A REPORT ON THE PARAFFINE COMPANIES, INC.

by

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Business Administration 154

Mr. Kerr in charge

University of California

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Mr. Clark Kerr
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Dear Sir:

I would like to submit my term paper on the industrial relations of the Paraffine Companies Inc.

In preparing this report I discovered that the company dealt with seventeen different unions. Knowing that I couldn't possibly see all of them, I based the report on the relations between the company and the union being the strongest and governing the majority of the men, The Warehouse Union Local #6, I.L.W.U., C.I.O.

Sincerely yours,

Edwin C. Crystal

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A REPORT ON THE PARAFFINE COMPANIES, INC.

The Paraffine Companies, Inc. became organized almost overnight in 1937. At that time they employed approximately 1,300 workers. Eighteen unions appeared in the plant at that time.[1] The unions were affiliated with the C.I.O., the A.F. of L. and independent unions.

With the first entrance of the unions, the company decided not to resist them. They did not resist the demand for the closed shop either, but rather invited it. They ifgured that in the long run resistance would only be inviting trouble.

The company professes to be one of the first in the area to initiate payed vacations, group insurance, and over-time payments.

The original entrance of the unions was explained by both sides in the smae terms--insecurity. This was the thing that the union could and did sell to the men, a voice in the companies employment policies. The company was operating on a "shape-up" basis and with "Bull Gangs." The company denied bribery but not favoritism, and admitted that the vacation pay was not consistent. This was the problem and it was greatly relieved when the promises of the company were reduced to writting in the union contract.

Immediately after the unions came into force, the line supervision in the plant was completely changed. Old line supervisors had to be replaced with new, younger men, who

1. Since the enactment of the Taft-Hartley Act, one union had disappeared from the company.

would not resist the union activities as would the "old timers" who were accustomed to having their own way and resented the infringement on their authority.[1]

In 1947 new individual contracts were drawn with all existing unions. At this time the company joined the Distributors Association of California for the purpose of dealing with the warehousemen who comprise 43% of their employees. This was an effort on behalf of the company to get from under the threat of possible slow-downs and the actions of the Warehouse Union, Local #6 of the I.L.W.U. The Paraffine Companies, Inc. have what may be called "all their eggs in one basket" at the Emeryville plant. The key to the production line rests in the felt mill, which is controlled by the Warehouse Union.

The Warehouse Unions theory has been to divide and conquor. Getting into the Paraffine Companies, Inc. plant was a method of gaining an easy entrance to the smaller plants in the area. The joining of the Distributors Association of California was bitterly objected to by the Warehouse Union. They now operate under a master agreement, drawn up under the association, with an addendum for the individual company.

The company, however, has been relatively free from strikes. A two day strike based on repudiation for joinign the Distributors Association was held in 1947, taking two days to ratify. In 1948 there was a week long strike over a wage opening clause.

1. All this resulted in reduced profit margins to the company. The interviewee suggested this as a reason that the industrial relations department had been eliminated and the responsibility placed in the hands of the individual plant managers. This does not seem reasonable.

The interviewee expressed the opinion that these strikes were typical of the C.I.O.'s strategy of striking for "union Solidarity."

With regard to other organized groups, the Paintmakers Union (A.F. of L.) appears to be the next strongest. But their relations have been on an intimate basis in the past, with the union striking other companies and not Paraffine. The company has persisted in their belief that craft workers are production workers and their negotiations with the paintmakers have all been on this basis. Previous to joining the United Employers, Inc., an employers organization, the company maintained job evaluation, with the approval of the union, and had some jobs on a higher classification than similar jobs in the area. The union must now look to straight across the board increases in wages, for under these new circumstances these may be classified as premiums rates and may be eliminated. The job evaluation was the companies plan for maintaining job differential, which pleased the workers and the union. The interviewee expressed the thought that the company had joined this employers organization for its own welfare and that the elimination of the job evaluation for the paintmakers was "too bad."

Other union tie-ups the company has do not come under master agreements. The main difficulty in dealing with such as the maintenance department is arriving at a satidfactory rate. Naturally the company did not want to pay the wage rate being given to constriction workers on the outside. Although the work on the outside was not steady, these men were getting a good annual wage, and there was always a pitch to secure the outside rate in the plant. In 1944, an agreement was reached whereas the craft workers in the plant would be payed at a rate one dollar per day less than the wage on the outdide. Since that time the compnay has had reason to believe that they should have contracted on a percentage basis, as it has raised their maintenance costs considerably.

There are other small groups within the plant, such as the oil workers, but their size does not justify any action of the magnitude of a strike. Their rates are based principally on those of the neighboring Union Oil plant and generally follow the same pattern.

The key to the companies industrial relations problem is the fact that there are contracts covering all the men in the plant. Consequently there are seventeen possibilities of a strike at all times. With reference to the companies good record in dealing with unions the company does not feel that they have given away anything and have tried to stay within the area with wages.

The most important problem confronting the company is keeping the Warehouse Union in line, showing them who really is the boss. They have been reasonably successful in doing so by adjustment of the base rates of pay. In making rate increases, they have maintained a spread, and even made a higher spread on some jobs, thus creating company favoritism at the expense of the union.

The interview with the union representative revealed a distinct dislike for the fact that the Paraffine Companies, Inc. had joined the Distributors Association of California. This dislike was based on the fact expressed that the master agreement was drawn up by people who knew nothing of manufacturing.

It was based on warehousing alone, and not production. This, the interviewee declared, had enabled the company to lower their wage rates. He admitted that in the past the company had been with or above the area, but declared that now they were drifting below area rates.

The personal opinion was expressed that Mr. Tussing was the type of individual who "spoke out of both sides of his mouth." He was tough. He, the interviewee, expressed confidence and hope that relations would get on an even better keel, as Tussing was now relieved of dealing with the unions and Mr. Lee, his successor, was much easier to deal with.

The union business agent confirmed the fact presented to me by Mr. Fergerson. In taking of relative bargaining strength, he spoke boastingly of a strike called a short time ago. The stike involved the demand for payment of double-time on Sundays. After a request was turned down, the union simply pulled twenty men out of the felt mill. After these men had been missing for four Sundays in a row and with the felt mill not running for four Sundays in a row, the request was granted.

In commenting on a statement made by Mr. Fergerson regarding the overlapping juredictional freedom, Mr. Newman said that this was done only in cases where it was a distinct saving to the union as well as the company. This disclaimed the picture of freedom and relationships painted by the company representative. The example given was that of not requiring a steam-fitter to turn a steam valve running a piece of machinery.

The opinions as to the position of the union to the company were the same but for slightly different reasons. The

The union believed that the company wouldn't do without it. It was good protection against unjust demands. The company welcomes the union because it gives the responsibility of the conduct of the men to the union and puts the job of juresdictional mix-ups into their hands also.

The information I received concerning the security of the unions officers was to me very biased, and seemed more like propaganda than anything else. But I cannot contradict it and it was amusing to hear the union representative speak on this subject. Fortunately or unfortunately, as the case may be, I talked to a "good union man." He claimed a completely democratic union. Declaring that a 15% vote could recall any officer by a vote of the rank and file. Invitations are open to the union meetings. Ateendance is encouraged and a fine is imposed for non-attendance. Ninety per cent turn-out was claimed.

At the present time the company maintains a pension plam of its own. It opperates without the approval of voice of the union. The union has hopes of securing, in the future, a plan based on ideas of their own and being farther reaching, higher paying and more inclusive that that of the compnay. The companys plan is based on eligibility after five years of employment and quarantees wage payment, at the current annual rate, for six months for sickness, and at a flexible rate in case of disability. It contains nothing concerning old age. The union does not feel that they are now in a position to exert any real pressure for adaptation of their plan.

Concerning loyalty to the company, the business agent expressed the opinion that perhaps fifty per cent of the workers were more than satisfied and constituted the "eager beavers." The other fifty per cent thought of the management in profane terms and constituted the group originating the slow-downs.

The grievance procedure between the company and the union seems to be completely adequate, with the vast majority of the cases settled at the lowest possible level. The company regards the stewards as "good" and the union likes the system. On the whole the procedure resembles a court system, with everything not immediately settled between the individuals concerned, being reduced to writting, and requiring a written answer within twenty-four hours. It was estimated that not more than two cases per month reached this stage of the procedure. Similarly, the cases climb a chain of command, starting with the steward and the foreman, and rising at the peak to the union president and the company's top official concerned with labor relations, this now being the individual plant managers.

Viewing the relationship of the company and the union through the theory of economic and political compatibility, the idealogy taken by the company has had a great deal to do with its getting along with the union. At the out-set it believed that the unions, once here, were here to stay and decided to get along with them as best they could. This was probably the idea behind the labor relations college and training program set up by the compnay.

The unions biggest demands are for increased wages and a more adequate pension plan. The question of "rights" does not enter into this picture too heavily. The parties are bound to a written contract to which both have agreed. Aside from wage issues, it is not subject to re-opening. Everything regarding promotion, seniority, hiring and lay-offs is in the contract, and are adhered to by each party. The unions strength lies in keeping the men happy and they do that, not only by wage increases, etc, but by maintaining good relations and thereby the the continuance of the jobs for the men. The unions real power lies in jobs for the men, the companies in profits for the stockholders. They have both of these here.

The union is fortunate that, especially in the past, Pabco has payed higher that the area wage. The ability to pay has been accompanied by the willingness to pay. This is a high standard of living area, working conditions have been good, profits have been good raw materials relatively cheap--it all leads toward compatibility. It will be interesting to watch though, as the union has accused Pabco of starting to fall behind the area now.

The pressence of the employers organizations and the fact that the parties have been negotiationg contracts for over ten years greatly restricts comments on the environmental thoery.

Whereas the theory says that wages will tend to be higher and less uniform in a local area, the pressence of employers organizations creates a wage structure that may be entirely different form that of another area, despite a strong union. (If not different, then independent.)

With the theory hinging on demands of the union being met or effected by the market for the product, supply and type of workers, structure of the industry and technical conditions, etc, I can see no place where the union strength is not matched by the employer strength.

Considering ability to change location, there is no reason in this case why the company should move their plant. They have their men and they are good, there is a good market and profits are good.

There are a number of competitors in this industry, but the company is still operating on a quota basis. They can sell everything they produce. The quota of linoleum for the city of San Jose is only one roll per month.

The chain of markets theory gives a slight edge to the union. They operate under a closed shop agreement and labor is relatively scarce in this area at the present time. The important factor on the companies side is that they offer jobs to seven hundred men in the union. The union could ill afford to have these men out, but then, where would the company replace them?

I am not informed adequately to comment on the power center theory with much exactness. I do not know of any large center disregarding the Bay area, which directly influences the wage increases, etc, in this area. I do know that the company has granted wage increases with the area, with the increase for oil workers based on Union Oil, maintenance based on one dollar per day less than out-side crafts and the paper mill following the increases of the Pulp-Sulphite and Paper Workers at the Fibreboard plant in Antioch.

In defining Pabco as a sattelite (its relations are peaceful) it is difficult to assume just this. With the essence of this theory being imitation, the imitation is soley in terms of wages. Historically, Pabco has set its own patterns for other contract issues. Truly, the imitation narrows the area of controversy. But the problem confronting the union since Pabco joined the distributors association is that now, instead of saying we got a better deal than the others, they have the same deal as the others, and maybe a little less than before.

The two variations of the mirror theory are perhaps the easiest and most concrete in treating the company and this particular union.

With regard to Golden and Rutenbergs theory, involving collective bargaining as a "reflection" of the pre-collective bargaining relations of the two parties, I believe that the company deserved good treatment from the union, but that it got a little better deal than was justified. Operating in the way that they did, the "shape-up," the company commanded the loyalty of these in supervisory line positions, but concerning the "rank and File", there was no reason to have any allegiance to the company. It had been admitted that the relations described in the articles written about the company were exaggerated. Although the companys policies were not consistent and not all inclusive, they were in existance. The fact that theses policies concerning vacations, double-time, etc, were present, and the manner in which the company accepted the unions initially probably cushioned any ill feeling existing at the time.

Considering the employer as the independent variable, the company has made good contracts and observed them faithfully. The company is greatly concerned, naturally so, with managements perrogatives and has, in a slightly annoying way, but not strike provoking, tried to stay as free from increasing union control as they could. The unions have performed in much the same way, pushing always for more power and a better deal but at the same time not squeezing so hard as to provoke anything in the way of a lock-out.

Both parties realize their interdependence on each other. The company welcomes the union, as it frees them from responsibility of the mens behavior, and they have resigned themselves to the fact that unions are here to stay. They deal with them as a permanent institution and in a business-like way. The union respects the company in that it provides good jobs for their men. It is the unions duty to see that their men are working, and by maintaining good relations, it keeps the men working steadilly.

With regard to Gardener and Selekmens theory, it also follows in this case. Adapted to the situation, the personnel policies of the company have been good in comparison with other companies and in tune with union activities and developements within the area. When the employer was not expected to give anything, the company gave something. When the employer was expected to give something, the company kept up with the area, or gave more than expected. Some benefits have been in force since before unionization of the plant. Others have been demanded by the union and others have been voluntarilly added.

The job of both the company and the union is to keep the workers happy. This is true in that the company must maintain production standards and output and that the union must maintain membership and solidarity. Each tries, in his own way to make the men a little happier than the other. This creates an ill feeling on the part of the parties, but not to the extent of conflict. The company, although dealing with the union peacefully, does not trust them, and this is why they initiate many of their own benefits without giving credit to the union. In spite of this feeling, there is a mutual feeling of respect existing between the two parties.

This all reflects the attitude of Douglas McGragor in speaking of the psychological law of effect: "Things that go along tend to perpetuate themselves, others tend ot drop out."

It is in connection with these theories that I wish to refer to the articles printed on Pabco's labor relations. But, most decidedly, I do not wish to emphasize them.

They all concern the companies original negotiations with the unions and the "labor college" that they established. These sctivities were definately news at that time.

The training school was for union employees only, and designed to give responsible officials in the unions some factors governing employer-employee relationship. It was operated by Pabco, the California Department of Education and the federal government. They presented the background of labor relations practices, labor economics, industrial financing, techniques of contract negotiations and some fundamentals of wage scales and working conditions.

These articles were but little help in writting this report. They presented a good story for the public, but at this reading sound a bit too naive and too much like advertising.

I would like to quote one sentence, with which I wholeheartedly agree. "The experiment is an attempt to prevent the switching of loyalties when the men join unions." This has not been achieved.

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