MANAGEMENT INFORMATION SESSION

Hotel Biltmore

October 17, 1961

Johns-Manville

L-79

Johns-Manville

Published by AsbestosClaims.Law
asbestosclaims.law/library/11317/1

General Headquarters
November 16, 1961

To Industrial Relations Managers

Management Information Meeting

For the past year we have been holding top management information meetings here in New York. On October 17 we had the opportunity to present to this management group a program outlining the philosophy and function of industrial relations in our company.

This presentation was made to approximately 150 General Headquarters and Division management personnel.

I am enclosing a copy of the presentation made by the various people on our Headquarters Industrial Relations staff for your review and reference.

C. W. Hite

Published by AsbestosClaims.Law
asbestosclaims.law/library/11317/2

TABLE OF CONTENTS

Introductory Remarks	Page I
Selection, Training, Development	A-1 through A-8
Management Development	B-1 through B-5
Salary Administration	C-1 through C-6
Employee Benefits	D-1 through D-5
Labor Relations	E-1 through E-7
Industrial Health	F-1 throuth F-6

Published by AsbestosClaims.Law
asbestosclaims.law/library/11317/3

INDUSTRIAL HEALTH

Kenneth W. Smith, M.D.

I would like to pose a simple question, one which can and should be answered by every individual in this room. The question is:

"How long do you expect to live?"

or

"What do you think your remaining life span is?"

Do you realize that a healthy young man aged 30, starting a career in Johns-Manville today, has only slightly more than 8,000 working days in his life span? I think most of us here will admit that we are over 30, so it may come as a shock when we realize that the remainder of our working life is short -- not in terms of years, or months, or weeks, but short in terms of days.

Considering this, we then realize how very precious our one real asset is -- our health. And if we have such a short span of working life, why impair our health and further shorten our time on earth? A man's family, his job title, his position in the Company, social status in the community, income, fortune -- all these things are important, but they lose their significance when viewed beside the one real asset, good health.

Now, I don't propose to give a health lecture on personal hygiene, diet, or setting-up exercises. What I would like to discuss with you for a few moments are our individual and collective responsibilities for the health and safety of our Johns-Manville men and women. Let us consider our responsibilities as supervisors and managers. All of us have people working with us. Daily we guide and direct their work effort, but do we realize that we also guide their destinies in terms of life itself?

Do we as management have any right whatsoever to shorten the life of a single human being, by as much as one minute, when there are relatively so few minutes left to each one of us? Have we the right to develop a product, to devise a machine, to run an operation, to merchandise and sell material which knowingly will shorten a man's life? Do we have the the right to deprive a woman and her children of their wage earner? To cause misery and suffering?

Do we have the right to squander stockholders' money by running an operation which results in unnecessary Workmen's Compensation claims? Do we have a right, outside our Company, to sell a product which will be injurious to the user, to cause bodily injury to a customer, to cause financial loss to the Company through public liability lawsuits?

Dr. Kenneth W. Smith's Industrial Health Talk at the J-M Management Information Session (1961) Published by AsbestosClaims.Law
ACL Doc 11317 · Page 4 of 9 asbestosclaims.law/library/11317/4

The answer is an emphatic NO!

We do have responsibilities for prevention. Every manager, whether in Research, Engineering, Production, Sales, Finance or any other discipline can make important contributions in the field of industrial health.

How can we carry out these responsibilities effectively? Well, let us consider for a moment the paint used on our ceiling and wall panels made at Jarratt, or Natchez, or North Bay, or Klamath Falls. In developing the formula for this paint, our Research chemists reconized the need for a fungicide as one of the ingredients. It was impossible to find a non-toxic one, so they chose sodium pentachlorophenate. This is a relatively toxic material and if improperly handled, can cause severe damage to the liver, lung, the heart, bone marrow and death from convulsions.

Research was aware of these toxic hazards and gave this data to General Engineering, who were purchasing and installing the equipment to make the paint. Provision was made to control the hazard in the plant so that employees would not be incapacitated.

In this stage of product development, Quality Control and Purchasing passed information on to the plant that the fungicide could be purchased in powder or pellet form. The pellets were slightly more expensive to use than the powder, but the toxic hazard was minimized, because in using pellets there was no air-borne dust to be inhaled at the paint-mixing operation.

A very few cents more in the product cost of using pellets rather than powder was much less expensive than ventilating equipment to remove the powder from the air. It was also much less expensive than paying Workmen's Compensation for disease in the worker. All such information, in my opinion, should be passed from one section of our organization to the next as any products are developed and then manufactured in our plants.

At a later date, after this paint had been manufactured for some time, a formula change might be recommended. There might be a process change in which new ingredients are substituted for old ones, or the quantities of old ingredients altered. Should this occur, information concerning potential hazards and their control should be reviewed by all concerned, by Research, General Engineering, Quality Control, Purchasing, Production. Potential hazards can be pointed out and methods of control recommended.

Let us sum up the lessons of this example:

First: Awareness of potential health hazards is essential.

Second: Communication between responsibilities about these hazards is necessary.

Third: Changes in formula or manufacturing process must be reviewed.

Fourth: Action by all to minimize and eliminate the hazard is required.

Published by AsbestosClaims.Law
asbestosclaims.law/library/11317/5

Now what about our responsibility to those customers who handle and use our products? Here is an example which should not have happened. Some time ago, we had to develop a certain product. One of the ingredients was highly flammable and, under certain circumstances, was explosive. The potential hazard in using this product was not identified to other groups. The label gave no indication of a potential hazard to the user. The product was placed on the market, one of our customers was using it, and an explosion occurred. He suffered extensive personal injury, the Company lost over $10,000 through legal action, and we lost prestige in our product line. The lesson? -- If we had recognized the potential fire and explosion hazard when developing our product, and had passed this information along to others in our organization, a proper label would have been designed to indicate precautions to be taken by the user. Personal injury and financial loss could have been avoided.

Do not these examples bring closer to you the manager's responsibility for action in protecting the health of our fellow workers and our customers? A prime objective of any businessman is to make money. But, of equal importance, is the necessity to prevent injury and disease which shortens the lives of any of our people.

You may say "This sounds altruistic." Let me give you a very good example of the cost to Johns-Manville if we do not operate properly.

We are continually hearing about the cost of doing business and our responsibility for controlling these costs. Injury and disease <u>are</u> preventable and their costs must be controlled. Let me tell you why --

In the twelve-year period of 1949 to 1960 inclusive, our exposure for potential injuries increased 42%, for our man-hours of exposure rose from approximately 24.3 million to 34.5 million as we expanded our business.

In the same period of time, our J-M accident frequency dropped from 15.7 to 6.8. By comparison, the average nationwide industry rate dropped only from 10.1 to 6.04. This is an enviable record and all of our J-M people are to be congratulated.

But what about our costs in this same twelve-year period? When we were working smarter, causing fewer disabling injuries to our people, the out-of-pocket expense <u>increased</u> from $228,000 in 1949 to $768,000 in 1960.

Over three-quarters of a million dollars in actual cash was spent in this one year, 1960, to pay for preventable injuries! It took $5,300,000 sales dollars to earn enough in 1960 to pay for these unnecessary expenses!

This sum may seem staggering to many of you, but let me show you the <u>full extent</u> of our loss because of disabling injuries. The three-quarters of a million dollars I mentioned are <u>direct</u> out-of-pocket costs. But, just like that portion of the iceberg which is under water, there are hidden and <u>indirect</u> costs not visible on the surface.

Published by AsbestosClaims.Law
asbestosclaims.law/library/11317/6

Some of these are:

time lost by fellow workmen

damage to tools and equipment

spoiled work

failure to fill orders

loss of efficiency due to break-up of crew

and many others.

Statistics show that for every dollar of <u>direct</u> cost, we spend <u>four</u> additional dollars for <u>indirect</u> expenses.

In other words, it cost Johns-Manville $3,800,000 for injuries last year. This used up the earnings on 24,000,000 sales dollars.

Can we afford these <u>preventable</u> expenses?

You may ask why the cost increased when the frequency of accident occurrence dropped so dramatically. Frankly, it is due to our changing socialistic concept of the employer's responsibility for the health and welfare of his employees. Not only are the dollar costs of weekly benefits going up, but many more of the illnesses, common to every man, are held to be occupationally related by our courts today.

Let me give you an example of this changing socialistic concept. A worker in New Jersey lost an arm in an accident. According to the Workmen's Compensation statutes, the man should have been awarded $10,500 for his partial permanent disability. However, the courts in their supreme wisdom deviated from the intent of the law. Because the worker spoke only Spanish, was illiterate in the English language, the court decided that he was unemployable in the open labor market and awarded him total and permanent disability. This cost the employer over $50,000 -- instead of $10,500!

Then, there was the case in California in which the body of a forest ranger was found in the back of a state-owned station wagon, lying with a woman, not his wife. They were in various stages of undress and both had been asphyxiated by a defective exhaust system in the car. The courts held that this death was occupationally related because it occurred during his regular working hours and on property owned by his employer. The ranger's widow was granted total and permanent death benefits under Workmen's Compensation law!

Every day, in every state, similar decisions are being made by courts with a misguided sense of justice. You and I must voice our opposition to unreasonable legislation and court decisions to our elected representatives, whether on a local, state, provincial or national level. The alternative will be a nation which is a total welfare state -- which no one wants.

Published by AsbestosClaims.Law
asbestosclaims.law/library/11317/7

This is a relentless change in our whole social and economic structure which probably will continue for years to come. So, our costs will continue to mount unless we do a much better job of loss prevention in the field of industrial health.

You have heard from Hugh Jackson this morning how important it is to select the right person for a specific job and then to develop his or her talents in our day-by-day contacts. Every day our actions, decisions, and directions influence the lives of other people.

Do you know that of all J-M employees who had to retire early for disability in 1960, 40% had to leave the Company for conditions which might have been caused by job frustration, by poor leadership on the part of the manager, by unreasonable work demands? We may be good managers of a business -- but, are we good managers of people?

In our daily work, we often do not realize the trend of events -- we do not look back and study the past, to see where we are heading. To understand the importance of a day-by-day reflection on the past and on our future goals, let us consider the history behind the long and costly strike which we had at Lompoc in 1952.

In 1930, the California State Department of Health reported on a health survey of our plant. Among the recommendations was one for dust control, because it was felt that inhalation of the diatomite could cause pulmonary damage.

In 1935, Metropolitan Life Insurance Company examined x-rays of all of our employees. 9% had occupational lung disease.

In 1940, the first Workmen's Compensation claim for pulmonary disease was filed against the Company.

In 1945, we employed a consultant, Dr. A. J. Lanza, one of the leading industrial physicians in the country, to make a health study at Lompoc. He reported - "You are faced with a real problem that will have serious consequences unless prompt action is taken."

By 1950, several dust control methods had been established, but these were too little and too late. Over a period of twenty years, there had been numerous signs of impending trouble because of the health hazard associated with our dust. We saw the signs, we recognized some of the problems, but we did not appreciate their full importance in terms of future operations. Several employees had been disabled, and the emphasis was primarily on production and the profit picture.

In January 1952, the State Department of Health issued an order requiring us to clean up the plant within 12 months, or shut it down!

The San Francisco and Los Angeles newspapers, as well as The Wall Street Journal, were carrying lead articles about deplorable working conditions in the Johns-Manville Plant at Lompoc.

Dr. Kenneth W. Smith's Industrial Health Talk at the J-M Management Information Session (1961) Published by AsbestosClaims.Law
ACL Doc 11317 · Page 8 of 9 asbestosclaims.law/library/11317/8

The official journal of the California Tuberculosis Association is Search Magazine. The January 1952 issue of this journal carried a picture of our Lompoc mine and mills on its cover. Superimposed on this picture was a large caption "Death By Dust". A report in the journal described very unhealthy working conditions in our plant and each paragraph was headed by the same stamp "Death By Dust". It was read throughout California, in every state of the Union, and in many foreign countries.

Shortly afterwards, we had our strike, which lasted seven months. Outside forces were at work in the press, in the labor groups and even in the government. They seized upon our problems and over-emphasized the urgency for their own particular ends.

At the conclusion of the strike, we instituted dust controls devised by the ingenuity of our own engineering and production groups. Today, the United States Public Health Service, as well as several other official groups, point to our Lompoc operation as an example of what can be done where health problems exist.

We have had no new dust disease cases, no new x-ray changes in our plant population since 1954. As a matter of fact, some of our old and recognized cases have better x-rays, are healthier, happier and producing more because of today's improved working conditions.

BUT - - -

How many customers, how many millions of dollars did we lose because of the strike? How much did the public image of Johns-Manville suffer? How many men and women have impaired health because they were allowed to breathe our dust?

How many other J-M locations have the same problems which could lead to another "Lompoc Story"?

Can we afford to continue operating as we do today? Have we not reached a point where the increasing costs of injury, disease and public liability must be halted? Can we by our method of working, by our direction and decisions, continue to impair the health of men and women, to shorten their lives by our actions?

Or should we remember our responsibilities to our fellow human beings when we decide what raw materials will be used in a new product, what ingredient changes will be made in established products, what controls will be necessary when we design a machine, when we establish housekeeping standards, when we design the label to go on the package of our goods, or when we direct the work efforts of others?

Every day we must remember that we, as managers, are trustees and guardians of the health of countless other people, many of whom have less than 8,000 working days in their remaining life span.

Published by AsbestosClaims.Law
asbestosclaims.law/library/11317/9