

UNIVERSITY OF CALIFORNIA
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THE MECHANIZATION AND MODERNIZATION AGREEMENT:
= ITS EFFECT ON WORK RULES AND JOB SECURITY //

by

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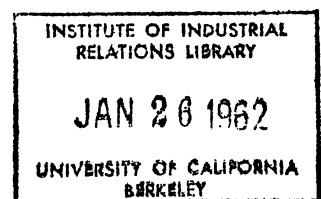


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INTRODUCTION

A militant employer association and a regemented labor union in the West Coast shipping industry have evolved a novel solution for the troublesome problem of restrictive working rules that may be for reaching in its ultimate effects. The employer, the Pacific Maritime Association (PMA), regains a high degree of freedom to manage its operations efficiently and establishes its right to introduce labor saving machinery. The union, the International Longshoremen's and Warehousemen's Union (ILWU), gains sizable payments, running into millions of dollars, as its "share of the machine" and the assurance of security and a "better deal" for its longshore members.

The agreement, which was hammered out in 5 months of negotiations ending in October 1960, culminated 4 years of discussion between the PMA and the ILWU. The union agreed to abandon most of its restrictive practices as well as its historical resistance to mechanization. In exchange, the industry agreed to pay into a jointly managed fund \$5 million a year for 5½ years. At the end of that period, negotiations will decide the next step.

This paper will develop the overall facets in the agreement in the following pages. Chapter one involves the history that led up to the final formulation of the

agreement. The second and third chapters illustrate the changes in work rules and job security that have resulted from the agreement. Chapter four will present some problems that have and possibly will develop in the industry because of the contract. The conclusion will try to show the relative gains for each side as effected by the Mechanization and Modernization Agreement.

HISTORY

To understand the significance and meaning of the Modernization and Mechanization contract, it is necessary to take a brief look at the industry's recent labor history and its current setting.

BEFORE THE "NEW LOOK" IN 1948

The ILWU (then a part of the AFL International Longshoremen's Association) gained formal employer recognition as a result of the general strike of 1934, which followed years exploitation and abuse of longshoremen by their employers. The bitterness which had characterized the industry carried over into the subsequent employer-union relationship. The employers did their best to break the union, and the union retaliated just as militantly. The years which followed were among the stormiest in U.S. labor history. Between 1934 and 1948, the West Coast had over 20 major port strikes, more than 300 days of coastwide strikes, about 1300 local "job action" strikes, and about 250 arbitration awards.¹ It seemed that the warring parties could settle nothing between themselves but, had to depend on arbitrators and government commissions to make their agreements for them.

¹Betty V. H. Schneider and Abraham Siegel, Industrial Relations in the Pacific Coast Longshore Industry, (Institute of industrial relation , University of California, Berkeley, 1956), pp. 2-3

This situation persisted until 1948, when a bitter 95-day strike ushered in a period of relative calm. There have been no major strikes since 1948.² It is a tribute to the leadership on both sides that the ILUW and the PMA were able by 1959 to agree on a new approach to the troublesome problem of restrictive working rules. This improvement in the climate of industrial relations was achieved through a complete change of approach and leadership by the employers. The leadership of the ILUW, spearheaded by Harry Bridges, remained essentially unchanged. Much of the current attitude of the employers is due to the leadership of J. Paul St. Sure, an outstanding negotiator in the San Francisco Bay area and since 1952, the president of the PMA.

THE LONGSHOREMAN

Severely restrictive working rules were developed in the industry during the period of active warfare between 1934 and 1948. Before going into these, however, it is important to understand the nature of the work and the employer-employee relationship. This will illustrate why these rules developed.

Longshore work is defined as:

applying to all handling of cargo in its transfer from vessel to first place of rest, and vice versa, including sorting and piling

²Ibid. pp. 77-86.

of cargo on the dock, and the direct transfer of cargo from vessel to railroad car or barge, or vice versa when such work is performed by employees of the companies parties to this contract,³

It is evident that longshoring is a materials handling industry. It involves considerable physical labor and in all types of weather. The work is hard, and there is a chance of danger from slippery holds, docks, ladders, and from falling objects. The accident ratio relative to other industries is high. Restrictive working rules were set up to protect the longshoreman from these hazards.

The employer-employee relationship is unique compared to other industry relationships. The employers may obtain longshoremen only through hiring halls supported and operated jointly by the union and management.⁴ No longshoreman may work steadily for an employer. He reports to the hiring hall, where a union-elected dispatcher fills employer requests by sending a gang to load or unload a ship. When the longshoreman has finished the operation on this ship, he goes back to the hiring hall for his next assignment. The dispatcher tries to equalize the earnings of the men by giving priority to men with low hours. To enable him to do

³ILWU-PMA Pacific Coast Longshore Agreement, 1960, p. 4.

⁴Betty V. H. Schneider, "The Maritime Industry", Monthly Labor Review, May 1959, pp. 552-557.

this, the PMA (which acts as a central pay office in each port) supplies him with weekly payroll listings showing the cumulative hours of each man. But the longshoreman is not obligated to accept the dispatcher's assignment for his gang. In some ports, he may pick and chose, in others, he goes to the bottom of the priority list when he refuses the assignment.

The 15,000 class A fully registered longshoremen (and clerks) who are ILWU members are considered the industry's basic labor force and have first choice on available jobs. If not enough are available to fill requirements, the dispatcher assigns class B longshoremen. It is from this class B that the register of class A men is filled when necessary, but until so selected, are not considered part of the regular labor force. If these are insufficient, casual workers are assigned. While there are nearly as many class B and casual workers as there are class A men, the first two groups accounted for only about 14 percent of all manhours worked in 1959.⁵ Casuals are also not regarded as part of the regular labor force.

The significant fact is that the union has almost complete control over the longshore labor force on the West

⁵Max D. Kossoris, "Working Rules in West Coast Longshoring", Monthly Labor Review, January 1961, p. 2.

Coast. The longshoreman must look to the union for his job, and thus complete loyalty is to the union, not to any employer. An employer cannot maintain a permanent longshore work force even if he could provide steady employment. Instead, he has to work with constantly changing gangs. Nor has he any choice about the men he gets, he takes what the dispatcher sends.

RESTRICTIVE WORK RULES

One of the basic bones of contention that developed between the ILWU and the PMA between 1934 to 1960 was work rules. The following rules to be described are the ones that were amended in the 1960 agreement.

One of the ~~it~~some rules to employers was the double handling rule which prevailed in most ports. Under this rule, cargo was to touch the "skin of the dock" before someone other than a longshoreman could handle it. When a pallet load came out of the hold of a ship and was set down on the dock, a teamster could not load it from the pallet onto his truck. The longshoreman first unloaded the cargo onto the floor of the dock, then the teamster would take it.

The same rule held true for unloading from the truck onto the dock. The teamster would place the cargo on the floor of the dock, then the longshoreman would load it on a pallet to be taken into the ship's hold.

Another important restriction that developed was the load limit. With few exceptions, the weight of the load that

may be hoisted into a ship, or out of it, is restricted by specific contract language.⁶ The maximum load is approximately 2,100 pounds per pallet. Loads palletized off the dock are "skimmed" down to 2,100 pounds by the longshoremen when the pallets appear to carry more than the specified load limit. Employers claimed that there is no reason why much heavier loads could not be carried safely. The union's contention is that this limitation is necessary to protect the men in the ship's hold from "speedup" and overwork,

Perhaps the most costly rule was that governing the size of the longshore gang. Each major port has its own rules, negotiated locally by the respective ILWU local and the PMA. To illustrate, the normal gang in San Francisco consisted of 12 or 14 men as follows:

Discharging

1 gang boss
2 winch drivers
1 combo lift driver
2 dockmen
6 hold men

Loading

1 gang boss
2 winch drivers
1 combo lift driver
2 dockmen
8 hold men

Employers maintained that frequently the stipulated gangs consisted of more men than were needed. This seems to be borne out by the then customary use in some ports of the "four-on-four-off" gang, i.e., of the eight men required to be in the hold of a ship, four are working while four are rest-

⁶ ILWU-PMA Pacific Coast Longshore Agreement, 1960, Section 13.

ing. To employers, this meant that a longshoreman in the hold actually works 4 hours for 9 hours' pay.

The union readily acknowledges that these rules were developed to provide more work and to lighten the work for the men. For years the contract between the shipping companies and the union has contained a prohibition against "speedup" and has called for "safe operation". These safety provisions have been partly the justification for the skimming of shipper-built loads to 2,100 pounds.

Employers repeatedly protested what they term the progressive and substantial deterioration of longshore productivity, but to no avail. They either abided by the rules or their ships were not worked. Significantly, they apparently lacked the necessary factual data to prove their case before arbitrators or governmental investigators or commissions. Nor was there enough cohesion among the employers, with widely varying interests, to sustain a solid front long enough to get results. Sooner or later one of them gave way, and the opposition to union demands caved in.

CHANGE IN UNION STRATEGY

After 1948, however, the climate changed. The union's restrictions remained in force. But union leadership was not unmindful of the fact that since the war, tonnage had not increased in proportion to the general growth of the area. High labor cost was driving a considerable volume

of coastal and intercoastal cargo to rails and truck competition. (Also the loss of China trade had a tremendous effect on cargo imports.⁷) To combat this employers were initiating changes in operating procedures. These two factors were slowly but surely strangling the union.

In 1957, a union caucus, consisting of delegates selected by the locals to determine union policy, faced the issue squarely. And it came to the conclusion that it was best to try to work out a solution under which the longshoremen would gain rather than lose. In an amazingly frank document summarizing the conclusions of the caucus, the union discussed the various facets of the problem and decided to give up its holding actions and guerrilla warfare provided it could participate in the resulting gains to the industry. In a subsequent memorandum to the PMA, dated November 19, 1957, the union proposed to engage in discussions with the employer group and listed the following mutual objectives:

1. to extend and broaden the scope of cargo traffic moving through West Coast ports and to revitalize the lagging volume of existing types of cargo by:
a) encouraging employers to develop new methods of operation; b) accelerating existing processes of cargo handling; and c) reducing cargo-handling costs in water transportation, including faster ship turn-around.
2. to preserve the presently registered force of

⁷"Sharing Automation Savings", Business Week, October 29, 1960, p. 86.

longshoremen as the basic force of the industry and to share with that force a portion of the net labor cost saving to be effected by the introduction of mechanical innovations, removal⁸ of contractual restrictions, or any other means.

These objectives were to be accomplished without individual speedup, breaching of legitimate safety rules and codes, or indiscriminate layoffs. The union also took this opportunity to signal a goal it wanted to accomplish in the future, "to reduce the work force by normal attrition and accelerate retirement until such time as work force and work load were in balance"⁹.

In later memorandums, the union spelled out its concept of its share of the savings. For every man-hour saved, the union wanted pay for 1 hour at the straight-time rate. The employer's gain, the union pointed out, would be the difference between this rate and the actual average labor cost to the employer after the inclusion of overtime, penalty pay, the cost of pensions, and welfare benefits. Even more important would be the faster turnaround of ships, with the cost to the steamship companies of each day in the port estimated to be between \$2,000 and \$5,000.

⁸Pres Lancaster, (Speech Delivered at the 1961 General Assembly and technical Conference of the International Cargo Handling Coordination Association) New York, September, 1961.

⁹Ibid

The difficulty with this concept was the lack of any kind of system for measuring time saved and the lack of data on which such a system could be built.

THE 1959 UNDERSTANDING

In 1959 the union, concerned over the acceleration of mechanization decided that the time had come to "fish or cut bait". Management was enticed by the possibilities of more mechanization, but uncertain of its grounds. They asked for more time and offered a payment of "earnest money".

To make some progress in the desired direction, the PMA and the ILWU entered into the remarkable agreement of 1959. For a payment of \$1½ million, the union agreed to go along with any and all mechanization during the 1959-60 contract year; but all restrictive rules were to remain in full effect. The 1958 fully registered work force was to be maintained, subject only to natural attrition, i.e., deaths, retirements, and dropouts. The employers, in addition to the right to mechanize without fear of reprisal by the union, bought a year's time during which to develop a measurement system accurately determining the manhours saved.

The measurement of waterfront operations however, is like trying to catch quicksilver in a sieve. The ship in berth today is gone tomorrow, and the near primitive operation of the morning gives way to an engineering wonder in the afternoon. At the request of the PMA and the approval

of the ILWU, Max D. Kossoris of the Bureau of Labor Statistics took a years leave of absence to devise and put into operation a system which the Association could use to measure cargo handling. But the nature of cargo handling in itself and the cost of accurate and detailed time keeping seems to defeat any attempt to identify and measure the factors which show improvement. The question is raised, what should you pay the unions in each case?

However, the 1959 contract was the initial step. The ultimate objective was stated to be:

To guarantee the fully registered work force a share in the savings effected by labor saving machinery, changed methods of operation, or changes in working rules and contract restrictions resulting in reduced manpower or man-hours with the same or greater productivity for an operation.¹⁰

This objective went far beyond mechanization. It included, on the basis of the cited language, any change that resulted in greater productivity, regardless of how it was brought about. The union clearly recognized that restrictive working rules were part of that picture. The agreement also was silent on what the union was to get as its share of the savings. This was to be left to later negotiations when the measurements would indicate the size of such savings. Then the parties would know what they were barg-

¹⁰Max D. Kossoris, "Working Rules....., p. 4.

START

aining about.

THE 1960 NEGOTIATIONS

Both the union and management knew that, under a measurement system, the first possible comparison would ~~would~~ be that for the first quarter of 1961 with the first quarter of 1960. Consequently the ILWU proposed that the measurement time be extended for another year. As in the preceding year (1959-60), the industry could continue to mechanize, but all restrictive rules would continue in force. For this, the union asked the employers to pay \$3 million into the "mechanization fund."

Again the union did not spell out what it wanted as its share of the gain. But in the April 1960 caucus in which the union's demands were formulated, the union had decided what to do with the "mechanization fund". of \$1½ million. It would be used for a guaranteed annual wage and for early retirement. Looking ahead, the union realized that both of these might become essential under greatly improved operating techniques of management.

During the first bargaining session on May 17, 1960, the ILWU's negotiators were surprised to learn that the employers were no longer interested in the sharing of gains. Instead, the employers position was, "how much will it cost us to get rid of the restrictive rules and to get a free hand in the running of our business?"

What made management abandon the idea of proportional payments to the gains? Behind this shift in the employers' position was a significant and interesting change in thinking. During the preceding 2 years, the "sharing of gains" concept was generally accepted, although with at least two important defection. It seemed a reasonable and equitable way out of the bind of restrictive rules, and it promised far reaching benefits. But early in 1960, the men running some of the larger steamship companies reversed their thinking. To permit the union to share in gains was considered an invasion of management's prerogatives and consequently was completely unacceptable. The second point is that the steamship companies thought it was better to provide for the payment of a flat sum out of which would come agreed upon benefits and this is the present contract. It is better because the companies are not committed to payments which might in the future outrun the purpose for which they are made. Management decided to "buy out" the restrictive practices and labor's opposition to mechanization. The problem was the price.

The employer and union negotiators proceeded from very different starting points. In exchange for a free hand, management offered a guaranteed wage that would protect the longshoremen against lost work opportunity. To the union, this was completely unacceptable. Conceivably, cargo might

increase in volume so that no longshoremen would lose work and then the union would get nothing for giving up its restrictive rules. The union's position was; we'll give up our rules for a price but, we set a high value on our rules because we think the companies will gain millions of dollars.

Subsequent negotiation, which stretched out until the ground rules of the 1960 agreement were settled on October 18, 1960 revolved around the questions of how much and what for. The agreement involves a fund of \$5 million per year to be paid by the employers to provide benefits to West Coast dock workers in exchange for the introduction of improved methods of work and labor displacing machinery. The new fund is in addition to the \$1.5 million already contributed by the employers as a results of the agreement reached in June, 1959. It is to commence upon ratification and run to July 1, 1966, and total \$29 million during its life.¹¹ (see check on pg. -)

The referendum took place on January 3, 1961. The West Coast dock workers by a vote of 7,882 to 3,695 ratified the October 18, 1960 pact.¹² (see check on pg. -) This ratification was approved by 29 out of the 30 locals on the West Coast. This was pointed out in an interview with H. J. Bodine, Coast Committee

¹¹Annual Report of the Pacific Maritime Association for the Year Ending January 1960, San Francisco, pp. 4-6.

¹²The Dispatcher, (San Francisco) January 13, 1961, Volume 19, No. 1.

Member for the ILWU. It is of interest because this one local was one of the largest and its membership represented the bulk of the nay votes. This indicates that there is one area on the West Coast (Los Angeles) which feels the pact is insufficient. Only time will tell if this is true.

WORK RULES

Work rules are basically a means of job security for the employee to prevent the employer from discriminate work practices, layoff, elimination of safety hazards, and to allow for equitable grievance procedure. It was not the intent of the Mechanization and Modernization contract to eliminate these items but to streamline them for more efficient operations. Under this agreement the waterfront employers may change their cargo handling methods and introduce new equipment without fear of union interference. Even more important the restrictive working rules, which long have been a part of the contract, have been drastically rewritten in the employers favor. For the union there has been a guarantee of no layoffs, speedup that leads to onerous work, and a beginning of making the work easier, cleaner and safer.

The document was revised and amended so as to eliminate restriction in the contract and working rules, as well as in unwritten but existing union unilateral restriction and arbitration awards which would interfere with employers' rights. These new rights involve sling load limits, first place of rest, multiple handling, gangsizes, and manning scales. The restriction were changed to allow employers

to

1. operate efficiently
2. change methods of work
3. utilize labor-saving devices
4. direct the work through Employer representatives while explicitly observing the provisions and conditions of the Agreements protecting the safety and welfare of the employees and avoiding speed up. "Speed up" shall be understood to refer to an onerous workload on the individual worker. It shall not be construed to refer to increased production resulting from more efficient utilization and organization of the work force, introduction of labor-saving devices, or removal of work restrictions.¹³

It is the intent of the contract that working and dispatching rules shall not be construed so as to require the hiring of unnecessary men. The question of whether or not men are necessary shall be based on a determination of the number of men required to perform an operation, i.e., if the men are needed part of the time, even if they are not needed the rest of the time will be based on speedup and the usual relief periods that have been previously negotiated. This determination will be decided between management and union representatives when such issues arise.

When new methods of operation are introduced, the employer is to discuss the proposed manning with the union.

¹³Memorandum of Agreement of Mechanization and Modernization, October 18, 1960, p. 1.

But if agreement cannot be reached, the employer may proceed as he sees fit. The union may seek redress through the grievance machinery, with arbitration as the last resort. This provision is also to include mechanization with particular use of large containers and vans. To illustrate the changes in work rules it is best to utilize the Dispatcher, and ILWU publication.¹⁴

SLING LOAD LIMITS

Sling load limits under old methods of work have not been without reason. Safety and practicality were the controlling factors on the size and weight of loads. However, another factor governed negotiation of load limits under the old method. This was the matter of "meeting the hook". Extra large loads mean speedup in the hold, where only limited numbers of men have room to work. If the loads are overly large, the stowage task in the hold becomes onerous and unbearable. Men are then unable to keep up with loads of "meeting the hook". (the hook refers to the cargo hook on the winch fall which picks the load up from the dock and lowers it into the hold of the ship or vice versa).

The old sling load limit (2,100 pounds) will continue to apply to all loads built by longshoremen where conditions,

¹⁴The Dispatcher, (San Francisco) October 21, 1960, Volume 18, No. 22, pp. 1-7.

number of men on the dock, and in the ship, and the method of operation is the same as when the original sling load agreement was negotiated. This will be the standard by which the union can measure changes which do take place.

Sling load limits are lifted for changed operations or where new commodities or operation have developed. Past practices which resulted in over-standard loads being skimmed for cargo being removed from pallet boards and placed on the skin of the dock while in transit to or from the ship's hold are eliminated. For this, loads will be as directed by the employer, within safe and practical limits and without speedup of the individual.. An increase in the number of men manhandling cargo or use of machinery to move or stow cargo on docks or ships will be considered a changed operation permitting loads in excess of the standard previously agreed upon.

The union may at any time raise the issue of onerousness or safety of work through the grievance machinery of the contract.

PLACE OF REST AND MULTIPLE HANDLING

There shall be no multiple handling. The "skin of the dock" concept is abolished through this provision. The requirement now is to be considered satisfied when the loaded pallet board is set on the dock. Longshore work shall now include the following dock work between the first

and last place of work (unless waived by the union, in writing):

1. high piling or breaking down high piles
2. sorting
3. movement of cargo on the dock or in a terminal, or to another dock, terminal or warehouse
4. the removing of all cargo from longshore boards
5. the building of all loads on the dock.¹⁵

The above work shall be performed when ordered by the employer. Longshore work on the dock, as outlined in this section, is left to the option of the employer. The fact that such employer option is provided for, does not require the employer to perform such work. But if the employer does such work, he is prohibited by the language of the contract to allow others than longshoremen to perform the work.

If jurisdictional difficulties arise in the application of the preceding, whatever jurisdictional agreements are reached shall not result in multiple handling for the longshoremen. The jurisdictional difficulties involve the teamsters but, this does not preclude the agreement between the PMA and ILWU. This dispute is to be determined between the PMA and the International Brotherhood of Teamsters. Therefore, longshoremen will load or discharge trucks only when directed

¹⁵Ibid, p. 5.

to do so.

GANG SIZES AND MANNING

The minimum size of a gang in the handling of break bulk cargo (l.e., cargo handled as carton, bags, boxes etc.) is specified for both loading and discharging operations. These requirements are usually below present practice. The employer may add more men as he finds necessary or when work loads demand it. Furthermore, he has greater freedom in shifting men around.

The minimum basic ship general break bulk cargo gangs shall consist of men as follows:

1. a gang boss (in ports where such are used)
2. a winch driver (two on single winches)
3. a hatch tender
4. two (2) sling or front men
5. four (4) holdmen (including siderunners).¹⁶

The minimum basic cargo gang may be reduced to four men in the hold when the employers add mechanical equipment.

They are used when:

1. on loading operation when loads are being landed in the vessel at their place of rest, or being stowed thereafter by mechanical equipment
2. on discharge operations when the loads are being moved to the square of the hatch by mechanical equipment or are ready for slinging without addi-

¹⁶Ibid. p. 5.

tional work except the placing of slings

3. when space and safety determines that only one load can be handled at a time, and if such situation is to last for an hour or more. The employer will decide, subject to appeal through grievance machinery space and safety
4. when the cargo handling operation requires only the minimum basic gang, this gang may be used to rig, uncover and cover hatches so as to avoid dead time under the 8-hour guarantee.¹⁷

These provision eliminates the old "4-on-4-off" practice of the past. Management will now be able to utilize men and machines to their fullest extent.

However, when cargo is to be hand-handled, then two swing men shall be added to the basic gang for all discharge operations. For loading operations four swing men will be added. This is the traditional loading and discharging jobs and they will be handled in the way as been done in the past.

If during a shift, a change is made from discharge to a loading operation; and the change requires additional men; the employer is able to swing men from ship or dock work among his own employees to aid in the operation. This allows the employer greater utilization of his labor force.

When new methods of operation are introduced, the employer shall discuss the proposed manning with the union. If an

¹⁷The Dispatcher, (San Francisco) December 20, 1960, Volume 18, No. 25, p. 9.

agreement can not be reached, the employer shall have the right to put their manning into operation, subject to appeal through grievance and /or contract machinery.

GRIEVANCE MACHINERY

Constant reference has been made to the use of the grievance machinery to determine whether the ILWU or the PMA is right in the application of the new contract. In interviewing both Mrs. H. Horak, a member of the PMA Research Department and Mr. H.J. Bodine, ILWU Coast Committee member, they were asked if there had been any serious problems over the contract. Both answered in the negative. This is not to say that the grievance machinery had not been used, it just had not been used to air any major problems. Its utilization was one of interpretation of the various facets of the contract. Once they had been explained both parties (ILWU-PMA) returned and followed the decision given them. As of this written moment the contract in relation to work rules is moving along without any major difficulties except for interpretation.

JOB SECURITY

With the new longshre agreement on mechanization and modernization, the ILWU has taken the first step among the American unions in trying to meet the workers problems arising out of the technological revolution now sweeping American industry. The Mechanization and Modernization Fund amounts to just this; it is a program to get benefits and security from new methods, such as early retirement, a floor on earnings with a guaranteed income, no layoffs, vested rights in the Fund, in addition to the wages, hours, and conditions that have been and will be negotiated in the future. This agreement is over and above the regular pension agreement, under which pensioners receive \$100 a month over social security, and full health care for themselves and dependents, plus free life insurance. This is reviewable under its terms on July 1, 1962.

In return for the revised working rules the PMA will establish a jointly trusteeed Fund. The administration and application will be carried out by 3 union trustees and 3 PMA trustees. The union appointed the same trustees who now administer the ILWU-PMA Pension Plan. It is expected that this will save on administrative cost and will insure that

the early retirement feature of the Fund will be tied in closely with the regular pension plan.

The Fund shall include the \$1.5 million accumulated prior to June 15, 1960, and will be supplemented by PMA contributions of \$5 million per year for a period of five and one-half years. If at any time the maximum payments per year do not provide sufficient money to meet fully the guarantees and benefits, the guarantees and benefits shall be reduced proportionately.

The Fund shall be segregated into two parts and used for the following purposes. The first is a floor under earnings which guarantees no layoff and payment of a specified number of straight time per week at the present contract rate. The part does not involve attrition. Part two of the Fund pertains to benefits and vested right in various retirement plans over and above the previous negotiated pension plans. These plans are early voluntary retirement, mandatory pensioning, and vesting. This is basically a means of attrition to entice or force long-shoremen with 22 to 25 years service to leave the labor force when there is lost work opportunities because of either mechanization or economic problems. Both of these parts will be explained fully in the following pages.

FLOOR UNDER EARNINGS

Whenever work opportunity declines to the point that men cannot earn the equivalent of 35 straight time hours of work per week, their earnings will be supplemented from the Fund up to the level of 35 straight time hours. This means a guarantee of \$98.70 per week at present wage levels ($\$2.82 \times 35$). The guarantee applies whenever hours fall below 35 due to mechanization and improved efficiency. It does not apply to a drop in hours due to economic recession.

Men will need to make themselves regularly available (unless sick or injured) in order to be eligible. It is planned to work out provisions for shifting men from areas of low work opportunity to areas of high work opportunity. Since registration is on a coastwide basis, this can be managed with a minimum of difficulty.

The plan is substantially different from the Supplemental Unemployment Benefit Plan in effect in the auto and electrical industries and elsewhere. These apply only in case of layoffs and serve as supplements to state unemployment compensation benefits. Eligibility is determined by the state agency, and duration of benefits is limited by state law, usually to 26 weeks. Under the UAW contract with General Motors, for example, supplementation is limited to an amount sufficient to bring weekly income up to 65 percent of take home pay, with a maximum of \$30.

These are maximum amounts, payable to long seniority men only so long as the money holds out.¹⁸

Under the ILWU-PMA Mechanization and Modernization program no layoffs are permitted. The Fund will supplement on the job if supplementation becomes necessary. No need for supplementation appears likely during the first year, since work opportunity has been averaging about the equivalent of 40 straight time hours.¹⁹ In fact it appears unlikely that there will be any need to use the floor under earnings for a period of several years. With the present rate at which men die and are retired, assuming the productivity rises at the rate of 10 percent a year, and there is no increase in the volume of shipping, average hours will not fall below 35 until the fourth year of the plan.²⁰

However, if and when the need develops there is no maximum for supplementation and no limit on duration. Rules regarding eligibility will be determined by the Trustees. The fund is actuarially sufficient to provide the full 35 hours guarantee for the life of the contract.

¹⁸Information and Union Comment on the 1960 Mechanization and Modernization Fund Agreement, (International Longshoreman's and Warehouseman's Union Ind.), San Francisco, November, 1960, p. 5.

¹⁹Ibid.

²⁰Ibid.

EARLY VOLUNTARY RETIREMENT

Provisions for voluntary early retirement permits withdrawal from the industry with a guaranteed income for life, plus substantially complete and prepaid medical and hospital coverage for the men and their families (in other word, free coverage). There is thus the basis for an orderly decline in the work force if work opportunity declines.

Men who have worked 25 years or more in the longshore industry will be eligible to retire at any time between the ages of 62 and 65 with a monthly pension of \$220 (the normal industry paid pension of \$100 plus the equivalent of present maximum social security).²¹ This amount will be payable until a man reaches age 65 when he will go on the regular \$100 per month pension and will be eligible for his social security benefit. Any residue of the individuals vested share would be payable in a manner determined by him.

MANDATORY PENSIONING

If work opportunity falls drastically, early retirement may be made mandatory by a joint determination of the parties. Mandatory pensioning can be made obligatory at age 64, 63, or 62 with 24, 23, or 22 years service with

²¹Memorandum of Agreement of Mechanization and Modernization, October 18, 1960, p. 10.

the same payments as in voluntary retirement. The difference between the two retirement plans is that in the event the man is forced to retire he shall receive an extra \$100 a month or a total of \$320 per month. This would continue until age 65 when the normal pension plan goes into effect.²² If the man has 25 years service and is 68 he must retire. However, if he lacks years of service, he may stay until he accumulates 25 years regardless of his age. (This explains why some longshoremen are in their seventies and even eighties).

VESTING

After 15 years of service in the industry each full registered longshoreman becomes entitled to a vested share in the fund. After 25 years his right is fully vested and amounts to \$7,920 which is the amount he would receive in 36 monthly payments if he retires at age 62. If a 25 year man does not retire early, he receives the full \$7,920 upon normal retirement at age 65.

Men who become unable to work in the industry because of disability are entitled to their vested share in the Fund upon leaving the industry. The amount varies from \$2640 for a man with 15 years' service up to the maximum of \$7,920 with 25 years. The 25 year man is also eligible

²²Ibid.

for the regular disability pension irrespective of age, and to medical and hospital coverage.

In the case of a man who dies before receipt of his vested share, his beneficiary receives the amount to which he is entitled on the basis of length of service, up to a maximum of \$5,000.²³

OTHER DEATH BENEFITS

Beneficiaries of registered men with 5 to 15 years of service are entitled to a death benefit of \$2,640. This is in addition to a regular death benefit provided under the ILWU-PMA Welfare Plan of \$2,000 or \$4,000 in case of accidental death.²⁴

ABATEMENT

In the event that the union or any local fails or refuses to follow a Coast Labor Relation Committee or Arbitrator's ruling in interpreting or approving the provision of the contract; or in the event of a work stoppage in any port or ports in violation of the provisions; payments into the Fund shall be abated during the period of such failure. Refusal or stoppage in the manner and amount provided will reduce the total employer obligation by that amount.

²³Ibid.

²⁴Ibid.

The method in determining the amount of abatement shall be as follows:

The total Employer obligation on an annual basis is at the rate of \$13,650 per day. This shall be the maximum amount of abatement per day. Within this limit, the parties shall agree as to the amount to be abated on a daily basis in each instance of failure, refusal or stoppage, whether on a Coastwide, Area, or port basis, and failing such agreement, the the Coast Arbitrator shall make such determination.²⁵

²⁵The Dispatcher, (San Francisco) October 21, 1960, Volume 18, NO. 22, p. 7.

PROBLEM ANALYSIS

At the conclusion of negotiation and ratification of the Mechanization and Modernization contract, overall public opinion including press, other media, and leaders in the field of labor and business was one of over all support. The City and County of San Francisco took official notice of the "epochal achievement" and extended congratulations in a Resolution by its Board of Supervisors. Several of the many press comments are a matter of record and approval:

The historic labor pact just agreed upon ... has established a pattern that may put an end to much labor unrest throughout the country. It is a proposal that quiets the very real fears of labor that electronic and mechanical giants will supplant men in the near future. For this reason the pact can be accurately called the first labor-management agreement in the new industrial revolution of automation and both sides are pioneering in this field.
- Oakland Tribune

A history-making agreement such as this is reached only when both sides reject the old table-pounding techniques of collective bargaining and negotiate as partners seeking solution to common problems. This new climate is in sharp and gratifying contrast to that which prevailed in 1934, when these same parties fell out and bullets flew on the waterfront.
- S.F. News-Call Bulletin²⁶

The list is endless, but these illustrate that reactions

²⁶ Annual Report....., 1960, San Francisco, pp. 6-8.

of public opinion placed some importance to the agreement. But with all this adulation and praise the real test of the agreement was yet to come.

The 1960 agreement runs until June 1966. The lifting of the restrictive working rules and the abandonment of resistance to mechanization automatically are limited by the expiration date of the contract. So are the payments of \$5 million per year by the employers. As each side is busy with plans for carrying its performance to the levels of success it foresees, little has been said yet about the problems that probably will be logical sequences to the present development.

THE INTERNAL REVENUE DEPARTMENT

One of the basic problems facing any new contract that involves the transfer of money from one group (PMA) to another (ILWU), is the approval of the Internal Revenue Department. The approval rested on the way the funds were to be transferred between the parties and administered. The ruling took over nine and one-half months in coming and made certain changes in the Fund. The changes will not affect either the PMA's amount of contribution or the benefits agreed upon.

Instead of the single fund originally planned and negotiated, it now must be applied three ways:

1. that portion to pay death and disability benefits will go to the Welfare Fund and Supplementary Welfare Agreement will be ammended for this purpose;
2. that portion for the wage guarantee will go into a new fund exclusively for that purpose; and
3. that portion for the early retirement and vesting benefits will be turned over by PMA to the Trustees monthly as needed.²⁷

Now there will be no "Fund" in the usual sense out of which the vesting benefits will be paid. Fund income will be on a pay-as-you-go basis. This will create certain problems with respect to mechanization monies payable under contracts with non-member companies. But it is believed that these problems will be worked out satisfactorily in future negotiations.

JURISDICTIONAL DISPUTES

The expected gains that are anticipated from the clause dealing with multiple handling may be substantially reduced by recent action of the International Brotherhood of Teamsters. The dock employers failed to cover themselves sufficiently in one important area on conflicting job rights and rules of the IBT, whose members haul shipments to and from the docks

Teamster locals on the West Coast protested after the

²⁷The Dispatcher, (San Francisco) September 22, 1961, Volume 19 No. 19, p. 3.

PMA and the ILWU signed the Mechanization and Modernization pact in October. The IBT warned that the agreement turned over to the ILWU work which was within the Teamsters jurisdiction, including loading, unloading, forklift operating, and general cargo moving on the docks.

The IBT served notice that it would not give up any of its existing dock work. Early in March, 1961, Teamster locals struck first in Los Angeles and then San Francisco, virtually shutting down busy ports. / The key issue was the right of Teamsters members to continue handling palletized cargo (goods loaded on pallet boards at the point of shipment to facilitate handling). /

In the past cargo handling on the docks created enormous cost. As stated, the agreement between PMA and the ILWU was aimed at eliminating this cost, The key clause however, which created the tension, provided that the ILWU would have exclusive jurisdiction over all dock work from the time goods arrived until they were put aboard ship.

The Teamsters were definitely hurt by this clause. The IBT protested that the agreement would cost the jobs of 300 members immediately and that eventually 700 more might become unemployed.²⁸

²⁸"Automation Deal", Business Week, March 25, 1961, p. 56.

*issue of who
would work
dock bulk
cargo, ILWU
had given up
jurisdiction on
palletized loads*

The strike ended after four days when the PMA agreed to suspend practices that involve the Teamsters. Mr. Larry Fitzgerald, Business Agent of IBT Local 85, states, that the status quo still exist and present negotiations are attempting to eliminate this jurisdictional problem. It is possible that the Teamsters will demand payment from the PMA for surrendering dock work.

EFFECT OF INCREASED PRODUCTIVITY ON LABOR FORCE

If a substantial increase in longshore productivity develops, as expected, from management's greater freedom to manage, there will be a decided impact on the labor force required. Unless the volume of cargo increases sharply, the labor force will be reduced.

For the presently fully registered longshoremen it is doubtful that the impact will be severe. For with the 1,200 class B longshoremen and the 10,000 casuals, they form a cushion that can provide up to about 4 million of the 30 million man-hours required each year.²⁹ Class B long- and casuals will always will be necessary for the handling of cargo peaks, even though a good portion of their man-hours can go to the class A group, which is given preferential treatment in the hiring halls.

So far, neither the employer or union group has a good

²⁹Max D Kossoris, "Working Rules....., p. 7.

measure of what the modernization program will mean in terms of man-hours saved. No one knows how fast and how far the program will move. It is too early to say for sure what will be the eventual gains from the contract. But there are in the data which PMA collects in which estimates of the reduction of man-hours requirements will go as high as 35 percent by the end of the agreement's term.³⁰ Where mechanization can be used effectively, as in the bulk handling of grain, sugar etc., the reduction in man-hours required, and consequently the demand for longshoremen, may be even more drastic. But many of the industry's cargo handling operations do not lend themselves to extensive mechanization. In these situations, man-hours savings will have to come from the lifting of restrictive working rules. Steam ship operators usually are reticent about voicing any improvement in their business, but in the last several months through the PMA Research Department, evidence indicates it probably is not unreasonable to expect a successful program to yield an improvement of 25 percent or better over the next 5 years.³¹ Even with this probable improvement which will eliminate most of the class B longshoremen and the casuals from the industry, the problem is one of

³⁰Pres Lancaster, (Speech Delivered.....1961).

³¹Annual Report,....., 1960, San Francisco, p. 16.

cutting the rest of the estimated 15 percent of man-hours to be absorbed.

One avenue is natural attrition. The longshore labor force now shrinks by about 4 percent a year because of deaths, retirements, and dropouts. Another avenue is the earlier retirement provided for in the agreement.

If all of these reduction prove inadequate, the union may hold a final trump card. The answer is the reduction of the daily work shift hours. The union as far back as 1957 suggested that this was one of their goals. If the available total man-hours shrink to the point that the remaining labor force is underemployed, the union may well ask for a reduction in daily hours from 8 to 7 and later to 6. A 25 percent reduction in available man-hours would result in a change from an 8 to a 6 hour day. This, together with natural attrition and early retirement, would be more than adequate to meet increases in productivity and to keep union membership at a level acceptable to the union.

TOTAL COST OF NEW CONTRACT TO EMPLOYERS

Although the publicity released by both the PMA and the ILWU clearly indicated that the payment of \$27½ million into the jointly trusted fund was to cover the next 5½ years, i.e., until June 1966, somehow the public gained the impression that this amount represented the ultimate cost of managerial freedom in this industry. This impression is

in error. The \$27½ million plus the \$1½ million already available are only the first step. The logic of the situation requires further payments for continuing this freedom beyond 1966.

A quick calculation by Max D. Kossoris will show why this is so. If every one of the 15,000 class A longshoremen presently employed is entitled to \$7,920 upon retirement after 25 years of service (the count of years of service starts with the time the man became fully registered and not with the running of the agreement), then the total maximum amount required to pay each man for his "vested right" would amount to about \$119 million. During the next 5½ years, the Fund will take in \$27½ million. This, with the \$1½ million already accumulated, will yield \$29 million. Even if the \$119 million required is reduced to \$100 million by allowing for lapses due to dropouts, to lower payments in case of early death, and to earnings on investments, the total Fund will still be about \$70 million short of the sum necessary to discharge completely the vested right obligation. It is extremely unlikely that the Fund will stop payments in the agreed amount per man when the \$29 million is exhausted.

The only possible conclusion is that at the termination of the present agreement, another agreement will be necessary for further payments into the Fund. Because of the fairly

advanced age of a substantial portion of the present work force (the present median age is about $49\frac{1}{2}$ years), the heaviest drain on the Fund will come within the next 10 years. An example of this was reported recently in the Dispatcher. "On November 15, 1961 the first checks went to 16 longshoremen and marine clerks who are voluntarily retireing before reaching age 65. A total of 2,000 men are expected to take advantage of the early retirement within the next year."³² Thereafter, perhaps \$3 million a year will be adequate to discharge this obligation. But this can go on for 20 or more years, until all of the presently registered work force is retired.

THE VESTED RIGHT AND NEW ADDITIONS TO THE LABOR FORCE

Although the immediate problem for the industry will be one of labor force curtailment, eventually new men will have to be added to keep the force at a required level. Can such men be refused the vested right benefit? Theoretically, yes; practically no. According to H.J. Bodine, the union at this time is negotiating with PMA over this matter. For to refuse a new man the benefit while working along side one who has it can create internal conflict in the union. As for the employers, they have a logical

³²The Dispatcher, (San Francisco) December 15, 1961, Volume 19 No. 25, p. 1.

argument in that they have already made payment to the presently registered man for giving up his rights to the restrictive rules. The new man will never have had such rights. The time will come however, when the employer will ask for addition to the regular labor force. It seems logical that the union will agree only on condition that the vested right benefit is extended to all newcomers. If the employers agree, the vested right benefit may be extended to all fully registered longshoremen, and indefinitely.

ADDED LABOR COST OF THE VESTED RIGHT BENEFIT

Based on the 30 million man-hours now worked annually by the entire longshore labor force, i.e., class A, class B, and casuals, the present employer commitment of \$5 million per year comes to about 17 cents per man-hour. As man-hours decrease, this hourly cost will rise. If total man-hours are reduced 25 percent, this cost will rise to 22 cents per hour.³³ (This will be in addition to present supplementary wage costs of pensions, vacations and welfare, as well as any wage increases that may be negotiated under the annual reopening provision),

But employers consider this newly won freedom to manage

³³Max D. Kossoris, "Working Rules....., p. 9.

as they see fit, or reasonably so, as easily worth this additional cost. Not only are they hopeful that their savings will offset the cost, but also they calculate the actual increase in labor cost at considerably less than 17 cents.³⁴

The basis of payment by the members of the Association according to Mrs. H. Horak will be done on a tonnage basis. Each member supplies the PMA records of its monthly cargo movements under penalty of fine if they do not comply. From this it is calculated what each member pays into the Fund. The amount of money varies from the different types of cargo moved. The main point is that some companies that cannot mechanize as much or as rapidly, or because of its type of trade, will bear a proportionately larger burden than the company that can cut back on its man-hour requirements quickly. The latter not only will have greater savings because of higher efficiency but will also save on its man-hours assessments.

The overall assessment of problems of the Mechanization and Modernization contract facing the ILWU and the PMA present many varying solutions and conclusions. The total effect of these problems is difficult to ascertain at this

³⁴"Sharing Automation Savings", Business Week, October 29, 1960, p. 86.

early date. Only future negotiation and decisions from outside personnel will reveal their true impact on the industry.

CONCLUSION

The Mechanization and Modernization contract is a new approach to problems that have developed in the waterfront industry since 1934. Restrictive working rules, high labor cost, and the fear of the use of machines on the part of the union in operations, placed the industry in a precarious position when cargo movements on the West Coast began to decline. Management and the union realized that something had to be done and done quickly to insure their position in a competitive industrial world. Management began by changing its mode of operation by the introduction of mechanical equipment. The union reacted by realizing that mechanization was inevitable and that to protect themselves they had to relinquish some of its power, but only for a price. The culmination of negotiation in 1960 created an atmosphere whereby, with the elimination of work rule and the allowance of mechanization the waterfront employers were to gain a free hand to operate more efficiently. For the union their gains were spelled out in terms of job security that involved a floor on earnings, pensions provisions, and vesting rights. The "gains" for each side are a matter of determination.

UNION

At the offset of negotiation on the Mechanization and Modernization contract the ILWU was faced with two alternatives in selecting an approach to apply in selling their restrictive work rules. These were sharing in the gain or the payment of a flat sum. Under the sharing of the gains concept, man-hours would have to be saved before any payment could be made. In actuality this would have forced the ILWU to exercise complete control over the whole West Coast. For any port that did not comply with the agreement would be taking money away from the contributions that the ILWU expected. Furthermore, each port has its own autonomy within limits and for the ILWU central office to be imposing rules would have caused discontent in these ports. This would lead to eventual internal conflict within the union. This approach was wisely rejected by the ILWU. In the flat sum approach in buying out procedures, the pressure on the union is external. The union has no interest in the probable savings to employers because the union has agreed to a flat sum amount of \$5 million per year. The only pressure on the union is that of abatement in the sum of \$13,650 a day for non-compliance. But even then any assessment of any penalty undoubtedly will be subject to time consuming grievance procedures and formal arbitration. Therefore, the ILWU has a fixed position with

a guarantee which allows them to administer their goals in meeting the problem of job security.

MANAGEMENT

In a real sense, the employers agreement to pay \$5 million a year represent a sharing of the savings. Their promise to pay is conditioned on the expectation that the man-hour savings will be large enough not only to defray the annual payment but also to leave something for themselves as well. The elimination of restrictive working rules will definitely aid management in increasing his productivity and allow him to manage within the context of his own environment. The basic problem is that after one year in which the contract has been in operation, it is still too early to say what the eventual gains will be even though there have been signs of improvement. The PMA is continually collecting and processing data to measure the overall effect of the contract. Several problems have and will develop which may destroy any return on the investment that management is placing in the Mechanization and Modernization contract. Yet, even with these factors considered management felt it was making the right decision to protect itself and became a party to this contract. Pres Lancaster in his speech summed up management position on the contract through the use of an analogy. There were a group of off-duty longshoremen talking about the contract and how it was

working and one man said, "You should have seen the size of the load they had down in the hold of the Tradewind this morning!" One of his companions answered him with that classic truism of a capitalistic democracy, "Well, Bud, you don't get something for nothing."

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