

UNIVERSITY OF CALIFORNIA
Institute of Industrial Relations
(Berkeley)

CURRENT
TRENDS
IN
COLLECTIVE
BARGAINING

Addresses

By

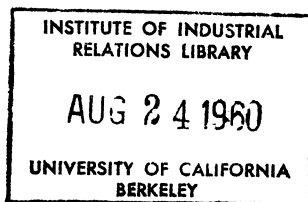
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SAN FRANCISCO, CALIFORNIA

MAY 11, 1960

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*Addresses from a Conference on

May 11, 1960

San Francisco, California

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*Transcribed from tape recordings

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F O R E W O R D

On May 11, 1960, the Institute of Industrial Relations presented a conference on "Current Trends in Collective Bargaining" in San Francisco. This conference was attended by over 200 labor and management representatives.

In response to numerous requests, we have decided to make the major conference addresses available.

ARTHUR M. ROSS, Director
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WHERE WE ARE AND WHERE WE ARE GOING IN COLLECTIVE BARGAINING

David L. Cole
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It's good to come back here. I hope it isn't three strikes and out -- this is the third appearance here. In discussing with you things that have happened in the last several years since I was here last, there is a great deal to be said.

In discussing with you where we are, I hope you'll forgive me if I just state one or two fundamental things and move on rather rapidly from that. We have a long range program under our National Labor Policy, fundamentally we had two aims -- with our present national labor policy which runs back presumably, at least, to the Wagner Act. First the right -- the encouragement -- of organization by workers, in order that they develop quality in bargaining power, and incidentally to do away with sub-standard conditions, or conditions which might be referred to as conditions of exploitation. And, secondly, that in the inevitable disputes that would continue we use collective bargaining as the means of resolving disputes. It was anticipated that there would develop over a period of time an ideal picture; the ideal picture would be the employees speaking with a unified voice, they would develop a certain amount of mutual respect, there would be a willingness to listen and be persuaded, and there would be developed on the whole an ethical consciousness -- a sense of social responsibility, as opposed to the pure force of self-interest.

However, certain flaws have begun to develop, and I'm going to talk about those flaws because I think we've seen their growth accelerated in the last two or three years. There are some trends now which endanger our underlying theory, and I think we should all be conscious of them. I think that as a result our industrial self-regulation may be in jeopardy. These trends must be recognized, because there is a propensity to follow patterns. We follow not only patterns in terms of wage adjustments and other specific adjustments, but we follow patterns in terms of behavior as well. It seems to me that when any major industry has a bad year, in terms of strikes and labor relations, the year as a whole becomes bad -- in other industries too. This I regard as following the pattern of behavior and it's a rather serious matter. In collective bargaining, I think both aspects -- the collective feature and the bargaining feature -- are developing some flaws. We don't find the unified voice that we expected on the side of labor, and when we spoke of collective bargaining originally -- when the phrase was coined -- I'm sure they were thinking

of collectivism on the side primarily of labor.

We find a certain degree of rebelliousness and non-conformance within the labor movement now that we did not see even as recently as five years ago. I could illustrate this by so many incidents in the last few years -- let me just mention one or two to give you an idea of what I have in mind. When the machinists, a fine, well-organized, old, established union has negotiated settlements in certain key industries or key operations, like the airline or airplane industry, we have seen repudiations repeatedly on the part of the locals, or the chapters, of the negotiations and of the settlements tentatively worked out, even by Mr. Hayes, the president of the union. It took dramatic form in the fall of 1959 when the machinists working for the Capital Airlines, one of the weakest of the airlines financially, declined to agree with the settlements along the lines worked out for other airlines. Mr. Hayes took a hand, because two years earlier there had been an unnecessary strike, it was felt, on Capital Airlines and Mr. Hayes and his associates worked to negotiate what they thought was a fair settlement, and when it was submitted for ratification it was fought by a local chapter leader -- a strong willed man -- who had perhaps personal motivations, I don't know. In any event, when this large meeting took place there were placards around the room -- "Hayes go home" -- and the settlement was repudiated. The strike took place and went on for six or eight weeks -- the settlement was very close to the one Mr. Hayes had negotiated, there was some little face-saving additive, but it didn't amount to very much.

Consider the settlement of the International Harvester strike last year, which was negotiated by the International UAW, also a union to be reckoned with. When ratification was considered by some of the locals, its large Local 6 was represented by a very important local official. And his attack on the settlement was in terms of Reutherism. Now, after all, this was a label pinned on Walter Reuther by Barry Goldwater for political reasons, and it seems rather strange that a local of the UAW would latch itself on to that expression and use it as an argument against the settlement of the negotiated contract. The settlement was finally ratified, but it took a great deal of effort.

I need hardly mention to you these various picket lines and token picket lines that we've seen around union headquarters from time to time. In particular at the UAW by people who have been displaced from their jobs by automation, and by younger men who want to know why older men, for whom the union has negotiated retirement plans, are retaining their jobs, while they are walking the streets. This has taken the form, actually, of picket lines around the international headquarters of the UAW. This is a form of rebelliousness and assertion and articulation by locals which I think indicates that there is not the unified voice on the labor side that was anticipated when our

labor policy was enunciated and declared under the Wagner Act.

There are many more illustrations that I could give. I can say in general that this is a form of anti-colonialism that the locals are asserting. There is a strange similarity, as others have observed, between international affairs and trade union affairs, and labor relations in general. The methods used, the belief that the ends justify the means, and the exercise of the power, that might makes right, and so on. You see a great deal in common in labor relations affairs over the years with what has gone on in international affairs. We've seen, of course, the splintering process gaining a lot of strength in the trade union movement. Arthur Goldberg played an outstanding part in such an effort by the motormen with the transit system in New York City. The motormen wanted to break away from the Transport Workers Union despite great advances made by that union in its relations with the city of New York and the operation of the local transit system. We see it also in the rating disputes, the jurisdictional disputes. We find it in international unions, who recognize the importance of having some orderly procedure for the settlement of these horrible jurisdictional disputes only to find them overruled time and again by their regional or local people because at the regional or local level they are accustomed to grab whatever membership they can grab by tradition. And even though this is bad for the labor movement, it is also bad for the country I think, and certainly the labor movement is opposed to it. We find the local and regional people very often, as I've said, overruling the international people on matters of that kind. These are manifestations of the rebelliousness and the lack of unity within the labor movement that I speak of.

Now there are many other signs of mutiny and rebellion and I don't have to give them to you. What I mentioned up to now is typical. We find, on the whole, a lack of respect for the international leadership without which the degree of responsibility and discipline essential to good labor relations cannot be exercised. I think it's a very serious matter. We have a confused public; we have a confused management. We find management acting strongly as the champion for democratic rights within the union, at the same time management demanding a degree of responsibility on the part of the union leadership, which is hardly consistent with pure democracy of the kind which is advocated by management. People are all confused. We don't quite know where we're going and I think this leads to the second point which is perhaps more important than the first. Namely, what about the bargaining feature of collective bargaining. What has happened to it? Has a process of reasoning been developing? Are we making the kind of advances that we had a right to anticipate when the Wagner Act was enacted? Well, I'm not so sure that we are. And, there are several indications that we are not as of this moment. This is the important thing I want to talk about today. We find some habits developing that are rather

curious. We know that the law cannot prescribe behavior, the law can require bargaining in good faith, but this is about as far as the law can go. The behavior of people is something under their own control, and it is not possible to legislate good will and many of us realize this. I believe we should all realize it. There is no hope for relief in legislation in terms of good will at the bargaining table. Bargaining is still a very grim, relentless, difficult operation, as you all know who are engaged in it. Self interests have to be accommodated, and this is not always easy. There are many many influences of a political kind; political within the union, political within corporations, that come into play in time of bargaining, and negotiations very easily turn to frustration and then to a sense of outrage. Everybody is outraged, it seems to me these days in bargaining. Everybody is indignant. The other fellow is an unjust so-and-so, and this is the common reaction that I observe in bargaining. This is not encouraging. As a result, a good many strikes that needn't take place are taking place, and many strikes that have to take place are needlessly prolonged because the parties somehow don't believe they are old enough to have acquired the wisdom necessary to resolve their problems until a certain number of months go by, although I fail to see any great growth in wisdom in a period of two or three months of strike.

As an indication of the ineffectiveness of bargaining, we might note the development of the strike habit among the elite in the labor movement, among groups that would normally be expected to be anything but strike happy and who would be most inclined to be reasonable and understanding of each other's problems. I think, for example, of the strikes we've had of late among airline pilots. Currently the strikes of stewardesses on the airlines. Office workers. Newspaper writers who shut down important publications. The unthinkable. Recently, the strike of the Screen Actor's Guild. This was almost a burlesque in many people's minds. Why are these people, who normally do not think in terms of strike, resorting to strikes so frequently? Why do they feel frustrated? Why can't they reason out their problems at the bargaining table? I think my friends at the mediation service will bear me out that this has had its impact on mediation, too. The mediators themselves feel very frustrated and helpless in many situations now. Much more so than in former years, it seems to me.

We've developed a situation where the equality in bargaining power that we hoped for to some degree has been achieved, and we have many unions, I think, that are about equal in economic and political power with the industries or corporations with which they deal. Now that we have achieved this ideal position in that regard, one would think that reasoning would take over. But, sometimes I wonder whether it wasn't a mistake to believe that when two great forces were equal in power that reasoning would take over. The steel strike is a manifestation of that. Maybe it would have been better if one had been a little stronger than

the other. Maybe the strike wouldn't have lasted as long as it did. When you have two great forces of equal power, glaring at each other across the table, and each convinced of the correctness of its position -- there you are. How do you break this knot? Especially when each side has a sense of destiny, each feels that whatever it does is going to determine and regulate the course of the economy for the next two or three years. People find then these difficulties of collective bargaining become exaggerated. The obstacles are puffed up perhaps beyond their actual importance. It presents a problem for those of us who are concerned with the development of a sound and effective form of labor management relationship.

Now, what is contributing to the difficulties? On the union side I think one can state it more simply and succinctly than on the management side. With the development of industry-wide bargaining, with the development of a pattern-following kind of bargaining, it is inevitable that the international leadership of unions will do the negotiating, as in the steel case, and that the local people will play a lesser and lesser part. This leads again to a feeling of frustration on the part of the local leadership all of whom are important in their own jurisdictions. It is impossible in industries like steel, or autos, or coal to have all the local officials actively participate in the contract making -- in the agreement making stage. The result is that you have labor organizations at the local regional levels that are organized -- mobilized if you please -- with no place to go. And, frequently, they will latch on to causes in order to use this power which they have. Two or three years ago in the great Westinghouse strike, we had a manifestation of that. The issues in the Westinghouse strike it seemed to me were not so fundamental as to warrant a strike lasting five and a half or six months. That was the longest major strike in the United States in fifty years, and there were no wage issues. There were some working rules issues, but I don't think those were the real issues. I had a hand eventually in mediating that dispute and I think it was a matter of the inability of people to behave reasonably once they had frozen themselves into position. They just couldn't budge. On the union side this resulted from the fact that the union had mobilized itself for a great fight with General Electric at the time, and General Electric outwitted them, and made an offer which the union couldn't reject, and here was a mobilized army with nowhere to go and when Westinghouse tried to follow General Electric's pattern, not having laid the foundation that General Electric had laid, Westinghouse found itself with a horrible war on its hands that lasted five and a half or six months.

On the management side there is definitely a strong feeling as I observe it, that the time has come to cut unions down to size. This is a very strong feeling on the part of many managements. I have been at management meetings, I have heard this sort of expression used over and

over again, and I have noticed that when a major company or industry has a strike the rest of industry is applauding the industry and they don't seem to care what the merits of the issues are. It doesn't seem to make very much difference. I remember in one industry where there was, I thought, an unnecessary strike that lasted eight weeks, and the leader in the industry finally resolved it with the union. Then came the strike of one of the smaller companies, the union addressing itself to the smaller company said, "Well now certainly we needn't have any long discussions or arguments here, the pattern has now been set by the major company in the industry." And the smaller company said, "We're not interested in what this other company does." The union was surprised and said, "Why not, in the past you have been?" "Well, the reason is, we don't think they know how to fight. They always arm themselves to the teeth before negotiations start and so announce, and then after the negotiations start, their attitude is as far as the union is concerned: ready - aim - abandon ship. And we're not going to follow the pattern of a company of that kind." Well, so the smaller company took a strike and the strike lasted some ten or twelve weeks and you know the inevitable outcome. They settled precisely the same terms as the larger company had and which were offered to the smaller company earlier. And yet the smaller company seemed to relish the strike and to this very day I've talked to one of the major officials in the small company. "Why did you do it," I asked, "wouldn't it have been better to avoid the ill will, the friction, the scars, and all these things that come with the strike?" He said, "No, we had to show them that they can't get things too easily, even if we know they're going to get it eventually."

Another factor that I think is exceedingly important is the development of Mr. Boulware's doctrine, now called "Boulwarism," of management deciding what is right and deciding this in advance really of any collective bargaining, announcing what it is, and holding fast to it. Daring the union to do something about it. General Electric has been outstandingly successful at this; others have begun to follow the same pattern. This is a direct challenge to the union, and when I spoke earlier of the mobilized force looking for a cause to attach itself to, there's your cause. In a sense, and I'm certainly no authority on the steel dispute if you're going to have Arthur Goldberg here with you this afternoon, I would just guess as one of the lay public in that dispute, that if the union didn't have a cause in the beginning, the attempt of the steel industry to pick up the methods of Boulwarism provided the union in that case with a great cause, and I think as time went on we saw a much more strongly mobilized and organized union during the strike than it was before the strike began. It's this sort of thing that I'm concerned with.

I'm concerned with the public relations approach. I'll talk more about that in a moment. But I merely say this now, that I'm a lawyer -- I always used to think lawyers were an evil in labor-management affairs,

and felt I had a license to say so, being a lawyer -- but I'm afraid we take second place to the public relations people now. They decide what is right, and having decided what is right, they proceed to sell it to the public. Now in the process, I'm not sure whether they sell the public or not, but they sell themselves, and they sell their own clients, and that's for sure. And, not only do they sell their own clients, but they commit their own clients to a publicly announced position. I'll come back to this in a moment, since it is of concern to us all. I'm also concerned with the feeling that comes as the outcome of negotiations these days quite commonly. This feeling of exaltation. Somebody prevailed. This seems to be more important than resolving a difficulty or solving a problem, and this is one of our major problems in labor-management affairs now.

There is another habit that has developed and I want to devote a few minutes to this. That's this business of relying on the thing called national policy, sometimes confused with public opinion, sometimes confused with national labor policy. This of course is exploited naturally by the public relations people. And when I say public relations people I'm not sparing the unions. They've been know to hire them too, you know. I think perhaps they learned how to do it from industry, but they've done a little of it themselves. And I think this reliance on something called national labor policy in lieu of actual argument and reasoning is a form of thoughtlessness in itself; it's not good for collective bargaining. It gives rise to the urge to bargain by slogans, and to a practice which can only lead to a similar response from the other side. It practically drives reason away from the bargaining table by its very nature. As I said before, these public statements convince no one but the author. The party sponsoring these statements simply weakens his own effectiveness in the process. It engenders a sense of defiance in the other party, and the sponsoring party is handicapped in his ability to be reasonable, because of his public commitment to the announced position. Moreover, it's very hard to square such a practice with the spirit of collective bargaining. Usually these statements are not current, they're not timely, they've been prepared in advance, and do not take into account the actual state of negotiations at the moment in question.

As a mediator, I've seen the mischief wrought by some of these public slogan approaches. Let me give you one illustration. In the Westinghouse case, after all the months of bitterness and this back-to-work-movement, and bloodshed, we thought we were making progress one evening. We sat until eight o'clock, and the next morning we wanted to resume at the point where we had left off the night before, but the next morning, the union, led by Mr. Carey - James Carey - came in frantic, outraged, and they wouldn't listen. We had to listen to a recording they made of a talk that was delivered on radio the night before by Gwilym Price, the Chairman of the Board of Westinghouse. And we couldn't stop them, we had to listen. It was a talk in the vein that I've just indicated, and obviously

it was a talk taped in advance, prepared with the guidance of public relations people, I don't know how long before, certainly a week before. It had no relation to the state of negotiations at the time, and it threw us for a complete loss. And I'm sure that the Westinghouse strike was prolonged at least ten days by that radio address by Mr. Price. If that hadn't been made, we would have moved on and shortened the strike by at least ten days, in my opinion. This is not atypical. This is the sort of thing that one can fear. On the whole, I think that negotiations of the terms of employment should essentially be a family affair. By their very nature they should be. And the rushing to print is not consistent with this concept. The protection afforded in such approaches, which include both unremitting opposition to the union's position, and relying on these publicly announced slogans by the institutional facade, is harmful to the cause of collective bargaining -- it is of a piece with arguments that certain positions are matters of unalterable principle, which we used to hear in former years. Arguments which have fallen of their own weight time and again, as new areas of interest to labor and management have been entered in negotiations.

I need do no more than mention some of these areas -- health and welfare, retirement plans, severance pay, unemployment compensation, and similar matters. All of which were opposed for long periods of time as a matter of principle. Occasionally we see reliance now, instead of on principle, on a thing called "national policy." And this alarms me, because this is of relatively recent origin. It encourages people to develop very early a thing they call "a last offer." Positively the last offer. At the very beginning of negotiations, sometimes even before any negotiations start. This last offer never stands the test of time. Obviously, the last offer is only an illusion. As it turns out frequently in experience, the last offer is, of course, the offer which settles the dispute, and no other offer is the last offer. And it's not the one that some tacticians elect at some given time to designate as the last offer. A notion that if the employees would be given the chance to vote in secret they would certainly approve the last offer has been found to be a very sad mistake. The reaction has been just the contrary. The electioneering before the vote simply solidifies the employees in opposition to the employer in general. This has been the effect of these last offers.

Now, going on with this matter of national labor policy, I'm quite alarmed about this and I want to say more about it. I find unions engaging in this practice too. They have developed a belief that there is a national labor policy along the lines of the Keynesian Doctrine, that we constantly must improve purchasing power for the welfare of the economy. I don't know of any such national labor policy, certainly it hasn't been enunciated. On the other hand, in the steel strike, it became almost an accepted fact that there was a national labor policy against any wage increase which would exceed the rate of growth of productivity because this is inflationary. Well, I certainly don't recognize

that we have any such national labor policy, maybe it's a matter of public opinion at a given time, but I'm sure that it's not a matter of labor policy as such. I would like to submit to you that there are perhaps six or seven other so-called public policies or national labor policies that either one might rely on. Each one with some validity, depending upon the circumstances and conditions at a given time. Let me mention just a few of them for example. (1) Is there still a national labor policy in favor of making certain that there is a square deal for employees in the sense of the Wagner Act philosophy? The right to organize and talk with a unified voice, and subordinate to that, that there be equality in the bargaining power of the employees to this unified voice. (2) Is there a national labor policy in favor of the protection of minority interests in the labor movement? There are many people who say this is a very important policy today. The separate craft concept, or on behalf of employees even who elect not to join unions. Many people think this is a very important policy that ought to be protected and advanced. (3) Is there a policy, and this is of very recent origin too, in favor of the regulation of internal affairs of unions, because of the corruption, the democracy problems in all these things. Many people think this is the number one public policy and has a direct bearing on labor-management affairs. (4) Is there a policy in favor of developing stability in labor relations, does the public have the right to expect some growth and stability? We've seen some evidence of it. The procedures to the handling of jurisdictional disputes, which are in a sense supposed to contribute to the stability of labor-management relations. Or, is the great question today, as some people today say, a control of the monopolistic tendencies or characteristics of unions. There are those that say this is the great number one problem.

There is, of course, a more cogent question: How about the monopolistic characteristics, or the conspiratorial characteristics of unions and industries combined. The approach used by Dan Bell in his article, "The Subversion of Collective Bargaining." I recommend that you read this article. It's a very thoughtfully worked out thing, and very, very provocative. It's in the March 1960 COMMENTARY. One of the best things I've seen on the subject. Arthur Goldberg is one of those who is going to write a full dress reply from the trade union viewpoint, and I dare say industry probably will have a good deal to say about it. I notice that the unions have risen to their own defense very rapidly through Mr. Goldberg, but I would think that the steel industry and the auto industry should have been more alarmed and more irritated perhaps than the trade union movement. But I do recommend you read it because it is a well thought out piece by a man who has had great experience in labor affairs and is now a professor of sociology at Columbia University and was formerly the labor editor of FORTUNE MAGAZINE. (5) Is there a policy in favor of laissez faire? Many people say that we're interfering with the freedom of the parties to make their own agreements and regulate

themselves. The hands off type of doctrine. (6) Is there a policy which would require the parties to employ collective bargaining in its true sense, to protect the public interest by avoiding needless strikes, or in shortening unavoidable strikes? Has the public a right, and should it develop a policy requiring the parties to adapt themselves to the spirit of collective bargaining that is intrinsic in our national labor policy? Has the public a right to demand that the parties use the tools that have been made available to them? So that you see, there are many grievous questions and many people think that we are at a crossroads, that we're about to go downhill. Mr. Bell believes that in the present development, and with the course we're following now, collective bargaining is pretty nearly finished as an institution unless some more intelligent and philosophical minds take over and turn it back to its proper use.

Now by way of conclusion, what does all this signify? Do we have a failure of collective bargaining and the need to find something to replace it as a means of resolving labor disputes? I do not think so. Collective bargaining is an important part of a social movement; it represents a great transformation and adjustment. In place of the traditional property or proprietary concept of industry which was reflected in the master-servant doctrine for centuries, the managements of American industry must now accept the fact of equality -- equality in status and equality in the right of their employees to express themselves and to insist upon how they shall work and be compensated in many essential respects. Because of the very nature of this new approach -- and it is still new -- difficulties have been expected and have been encountered.

The most essential requirement for the success of collective bargaining is patience. A rare quality and the most difficult to exercise in an economic system which is primarily concerned with competition and with profits. To me it seems surprising upon review that there has been as much patience as has been exhibited during the past generation and that collective bargaining has functioned as well as it has. This has really been a period of revolution. And we know that short range, bloodless revolutions cannot be as effective or as efficient as the other kind. Ours has called for understanding and a reformation and outlook, while leaving unchanged practically all other features and objectives of our industrial system. This has been a most ambitious program, and the degree of conformance, rather than non-conformance, has been the surprising and gratifying feature of our experience. Collective bargaining has worked very well in our industrial world despite some recent set-backs. But this is not to suggest that there are no dangers and no threats. The efficiency of collective bargaining depends on people, how they behave, how well they are able to curb their less worthy urges and force themselves to listen to things which are basically distasteful to them, and to do so without being offensive. Above all, they must not distort

this process into a tactic for the achievement of some ulterior purpose. And I would underline these words, rather than as a means simply of resolving labor disputes. In this age of automation, collective bargaining is still the function of people, a primitive hand job not susceptible to technological change. Rigs and formulas do not do the job. It is also still a brittle and destructible process in each instance, and either party has it easily within its power to render it valueless, or practically so. Soberly we must agree that we have no better means available which can at the same time settle labor disputes and fit into or preserve our free enterprise system, and our system of industrial democracy. The responsibility for the protection and constant improvement of collective bargaining on the part of industrial and labor leadership must be self-evident.

CURRENT TRENDS IN COLLECTIVE BARGAINING

William H. Smith
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Mr. Hambrook, Chairman Ross, distinguished guests, and ladies and gentlemen. It's a pleasure for me to be here today and stand on this platform with our distinguished guests. I was very much interested in the analysis which Mr. Cole made because I too had seen some of these same developments, and have been aware of some of the same problems. However, my point of view on some of the conclusions reached, even in the interpretations of what we have both seen, is not the same. In addition, my point of view is somewhat different because one might characterize it as a worm's eye point of view. It is the point of view of one close to the smaller employer -- someone who is primarily in day to day contact with employers most of whom have less than 100 employees, and many of whom have less than 50.

My discussion will cover two broad topics. One will concern management's current bargaining policies, and I'll have some detail to give you -- in fact some statistics. The second topic will relate to some of these very broad problems which Mr. Cole and others have observed. And I think there you will see that some differences in point of view exist.

Let us begin first of all with this idea that management is guilty of a policy of tough bargaining -- of being hard to make an agreement with -- of engaging in attacks on unions. The question is being asked: Is management's attitude toward collective bargaining undergoing a fundamental change, or is the so-called tough bargaining merely a reflection of cyclical changes in the economic climate in which bargaining is being conducted today. I think that is a fair question to ask. In other words, is management being tougher in its bargaining simply because the relative bargaining position of unions has weakened in some respects. We do know that prices have levelled off in the past two years. We know that profit margins are declining while sales are increasing in many respects. We know that the ratio of profit to sales has slipped due to higher operating costs and several industries are experiencing not only increased domestic competition but greater competition from abroad as well. Are these the reasons for management's tough attitude at the bargaining table? Or is it true that management is embarking on a program to "break the union?" Before answering that question, let us look back a few months. You will recall that a short while ago we were greatly concerned with inflationary price trends, and

the problem of wage induced price increases. Management was accused of being too soft then, of failing to perform its proper economic function in wage determination, of giving in too easily to union demands. Does that sound familiar? Then, during the past year, we were introduced to the so-called non-inflationary wage increases, as contrasted to the bad kind of wage increases that are inflationary. In this case bad is spelled "BIG" but is pronounced bad.

What are some of the facts with respect to management's response to these changing economic conditions? There you see I have made a judgment and given you my answer. The recession of 1958 confronted many managements and unions with the hard facts of the marketplace. This is not child's play. Tightening cost situations, narrowing margins and increased competition at home and abroad have produced irresistible pressures for cost reductions. Management wouldn't be performing its proper function if it didn't respond to the pressures. How it responds is another matter. The results of management determination to resist what it considers to be excessive cost increases did show up in terms of smaller wage increases in 1959, and in the form of more strikes of longer duration with substantial losses in man days due to strikes. The results showed up also in a relatively stable price level for consumer's goods, notwithstanding widespread wage increases throughout the nation. This pattern continues in 1960 so far, and I personally expect little change in this trend for the balance of the year.

Let us examine some of the figures I mentioned. First on wages: For the first quarter of 1960, contract settlements showed average wage rate increases of 8.2 cents per hour nationally. These are contract negotiations, all union situations. This was the same as the average for the first quarter in 1959. By comparison, in 1958 the average was 9.3 cents in the first quarter, in 1957 the average was 10.2 cents for the same quarter. In 1960, so far only 41 per cent of the increases were 10 cents an hour or more. It was the same for 1959 in the first quarter. By comparison, in 1958 the figure was 47 per cent, and in 1957 increases of 10 cents or more were 54 per cent of the total. I think the conclusion is apparent on the face of it. Wage increases have levelled off, and they have levelled off below the levels of 1957 and 1958. It would be remarkable if they hadn't.

Another clue is seen in long term contracts and automatic wage increases. Long term contracts and automatic wage increases will affect a little over 2 and one-half million workers in 1960 according to a study of the Bureau of Labor Statistics. The most common increase is going to be between six and seven cents per hour. This is a decline in the number of persons who are going to get such increases. About three million persons will get such increases in 1959 compared with four million in 1958 and five million in 1957. Does that mean a reversal in

the trend toward more long term contracts? All of our information is to the contrary. There are more long term contracts being negotiated this year and 47 per cent of these contracts carry provisions for deferred increases as compared with 39 per cent last year and 24 per cent in 1957. This is more evidence of the tapering off process.

The same picture will be found when you study escalator cost of living increases based on changes in the cost of living. They were small in 1959 and my view is that they will be small in 1960. And they are much smaller in 1959 than they were in 1958 and 1957 for the same basic economic reasons. This was not because employers were tough, because they already had been committed to pay certain increases if the economic facts justified them, but they didn't justify them and they weren't paid.

In addition to wage increases there has been a steady increase also in employee fringe benefits and improved working conditions in general. These changes will not be discussed in detail but our studies show that on the West Coast fringe benefits are increasing better than twice as fast as wage rates themselves, percentage wise. Increased fringe benefits are giving employees a substantial increase in their real income. That process has been going on and in my view will continue throughout 1960 with little change.

All of these cost increases represent a major impact on the employer. He didn't always give them willingly, in fact he resisted. Because of this resistance 1959 was our worst strike year since the all-time high in 1946. The number of strikes in 1959 was about the same as the post-war average, but the length of strikes was the longest since 1947. The number of workers involved in strikes was not above average for post-war years, but the loss of man days of work due to strikes was exceeded in post-war years only by 1946. Man days lost per worker rose to a figure not experienced since 1932, and surpassed only twice in our previous history -- in 1927 and 1928. It was a rough strike year, and is one of the things that people are noticing. However, it is a point on which there is some difference of opinion. The same strike conditions existed in California and the same sort of figures can be given to you. What do they mean? I personally am not so alarmed about these strikes as some others may be. I'd like to insert here a parenthetical comment to give you the reason for that.

There is widespread ignorance and misunderstanding by the general public and others of the nature of an economic strike. This evidence is seen in the public condemnation of economic strikes as anti-social. A strike in the public view sometimes is referred to as the use of jungle tactics as a means of wage settlement. Unions and management engaged in a strike are often viewed by the public as irresponsible parties behaving in a manner contrary to the public interest. Typically the remedy from the public is some form of compulsory arbitration.

That line of reasoning is repeated over and over again. The problem is complicated also by union rank and file misunderstanding, induced by strike propaganda. The employer's resistance is characterized as evidence of union busting, a desire to take away hard won union gains, and proof of the inevitability of class conflict. Too often a strike is represented to the union member as an exercise of his sacred right as a worker, guaranteed not only by our labor laws but by our constitution and bill of rights as well. But by contrast -- in many many union publications -- the employer who takes the strike is pictured as a hard hearted, unfair, double-barrel-nickel-plated so-and-so who is refusing to give the worker a fair day's pay. Moreover, the strike is all his fault, even though most of us recognize that he must resist union demands from time to time if he is to perform his part in the wage setting function. This is free collective bargaining, and it has its price. The employer's freedom to take an economic strike is as fundamental, gentlemen, to collective bargaining as the union's right to call one. Think about that a moment.

There should be no more onus on an employer in an economic strike than upon the union. Moreover, it is about time that some of us realize that free collective bargaining is in peril because of public ignorance. It is not the occasional economic strike that the public need fear, but the collusive "cozy" arrangements between some unions and some employers by which their deals are made strike-free, or with token strikes. I maintain that the occurrence of an economic strike is not an act of irresponsibility or jungle warfare but merely one step in the process of free collective bargaining. Take away the right to take that step and the bargainers for both labor and management become beggars instead of bargainers, and the question is with whom do they plead. So much for economic strikes and their place in collective bargaining -- now let us move on to some broader considerations.

Two important developments are influencing our collective bargaining. One of them is multi-union collaboration in collective bargaining. There is increasing collaboration as far as employers are concerned and there is more collaboration as far as unions are concerned. We are seeing an acceleration toward larger bargaining units and the centralization of bargaining decisions. The impetus in part is coming from changing union structures. The employer finds it necessary to readjust his bargaining arrangements to conform with the changes in union structure or suffer the consequences in loss of relative bargaining strength. There is a wide variety of devices used to remove bargaining decisions from local levels, or to circumscribe them with policy requirements of the international or regional offices of the union. We have seen, for example, our decisions in trucking move from the local level to the joint council, and then to the conference level and now they are moving piece by piece to the international level.

Some unions are using the device of reviewing each contract for confirmation with international policy before it is approved as a valid contract. One of our local industry groups had the experience recently of learning from its local union representative that three important sections of the contract needed to be changed to comply with the policies of the international. This was three months after the contract conditions had been placed into effect. Upon investigation, the employers discovered that the local union was authorized to act merely as the agent of the international union. This was somewhat of a shock. Another device used is to broaden the unit by joint bargaining or multi-union collaboration. Sometimes it is true multi-union bargaining, as for example, in the shipyards, in the metal trades, and several other industries. But now more often it is multi-union collaboration. We are experiencing that on the West Coast in warehousing, in aircraft and missile manufacturing, and in meat packing. This is not unique. It exists in various sections of the country.

There is much talk also of union collaboration and merging to improve relative bargaining positions, and to reduce the intra-union disputes over jurisdictional problems. This could be an improvement but it might not be. Some examples of collaboration include the following. Three unions in the electrical manufacturing industry have recently announced a plan for coordinated bargaining with Sylvania Electric Products. This follows an earlier agreement set up by the AFL-CIO industrial department for five unions to bargain with General Electric and Westinghouse through a joint conference. The most recent unity move is a series of proposals for one big union in the printing, publishing and related industries. Two unions in this group have already agreed on this goal. The American Newspaper Guild and The International Typographical Union have agreed on several specific ways for joint action. Two other unions in the same group are talking about the same subject, and they too have adopted the goal of unity in principle. There are other efforts in the same direction. Four unions engaged in the production of potash met recently for the first time in New Mexico to plan for coordinated collective bargaining. The auto workers and the machinists have collaborated in bargaining with the aircraft industry. Six unions in the airline industry are beginning to talk together. Merger moves are on the way between the two big unions in retail trades. There is increasing talk of unification of five railroad operating brotherhoods. There is a merger in process of the AFL-CIO chemical and oil industry unions. This was started some time ago. Even the bitterly hostile Sea Farer's Union and the National Maritime Union have gotten together on occasion.

There is a second major influence which we see everyday in our collective bargaining. Mr. Cole mentioned this and I will cover it also, but from a little different view. I refer here to the impact of the new federal labor law. Strangely enough it is not the changes in the Taft

Hartley sections of the new labor law but the Bill of Rights sections that are impinging on our collective bargaining. So far it is too early to tell what the general results of the Bill of Rights sections will be, but some things are apparent now. We know that individual union members feel more free to criticize their leaders and are doing so. We know that local union leaders are being much more careful in their handling of union affairs and in their conduct of meetings. This has had its consequences for our bargaining. Union bargaining demands are more lengthy and more detailed. There is something for everyone in the list of proposals today. Union officials do more consulting with their membership during the bargaining, and they have less freedom and less leeway for compromise with the employer. Union representatives who are not secure in their jobs and who do not enjoy strong support of their membership are often reluctant to take the responsibility for agreeing to anything less than the original demands. There is much referring of counter-proposals to the membership for action. There is a greater use of union committees to spread the risk of unfavorable reaction by rank and file to counter-proposals and to a final settlement which is short of the original demands.

Where there is a lack of strong and secure union leadership backed by the rank and file, the employer finds his bargaining much more difficult and time-consuming. With lack of leadership and responsibility for reaching a reasonable compromise, unions find themselves involved now more often in strike situations than before. The result is that employers are finding that negotiations take longer, consume more time and most disconcerting, there is no assurance when the employer reaches an agreement with the union negotiating committee that he has an agreement. In one recent local negotiation the union business agent became so exasperated with his membership that he asked the employer not to make any more offers and to take a strike. Every time the employer raised the ante it made the business agent look foolish because he had previously tried to "sell" the offer to the membership as a fair settlement. The strike involved only 26 men, and lasted three weeks and was at Christmastime.

Don't misunderstand my comments. I am relating what is happening and how it affects our bargaining -- and none believes more than I that graft and corruption should be routed out of labor unions and that democratic principles should be adopted. I'm strongly in favor of unions run by and for members of the union. But I'm also fully convinced that due process and safe-guarding of the rights of union members will be most likely under a system of orderly procedures and responsible leadership.

Let us move now into a still broader area of discussion. I've chosen to call this "beyond collective bargaining." This title is borrowed from a book written by Alexander Heron, former president of our organization and long time leader in the field of industrial relations. He said this about the scope of collective bargaining:

"The only practical way to limit the scope of collective bargaining is to deal constructively with every borderline or extraneous subject before it is forced into the agenda of negotiations. The principle index of the propriety of the inclusion of any subject is the degree to which it can be dealt with by specific agreement and stipulation. This degree cannot be established by argument. Any subject which an employer honestly believes cannot be dealt with practically in the process of collective bargaining should be dealt with practically outside the scope of collective bargaining. If any subject affecting the daily relations in the establishment is not dealt with satisfactorily within these daily relations, it cannot be permanently excluded from the scope of bargaining on the ground that it is not theoretically or legally within that scope."

During the past year we have seen numerous occasions on which both unions and managements have made proposals that would have made major changes in their bargaining relationships. Proposals which originated with management sought to improve operating efficiency by asking unions to give up certain restrictions and restraints presently in effect. There were proposals by unions as well but with the opposite intention. They include: 1. Proposals to prohibit the use of new equipment and production methods which would reduce the number of workers needed except by prior agreement with the union. These are proposals which employers on the West Coast are receiving repeatedly. 2. Proposals to prohibit the reduction of staff due to the installation of any new equipment or production process except by prior agreement. 3. Proposals to prohibit subcontracting of any work covered by the existing agreement except to another employer covered by the same agreement. 4. Requiring the sharing of any increase in productivity or output per man due to automation and mechanization. 5. Proposals to require the training and transfer of present employees to newly created jobs before outside workers could be employed where automation and mechanization was involved.

These types of proposals frequently lead to bitter strikes. The steel strike was one such that hit the headlines. But it wasn't unique. There are many other such situations. The Printing Industry is another situation where the same sort of problem exists. There was a terrific strike in the Lithographic Industry in San Francisco last year. A strike is a very rare occurrence in that industry. There is another very bitter strike going on in Portland -- over the same sort of thing. Two newspapers are involved in a strike over work rules. There are technical developments in the graphic arts industry which will continue to confront employers and unions in that industry with the necessity of treating those problems in a manner other than striking.

Work rules are major issues also in the long drawn out strike of the Bethlehem shipyards on the East Coast. There was a major strike in the meatpacking industry this past year. Great changes are going on in that industry at the present time. One company, The Armour Company, has moved into the area of collective planning with the two unions involved. Another, Wilson and Company, took a bitter strike in order to force changes in its work rules.

This problem is not easily solved by ordinary collective bargaining because it is concerned with the necessity of survival of both the union and the employer. It is not a bread and butter issue. Unions often fail to realize that the management prerogative's issue is the management's security counterpart of the union's security issue. On either side of that issue you've got a battle. In addition, many managements are unaware of the gradual erosion of their freedom to make these decisions until it is too late. And any beginner in collective bargaining knows that one of the most difficult jobs you have is to take something away from a union after you've given it. Nevertheless that is the problem facing many unions and managements. It is difficult. Some people say it is so difficult that you can't solve these problems by the usual bargaining procedures. They point to several instances involving bitter-end strikes that do no one any good and cost a great deal.

Secretary Mitchell recently made a talk to the railway employee's department in Chicago, on April 27th this year. He made some suggestions which are beyond collective bargaining. Three or four quotes from his suggestions will illustrate what I mean.

"The single question of work rules and practices that were practical in their day, but that might now be obsolete cannot be approached without the most careful consideration and deliberate study. A consideration and study that cannot take place under the gun of a deadline. It takes a long time and a lot of patient effort to solve any problem in which the welfare of human beings is involved and I would be hesitant about referring that kind of problem to a process that is going to click right along to what has to be a comparatively immediate solution. I would like to suggest four ground rules within which collective bargaining and additional cooperative discussion between labor and management in the railroads might take place. The first of these ground rules is that compulsion of an involuntary nature is not a solution to the railroad problem. Compulsory arbitration can solve none of the problems I've implied; it can only create new ones. Secondly, working men and women have something akin to a property right in work procedures and customs engaged in for years and resulting from bargaining agreements and these rights should be modified or forfeited by consent and

not compulsion. Thirdly, management cannot manage or exist without the ability to maneuver flexibly to meet competitive challenge or change. Standing pat is often an optical illusion for going backward. And finally, both labor and management bear a public responsibility that will make itself felt sooner or later."

That was straight talk from a man who ought to know. So far there's been no official response by the rail unions to these suggestions. For the record it should be said that the railroads for more than a year have urged the unions to join in a study committee with power to investigate work rules and their effects. So far the unions have declined. I think Mitchell's suggestions have put the issues squarely up to the unions.

Another branch of our transportation industry has taken a broad jump into the area of collective planning as a means of meeting the same type of problem. Last year the ILWU and the Pacific Maritime Association agreed to set up a mechanization fund of one and one-half million dollars. In return the union agreed not to oppose the introduction of labor saving devices. No plans for distributing this fund were agreed to. Last month the union delegates met to consider proposals for the issues and negotiations this year. Included in the proposals is one for another million and a half dollars. This time, however, the union has a program. It has not been accepted by the employer and the final outcome may be substantially different. But this is the union's program. First, they would shift longshoremen from port-to-port where job opportunities exist. Second, they would finance early retirement -- age 62, for example, compared with the present age of 65. They would pay supplemental wage payments to bring average weekly earnings in each port up to the 35 straight time hour level at the regular longshore rate. They would do this on the basis of a stabilized work force of 17,000 persons and as deaths, retirement and other attrition occurred the 17,000 persons would be bolstered by transfers from their B list. The essence of this proposal on the part of the union is a guaranteed 35-hour work week for 17,000 men. We don't know what the final outcome is going to be.

You no doubt have heard about the settlement in the steel industry, and will hear from our next speaker about the two programs that have been developed. However, I would like to, in order to keep this in context, make a brief comment about those plans. In the Kaiser Plan, provision is made for continuing tri-partite committees composed of three public, three union and three management representatives. The committee and its sub-committees will study two broad areas: long range plans for equitably sharing economic progress among stockholders, employees and the public; and, two, automation and work rules problems arising out of methods, changes and technological advances. That is the Kaiser Plan in a very brief form.

Most of the other major steel companies, however, have agreed to a different plan establishing two committees. One is a human relations research committee with a union and a management co-chairman. The second is a tri-partite local working conditions committee composed of a neutral member as well as a representative of both labor and management. The human relations committee is to plan and oversee studies and recommend solutions of mutual problems such as guides for determining equitable wage and benefit adjustments, job classifications problems, wage incentives, seniority, medical care, etc. The local working committee will study local working conditions and recommend changes on which management and the union can agree.

Lest you get the idea that this is a new approach to the problem, may I remind you of other instances in which collective planning has been used rather than deadline collective bargaining. The Steel Industry has since War Labor Board days in 1944, along with the unions involved, jointly developed an industry plan for job analysis to eliminate job inequities. That has been a continuing program and I think representatives of both parties would be almost unanimous in saying that it has been a benefit for both parties.

The national joint board for settling jurisdictional disputes in the building and construction industry is another example of labor-management cooperation to settle a type of problem that is not amenable to ordinary collective bargaining. The safety and accident prevention program of the Pacific Coast Pulp and Paper Industry is an outstanding example of labor-management effort in handling another important problem outside of deadline bargaining. The training and apprenticeship programs of several industries also illustrate this idea. You can add many other examples to the list if you think about it in the terms I've suggested.

It should be clear that there are situations which are complex -- too complex to be handled all at once and at one time. They must be handled piecemeal and over a long period of time. It is for these situations that I think collective planning has its merits. Those of us not directly involved in the current ventures nevertheless will be watching them with a great deal of interest, because we do have a stake in their outcome. It remains to be seen whether our industrial relations skills are equal to the job.

THE STEEL STRIKE IN RETROSPECT

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Dr. Ross and distinguished guests, ladies and gentlemen. I tried to make some notes, when David Cole gave his illuminating talk and when Mr. Smith gave his, of points of disagreement because after all since we're all here for a discussion we ought to have a little disagreement.

I had told Dr. Ross and his associates that I was going to talk about the steel strike in retrospect to illuminate the broad prospective painted by Mr. Cole and Mr. Smith. Mr. Smith filled in some details from his vantage point. You may wonder why do we rehash the steel dispute. It's very difficult to say anything new about the steel dispute, although I am happy to report that one man has really said something significantly new about it. I don't know whether you get J. A. Livingston's column out here on the coast -- the distinguished economist who writes for the Philadelphia Bulletin. He had something new to say about steel, and he wrote a column the other day in which he said, "The trouble with a discussion of economic issues such as we've been discussing here today, and the trouble with the discussion about steel has been that everybody talks in the same tone." He says it's very hard to get any juice out of the annual report that Roger Blough puts out for U.S. Steel, or any of the other companies, and similarly difficult to get anything out of steel labor. They both have the unhappy faculty of covering up for their respective positions and not really talking about the real points at issue. You remember even Dr. Taylor had some trouble finding out what was really bothering the parties when we appeared before him in the fact-finding board. Now he says the remedy for this is to borrow from baseball. Take Frankie Laine of the Cleveland Indians. He has no compunction when he trades Rockie Calavito -- he calls the press in and tells them frankly what the situation is. Now let's apply this to steel. If we use Frankie Laine's method of handling it (and I'm reading from Mr. Livingston) "Suppose that Roger Blough, Chairman of United States Steel, wanted R. Conrad Cooper, his Chief Labor Negotiator, to step down. Laine would be direct. He'd call up Dave McDonald, president of the United Steelworkers of America and say 'Dave, can you hear me, I've got this trade to strengthen both of us. I'll swap Cooper for Arthur J. Goldberg, your general Counsel.' 'And how much cash?' McDonald would demand. 'Cash,' Laine would say, 'who mentioned cash? But I'll throw in Charles White, Chairman of Republic Steel.' 'I'll take your first offer,' McDonald would reply. Then in a statement to the press Laine would say: 'Cooper didn't throw

one curve ball during the wage negotiations -- strictly a straight man. I offered White too, but McDonald said he'd rather run his own union'."

Now I hope you will accept that in the spirit in which I believe Mr. Livingston wrote it, but I think it might help the situation a little bit if we did enliven our comments about the great situation such as happened in steel. And I will try to do that today. But I'm going to try to observe certain ground rules. First, I'm going to try to relate it to the topic -- I think that is an elementary obligation. What do we learn from steel? -- what lessons do we learn that illuminate the current scene? That illuminate the current trends in collective bargaining? Second, I think it is an obligation on all the parties to a great dispute, once a dispute is settled, to try to bury the hatchet, to try to live constructively together, and to try to plan and work for a mutually progressive future. And I say that without any apology, even though I am aware, as Mr. Smith pointed out, and as Mr. Cole pointed out, that there are some students of the scene who worry very much when labor and management say that they are going to try to get together and work out their problems mutually. One of my disagreements with Dan Bell in the very provocative article that Mr. Cole mentioned is that this attitude is frowned upon by some viewers of the contemporary scene as representing a conspiracy by labor and management to gang up on the public. That's very interesting. In some industries it is regarded as industrial statesmanship, not a conspiracy. I've never heard, for example, that in the garment industries, which are a model for all students of the subject and which have gotten along without major strikes for 25 years, that they are practicing conspiracy or collusion in working out their problems without controversy and strife. On the other hand, the suspicion is invariably aroused if steel and the steel union get together or if the auto workers and the auto workers' union get together that this is bad for the public interest. Of course, we have done a little bit to accommodate these cynics by striking so many times in steel that it's even hard for our sternest critics to make conspirators out of us. But nevertheless they still try and I for one would like to second what has been said here by Mr. Cole and Mr. Smith and Dr. Ross -- that I hope these efforts we have made in the basic industry -- led by Kaiser I must say in all fairness -- to work out a reliable way on the long-term basis of accommodating our problems is a highly commendable agreement and one that ought to receive the support of the general public and the support of all students of the subject. But I shall have more to say about that later.

Now, in retrospect what lessons can we learn from the steel dispute that bear upon the collective bargaining scene? And it seems to me there are many -- so many, perhaps, that we haven't analyzed all of them. But some are readily apparent. Now the first relates to what David Cole called "the question of labor policy." The fact of the matter is that in the great steel dispute, while there was an expression by our government

of what I choose to call "platitudinous attitudes" toward the scene which we faced when we entered into collective bargaining, there was no expression by our government of a labor policy that bore upon the issues of that particular dispute. On the contrary our government intervened very early in the steel dispute and let there be no mistake about it there was an early intervention in steel, but that intervention in my opinion, at that stage, was harmful, was not productive, and was in fact destructive of the best interests of collective bargaining. Now this is a grave statement to make about our government, but I think it's a lesson we can learn from the steel dispute.

Now what do I mean by it? The President of the United States and the Council of Economic Advisers before we ever got into bargaining in steel, with obvious relation to the bargaining in steel, made certain statements. Statements by one as authoritative and with the prestige of our President and his related government agency have necessarily a great bearing upon a collective bargaining of the magnitude of steel. What the President said, and I say this is not a labor policy this is a slogan and a slogan does not substitute for a labor policy, the president said that in the field of collective bargaining, labor-management relations, and so forth, we must be sure that there will not be an addition to the inflationary tendencies that are taking place in the country. We must not contribute to inflation. And then he went on to say, however, wage increases which are justified by productivity do not contribute to inflation. These are the two statements. Now what happened with these statements? Well, first of all the industry, naturally, took the first part of the statement. They embraced it. They said the President of the United States is telling us and telling the world and telling the steel workers' union that this is the time to hold the line against the wage-cost push inflation which characterizes our economy. And the industry regarded this as a mandate to proceed with the tough policy to which both speakers before me have adverted. On the other hand, the union found also great comfort in the statement of the President. Because the union said, well we're just right with President Eisenhower. All we want is a wage settlement which is justified by the great productivity of the steel worker. And we are being the real patriots, not the industry, because we are doing just what President Eisenhower has asked us to do. Now you see there were many things that were left unsaid by our government which might have constituted a wage policy but which were not enunciated in any way beyond the expression which I have given you. I have given you, I think quite fairly, the totality of the policy enunciated by the government of the United States representing all of us, the people, as we got under way in steel.

The government of the United States might have said, for example, in a reasoned way, what productivity consisted of. When you go into wage negotiations is it the wage policy of the United States that productivity increases are necessary? Are justified? Are to be praised? Are to be

encouraged? What do we mean by productivity increases? Is it productivity in steel? Is it productivity in the industry at large? On all of this there was a great silence. The government agency concerned, the Bureau of Labor Statistics, is still struggling with its productivity indices. Some of them have never been released. The steel one itself has been battered around. The industry had its own productivity index, so did we, the union. But in this whole area there was no definition of what might constitute an economic policy of the government. Now do not misunderstand me, I am not saying that I believe it is advisable for the government of the United States to define the limits or the scope of collective bargaining. I am merely saying that if there is intervention, and there was intervention, that the intervention ought to be intelligent intervention which is meaningful, and not intervention which results in encouraging the respective parties to solidify their own predilections, their own points of view, or maintenance of their own self-interest. To me this is the first lesson in steel, that it is harmful when the government intervenes in collective bargaining with a policy which is general in terms and which is not based upon a thoughtful detailed consideration of the economic factors which enter into major collective bargaining in the country.

Now lesson number two. As I said the government intervened early in the steel dispute. It intervened early and it intervened late. Some of us wonder why it didn't intervene in the happy middle, which might have been the appropriate timing for government intervention. But late in the dispute, after the strike had gone on many many weeks, the government intervened and the Secretary of Labor, Mitchell, a very great personal friend of mine and for whom I have very high regard, appeared on the scene and said, discharging the public responsibility, he would conduct an investigation into the facts. He conducted an investigation into the facts and he published a document which would interest scholars but which had no impact at all upon bargaining or upon the public mind, which might have had an influence on bargaining. Now, why was that? It was because the facts were not interpreted, analyzed or presented to the public with the government's recommendation of what the facts meant in relation to the particular dispute. In other words, we had fact-finding without recommendation. We had fact-finding without real analysis. We had a marshalling of some statistics. And I think it's fair to say, and I think Secretary Mitchell would agree with me, that this marshalling was lost in the shuffle. Now, what was the reason for that? Well, this was based upon a political doctrine of the government, you might call it an economic doctrine, that it was wrong to make recommendations. For a while that was put on legal terms but as I will point out to you in a minute apparently the legal case did not stand up. It was from the basis that the Taft-Hartley boards were not given the power to make recommendations, and since they were not given the power, the government was in some way deprived of this power in other agencies. I want you to remember this when I come to the next step, because it seems to disappear.

In sequence of events, finally the strike was settled on the basis of a recommendation made by the government. Mr. Nixon, the Vice President, and Mr. Mitchell, Secretary of Labor, whose efforts in this final area were very helpful and, I think, appreciated both by the industry and by ourselves, made the recommendation. They recommended to the parties the terms of settlement which were ultimately agreed upon. Now that, of course, does away in my opinion with the so-called legal case of the government -- that they didn't have the authority. Of course the government had the authority. I remember testifying in 1952 on the subject when we had hearings before the Wage Stabilization Board. When everybody was hauled in before the Congress and Congress was questioning this issue and I was being questioned about it, I said to the committees of Congress concerned, "Do you mean to say that the President of the United States cannot designate anybody he wants to, or himself, as part of his executive function, to look into any labor dispute in America and tell the public how he believes that dispute ought to be settled?" In my opinion it would be unconstitutional to deprive the President of this policy, which is vested in him under the constitution of the chief executive officer of our nation. Now he may not elect to do this, it may not be wise, but it is certainly legal and constitutional.

Now, if we had fact-finding and we ultimately had recommendations, why is it that in the public mind there is the dissatisfaction I detect about the steel settlement. There is a kind of a feeling on the part of the public, I'm not talking about the parties, the parties have made their deal, but the public kind of feels dissatisfied about steel. Well, they feel dissatisfied about steel because they don't know on what basis the settlement was made. They don't know what considerations lead into it. They don't know whether this demand was justified or that demand was justified. You see they had fact-finding without recommendations and they had recommendations without fact-finding. And those two combinations are about the worst combinations that you could possibly have. So I would say the second lesson we have learned from steel is that this activity of the government will leave people entirely confused. Leave the public confused, and lead to a situation where there is a rather perplexed attitude about the steel settlement. So perplexed that in this article in COMMENTARY, which we are really publicizing, a distinguished writer is so confused that he wrote about the steel settlement and he said it was a 15 cent an hour settlement for a 30-month period. This will come as a great shock to my friends in the industry who are here. It came as a great shock to me too, I must say. I was not aware that we had concluded a settlement which in a 30-month period called for 15 cents. What happened was that this writer completely ignored the first year of the settlement and spoke of only the two wage adjustments without reference to the first year which was a fringe adjustment.

Now I have quarrelled publically with the industry about their costing out of the adjustments that have been made in steel. But I want

you to know what that quarrel is. Actually it is a quarrel within very narrowly defined terms. It is not really a quarrel if you understand what the parties are talking about. The steel industry announced the settlement as a settlement that was a 41 cent settlement package over a three-year term. Now that was made up out of their analysis of the various benefits that were granted and the cost to the industry of these benefits. And we actually, and this will come as a surprise to many people who thought we were bitterly locked in combat over this issue, we actually, on the whole, agreed; we thought it was a little exaggerated, but in collective bargaining a little exaggeration on both sides is tolerable. We did not quarrel, for example, that when you give a wage increase the companies get other costs arising out of that wage increase. Of course they do. Their vacation costs go up, their holiday costs go up, and their taxes go up. Our quarrel with them was basically that in the labor policy of our government in the way settlements are analyzed and treated and announced by the Bureau of Labor Statistics, the traditional way of analyzing it is not to include these indirect costs but to define the terms of the settlement in terms of the benefits received by the employee. We had a little difference with the industry on two cents of the settlement of the 41 cents on the "Supplemental Unemployment Benefits" plan. We said that they could not take credit for that because they were cancelling out a contingent liability for that amount in the old plan. And since we were providing a permanent plan it should always have been contemplated that although they had the legal right to cancel it at the end of the agreement, as they have a right to cancel all the provisions in the agreement, we were looking forward to a continuing relationship and we didn't think they should cancel it and then take credit for two cents by restoring it. Outside of that, I added up my own estimate of the settlement and if you include the cost-of-living provision that we have negotiated, actually I've come to, with the cost-of-living, 37.1 cents. We're not far off then from the 39 cents because I've given no credit for the Supplemental Unemployment Benefit. And if you're interested in knowing the breakdown of that, since there's been so much confusion, I estimate the insurance benefits which the workers got in the first year to come to 10 cents -- 10.8 cents -- and the pension benefits to come to 2.2 cents. So in the first year there's a 13 cent provision. The industry on that, I think, would only differ with me on the pension cost, which they regard to be 3.6 cents. That's the large difference between us. Second year it's a 9.4 cent wage increase, and in the third year it's an 8.7 cent increase, and the industry would add to my figures a figure of about 20 per cent for these indirect costs which I have not included. So we're not very much in disagreement about this. Now when you come to this you see nobody interpreted the settlement in terms of even interpreting it to the people of the country. The parties can do their best to do this -- I think the government has the obligation just to interpret a settlement so that all of us will know what the facts are in this area.

Now we come to the third lesson -- does toughness pay off? The answer is emphatically no -- as far as steel is concerned. I will not talk generally except to analyze Mr. Smith's figures. What do I mean by this? Do I mean that employers do not have a right to take a strike for economic reasons? Here I'm in entire agreement with Mr. Smith. There is no onus on an employer for taking a strike for economic reasons -- no more onus than there is on a union for calling a strike for economic reasons. Strikes are part of the collective bargaining process, we must always remember that. They are not separate and apart from this process. They are part of collective bargaining. Maybe an undesirable part, but if we're to choose the path of freedom as against compulsion, and that would be the alternative, then strikes are a salutary part of the collective bargaining process. And I thought President Eisenhower expressed it very well in one of his messages to the Congress when he said there are worse things than strikes and one certainly worse thing is the loss of freedom.

Now on the statistics. I will tell you why I think toughness did not pay off in steel. It is true that the wage part of the recent settlement is not as much, only a penny or so different, from the high prosperity year of 1957. But let us not fall into the trap of uninformed newspaper correspondents who analyze collective bargaining agreements, but who don't know what they are talking about in the field of labor relations. Fringes cost money too. They may cost more money than wage increases and they may give more benefits to a worker in a particular situation than a wage increase. And let me illustrate that by steel. The statistics will be substantially affected this year on settlement from the Bureau of Labor Statistics by the fact that the steel workers did not take their improvements in the first year in a wage increase. So let's analyze what they did. The steel worker was paying, in U.S. Steel, 6.5 cents for insurance. He was paying it, that was his contribution. Out of his wages, after he paid the tax on those wages, he had to pay 6.5 cents. If we had continued the old contract with the half and half deal, to maintain the present insurance package and improvements we negotiated this time, the steel worker would have had to take out of his pay 8.9 cents to pay for that insurance. If you'll include the tax burden on that 8.9 cents, he would actually have had to take out of his take-home pay 10.8 cents. Now, it is just as much a wage increase as anything could be that today he is 10.8 cents better off in his take-home pay than he was on January 1 when we negotiated the steel agreement. No question about that. Now from the industry standpoint, they have a cost burden which on any terms is 8.9 cents added to their costs. No question about that.

I was very much amused when a well-known political correspondent took his poll of the steel workers before the strike. He said steel workers do not want a wage increase. He says he polled a lot of steel workers. They didn't want a wage increase. All they want are certain

fringes and he, being uninformed on this subject, seemed to intimate that if all the industry did would be to grant us the fringes we could avert this terrible strike and the public would be better off and prices would not be jeopardized and so on. What were the fringes that the steel workers wanted? I'll enumerate some of them. First they wanted the ones that we got in collective bargaining -- they wanted the insurance cost picked up, they wanted the pension improved, we got that in collective bargaining, but not quite to the point that the correspondent wanted them improved, without further cost to the industry. In addition to what we gained, which was substantial in the pension area, this correspondent thought it would be a fine thing if we would write into the pension plans in steel a provision that after a man served twenty years without respect to age he should be able to retire. Our actuaries, I won't mention what the steel actuaries estimated that cost to be, but our actuaries estimated that cost to be better than 20 cents an hour to provide a vested pension plan with this type of provision.

There was another fringe that this correspondent passed over very cavalierly, and that was that he felt, and of course this is true and we have to deal with this subject but we must not get confused in our mind that these are not cost items, he felt that steel workers around the country would want a four-day week. And of course they want a four-day week, and we would like to win that in collective bargaining, and we'll have to make a start on that in collective bargaining, but the cost of that little item by all reliable estimates and maintained take-home pay is something like 90 cents an hour.

Now we must not get into this confusion when we read the statistics of the Bureau of Labor Statistics. The present year was becoming more and more a fringe year. The Bureau of Labor Statistics does not estimate in its wage estimates this factor, as Mr. Smith pointed out. But I would dare say, judged by our experience in steel, that the total settlements that are being made this year equal, if they do not exceed, the settlements made in the year 1957, in terms of the totality of wage and fringe benefits that were arrived at.

Now when I said the next lesson is that toughness does not pay off, I mean this. I mean that in my personal judgment, and I can only speak for myself, that had there not been a preconceived, and this relates to the significant point that Mr. Cole made, that had there not been a preconceived attitude on the part of the steel industry that this was it -- that this was the year to be tough -- that this was the year to turn the clock back -- that this was the year as it was phrased, and I'll phrase it the way management did "to seize the initiative," it seems to me that the steel worker's union, which is a responsible union and its people are responsible people and they know the facts of life, coming out of a recession year, 1958, into a year where business was

just returning, that if real collective bargaining had been engaged in without preconception on the part of the industry of a "tough policy" that the settlement that could have been negotiated in collective bargaining would not have been any more expensive, if as expensive, as the settlement that was finally made. So I don't think toughness paid off.

This leads me to my fourth lesson. And the fourth lesson is also related to something Mr. Cole and Mr. Smith both talked about. And that is that we are too far down the road to allow communications to deteriorate to the point that they did in steel. On both sides. I am not appraising here, or trying to make a value judgment as to who is responsible, but we are too far down the road to let communications get to the point where the two parties did not talk over their common problems until they went into negotiations and then they ended the negotiations, instead of in an area of negotiating the common problems, in an area where the positions had become fixed prior to the negotiations. This is the record in steel -- industry handed the union a letter on April 10 in which a freeze program was proposed and that was the industry's position until June when it moved to another preconceived program in the work rules area, and these were all fixed positions.

This leads to the fifth lesson which is directly related to this lack of communication. And that is that the communications that did take place took place in the public organs and through publicity. This is exactly what Mr. Cole noted from his overall study. But we noticed it in steel too. Now here too I am not laying blame on the industry alone, both the union and the industry engaged in this, and they engaged in it because of a feeling apparently each held independently that for some reason collective bargaining wasn't going to work and it was important for each to go to the public before they ever went into collective bargaining.

That is precisely what took place, and it has very bad consequences as Mr. Cole correctly pointed out. For example, consider the letter of April 10 that was handed to the union. An industry may with validity (we didn't think it was valid in light of the profits and price structure in steel) come to a union and say now look we've gone through a period of recession and there ought to be a breathing spell. Now this is a serious matter -- very difficult to negotiate. In a year where there has been an upturn it is not so difficult to negotiate as when you're in the midst of a recession. It is much more difficult to negotiate when you bounce back, particularly when the first quarter statements of the industry were going to be as they were, so embarrassingly rich. But if you seriously mean that, the last thing in the world that any negotiator with judgment would do would be to hand the union official a piece of paper and say here is a letter in which we're proposing a freeze and then say to him, if you don't say no now, I'm going to release that piece of

paper at five o'clock this afternoon. In fact, they're being mimeographed and ready for release at that particular point. That's what happened. And then, of course, the fat was in the fire for what developed subsequently.

Now the next lesson that we learn from steel is what Mr. Mitchell talked about in his paper to the railway unions. And that is, that in dealing with collective bargaining problems no one party to the relationship, assuming that there is some equality of bargaining power, no one party to the relationship anymore possesses the power to set aside the way of life which has developed over the period of relationships between the company and the union. Let me put it in a term that takes it away from the union. Suppose the union, very foolishly in my opinion because I think it's got the German unions nowhere, suppose the union very foolishly were to say our next collective bargaining demand is co-determination of the industry. In other words, we want to move in now and be represented on the board and take over a voice in the management of your company. I think that would be very bad. It doesn't work out very well even abroad, but that's their business. Our business is what happens here. But it would be inconceivable for American industry to yield to that type of demand. And it was just as inconceivable for the steel worker's union to yield to the demand that the contracts be junked that had been developed over a long period of time and that unilateral rights in the field of working practices should be vested in the management of the industry. If there are problems in these areas, and there surely are problems on both sides, they must be worked out obviously by agreement. They must be worked out thoughtfully, as I hope these committees will address themselves to the problem.

The final lesson I get from steel, I have many others but time is rushing away, but from the standpoint of the union I can tell you that we learned again the hard way that the truth never catches up with the big lie. We smart under this very much and we do not charge our friends of the industry with being a party to this, but circumstances develop and I cite as a case in point, and I'm sure the industry would feel the same way from their standpoint, I cite as a case in point our argument over working rules.

One article in a national newspaper, an uninformed article on this subject from an uninformed member of the industry (it wasn't an informed member because every informed member in the industry I met with said flatly and straightforwardly there was nothing to that) one article on the working rules seized the imagination of the American public with the famous case of the air-conditioned crane. A national newspaper carried a story that the big controversy in steel over work rules was the case of the air-conditioned crane. As they painted the picture, they said that cranes in the steel industry had not been air-conditioned, they

hovered over the soaking pits and the furnaces, and the heat was tremendous, that the companies finally yielded and to please the union they air-conditioned the cranes. But in spite of this, the union was still insisting on a relief man for that crane operator, even though it was no longer necessary because the air of the crane was comfortably conditioned now and he didn't need a man to relieve him so he could recover from this tremendous heat. The facts of the matter were, as the industry openly admitted, testified to, that this was a non-existent case. Under the steel contracts, as everybody knows, if there is a change in the underlying condition because of automation, if there's an improvement in the condition, then the company is free to go ahead and make a change in the working conditions. And in the crane case if a grievance were filed, and we never could find a grievance that was filed there, every arbitrator would have slapped the steel worker's union down and would have said the air-conditioning of the crane had relieved the situation. It is an interesting by-product of that story that we found a whole lot of cases in the industry where the cranes weren't air-conditioned and there weren't any relief men. And we got a lot of pressure on us to change the local working conditions clause, and we'll have something to say to the committee and the impartial chairmen, that says that we should have a right to install a local working condition. The company now is the only one that may do this. But I'm sure the companies can match my story with a statement from their standpoint. The fact of the matter is we shouldn't have been debating that in the public press, we should have been discussing it in collective bargaining.

Finally I'll mention one other lesson that I learned from steel and that was this. I have to impart it to you so we can all learn from this. The lesson is that if you have negotiators they must, of course, be competent and able, as able as they can be and resourceful. They must have a reservoir of information and conversation that transcends the collective bargaining table. I suppose that the question I was asked more often than any other question among my friends is what do you do up there when you sit for six months or eight months in collective bargaining and nothing comes up. What do you do? And I will finish by telling you a secret. This situation was tolerable only because we had on the industry side, and at least some of the union people, very versatile negotiators. After talking about our problems for half an hour, we would talk about our families, we could talk about the ball game, we could exchange good restaurants in New York and we could talk about international affairs. If we did not have those broad versatile talents in the negotiators, life would have been even more intolerable in steel than it was. But to be serious about it, I suppose in no other negotiation was as much actual time spent negotiating. Men on both sides wore themselves out at the negotiations, but even then it did help to be able to talk about some other subjects.