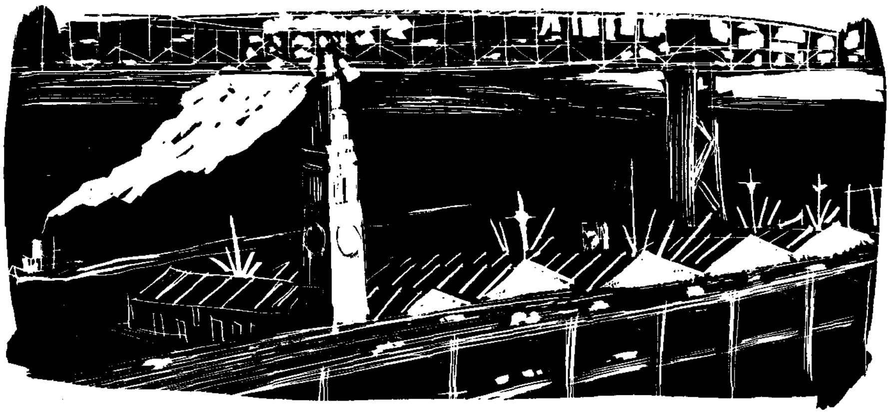


Unions and Automation: Truce on the West Coast

BRUCE BLIVEN

THREE union contracts on the West Coast seem to point a clear, broad road to voluntary peace between workers and employers on the greatest single issue now dividing them—automation. In each of these agreements, the union has abandoned all resistance to the introduction of laborsaving devices. In each, the employer is paying a stiff price for this concession, including a guarantee for a period of years that no worker will suffer hardships because machinery has eliminated his job. While prediction is always rash, strikes seem highly unlikely during any of these contracts. They have special significance at a time when Congress, struggling with the nationwide conflict between the railroads and their workers, has passed the first peacetime law in memory providing for compulsory arbitration.

The contracts in question are between the Southern Pacific railroad and its clerks, the shipowners and the longshoremen of the Pacific Coast and Hawaii, and the Kaiser Steel Corporation and its steelmakers.

Each of these agreements is the lengthened shadow of a man, and in each case he represents a different side of the triangular bargaining table that is becoming commonplace today. In the railroad dispute, the outstanding figure is Professor J. Keith Mann of the Stanford University Law School. The longshoremen's contract is chiefly the handiwork of the president of the union, Harry Bridges. The Kaiser settlement springs from the ideas of Edgar Kaiser, now the guiding spirit in the steel company and in most of the other enterprises founded by his father, Henry J. Kaiser.

These three agreements were hammered out within a few miles of each other, the first two in San Francisco and the third at the Kaiser headquarters across the Bay in Oakland. This is only partly coincidence; the West seems somewhat freer from the rigidity of conservative tradition than the East, more willing to experiment boldly.

While these contracts have important elements in common, they also have sufficient differences to be discussed separately.

Automation and Arbitration

Donald J. Russell, the hard-driving sixty-four-year-old president of the Southern Pacific railroad, has made his line one of the country's most prosperous, aided by the fact that its eight thousand miles of track are in seven Western states, comparatively free from competition. Russell quit Stanford University before graduation and has been working for the Southern Pacific ever since. He is a fanatic on using all technological advances to reduce costs and improve service, including computers and many other devices to cut down paper work. In five years, 1958-1962, he was able to eliminate forty per cent of his clerical workers—about 4,500 men—while traffic was increasing more than eleven per cent.

Naturally, the Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees was unhappy, and said so. The protests were voiced by a tough union bargainer, James E. Weaver, general chairman for the Southern Pacific unit, backed by another tough bargainer, George M. Harrison, international president. The complaints became so loud that President Kennedy finally appointed a special investigating committee headed by Dr. Mann, who has been working in labor relations almost since he got his LL.B. from the University of Indiana in 1949. Mann was chairman of the Review and Appeals Committee for the Wage Stabilization Board during the Korean War, later worked on labor relations for the Atomic Energy Commission, was a member of the President's commission on the flight engineers' dispute with the airlines in 1961, and has been a negotiator in two railroad controversies.

His committee in the Southern Pacific dispute was set up in August, 1962, and brought in a report on December 31. It made some far-reaching suggestions that proved unacceptable to both sides. While investigations were in progress, Weaver set a date for a strike several times, and postponed it only at the last minute.

The union did not reject outright any reduction whatever of the work force because automation had eliminated jobs; the sticking point was how rapidly this should be done. The railroad, at least in theory, would have liked to see every position vacated as soon as it proved unnecessary; the union wanted to keep the reduction down to a fixed small percentage, perhaps one like the two per cent a year embodied in a separate agreement made two years earlier with the Order of Railroad Telegraphers.

By March of this year, agreement had been reached on some of the issues. President Kennedy now suggested that Professor Mann's committee have the power to arbitrate the remaining issues, with both sides agreeing in advance to accept the result. This was done, and a precedent-shattering final settlement was reached in ten days.

THE MOST IMPORTANT principle set up was that job elimination should be held as close as possible to the rate of "natural attrition"—the normal reduction of the working force by resignation, retirement, promotion, ill health, dismissal for cause, or death; in the case of the Southern Pacific this rate is between five and six per cent a year. Very rarely in industry has any such proposal been made, and more rarely still has it been accepted.

Professor Mann's committee set another important precedent when it insisted that no union settlement can be allowed to endanger the financial health of the employer:

"This Board cannot sanction an approach which would inhibit the carrier's effort to remain competitive. Only if railroad management is free to introduce cost-saving innovations will this nation continue to enjoy an adequate and efficient transportation system. . . . Meaningful employment security cannot be achieved at the expense of change."

When a man's job is abolished, every effort will be made to retrain him to work in some other department. All appropriate agencies of government are being called in, beginning with the machinery of the Federal Manpower Development and Training Act, on the assumption that there is a public as well as a private obligation to help the victims of the economic storm that is created by technological advance.

If men are downgraded in their jobs, the gap in pay will be filled. Fringe benefits such as hospitalization are maintained at a level varying with length of service. If a man is asked to move from one town to another, he will be compensated for the expense, including any loss on the sale of his house. Many rigid union job classifications have been moderated to permit flexibility in moving men from one job to another.

The few employees actually displaced will receive furlough benefits coming partly from the Southern Pacific, partly from Railroad Unemployment Insurance funds. Depending on the length of service, the worker eliminated will receive seventy per cent of his earnings for a maximum of a year, followed by sixty per cent for a maximum of four years.

Don Russell has good reason to be pleased with the new contract. As far as the clerks are concerned, he can introduce as many laborsaving devices as are invented—and he keeps the Stanford Research Institute hopping to produce more. With the work force shrinking about five per cent a year, before long it will be as small as the railroad feels is safe. (The job eliminated need not be that of the person leaving the payroll, as long as the ratio of one to one is maintained.)

James Weaver and George Harrison also have solid grounds for satisfaction. Practically all the present members of their union working for the Southern Pacific now have job security, and the few who don't will get maximum help in finding new work.

Both sides should benefit from the new spirit of co-operation and good will—an intangible factor but one that can be of enormous importance.

The Golden Gate's Bridges

The West Coast and Hawaiian waterfronts, both under the International Longshoremen's and Warehousemen's Union, have a long history of savage labor disputes. The longshoreman's work is—or used to be—almost entirely hard physical labor, requiring a rough, tough man to do it. The shipowners are also a hardy and individualistic breed, strong believers in personal initiative, despite the fact that the American merchant marine leans heavily on the Federal government for aid of various forms; they bitterly dislike taking orders from anybody, least of all a union representative. Over the years, work stoppages have been frequent; in 1934 a waterfront dispute turned into a San Francisco general strike in the course of which three men were killed and many injured.

While conditions became better than in the bad old days, the truculence on both sides continued for many years. There was so much trouble that, when possible, shippers began routing cargo to avoid using any of the ILWU ports.

The union continued to fight a rear-guard action against automation, trying to hold employment as high as possible even if featherbedding were required. Until the latest contract went into effect, it was common to see a gang on the dock with only half the men working at any one time. Goods taken from the hold of a ship on a flat container might sit on the wharf next to a waiting truck, but longshoremen had to move everything to the pier itself before loading could start. Though modern derricks can lift tremendous weights, any freight package of more than 2,100 pounds had to be broken down on the dock into smaller units. Petty grievances resulted in great numbers of quickie strikes.

The International Longshoremen's and Warehousemen's Union has been bossed for decades by Alfred Renton Bridges, who has renamed himself Harry. The government tried unsuccessfully for years to deport him to his native Australia on the ground that he was a Communist when he entered the country and his entry was therefore illegal. Harry, now a citizen, says deadpan that he is a Republican. Whatever his politics, he has proved himself one of the ablest and most farsighted union leaders in the United States.

Several years ago, Bridges began to doubt the policy of fighting automation. In spite of everything the union could do, advances were being made; when a dispute involving technology was arbitrated, the union often lost. Public sentiment was against featherbedding; further resistance was beginning to seem a mug's game. His views were reflected in a special report by a union committee. After demonstrating with a mass of facts and figures that automation did not cut the work force as much as most people thought, it continued:

"Our present policy can be described as one of intermittent guerrilla warfare directed against all changes which we anticipate will reduce the need for men. . . . Do we want to stick with [this plan] or do we want to adopt a more flexible policy in order to buy specific benefits in return?"

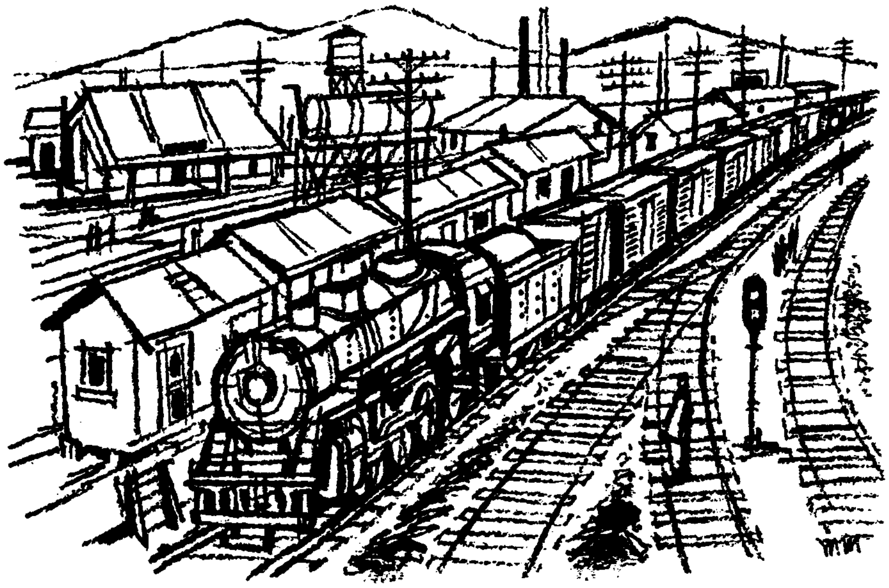
THE SHIPOWNERS are represented by the Pacific Maritime Association, whose president is J. Paul St. Sure, meticulously courteous, faultlessly groomed, and tough. At a time when another work stoppage seemed imminent, legend has it that Bridges went to him and said, "A strike will cost you $70 million. Give us half that much as our share of the saving, and we'll agree to permit automation and not to strike for five years." (Like any sensible reporter, I have carefully avoided checking this story lest I find it false; in any case, the final contract came fairly close to these terms.)

Both Bridges and St. Sure had plenty of trouble, lasting for years, with diehards in their ranks. Technically, the longshoremen are usually employed by subcontractors working on a cost-plus basis. The shipowners really call the tune, however, and some of them were outraged at the notion of buying the right to improve dockside processes. Many union members sputtered at the idea of encouraging machines and cutting down the work force, and the Los Angeles local actually voted against the plan.

Finally, however, in 1961, the agreement was accepted. It provides for a total payment of $29 million over a period of five and a half years, to be deposited in a special fund under joint union-employer supervision. From it, every longshoreman is guaranteed pay equal to not less than a specified number of hours per week, whether there is work for him or not. At present, this number is thirty-five and the hourly rate is more than $4. Retirement is compulsory at sixty-five, at which time each man gets a lump sum of $7,920, without reference to any other pension rights. If he wishes, he may retire as early as sixty-two, in which case he gets his bonus in monthly payments of $220.

When the agreement was signed it was expected that about four per cent of the longshoremen would retire each year, but in fact the rate has been twice as high. Though with unrestricted automation each worker accomplishes much more, a heavy rush of business has resulted in an actual shortage of labor. Bridges has lately been scolding his men for their reluctance to take in new members, and the union is being expanded by a thousand workers who have had some experience on the waterfront.

St. Sure and his shipowners have good reason to be pleased with the agreement. Much freight is now handled in huge sealed containers, so that a ship often need spend only twenty-four hours in port instead of a week, at a saving of thousands of dollars a day. The hundreds of small quickie strikes that formerly took place have been largely curbed; arbitrators are now kept continually on duty to come at once to the scene of any labor dispute and settle it on the spot. Pilferage, the curse of the waterfront the world over, has greatly diminished.



Labor costs are down; a reduction of only five per cent balances the annual payments into the special fund, and the cut has already gone far beyond that. If the work force can be reduced a third—a reasonable expectation as things are going—the shipowners should save about $40 million a year.

The union's advantages also seem substantial. Irregularity of employment is a thing of the past. Every man gets paid whether there is work for him or not, and retires at sixty-five or even sixty-two.

The new agreement at the Kaiser steel mill at Fontana, a few miles east of Los Angeles, is in some ways the most remarkable of the three. It owes its being to Edgar Kaiser, the amiable and hard-working fifty-five-year-old son of the fabulous Henry J. The elder Kaiser built ships so fast during the Second World War that it was said you had to watch your step at a launching not to be run over by the next ship coming down the same ways. Now, at eighty-one, he is romping around the Hawaiian Islands and leaving a big new hotel in almost every footprint. Edgar is in general charge of the Kaiser empire, which besides steel embraces engineering, automobiles, cement, gypsum, aluminum, chemicals, aircraft, electronics, and assorted sidelines. His father trained him in a hard school; he was working on a natural-gas line from Kansas to Texas when he was only twenty-two, and thereafter helped construct Boulder, Bonneville, and Grand Coulee Dams before he went into wartime ship production in Portland, Oregon.

The Fontana Settlement

The Fontana mill is an ultramodern three-million-ton plant. Despite its efficiency, it has usually operated in the red, being carried by the other Kaiser companies. This is partly because of foreign competition, partly because the typical order for fabricated steel in its sales area is small, with each requiring costly readjustment of machinery. Edgar's relations with his workers have always been good; in 1959, in the nationwide steel strike, he was the first to break away from the other companies and make an independent settlement with the United Steelworkers of America.

Over the years, like many another important executive, he had become more and more disgusted with exhausting day-and-night union bargaining under the threat of a strike. He called in a group of experts in labor relations to see what could be done. After many months of consideration, they proposed the present plan, which was finally accepted by the Fontana steelworkers on March 1, 1963. Explaining what he had in mind, Edgar says that he was seeking a scheme that would "offer the opportunity of completely eliminating contract deadlines on economic issues."

Under this new plan, savings in the cost of operations beyond the 1961 level are shared, the company getting two-thirds and the workers one-third. Since about half the company's profits—when there are any—go to taxes, Kaiser officials like to call this a three-way-split—management, workers, and public.

If a man's job is eliminated by automation, he goes into an Employment Reserve Pool. His standard hourly rate of pay is guaranteed for one year and his employment is protected until he is reassigned. Like work on the waterfront, steelmaking is hard work even with today's techniques; the natural attrition at Fontana is eight per cent a year, and the management believes no one is likely to be in the Reserve Pool more than five or six months on the average. Kaiser also guarantees to maintain wage rates and fringe benefits substantially equivalent to those the Steelworkers may obtain at any time in the future through nationwide bargaining.

Like other steel mills, this one has had some of its men under special incentive pay, resulting in high remuneration. These workers were given a choice: they could remain under the old system or come into the new one on a majority vote of the members of each gang. If they decided to change, they got a "buy-out" lump sum, which could be as much as $5,000 per man.

There are several important advantages for management in the plan. The workers now have a very real incentive to try to think up shortcuts to save time and money. The likelihood of quickie strikes is reduced to a minimum, and so is the chance of a complete shutdown when the contract expires.

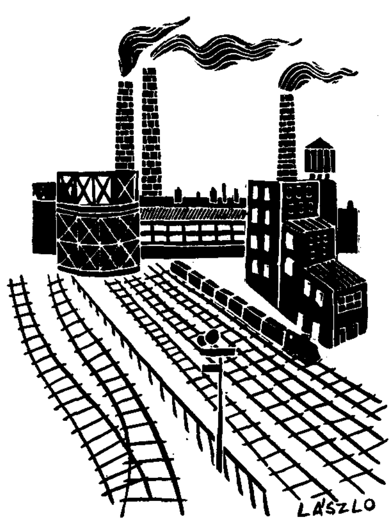
The advantages to the worker are also great. He has job security against anything except a severe economic depression, in which case very few are guaranteed their jobs in any industry. If he devises new techniques to help make steel more economically, his ingenuity is reflected in his pay envelope—and those of all his fellow workers. In the first two months of the plan, the total savings in cost of operation over the same period in 1961 amounted to $2,158,000, of which the workers' share was about $700,000, or twenty-five per cent of the payroll for those participating.

The Kaiser plan also has one decided advantage for the company's customers. Since they now have little reason to fear a shutdown, steel purchasers probably will not consider it necessary to stockpile large quantities, with the risk of deterioration.

'The Unborn'

These three agreements underscore some conclusions about labor-management relations that are steadily becoming more apparent in all industry throughout the country.

It seems clear that no union is likely to accept without a struggle any arrangement that involves the dismissal of a large proportion of its members without adequate safeguards for their future welfare. To resist this they will strike, unless forbidden by law, no matter how much the national economy may be affected. Indeed, if they are sufficiently bitter, they may find ways to circumvent a law; it is still true, as John L. Lewis used to say, that you can't dig coal with bayonets.



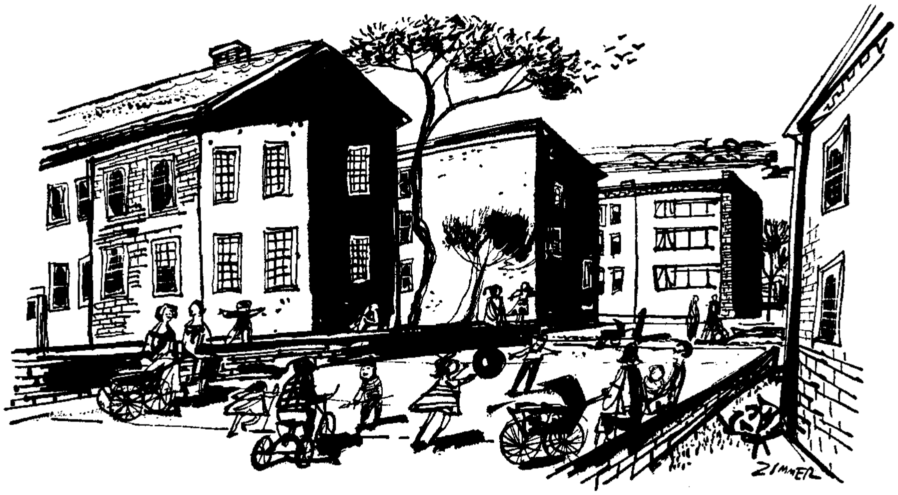
It is also clear that few employers will accept any substantial degree of featherbedding unless they are forced to. Public opinion, if it knows the facts, will be on their side.

With wages and working conditions becoming steadily less important, and with the new emphasis on job security and conditions of retirement, the area in which the interest of unions and management is parallel or identical is steadily expanding. In many cases, each side's thinking about the other is somewhat obsolete. Some unions overlook the fact that most businesses today are run by salaried employees who own little or none of the stock, many of them highly trained in industrial management, including labor relations. The employers are also slow to recognize a new breed of union representatives, men who know as much about economics and finance as those across the bargaining table, and who want the business—and the country—to prosper.

Agreements like the three described here cannot possibly be achieved in a crisis atmosphere, under pressure of a strike deadline. They therefore lend weight to the movement, now gaining momentum everywhere, for negotiations to continue the year round, with permanent machinery for constant contact.

More and more we may expect to see the introduction of neutral third parties into union bargaining, trained experts who can carry over into a new industry what they have learned in others.

Finally, it should be noted that contracts like these take care only of the existing union membership and those who may be hired for their immediate replacement. They do nothing for what labor experts call "the unborn," those who are now growing up who would have filled the ranks of the union in the future. Their problem remains, and it is serious.



Austerity in Ohio

ROBERT GILES

COLUMBUS

JUST ABOUT one year ago, when he was safely on his way to becoming the sixty-first governor of Ohio, James A. Rhodes told an audience in the state's industrial northeast: "Spending money and adding employees doesn't solve Ohio's problems. When you elect a governor, you elect management. A governor must stand between the big spenders and the taxpayers. I have proposed realistic programs to meet these problems without resorting to additional increases in taxes."

Promises of no new taxes or even of lowering existing ones have been standard campaign fare at least since John W. Bricker became governor in 1939. A succession of chief executives, including Frank J. Lausche, Ohio's senior U.S. senator, who served five two-year terms as governor, put this tested political recipe into practice with the help of a $213-million treasury surplus accumulated during the Second World War. But the surplus was gone by 1958 when Michael V. DiSalle, who had served as director of price stabilization in the Truman administration, was elected governor. Concerned about the conditions of Ohio's educational, mental-health, and other programs, DiSalle persuaded a Democratic-controlled legislature to give him $155 million more a year in tax revenues. The combination of higher taxes under "Tax Hike Mike" and the bitter factionalism that DiSalle fostered within his own party led to a thumping 555,000-vote victory last fall for Rhodes, the former state auditor.

Although Rhodes clearly defined the standards he felt should guide the expenditure of tax dollars, Ohio was unprepared for the suddenness and the extent of the new governor's austerity program. In his first official act, Finance Director Richard Krabach announced the firing of 3,505 employees hired during the last four months of the DiSalle administration. The former governor was guilty, the Rhodes people charged, of padding the payroll to win votes, even though more than half of those appointed during DiSalle's final 120 days went to state universities, which normally add employees in the fall, and to mental hospitals, which are chronically understaffed.

Despite warnings that ill-planned austerity could cripple important state services, Rhodes and Krabach continued slashing payrolls and expenses with the slogan "Let's Make Saving Contagious." Criticisms of the cutbacks were met bluntly by Krabach: "Those in state government who cannot accommodate themselves to the general belt-tightening dictated by the necessity of our precarious financial situation should be reminded that they can be replaced by persons who can perform the job."

Following the first round of firings, Krabach ordered a 9.1 per cent cut in every department to eliminate a projected state deficit of that magnitude. The cuts included the payroll trimming already under way, but expressed it in terms that encompassed the entire budget. "The major portion came off in personnel," Krabach said later. "At the state universities we cut only janitorial and secretarial help. We couldn't touch the public schools at all. The highway budget has about fifty-five per cent of the money tied up in construction contracts. Naturally you don't touch that. So the 9.1 per cent applies to what's left."

Most department heads responded to Krabach's order with apparent enthusiasm. Attorney General William Saxbe boasted that he cut the cost of his operation fifteen per cent. The State Highway Department canceled orders of $578,000 in equipment ordered during the lame-duck days of Governor DiSalle. Payroll economies of $1.5 million were announced by the Bureau of Unemployment Compensation, which closed district offices in six cities and dismissed 280 employees. The Liquor Control Board trimmed its work force ten per cent, yet lodged twenty per cent more charges against violators than in a comparable period for 1962. The board hopes a new accounting method will save another $40,000 annually. In the Department of Mental Health and Correction, thirteen executives were dismissed and job duplication was ended in the central office at a saving that was said to be $250,000. By July, 1,348 employees were gone, including ten per cent of the professional psychologists and thirteen per cent of the social workers.

Stamp Out Mental Health!

The impact of this somewhat heavy-handed attempt to cut the payroll was particularly severe in the mental-health system. Dr. Edward N. Hinko, superintendent of the Cleveland Psychiatric Institute, told a reporter: "We've had our ups and downs before, but we could always feel things would get better. Today we don't