the United States

DONALD M. FRASER
5TH DISTRICT, MINNESOTA

1111 HOUSE OFFICE BUILDING
202-225-4735

DISTRICT OFFICE
180 FEDERAL COURTS BUILDING
MINNEAPOLIS, MN 55401
612-725-2081

INTERNATIONAL RELATIONS
COMMITTEE

SUBCOMMITTEE:

CHAIRMAN, INTERNATIONAL ORGANIZATIONS
INTERNATIONAL TRADE AND COMMERCE

DISTRICT OF COLUMBIA
COMMITTEE

Congress of the United States
House of Representatives
Washington, D.C. 20515

March 8, 1977

The Honorable Stanley N. Lundine
1608 Longworth H.O.B.

Dear Congressman Lundine:

Thank you for sending the materials on your proposed Human Resources Development Act, and for requesting comments.

I would like to comment on a few areas of the bill. First, I'm glad that you have added to subsection iii to Section 3a(2) (A): "redesign of the tasks, responsibilities and time patterns connected with particular units of employment." Job restructuring must inevitably accompany participation in decision-making.

Secondly, I think it would be useful to list employee cooperatives among eligible types of projects, since employee cooperatives are uniquely suited to the purposes of the grants and loans. Perhaps a good place to include employee cooperatives would be in Section 3(a)(2): "through contracts with...of the Higher Education Act of 1965, employee cooperatives..."

Finally, I have a few suggestions for minor modifications meant to increase the participation of women -- 40% of the workforce--in your innovative project.

You might consider adding the head of the Women's Bureau in the Department of Labor to the Human Resources Advisory Council. Appointing the head of the Women's Bureau as a member of the Council would ensure that the problems of women workers would be considered by the Council. We do, after all, live in a country where women on the whole earn less than two-thirds of what men do, and are concentrated in the lower echelons of most job categories while being segregated into other categories such as clerical work.

In addition, I would suggest increasing the number of public members to eight, and adding a statement similar to the following to Section 4(b): "Every effort shall be made to include on the Council as public members women and racial minorities, approximately as they are represented in the workforce."

A further suggestion is to note that every effort will be made to ensure representation on the Council by the aged, the handicapped and other groups of workers with special needs. I add this suggestion very tentatively, since it may place an additional burden on the bill. However, it is certain that a number of work-innovations bills will follow your far-sighted Human Resources Development Act. Unless we begin now to make sure that such legislation considers American workers as a whole, we may perpetuate and extend the unbalanced opportunities now available to different groups of workers.

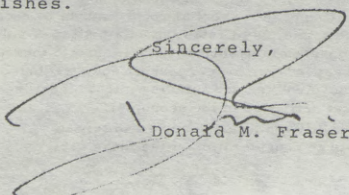
I also think that some provision should be added to insure that non-industrial "production" workplaces receive some of the grants and loans. An example is clerical work, a field that is more than 70% women. More and more companies are moving toward "assembly-line" methods of getting work done, such as word processing. Here, typists work in a steno pool where they must meet quotas, perform extremely routine functions, and have little opportunity for learning and advancement -- except to the role of supervisor. High turnover and worker dissatisfaction are among the results. Key-punching, in the computer field, is a similar example.

Giving workers in these jobs the opportunity to work with management in decision-making and work restructuring could result in the same increased productivity, employee retention, enhanced quality of working life and increased employment opportunities as in industrial production.

Your bill is an encouraging indication of changing trends in American work life. I'm glad to hear that hearings have been scheduled this month before the Economic Stabilization Subcommittee of the Banking Committee. I'll be following this bill closely. Please let me know if I can help in any way.

With best wishes.

Sincerely,



Donald M. Fraser

*Solidarity House*8000 EAST JEFFERSON AVE.
DETROIT, MICHIGAN

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA-UAW

LEONARD WOODCOCK, PRESIDENT

VICE-PRESIDENTS

EMIL MAZEY, SECRETARY TREASURER

PAT GREATHOUSE • KEN BANNON • DOUGLAS A. FRASER • DENNIS McDERMOTT • IRVING BLUESTONE • ODESSA KOMER • MARC STEPP

March 11, 1977

The Honorable Stanley Lundine
Congress of the United States
House of Representatives
1608 Longworth Building
Washington, D. C. 20515

Dear Mr. Lundine:

I have studied with some care both your Congressional Record Statement on H. R. 2596, the Human Resources Development Act, and the language of the Act itself. First of all, may I say that the whole idea of creating more satisfying jobs and a more amenable workplace is sound and is one further step toward the ultimate objective of achieving industrial democracy. It is my view that increasing productivity should be the result of creating job satisfaction and that therefore the greater emphasis should be focused on enhancing human development. My own experience in programs which advance worker participation in the decision-making process indicates that focusing on improving the quality of worklife results in reduced absenteeism, reduced labor turnover, less need for discipline, improved quality of product, all of which are desirable ends, both from the union and the management point of view. I would urge, therefore, that the Bill be couched in terms which stress the objective of human development and improving the quality of worklife, out of which productivity will no doubt be increased.

Workers will probably resist efforts to increase productivity if it means to them an increased work pace or the loss of jobs or a downgrading in their wage rates. One of the essential requirements to receive worker cooperation, it seems to me, is to establish as a matter of policy that programs designed to improve the quality of worklife and to increase productivity will not result in speed-up, loss of jobs or downgrading (obviously reductions in employment and downgrading might otherwise occur by reason of the cyclical activities in the economy).

Beyond doubt, the Bill you propose moves solidly in the right direction. I would urge consideration of the ideas set forth herein.

Sincerely,

Irving Bluestone, Vice President
Director - General Motors Department

ROBERT A. GEORGINE, President
 JOSEPH F. MALONEY, Secretary-Treasurer
 JOHN H. LYONS, 1st Vice President
 THOMAS F. MURPHY, 2nd Vice President
 S. FRANK RAFFERTY, 3rd Vice President
 CHARLES H. PILLARD, 4th Vice President



JOSEPH T. POWER, 5th Vice President
 HAROLD J. BUOY, 6th Vice President
 MARTIN J. WARD, 7th Vice President
 WILLIAM SIDELL, 8th Vice President
 ANGELO FOSCO, 9th Vice President
 J. C. TURNER, 10th Vice President

Building and Construction Trades Department

AMERICAN FEDERATION OF LABOR — CONGRESS OF INDUSTRIAL ORGANIZATIONS
 815 SIXTEENTH ST., N.W., Suite 803 • WASHINGTON, D. C.

March 21, 1977

The Honorable Stanley N. Lundine
 U.S. House of Representatives
 1608 Longworth House Office Building
 Washington, D.C. 20515

Dear Congressman:

Your correspondence concerning H.R. 2596 is most welcome. The copy of your statement in the Congressional Record is particularly appreciated.

You have quickly proven to be an effective legislator and dynamic representative for your constituency. Working men and women, especially Building tradesmen, have greatly benefited from your sympathetic leadership.

The Human Resources Development Act of 1977 would, indeed, mean more job opportunities and as a result, a better standard of living for America's labor force. I applaud the direction and purpose of your legislation.

Please know that the Building and Construction Trades Department, AFL-CIO endorses an extension and expansion of the Comprehensive Employment and Training Act. Our focus on CETA is based upon the judgement that the Administration has asked for and should be accorded the opportunity to incorporate many of the provisions contained in your legislation into CETA. Such centralization should provide more federal funds for the employment and training program.

It is essential for America to fully utilize the talents and strengths of its total work force. With your continued support and leadership, I am sure we shall accomplish this goal.

If I can ever be of any assistance to you, I am at your service.

Thanking you again for your communication, I am with kind personal regards

Sincerely,

Robert A. Georgine
 Robert A. Georgine
 President

United Steelworkers of America
A.F.L. — C.I.O.

LOCAL UNION NO. 2869

9460 SIERRA AVENUE • PHONE 822-8006
FONTANA, CALIFORNIA

February 23, 1977

Mr. Stanley H. Lundine
Committee on Banking, Currency
and Housing
1608 Longworth Building
Washington, D. C. 20515

Dear Sir:

Received your letter dated February 16, 1977, with respect to Human Resources Development Act. In reading the Congressional Report, I deeply appreciate your concern about the personnel on lay-offs in industry, and the new approach for resolving this problem.

I noticed that our own representatives in Congress, Mrs. Pettis and Mr. Brown's names are not on the list of sponsors for your bill. I will contact them personally and find out their feelings on this matter.

Sir, if there is anything more I can to to help you in this matter, please feel free to write.

Most sincerely,

Al Harnati, President
Local Union 2869

AM:lp

COMMITTEE FOR ECONOMIC DEVELOPMENT, 1700 K Street, N.W., Washington, D.C.

February 3, 1977

The Honorable Stanley N. Lundine
House of Representatives
Washington, D. C. 20515

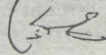
Dear Stan:

Thank you very much for calling my attention to the proposed Human Resources Development Act which you are sponsoring.

In line with your request, I am happy to give you my personal thoughts on this proposal. The basic purposes of this bill, and the mechanisms it would set up to achieve these purposes, generally strike me as very constructive. It is highly desirable to have the Federal government provide incentives for innovative community efforts to increase productivity and foster better use of human resources in both public and private employment. I am particularly attracted to the emphasis your proposal places on the use of demonstration projects and the requirement that a specific evaluation be carried out in connection with each project. It is also very encouraging that the proposed bill would explore the feasibility of greater incentives for employers to keep workers on the job during periods of cyclical downturn.

With best regards,

Sincerely,



Robert C. Holland



Westinghouse
Electric Corporation

D C Burnham
Director-Officer

Westinghouse Building
Gateway Center
Pittsburgh Pennsylvania 15222

March 9, 1977

Hon. Stanley N. Lundine
Congress of the United States
House of Representatives
Washington, D. C. 20515

Dear Mr. Lundine:

After receiving your letter of February 14, I have read several times your testimony and suggested Bill HR 2596. I agree whole-heartedly with you about the importance of human resources development in attaining improved productivity. Also, I wish to compliment you on the very excellent work that you did as Mayor of Jamestown in coordinating the labor-management productivity effort in that city. I listened to the presentation at a seminar in Washington by Jamestown people and thought that it was an inspiring story of community cooperation.

If the National Center for Productivity and Quality of Working Life is continued under the new Administration, a number of the activities mentioned in your bill might overlap the work of that Center and its Board of Directors. In fact, many of the government people that you are suggesting be on the Human Resources Advisory Council are already on the Board of the National Center. The Board of the National Center has a committee on human resources.

I could see funds being spent to get cooperative activities started like the one that was carried out in Jamestown, but it is hard for me to see how government funds should be allocated to keep people on company payrolls when they are not needed for a productive job. I do not believe that this is an efficient way to level out the production cycle.

Job security is important to productivity improvement, and some funds could well be used to study and experiment with methods of leveling out production cycles such as stock piling, evening out of orders, etc. I do not believe that employees who might be laid off during

a period of cyclical unemployment would necessarily be the ones who would do a good job of studying how to solve the problem.

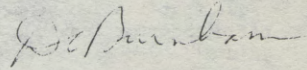
Money spent to improve working conditions should probably not be supplied by the government but should be furnished by industry itself so the cost gets into the product price.

Sponsoring of additional education courses and additional training for people who have been laid off for any reason would be preferable to just paying unemployment compensation, and this need might be provided through your bill, although I believe that other government programs cover this.

Again, I commend you for raising the issue of the importance of human resources in improving productivity. The important basic social and economic issues must be faced, and it may be possible for your bill to help do this and still be compatible with other efforts to improve productivity in the United States. Technology, capital investment and government regulations must be considered in addition to the human resources factor.

Best wishes for success in your effort.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Robert F. Kennedy", written in a cursive style.



Massachusetts Institute of Technology
 Alfred P. Sloan School of Management
 50 Memorial Drive
 Cambridge, Massachusetts, 02139

February 25, 1977

Stanley N. Lundine
 Congress of the United States
 House of Representatives
 Washington, DC 20515

Dear Congressman Lundine:

I agree with you that a large part of our relatively poor productivity performance can be traced to labor-management problems and the cyclical swings that our economy has taken. In a world of job shortages it is rational for each individual to preserve his own job and skills by opposing technical change. I would argue that the job tenure system designed by the Japanese promotes efficiency for a number of reasons. If you are not going to be laid off, you can accept technical change without fear of becoming unemployed as a result. You also quickly come to see that the only way to raise your own income is to raise the productivity level of the entire operation. Guaranteed jobs in the private sector can lead to more productivity rather than less.

Thank you for your letter on the Newsweek column.

Sincerely yours,

Lester C. Thurow

Lester C. Thurow
 Professor of Economics and
 Management

**CUMBERLAND STEEL COMPANY****Cumberland Turned and Ground Steel Bars**

Cumberland, Maryland 21502 U.S.A. Area Code 301/724-1370

February 25, 1977

The Honorable Stanley N. Lundine
House of Representatives
1508 Longworth Building
Washington, D.C. 20515

Dear Stan:

I was certainly pleased to hear that you have submitted a bill to the Congress based on the Labor Management Concept as initiated in Jamestown, New York.

I am sure that there will be ample support for your bill in the House and the Senate so they will act on it favorably.

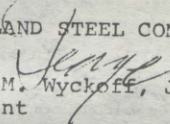
I will drop a note to my good friend, Goodloe Byron, and ask him to support this measure.

Incidentally, we are well under way with our committee here in Cumberland, and have an In-Plant Committee at Cumberland Steel Company.

Best regards!

Sincerely,

CUMBERLAND STEEL COMPANY


George M. Wyckoff, Jr.
President

Cummins Engine Company, Inc.
Lakewood, New York
14750

Jamestown Engine Plant



March 18, 1977

Congressman Stanley N. Lundine
39th District, New York
Congress of the United States
House of Representatives
1608 Longworth Building
Washington, DC 20515

Dear Stan:

You are to be congratulated for an excellent job in the development of HR2596, The Human Resources Development Act. I have shared your letter and the copy of the bill with others within our company and the bill's intent has met with universal support.

It is unfortunate that we, in industry, must depend upon the Federal government to provide incentives to us to be innovative in the areas of labor-management relations and work place improvement. The leadership that this bill offers would, however, provide additional means to facilitate change.

I find the logic in your speech of January 27, 1977, to The House of Representatives, to be consistent with discussions you and I have had before. The goals of the legislation are important ones and right on target.

I would not suggest any changes in either the intent or in the basic provisions of the bill. I would, however, offer several additional points for possible inclusion:

- There are some provisions within the Wage and Hour Law, Walsh-Healy Act, and National Labor Relations Act which make it difficult to make changes which both labor and management might want. A potential addition to the bill might be a provision which would permit labor and management to agree to waive specific provisions to accomplish change. An example might be: if labor and management agreed that a flexitime arrangement was desirable, they could waive the provision within the Walsh-Healy Act which requires companies performing work under government contract to pay overtime over 8 hours.
- The bill, by implication, focuses on unionized plants. Some wording might be added to provide the same encouragement to non-union plants/companies. Some additional safeguards for the employees might have to be written into the bill.

- . An option which might be more palatable to some industries would be for tax advantages to be awarded in lieu of demonstration grants.
- . As a means to spread the concepts and results developed by industries participating in the programs, some additional means of follow-up and dissemination of results would be helpful to other industries. The process developed to diffuse new concepts is important to the ongoing success of the program. Most efforts to date have occurred from within industries by people who have concerns about management techniques and who have researched what other companies have done and what has been successful.

The governmental impetus and financing arrangements may help start innovations but the long range impact will primarily be the result of education relative to what has been successful and the perceived reduction of risks in the corporate environment.

- . The roles of FMCS, Human Resources Advisory Council and National Center for Productivity and Quality of Working Life are unclear. It is important that skilled people from these entities be involved. They must be facilitators to the process rather than road blocks.

The above comments are made for the sole purpose of possibly enhancing the effectiveness of the bill. Some of the additions may not be practical or acceptable to all segments of the population. The bill, as written, provides an important step in the right direction and has at least my support regardless of whether the additions might be incorporated or not.

I would like to offer my services to be of help to you in any way that I may. I would be happy to meet with you to discuss the bill at your convenience. With the reaction I have received from the people I have spoken to in Columbus, I believe that some of them would be very willing to also meet with you to discuss the bill.

Good Luck! Let me know if I can help.

Sincerely,

Dick

Plant Manager

R. R. Allison/cm

Newspaper Guild OF THE TWIN CITIES



of Minneapolis and St. Paul •

Local No. 2, The Newspaper Guild, AFL CIO

512 Nicollet Mall, Minneapolis, Minnesota

March 1, 1977

Stanley N. Lundine
House of Representative
Washington, D.C. 20515

Dear Congressman Lundine:

The executive board of the Newspaper Guild of the Twin Cities, AFL-CIO, has endorsed the concept of your bill H.R. 2596, the Human Resources Development Act, and I have been authorized to contact all of the Minnesota Congressmen and Senators requesting their support. We have joint labor management committees in nearly all of our local contracts. I am particularly interested in the success of your bill.

If I can help in any other way, please let me know.

Sincerely

John Carmichael
John Carmichael
Exec. Secretary

*Labor-
Management
Committee* of Clinton County

February 28, 1977

The Honorable Stanley N. Lundine
1608 Longworth Building
Washington, D.C. 20515

Dear Mr. Lundine:

On behalf of the Clinton County Labor-Management Program I would like to commend you for your efforts to further the concept of improved productivity resulting in the creation of additional jobs. Your recent support of the Human Resources Development Act undoubtedly will do a great deal to assist this whole movement. We in Clinton County are highly appreciative of your leadership.

In conjunction with our interests in Labor-Management programs, we have written to Mr. Ammerman in support of your legislation. Hopefully, Mr. Ammerman and the other members of the House will continue to assist you in passage of this bill.

In the event that our Labor-Management Program can be of any assistance to you in your work in this area, please feel free to contact us. We are indebted to Jamestown for hosting our CORE Committee during our visit last year and the very example of success which they have established.

Sincerely yours,

Francis J. Cornelius

Francis J. Cornelius
Program Coordinator

