AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

Participant. That's right. And nobody gets laid off. Could I just add one thing about 401K's? They're great, but couldn't we raise the limit a little bit? People could invest a little more.

The President. Thank you. You want to raise the limit. That's what you said? Okay. I'm told we're going to address some of this in the next panel, but I'll call on another person or two and then we'll break. Mr. Correnti.

And answer this question right: You can only talk about—you've got to talk about what you do in the down times as well as the up times, everybody. It's not fair to only talk about finding more business.

Go ahead.

[*John Correnti, Newcore Corporation, stated that the philosophy of his company in tough financial times is that employees and managers share in the pain of pay cuts or shortened work weeks together. As the result they have developed employee trust and loyalty and turn over is so minimal that you practically have to be willed a job in one of their plants.*]

The President. I can personally vouch for the truth of that last assertion. [*Laughter*]

I think what we should do now is take a little break. I think the panelists were terrific, and I think that this is a very good panel. I can't wait for the next one. So I'm going to start—it's now 1:15 p.m.—I'm going to start at 1:35 p.m., in 20 minutes. We're adjourned briefly.

Give them all a hand. [*Applause*]

NOTE: The President spoke at approximately 11:30 a.m. in Gaston Hall at Georgetown University. In his remarks, he referred to Rev. Leo J. O'Donovan, S.J., president, Georgetown University, who introduced the President.

Remarks During Panel II of the White House Conference on Corporate Citizenship

May 16, 1996

The President. Thank you, Dean. Thank you very much, Dean.

The last panel will cover the last two elements in corporate citizenship, training and investment in employees and partnerships with employees. And so, I'd like to begin here discussing training and investment in employees. And the first company and the first presenter will be Mike Plumley, the chairman and CEO of the Plumley Companies.

[*Mr. Plumley described the growth of his business manufacturing rubber products for the automotive industry from 25 employees in 1967 to 1,400 at present and said that foreign competition inspired him to begin using statistical process control techniques. This was the beginning of a major educational effort which has continued to expand to presently include a GED program, 140 courses, a learning center at Plumley Companies, and a goal of 40 hours of formal education a year for each employee. Mr. Plumley said that his business has won four Total Quality Excellence Awards, and education was the basis of his success.*]

The President. Thank you very much. Let me ask you one question. When you brought the teachers onto the premises of your factory to teach the GED programs, did the workers, did they take those classes either before or after their shift started? Is that when they did it?

Mr. Plumley. The GED program was after the shift. And it's a voluntary.

The President. And did you have to pay for that or did the State provide the service?

Mr. Plumley. No, we paid the instructors ourselves, the teachers from the local high school.

The President. When I was—back when I had another life, when I was Governor, we started a program where we actually sent GED instructors to any work site with more than 100 employees. And I was stunned by the number of people who wanted it, still needed it, and it seemed to work very well. But I applaud you for doing that.

Our next presenter is the chairman and CEO of Cummins Engine Company, Mr. Jim Henderson.

[*Mr. Henderson said that Cummins Engine Company was the largest diesel engine producer in the world, employing 24,000 people in 40 plants worldwide. Growing out of a labor dispute 24 years ago, the company com-*

mitted itself to two principles: first, establishing a good relationship with all employees based on trust, open communications, and genuine problemsolving and second, investing in shop floor workers, giving them great responsibility for planning their work and for improving results for their customers. This meant extensive investment in training. He went on to relate how they had to close a plant in the late eighties because of foreign competition but reopened it in the early nineties with a strong partnership with plant workers. The relationship has proven a solid success.]

The President. Thank you. Thank you very, very much.

Our third company dealing with this issue of training and investment in employees is Cin-Made Company and Bob Frey, the president, is here. I'd like to call on him now to speak.

[*Mr. Frey said that his mission was to make money and empower his employees to act as company owners and make money for themselves, sharing risks and rewards. He uses a skill-based pay system which pays employees for additional skills acquired. The system is completely administered by the workers themselves, so they basically decide how to pay themselves. Ultimately, Cin-Made trains workers to be managers and all managers to be workers, blending the work force together so it's one unit.*]

The President. Thank you. I believe you could sell that position. [*Laughter*] Good for you.

Now, moving along in our story of partnerships with employees, we have a particularly unique example in Republic Engineered Steels. I want to call on Russ Maier, the chairman and CEO, and then he'll be followed by Dick Davis, vice president of United Steel Workers. And they'll tell you the story of Republic Engineered. It's a good story.

[*Mr. Maier and Mr. Davis told of how Republic Engineered Steels forged an alliance with the United Steel Workers, which reached from the board of directors to the shop floor. When Republic's parent company went bankrupt in the late eighties, management, with the support of the United Steel Workers, bought the assets, making it 100 percent employee-owned. When the employees owned the operation, they began to learn about the shareholders end of the business, and that was the beginning of a major educational effort which ultimately led to greater employee involvement in cost cutting and efficiency measures that made the company truly competitive.*]

The President. Thank you. I can't let you go—both of you—without asking you what is clearly the obvious question which is, do you believe that what you have done and how you have done it could be made to work just as well in a setting in which the company is not employee-owned? And if so, would there have to be some other kinds of incentives for the employees? Would there have to be some other kind of compensation scheme or something that would help to kind of recreate the conditions which exist from the get-go when it's an employee buyout on the front-end? I'd like to just hear both of you comment on that.

[*Mr. Davis said that other members of the panel had shown that other models are possible, and he believed more will evolve. Mr. Maier said that he would like to see every company have an element of employee ownership, adding that a new system must align compensation systems and reward systems.*]

The President. Thank you very much.

The next person I want to call on is a 40-year veteran of a company that may be the only company represented in this room that I feel comfortable in saying we have probably, every single one of us, been a customer of. Mr. Arney Langbo, the chairman of the Kellogg Company. [*Laughter*]

[*Mr. Langbo said that in responding to global challenges, the Kellogg Co. tried to find solutions that were good for both shareholders and employees, and when faced with a need to reduce capacity and improve efficiency, the company's strategy was implemented through a consultative process, a negotiated agreement with their employee union. Faced with oversupply of workers in some factories, the company implemented a practice of large-scale transfer of workers to factories in need* *of workers in other parts of the country. The strategy worked so effectively that there were more jobs open than employees who chose to transfer, so in effect, no employee lost a job.*]

The President. Thank you very much.

I might say, just sort of by way of information background, that the ESOP concept was established in 1974, and since then, the number has grown from 200 to over 10,000. And there are an estimated 12 million ESOP participants that own $60 billion in stock in this country now.

Participation in deferred profit-sharing plans has grown from 8.4 percent of the work force in 1980 to 18.3 percent in 1991. That's the last year for which we have any figures. But you can see that this is not an insubstantial percentage of the American people that are out there working in these kinds of environments.

And again, I think it's important to point out, because we nearly never hear anything about it, that there are literally millions of people out there working in partnerships trying to make their companies more profitable, their lives better, and their country stronger. I think it's worth pointing out.

I thank you, sir, very much. If I might ask you one just brief question because it leads in—I want to ask the Vice President to speak after you about an issue which has been a difficult one for us, and that is how we handle the downsizing of the Federal work force, because I think it's quite interesting. You hear a lot of talk about downsizing in the private sector and how bad it is. I guess that the United States Government in the last 3½ years had been the biggest downsizer in the country. And I know that you had to have a modest one at Kellogg. I'd like you to just explain how you handled it, if you might very briefly.

[*Mr. Langbo said that the Kellogg Company's traditional approach was working through attrition to reduce staff, but in recent cutbacks, they needed something more. Management sat down with the union and discussed different approaches and were able to use voluntary transfers as an alternative to involuntary severances. He concluded that recent changes in accounting laws no longer allow deductions for employee education which must result in reduction in the educational component of the company's operations.*]

The President. Thank you very much for that. I didn't know that.

There's another related issue which is that the tax—the nontaxability to the employee of employer expenditures on education has historically been $5,250. It lapsed, and it's in the process, we hope, of being reenacted. But there are certain restrictions on it which I think are excessive, although they cover most—they don't cover all of the kinds of educational programs that employers would like to do for employees, especially if there might be a downsizing, because the restriction now says that the educational benefits paid by the employer up to $5,250 a year are not taxable to the employee if they're necessary to retrain for the existing job or to train for another job in the company, up the hierarchy. If it's sort of an off-line education program, if you will, it's not covered.

In addition, in the reenacting, if the Congress—the Ways and Means Committee apparently has proposed to eliminate graduate education, which I think is a big mistake as it applies to higher tech companies. I hope we can still get a change in that. But in my view, we need that reenacted with the broadest possible meaning, because that also really matters to the employees, especially if they might be facing another downsizing. And we have proposed—we're going to send a note up to the Hill which also gives a little extra credit to the smaller businesses that may not be able to afford to undertake this, because I think it's a very good—a big thing. And I will look into this accounting tax issue. I didn't know anything about it. Thank you.

Mr. Vice President.

[*The Vice President said that when they began the National Performance Review, they looked into 50 earlier efforts to reorganize the Federal Government and none of them had approached Federal employees for input, which was the first thing that the National Performance Review had done. In the process, they discovered many strong ideas which they incorporated into the downsizing and quality improvement efforts. He indicated that the effort has reduced the Federal*

Government by 270,000 employees, using methods such as buy-outs, voluntary retirements, attrition, and hiring freezes. None of this would have been possible without a strong labor-management partnership. The idea came from a meeting of business leaders in 1993, which resulted in the establishment of the National Partnership Council. The Vice President then discussed several examples of the new cooperative relationship with the Federal Government and examples of excellence in quality service. He said that they were encouraging employees to take risks to make things better and concluded in saying that they were trying to establish an unprecedented trust level with Federal employees.]

The President. I know you may think that the Vice President sounds like a shameless booster—[*laughter*]—but we're pretty proud of what these Federal employees have done. And they did it at a time when they were being routinely condemned and held up as an object of ridicule.

And I might just say that there are companies—there are some really successful companies in this room today that started out with an SBA loan. So before I sign off and go to our last participant, I'll just take the SBA. Three and a half years ago, they had a loan form that was an inch thick; now it's a page long. Three and a half years ago, they took 6 weeks to give you an answer; now it's 72 hours. Their budget has been cut by something like 25 percent, and they've doubled the loan volume.

So it's simply not true that public service is not capable of operating at a very high level of productivity and quality based on pride and partnership of the workers. And so I'm very proud of them. And the Vice President deserves a lot of credit for the work he's done on this.

Our last presenter also has a rather astonishing story to tell. He's the CEO of United Airlines, Gerry Greenwald.

Gerry.

[*Mr. Greenwald said that United has 80,000 employees worldwide, and the majority of stock is now held by employees. United, he said, was trying to pass two tests: the first was to be profitable; the second was to be a good place to work. He said that United has a no-layoffs policy, but they approach it by not allowing the company to get too large to begin with. The result of the policy is that now the employees are looking for operational efficiencies without fear of layoffs and making the company more competitive. Further, managers and employees are now looking for things that could be handled more effectively by outsiders because they do not feel threatened. He concluded in saying that employees' stock options can only be converted to usable cash in very limited circumstances and that he hoped that would change.*]

The President. Let me say, as far as I know, you're the first person who ever told me that about the ESOP, that ever presented that as a problem, and I'll be glad to look into that.

Secondly, as you doubtless know, our trade office has spent untold hours in airline negotiations trying to open new routes and be willing—taking on all comers, saying, "If you want more routes in America, let's just have totally open competition." We can't find any takers for that, because the American airlines are so much more productive and competitive than anywhere in the world, and it's a real tribute to you and to the others in that business. But we will continue to work on that.

Let me say, I'd like to—we've got a couple of minutes here, and I'd like to open the floor again to comments, but I do want to say that one of the most heartening things that's come out of this today for me is to hear so many of you say that the job security of your employees is a goal of yours and that you believe in it and that it matters to you and that you believe that you can withstand the cycles of the market and still by and large preserve it, recognizing that from time to time, there will be significant problems that will cause some companies to have to downsize. The fact that it is a goal its companies are trying to preserve and pursue, I think is very important and especially publicly traded companies who are under enormous pressure to keep their quarterly review of their stock prices up. This is very encouraging to me.

Would anyone like to comment on this whole issue of partnership in training and investment?

Mr. Harman?

[*Sidney Harman, CEO of Harman International, said that he believed the central theme of the meeting was that there are many techniques to reach the desired end, that to be competitive, we must be productive, but that people would not advance productivity at the price of their jobs, and that the ultimate challenge was to increase workplace security. He concluded by joking that it took 6 months to make up lost productivity due to the President's visit to the Northridge, CA, plant.*]

The President. All right. I'm going to call on you. Let me just make one very brief comment. It was worth it. It was a great day. The thing that I liked about what you had done is that it seemed to me that you were in a market where you could not possibly control dramatic fluctuations in the orders that were coming in. And yet, it was clearly not in your interest, both from a human point of view and from an economic point of view, to have to keep bouncing these workers on and off like a basketball or having them on a yo-yo string.

And so you were actually able to create a whole alternative way of working for them that was just purely ancillary to your primary mission, but it had the effect of allowing you to pursue the goal that the gentleman at Lincoln Electric has set for his company and held to. And I think it's very impressive. And I would think a lot of companies that have similar circumstances would want to take a look at how you did it, because they would save a lot of energy and productivity and loyalty for their company if they could do the same thing.

Yes, sir. And then there were two more back here. Go ahead.

Participant. [*Inaudible*]—once every 4 years we lose an enormous amount of productivity, so I can relate to your point. [*Laughter*]

The President. Especially when I was up there. [*Laughter*]

[*The participant said that there is a good deal of data correlating top- and bottom-line productivity to the kinds of practices expressed in the day's conference. He added that such hard data could be used as a basis for giving incentives to businesses to pursue the methods discussed at the conference. He concluded by suggesting that a task force be set up to create incentives for businesses to allocate a certain percentage of profits for training, another percentage for employee ownership or a basic benefits program for elderly or child care assistance.*]

The President. Thank you.

Two back here. You and then you and then the gentleman in the corner.

[*A participant said the type of employment his fast food company offers is not lifetime employment but that his company was concerned about the mental, emotional, and psychological security of its employees. He said that one area that needed Government attention was in providing the flexibility which would allow his employees to have portable health, pension, and other benefits, thus preserving the economic benefit of the years they spent in those jobs.*]

The President. Thank you very much.

There's a gentleman back there in the corner. While you're passing the microphone back, I just want to sort of support that and say that, if you look at the Kassebaum-Kennedy bill which passed the Senate 100 to 0—which is the sort of thing we ought to be doing in this country, I mean, obviously we've got a manifest need like that. It doesn't solve all the problems, but at least it will make portability the rule rather than the exception, and it will make available insurance, even if it's expensive now, for people who have had someone in their family who is ill.

And then the next big challenge will be to make sure that those of you who are in tough margin and, particularly, smaller businesses are able to get into really, really large pools of purchasers so that people who have a pre-existing condition don't have to get soaked on their premiums because the impact on everybody else is so negligible. And we'll just have to do this one step at a time, but we've got to pass the Kassebaum-Kennedy bill first so that we can get to that next step. And when we do, I think it will make a huge difference in stabilizing the whole work situation for people in these smaller companies and where that job is the first stop on the way to, hopefully, an even better future.

Thank you very much for what you said. Yes, sir.

[*A participant said that corporations blame the financial markets for the need to downsize and asked if it would be possible to create new financial instruments that take into account certain social goals.*]

The President. Would anyone like to take a crack at that, what he said about the—[*laughter*]—Gerry?

[*Mr. Greenwald said that he wanted to clarify an earlier point when a participant said that there is clear evidence that, if you do the right thing, you become a more profitable company. He said he did not believe that Wall Street analysts or institutional investors believe that, because if they did, they would not reward instant massive layoffs as they do today. He added that the challenge is to demonstrate that it's a fact, that if we can do so, Wall Street will respond.*]

Participant. Instant massive layoffs means that management has failed.

The President. Let me just follow up on both of those comments. Look—and let's talk about this—people make mistakes. The President even makes a mistake now and then. [*Laughter*] People make mistakes. And sometimes—and the world changes sometimes. Sometimes a decision that was good this year looks pretty bad next year because things that you couldn't foresee change.

Now if that happens and you're running a really big company, and let's say two out of six divisions of it no longer make sense for you to be running and you want to have a no-layoff policy, and maybe you shouldn't have gotten into all these things that you got into when it looked like a profitable thing, at least from a financial transaction point of view to do, how do you get the time from the markets and from your board to make the transition? Maybe if you had 3 years, you could figure out something for all these people, and then you wouldn't have to lay them off.

I mean, I think that's the thing that plagues me, you know. I think over the long run the markets make pretty good judgments. I don't think you can stay very strong in the market over the long run if you're not producing a quality product or service that somebody wants to buy. But I think what has happened is, as these markets have become more global and our ability to move money around just like this—and the people who are moving it make money based on quarterly returns and also based on how many transactions are churned, it really forces people who are in a tight, in the near-term at least, to make decisions that seem draconian. I mean, at least that's what it seems to me.

And is there a fix for that? I mean, is there something that can be done about that, even if it's no more than—to go back to the question the gentleman asked—even if it's no more than changing the attitude of the people that are making those judgments? Because my perception is that some of these managers are under extreme market pressure in a dimension for short-term results that was not the case even a few years ago.

That's my perception. And I would like—anybody else want to comment on that? This is a tough issue.

Participant. I think that's true, Mr. President. And also there are other factors at work, too, that in this day of increased corporate governance today—boards, I think, are looking for more of that, not only the financial markets, but there are higher levels of expectations with boards of directors. I'm not sure it's all bad. Is it good or bad?

The President. Well, I think the point they were making is, if you could be more reluctant to have layoffs because you knew that these folks could be made productive if you had time to do it, are you robbed of the time to do it if you're market-dependent on a quarterly basis? I think that's—to go back to our friend, again, from Lincoln Electric, if you stick with your mission and you stick with your mission over decades and then you broaden your production line or you broaden your services, sort of flowing naturally out of your mission, this might not have ever happened to you. But if, in the last 15 years, you have got into expansions that were basically adopting unrelated or tenuously related enterprises, then you are liable to get caught on one of these whipsaws. And I think that's some of what we have seen here in some of the most highly publicized ones.

Sidney, what were you going to say?

[*Mr. Harman said that not too long ago it would have been impossible to assemble a group of chief executive officers to discuss the material they had covered today and added that there may still be hope for Wall Street. He indicated that one Wall Street CEO had invested in Harman International because he thought they were a model and he sees value in what the conference was discussing today.*]

The President. If I might just make one other point, then I want to call on the lady over here in the corner; then we have to adjourn. Earlier today—maybe it was this morning at breakfast, someone said, the enemy is us. And some of our representatives of the unions here were laughing about it because, of course, the employees' pension funds are among the biggest investors in the stock markets. And if they invest in mutual funds, let's say, their money managers are trying to get the highest return they can for the pension, and perversely, they could be undermining the employment stability of the very people whose retirement they're trying to protect. At least that is arguable.

But if you want the people who are representing you—this is something, it seems to me, that would be really a worthwhile discussion and maybe we could put one together for corporate executives and the union folks and the people in the middle, the people that are supposed to make these investment decisions that you asked about, sir. You see, you gave us a topic for a whole other day. [*Laughter*]

But I mean, I think, these markets, on balance, have served us all very well over time. And so we have to be reluctant to mess them up. But on the other hand, when the incentives get a little out of whack, we have to—we ought to look at it. And I think—anyway, I'll pursue it, and I'll followup with you all.

Yes, ma'am.

[*A participant said she worked with small corporations and that they believe corporate citizenship to be a luxury item, something that you can afford as you get to be bigger. She suggested that any followup conference stress that good corporate citizenship is essential for any size company.*]

The President. Thank you. And I agree with you. And I would, you know, just point out we have had some companies represented on this platform today that have under 100 employees. And we have even more in the audience. And all of them have various stories to tell. So I think that it is more important, but that's one place where the Government should come in. You know, if there is a particular policy that is more difficult for a small company than a large company to implement, then maybe that's the place where we ought to have a little extra incentive on, for example, extra educational benefits or something like that.

Well, this has been an amazing day for—certainly for me. I hope you think it has been worth your time. I thank you all for coming. I thank you for your support of the idea that we do have responsibilities to one another in the workplace, and that if we fulfill them in the appropriate way, more money will be made, the free enterprise system will be stronger, more jobs will be created, and America will be a better place.

There will be, I assure you, some followup with all of you on this conference, and we'll try to determine where we go from here. but let me say I called this conference for two reasons. One is I wanted to change the perception that there were no companies in America that cared about the employees and that were sticking up for them and trying to do right by them. And the second is, I wanted to change the reality, where we could, by using the good examples here to influence people in the rest of the economy.

I believe today we have gone some significant way toward both of those objectives, and I think there are some other things we can do. Again, I want to thank the executives who have agreed to serve on the board for the Ron Brown award, and we will follow up on that as well.

Thank you all for coming, and we will be back in touch. Thank you very much.

NOTE: The President spoke at approximately 2:10 p.m. in Gaston Hall at Georgetown University. In his remarks, he referred to Robert Parker, dean, Georgetown University school of business. A portion of the President's remarks could not be verified because the tape was incomplete.

Remarks on the Antipersonnel Landmines Initiative

May 16, 1996

Death of Admiral Jeremy M. Boorda

The President. Thank you very much. Please sit down. I want to thank the members of the veterans organizations who are here. General Jones, thank you for your presence. All the members of the administration and, especially, I'd like to thank Secretary Perry and the Joint Chiefs who are here, not only for their presence and their help on this policy but for their determination to go forward with this announcement on this very difficult afternoon for all of us.

I want to begin with a word about Admiral Mike Boorda, our Chief of Naval Operations, who died this afternoon. His death is a great loss, not just for the Navy and our Armed Forces but for our entire country. Mike Boorda was the very first enlisted man in the history of our country to rise to become Chief of Naval Operations. He brought extraordinary energy and dedication and good humor to every post he held in a long and distinguished career. From Southeast Asia to Europe, he devoted his life to serving our Nation.

I am personally grateful for the central role he played in planning our mission in Bosnia, both when he commanded our forces in Southeastern Europe and later when he came here to Washington. He was known for his professionalism and skill. But what distinguished him above all else was his unwavering concern for the welfare of the men and women who serve the United States in our Navy. We will all remember him for that, and much else.

Our hearts and prayers go out to his family, to his wife, Bettie, and his children, David, Edward, Anna, and Robert. And I'd like to ask everyone to just join me now in a moment of silence in memory of Admiral Mike Boorda.

[*At this point, a moment of silence was observed.*]

The President. Amen.

Antipersonnel Landmines

Today I am launching an international effort to ban antipersonnel landmines. For decades the world has been struck with horror at the devastations that landmines cause. Boys and girls at play, farmers tending their fields, ordinary travelers—in all, more than 25,000 people a year are maimed or killed by mines left behind when wars ended. We must act so that the children of the world can walk without fear on the earth beneath them.

To end this carnage, the United States will seek a worldwide agreement as soon as possible to end the use of all antipersonnel landmines. The United States will lead a global effort to eliminate these terrible weapons and to stop the enormous loss of human life. The steps I announced today build on the work we have done to clear mines in 14 nations, from Bosnia to Afghanistan, from Cambodia to Namibia. They build as well on the export moratorium on landmines we have observed for 4 years, an effort that, thankfully, 32 other nations have joined.

To pursue our goal of a worldwide ban, today I order several unilateral actions. First, I am directing that effective immediately, our Armed Forces discontinue the use of all so-called "dumb" antipersonnel mines. Those which remain active until detonated are cleared. The only exception will be for those mines required to defend our American troops and our allies from aggression on the Korean Peninsula and those needed for training purposes. The rest of these mines, more than 4 million in all, will be removed from our arsenals and destroyed by 1999.

Just as the world has a responsibility to see to it that a child in Cambodia can walk to school in safety, as Commander in Chief, my responsibility is also to safeguard the safety, the lives of our men and women in uniform. Because of the continued and unique threat of aggression in the Korean Peninsula, I have therefore decided that in any negotiations on a ban, the United States will and must protect our rights to use the mines there. We will do so until the threat is ended or until alternatives to landmines become available.

Until an international ban takes effect, the United States will reserve the right to use