THE FIRST COLLECTIVE CONTRACT
BETWEEN
THE OIL WORKERS INTERNATIONAL UNION
AND
STANDARD OIL COMPANY OF CALIFORNIA, RICHMOND REFINERY

by

Charles S. Awenius

Business Administration 154
Mr. Clark Kerr, in charge
January 10, 1949

2636 Haste Street
Berkeley 4, California
January 10, 1949

Mr. Clark Kerr
Professor of Industrial Relations
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Berkeley, California

Dear Mr. Kerr:

Enclosed herein please find my term paper titled, "The First Collective Contract Between the Oil Workers International Union and the Standard Oil Company of California, Richmond, Refinery.

Much of the material for this report was obtained first hand. That is through part time work on week-ends at the refinery I have been able to talk with both non-union and union members. Too, I have had the opportunity of discussing terms of the contract wth management representatives and therefore feel that both sides to a union agreement are embodied in the report.

I recognize that fuller discussion of some of the points in the report should have been made, especially towards the end, but wish to state that this was caused in an effort to close the report.

Sincerely yours,

Charles S. Awenius

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TABLE OF CONTENTS

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RICHMOND REFINERY

I. INTRODUCTION

On November 27, 1946, the first collective contract between the Oil Workers International Union (C.I.O.) and the Standard Oil Company of California, Richmond Refinery was signed. The signing of this contract is not in itself important because of being the first of the large refineries to be brought under industrial unionism, but the reverse thereof. It is the last and the largest California refinery to be brought under the dominance of the C.I.O. The Richmond refinery was the goal of the Oil Workers International Unions organizing campaign, and by the signing of this contract it cullminates years of union organization and effort in California.

The agreement reached to by both parties was not done so in a short period of time without any difficulty, but was accomplished after many long days of negotiation that covers many months. The purpose of this report therefore, is to point out and show the influence and power each side had at the bargaining table in order that terms sought by the respective parties could be won. To do this it is necessary to know the history of both parties; that is to know their age, size, attitudes, and structural organization. Leadership is also essential in determining the type of bargain that is reached and even though it is difficult to obtain, it will be referred to where possible.

II. HISTORY OF THE COMPANY

The Standard of California of today was incorporated under the laws of Delaware in 1926 [1]. Prior to this however, there is another twenty-five years of business in the marketing and producing field of the petroleum business. First as part of the growth of the original Standard in the east, the company dominated the marketing of petroleum products in the west.

I. YOUR AND YOUR COMPANY - Employees Handbook, published by Standard Oil - p.7

Another firm, the Pacific Coast Oil Company, was undisputed leader in western oil production. This firm under its original name, "The California Star Oil Works Company", had brought in California's first commercially successful oil well and built the states first refinery.[2] The next step in the growth of the present company occurs in 1890 when the products of this producing firm are marketed by the largest firm in the field - Standard. Ten years later, 1900, Standard assumed direct ownership through a direct stock purchase. This marks the first year of Standard Oil in both the producing and marketing phases of petroleum products. Eleven years later the Supreme Court of the United States ruled that the old Standard Oil group must be broken up.[3] Thus, Standard Oil Company of California became an independent firm, affiliated with no other company of the former Standard Oil group.

Three refineries comprise the manufacturing set-up of the company. The largest is at Richmond and the other two are located at El Segundo and Bakersfield, California. The Richmond refinery located at Pt. Richmond, on the San Francisco Bay began producing in 1902. Crude oil from the oil fields in the state reach the refinery by both pipe lines and oil tankers.[4] Products manufactured by this one refinery number into the thousands. The major items of production of course are gasoline, oils, greases, paints, and many other by-products from hydrocarbons in crude petroleum. The Richmond refinery alone produces 50,00 barrels of automotive gasoline a day (2,100,000 gallons).[5]

Today this corporation is regarded as one of the largest on the Pacific coast and is considered by the newspapers and most of the public to be the leader in its field, especially as to prices, wages, and worker benefits such as retirement plans. Besides other wholly owned subsidiaries in the United States, the company owns and operates other companies throughout the world. These companies and countries with their types of work are as follows:

1. Arabian American Oil Company, Saudi Arabia - Exploration, Producing, Refinning and Marketing.
2. The Bahrein Petroleum Company Ltd., Bahrein Island (Persian Gulf) - Exploration, Producing and Refinning.
3. Standard Oil Comapny of British Columbia Ltd., Western Canada - Refinning and Marketing.
4. American Overseas Petroleum Company, Netherlands East Indies - Exploration Management.
5. California Texas Oil Company Ltd., Africa, Asia and Australia - Marine Transportation and Marketing
6. Richmond Petroleum Company of California, South America - Exploration Management.

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2. YOUR AND YOUR COMPANY - Employees Handbook, published by Standard Oil - p.5.

3. MOODY'S

4. YOUR AND YOUR COMPANY - Employees Handbook, published by Standard Oil - p.14. "There are 28 vessels in the Standard Fleet.

5. Interview with Refinery Manager, December 14, 1948.

6. MOODY'S

Workers for company have received higher wages in comparison with other industries on the west coast and also in their own industry. The United States Bureau of Labor Statistics data on wages among all workers in the manufacturing industries list the five highest in 1946 as follows:[7]

1.	Locomotive makers	$60.00 per week
2.	Oil Refinery workers	$55.38 per week
3.	Brewery wrokers	$54.55 per week
4.	Machine toolmakers	$53.80 per week
5.	Crude Oil production	$53.00 per week

In February, 1947, oil refinery workers moved into the top position with a weekly wage of $56.25, while locomotive makers dropped to second place with a wage of $54.60.[8]

Reasons why refinery workers have received higher wages may be laid to two factors. First of all in this industry wages are a small percentage of costs, usually around 6%, therefore placing the companies in a better position to pay. Secondly, the attitude of the company towards its employees is important. Here the reasons may be an honest conviction based upon the belief that workers are a source and a key to a proserous future. It is to be remembered that Local unions were first started in California around 1917. From an employee handbook published in 1923 it is possible to obtain the stated attitude of management toward its employees.

> "Industrial or business organizations consist of management, representing owners or stockholders, and employees. No business can endure or prosper without a satisfactory relationship between management and employees."
>
> "The Standard Oil Company does not have strikes. Employees are notably loyal and efficient and give to the Company very high standard of service. Their attitude toward their work and their performance of their duties are are largely responsible for the prosperity of the Company." 9

Thus it is apparent that the company was desireous of a favorable relationship between management and it's workers. It is to be remembered that the period of the 20's was a period "union busting" and it is also to be remembered that many large corporations throughout the United States participated in an "open shop" drive to eliminate union organization. Whether this lies in the background of managements contention or not it is difficult to determine. There seems to be no apparent reasons for such to be the case, since refinery workers were not being actively organized. Some observers however, conclude that such a policy prevented unionization. At any rate, management of this company has succeeded, by use of high wages, paid vacations, and retirement benefits in substantially lowering its labor turnover rates compared with all other manufacturing.

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7. UNITED STATES BUREAU OF LABOR STATISTICS - September 1946.

8. UNITED STATES BUREAU OF LABOR STATISTICS - April 1947.

9. STANDARD OIL SPIRIT - Published by the Standard Oil Company, p.5.

By so doing, the cost of training and maintaining a skilled work fare has been materially lowered. The table below, from the Monthly Labor Review, June, 1938, gives a clear picture of how much lower it is.

Annual Labor Turn-Over Rates (Per 100 employees)
in all Manufacturing
and in 62 Identical Petroleum Refineries
1936 and 1937 10

ITEM	QUIT RATE		DISCHARGE RATE		LAY-OFF RATE	
	1937	1936	1937	1936	1937	1936
All Manufacturing	14.97	13.02	2.38	2.63	35.76	24.70
Petroleum Refinning	6.89	8.37	.92	1.19	26.19	24.43

This table indicates the advantage that the petroleum refinning industry has over all other manufacturing. In both the quit rate and the discharge rate the turnover is more than double in all manufacturing.

Additional evidence of the companies attitude towards its employees in the 1920's indicates that top management has given careful consideration to the workers frame of mind, by adopting policies that provide workers with a sense of security and a feeling of belonging to an organization that cares about their future. This attitude of the company is stated in its employees handbook of 1923 as follows:

"The creation of efficiency is something beyond simple experience and training. To attain greatest success, for the employee as well as the management, there must be a spirit of co-operation and mutual confidence. These things, we believe, have been quite highly developed in the Standard Oil Company."

"There can be no written formula for the creation of a satisfactory relationship between employees of a company and its management. The employee seeks, and is entitled to, fair compensation for what he produces, reasonable hours of work, good working conditions, and opportunity for advancement. Management seeks efficiency and loyalty and stability of personnel. The condition cannot be created by artifice or device, for there are intangible factors of human relationship best summed up, perhaps, by the phrase, "frame of mind", on the part of management as well as the employee, which is not artificial. These factors concern mutual confidence, friendliness, and intelligent understanding of human problems, co-ordinated with and adjusted to business exigencies."

"The problem has its variations; as many, almost as there are kinds of business and character of people. A solution in one industry is not a solution for all, nor is the solution of one company in a given industry necessarily a solution for all of that industry. A condition may be reached in part of the country, which would not be satisfactory elsewhere. Disturbing elements of race, population, and even climate abound."

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10. MONTHLY LABOR REVIEW, June, 1938, p.5.

"The character of relationship which exists in this company is, in great measure, due to the understanding of employees' problems by the executives of the organization. Company executives of the organization. Company executives come from the ranks. The seven directors, for example, average thirty-four years of service, and all started at the bottom. Their own experiences have given them an appreciation and understanding of the fundamentals of the important problems. Throughout the company there exists close personal contact between foremen, superintendents, and managers, and those under their direction. This contact has led to mutual confidence, which is the most important thing of all."

"Out of the close contact and personal touch have grown numerous policies for the betterment of the status of the employee. Some of these have to do with his financial welfare, others with his mental attitude toward his work, and others with his health. Some eleven thousand employees are stockholders, with liberal assistance from the company. The employee is assured of a pension; the company provides life insurance for his dependents, and if he falls ill or has an accident he is entitled to certain so-called benefits. A Medical Department concerns itself with his health. He has regular vacations. His hours of work are limited."[11]

From the above it is readily seen that this company, during the period of the open-shop movement, [12] has adopted a very elaborate and up to date personnel program, that provided employees with benefits not received by most industrial workers of their time. Today twenty-five years later the same general stated policies of the company are to be found in the new up to date employees handbook. The only significant change in their two handbooks concerns the rights of employees to join labor unions. From their present day handbook is this: "One of the rights which Standard respects is, of course, your right to join a labor organization .... "

"This means that if you, along with a majority of the employees in an appropriate bargaining unit, select a representative to bargain collectively for you, the company is perfectly willing to discuss with him pay or working hours or any other working conditions. It goes without saying that by representing you in this manner no Standard Oiler in anyway endangers his standing with the company." [13]

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11. STANDARD OIL SPIRIT, Published by Standard Oil, 1923, p.6.

12. Open-shop organizations existed in practically every industrial center in the country; in addition to conducting "patronize the open-shop" campaigns, these organizations extend direct aid to employers such as maintaining black lists of union members and funishing money, spies, and strikebreakers to employers involved in strikes. Florence Peterson, SURVEY OF LABOR ECONOMICS, p. 485.

13. YOU AND YOUR COMPANY, Standard Oil Company of California, p.23.

SUMMARY

In summary we find that this company has been in business nearly sixty years, continuously expanding where today it is world wide with enormous resources on which to draw from. The Richmond refinery alone, one of the largest in the nation, has been in operation for over forty seven years. Workers have received higher wages than any other industrial workers (highest in industry today). With high wages, workers have also received the benefits of a very modern and up to date employee personnel program. The most revealing point of all to be pointed out is that management in stating its favorable attitude on the rights of workers to join labor unions has defined what they believe to be the scope of collective bargaining. That is pay or working hours or any other working conditions.

III. HISTORY OF UNIONIZATION

Prior to the entrance of the Oil Workers International Union, C.I.O., represented at the Richmond refinery by its Local 561, there were other unions that have had agreements with the refinery for many years. These unions, all craft unions of the A.F. of L. are as follows:

1. International Association of Machinists.
2. International Brotherhood of Boilermakers, Iron Shipbuilders, Welders and Helpers of America.
3. International Brotherhood of Electrical Workers.
4. A.F. of L. Carpenters and Joiners.
5. A.F. of L. Cement, Line and Gypsum Workers.

The Boilermakers, with a membership of approximately fifty to sixty members was the first union in the refinery, entering around the year 1906.[1] Soon after this first union was established in the plant other A.F. of L. craft unions followed. The Machinists have comprised the largest bargaining unit, maintaining a membership of nearly two hundred employees. These craft unions have bargained with the company for over forty years without any strikes and in the words of one of the companies negotiators, "they are nice to deal with." This plus the fact that nearly all of the craft unions of the A.F. of L. are noted for being responsible for the signed contract, has furthered collective bargaining within the refinery. However, these craft unions limit their membership and do not provide other industrial workers with the opportunity to join. For example, the membership requirements of the International Association of Machinists are as follows:

"Originally only "competent, all-round machinists" who had served an apprenticeship of not less than four years, were eligible for membership in the International Association of Machinists. A "competent all-round machinists" was one who could operate successfully any standard machine in the shop, perform bench and vice work, lay out and erect engines or machines of any kind, and also repair them after they were in operation. As time went on the all-round machinists were substantially replaced in many industries by specialists who tend and operate single purpose machines, or perform specialized assembly work. In other industries the introduction of automatic machinery eliminated the need of journeymen and specialists and replaced them by machine operators or production workers."

"The first move to liberalize the qualifications for membership in the union was made in 1903 when specialists were admitted to the organization. In 1905 apprentices were admitted. In 1911 provision was made for the admission of helpers and of women working at the trade on the same basis as men. At the present time the aim of the Internationa Association of Machinists is to bring within its organization all employees, men and women who are actively engaged in or connected with the machinists trade."[2]

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1. Interview with Industrial Relations Department of the Richmond Refinery on December 15, 1948.

2. LABOR INFORMATION BULLETIN, Volume V, May 1938.

The other craft unions have similar restrictions on membership, thereby furthering their small groups without concern for the larger mass of fellow workers.

OIL WORKERS INTERNATIONAL UNION

Local unions were first organized in California, Texas and elsewhere in 1917. In 1918 they became known as the International Association of Oil Field, Gas Well, and Refinery Workers. The growth of this organization, as nearly all other unions during the 1920's was fared with hard times. [3]

In 1933, with the inaugration of a new President who recognized the rights of workingmen to organize for their own protection and advancement, the International Association of Oil Field, Gas Well, and Refinery Workers grew by leaps and bounds.

In 1935 the International joined with seven other international unions to form the Committee for Industrial Organization within the American Federation of Labor. [4] The purpose behind the foundation of this industrial committee was to combat craft union claims of other A.F. of L. unions that threatened the Oil workers efforts to organize along industrial lines. During this interim period or reorganization, the name of the union was changed to the Oil Workers International Union (O.W.I.U.). At the 1936 union convention, they also established an International Executive Council, composed of seven rank and file members, who are the policy-making body of the union between conventions.

When the A.F. of L. in 1937 expelled the unions which had formed the Committee for Industrial Organization, these unions launches the greatest organizing drive in history under the banner of the Congress for Industrial Organization (C.I.O.). Industrial unionism is basic to this organization, providing the foundation for unionization of America's basic industries. This differed from affiliation with the A.F. of L. where these industrial unions were under constant attack by craft unions who tried to carve out a few craftsmen here and there. These constant attacks and frequent bickerings weakened the unions position, thus forcing them out in order that unity could be maintained. Their motto of the day: "One union for each industry - and all workers in the industry in one union, regardless of sex, creed, race, or national origin." 5

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3. Peterson, OP. AT., p.485.

4. Peterson, OP. AT., p.494.

5. C.I.O. Handbill

STRUCTURAL ORGANIZATION AND LEADERSHIP OF O.W.I.U.

The O.W.I.U. is divided into seven geographical districts across the United States. These districts are as follows:

District No. 1 - Pacific Coast States
District No. 2 - Rocky Mountain Region
District No. 3 - Southwest
District No. 4 - Gulf Coast
District No. 5 - Mid - Continent Area
District No. 6 - Around the Great Lakes
District No. 7 - East Coast

These geographical districts provide the frame-work for organization. Each district has a district council, composed of delegates from affiliated local unions. The Supreme authority is the International Convention, which meets once a year. Each local (approximately 200) is represented at the convention, where policies are determined and also where candidates for international offices are nominated. The candidates nominated at the national convention are elected by members of the O.W.I.U. by referendum following the convention. At the same time members in each district elect a member to the International Executive Council. 6

Leaders of this large international union have reached office through rank and file membership in the oil industry. They too are thorougly familiar with problems faced by the local unions. A typical example of such leadership is that of the president of the International, O.A. Knight, president since 1940. His career started with the Shell Oil Company at Hammond, Indiana, where he worked from 1926-1937. He was prominent in helping to organize this area and as a result he was elected by District Six as district representative on the Oil Workers International Executive Council. In 1937 he joined the National C.I.O. Staff and in 1939 he was assigned to organize the O.W.I.U. in California where to this day he holds membership in local 128, Long Beach, California. 7

Dues of the O.W.I.U. are $2.00 per month. 8 Ninety cents of this goes to the International, twenty cents of which goes to the Oil Workers Organizing Campaign and the remaining seventy cents a month goes to maintain the International Union, most of which is used to keep a staff of International representatives in the field. The rest of the $2.00 ($1.10) goes to the local union treasury to be spent as the members direct. Therefore, it is assumed that the O.W.I.U. is a "democratic" union since it elects its national officers by referendum and the"body" of each local has final say so over the action of its representatives.

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6. MEMBERSHIP PAMPHLET OF O.W.I.U. - SO YOU ARE NOW A MEMBER OF O.W.I.U.

7. INTERNATIONAL OIL WORKER, OFFICIAL JOURNAL OF O.W.I.U., September, 1946.

8. Recently dues have been raised to $3.00 a month.

Goals of the Oil Workers Union, as stated in their membership pamphlet are as follows:

1. The best contract a local union can get, the highest possible wages for the job, the 36-hour week or less, job security through seniority, liberal vacations and sick pay.

2. Full employment at the American standard of living. To be accomplished by political action organization, (C.I.O. - P.A.C.)

3. Direct support of the United Nations to work for world peace and prosperity. 9

LOCAL 561, RICHMOND, CALIFORNIA

The Oil Workers International Union is represented in the Richmond refinery of the Standard Oil Company by local 561. This local was first certified as the bargaining agent by the National Labor Relations Board on May 15, 1946.10 Prior to this certification there had been a great deal of union organizing work directed at the company in an attempt to bring industrial unionism to its workers.

It is interesting to note how the tactics of both sides will change over a period of time. Back in 1938 for example, both sides were 180 degrees out of phase. That is their positions taken then regarding an appropriate bargaining unit is the reverse of that of today. At that time the O.W.I.U. was attempting, by any workable method, to organize any one refinery. The El Segundo refinery represented the easiest of the three refineries to organize, because it did not have other craft unions to contend with. Reading from a decision of the National Labor Relations Board, dated March 3, 1938, the contentions of both parties reads as follows: "O.W.I.U. contends that all employees working at the companies El Segundo refinery, excluding supervisory and clerical employees and guards, constitute the appropriate unit. The company takes the position that all employees in the three refineries at El Segundo, Richmond, and Bakersfield, excluding supervisory and clerical employees, constitute a single appropriate unit. Based on the following:

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9. MEMBERSHIP PAMPHLET OF O.W.I.U., Op. Cit. 12.

10. N.L.R.B. Case No. 20-R-1255, 20-R-1485.

1. The companies three refineries operate as one unit.

2. All products produced are controlled centrally through the Manufacturing Departments general managers office in San Francisco.

3. All accounting is upon the basis of the Manufacturing Department as a unit.

4. All matters of general policy are determined in the San Francisco office.

5. Wages, hours, working conditions, classifications, and processes are similar at all three refineries.

6. Other oil companies on the Pacific coast have conducted collective bargaining relationships with their employees on a state-wide basis. [11]

Therefore, the conclusion and the order of the Board was as follows: "No question concerning the representation of employees of Standard Oil of California in a unit which could be found appropriate for the purposes of collective bargaining has arisen within the meaning of Section 9 (c) of the N.L.R. Act. Order: Upon the basis of the foregoing finding of fact and conclusions of law the N.L.R.B. hereby dismisses the Petition for Investigation and Certification filed by O.W.I.U. Local 299."

As it will be shown later on the O.W.I.U. did not enter the El Segundo refinery for more than seven years after the above ruling was handed down; nearly eight years before it won at Richmond.

To direct the Organizing Campaign of the O.W.I.U., the National C.I.O. Council sent in William B. Taylor, who had succeeded in bringing the mighty Ford Motor Company into the C.I.O. Four years were spent in this organizing campaign and all devices such as the mass distribution of handbills, appointment of shop stewards in each department of the refineries to such new members and obtain causes for grievances, open meetings to discuss the advantages of union membership, and membership drives where free beer was plentiful, were the methods used. All in all the campaign was based upon the real need for industrial unionism and along with it hard feelings on both sides was generated into the campaign. Friendships of many years were divided. Employees bitten by the bug of unionism could not tolerate the attitude of their fellow workers who hesitated in joining the cause. The organizing campaign painted employers as the meanest people on earth, pointing out that the high pay received by the workers was done by the company only to cover up the enormous profits received by the top management. So much bitterness was developed that it could not help but to extend over into the period of contract negotiations.

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11. National Labor Relations Board, Case No. R-265, March 3, 1948

STANDARD EMPLOYEES ASSOCIATION

A company union had been in operation for many years prior to the organizing campaign referred to above. This union called the Standard Employees Association, organized prior to advent of the N.I.R.A. was weak in leadership as most company unions are and was an easy target for the organizing campaign to center on. As a result of application by C.I.O., an N.L.R.B. investigation as to whether or not the Standard Employees Association was company dominated, the N.L.R.B. issued an order on May 21, 1945, to dissolve the union. Consequently the Standard Oil published on its bulletin boards as follows:

> "We hereby disestablish Standard Employees Association as the representatives of any of our employees for the purpose of dealing with us concerning grievances, labor disputes, wages, rates of pay, hours of employment or other conditions of employment, and we will not recognize it or any succession thereto for any of the above pruposes.
> We will not dominate or interfere with the formation or administration of any labor organization or contribute finances or other support to it.

ORGANIZING CAMPAIGN SUCCESSFUL

Accordingly, membership in the C.I.O. was increased 115%, as a result of the above company statement. [12]

The A.F. of L. sought to replace this company union by forming the Operating Engineers, a union developed to combat the inroads of the C.I.O. industrial union.

This union defeated itself of any chance for success by stating from the start that it did not believe in strikes, and would not use economic action to seek its gains. This statement was given wide publicity throughout all of the C.I.O. newspapers and as a direct result union membership for October and November 1945 showed a 29% increase.

As mentioned earlier, efforts to organize Standard were concentrated the heaviest at its refinery in El Segundo. On September 20, 1945, the O.W.I.U. won this refinery by a vote of 604 to 347. This was a real victory for the union; it left only the Richmond refinery to be brought in to complete its goal. Nine months later at El Segundo, the first contract between Standard Oil of California and the Oil Workers International Union was signed.

Victory at El Segundo spurned the Richmond attack. December, 1945, saw election machinery beginning to operate. Membership in local 561 had increased another 60%, due to the return of the 40 hour work week.

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12. INTERNATIONAL OIL WORKERS OFFICIAL JOURNAL OF O.W.I.U., June, 1945

An additional spurt to the drive was given in March, 1946, by the threat of lay-off. Handbills told the story. Seniority was stressed as the most vital part of a union contract. Consequently on April 29, 1946, an N.L.R.B. election was ordered. On the ballot were the following three unions.

1. Independent Union of Petroleum Workers
2. Oil Workers International Union - C.I.O.
3. Operating Engineers - A.F. of L.

These three unions were seeking recognition to bargain collectively for all employees not already covered by labor agreements of the craft unions and other classified personnel such as telephone operators, office janitors, photo-reproduction employees, etc. Results of the election were as follows:

1.	Oil Workers International Union	- 1093
2.	Operating Engineers	- 464
3.	Independent Union of Petroleum Workers	- 342
4.	None	- 108
5.	Challenged	- 26
6.	Void	- 7
	Total	2040

Immediately following this victory a Stewards' training program was established at the California Labor School in San Francisco. 13 This measure was for the express purpose of having all Stewards better prepared to understand their functions, duties, grievance procedures, terms of a contract and also, to provide them with a general background of the American Labor Movement. The course at the school offerred the following six subjects.

1. History of American Labor Movement.
2. The O.W.I.U. Constitution.
3. Labor economics.
4. Political action.
5. Shop steward's duties.
6. Study of a proposed union contract.

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13. INTERNATIONAL OIL WORKER, Official Journal of the O.W.I.U., May 13, 1946.

IV CONTRACT NEGOTIATIONS

"Few useful generalizations can be made about the negotiations of labor agreement. Proposals may be discussed, terms arrived at, and a document drawn up and signed with the greatest of casidness and informality. Or a trade agreement may be negotiated by "joint conferences" with much of the formality and protracted sessions of a diplomatic conference drafting an international treaty." 1 Thus, the two methods of drawing up contracts are clearly pictured. However, there are some basic principlas that are followed and great effort expanded on both sides before they actually sit down to bargain over terms of the contract. Another very important subject to be considered is the power each side has at its command, to use when necessary.

In the petroleum industry there is no outstanding "power center" as there is the automobile and steel industry, represented by General Motors and United States Steel respectively. In these centers the master agreements, so to speak, are reached by these large corporations and their counter part, the United Automobile Workers and the United Steelworkers of America. The different terms in these contracts are decided upon and agreed to by the leaders of both labor and business. Once agreement has been reached here, it narrowers the field or area of controversy for the remaining firms in the industry.

However, the petroleum industry is not void of any pattern or master agreement. As early as 1937 it is found that one agreement is looked upon as the one to be followed. This was determined from an article appearing in the Monthly Labor Review for February, 1937.

"Bargaining between the two parties is done on a local basis. Only one collective agreement in the international union is done on a national basis and that is the contract with the Sinclair companies. Even though negotiations with other companies are conducted locally with the assistance of the union's international officers, uniformity is secured by the inclusion in all agreements of certain cardinal principles. Except for the Sinclair agreement, which runs for a year and a half, the usual term is one year. In general, agreements are automatically renewed unless 30 days written notice of intent to terminate or modify is given." 2

It is only logical to assume that if a collective bargain has been reached between one large employer in an industry with a national union, other employers in the same industry are going to carefully study this agreement; first of all to determine what to expect an then to see if they cannot obtain better terms than there competitors. 3

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1. William & Harris, TRENDS IN COLLECTIVE BARGAINING, p.52.f.

2. MONTHLY LABOR REVIEW, Volume 44, February, 1937, p.419.f.

3. One of the negotiators for the firm admitted that "the Sinclair deal guides the thinking."

After the O.W.I.U. had been certified, local 561 immediately started submitting articles for agreement to its membership for approval prior to meeting with the company. The stewards committee drew up this list of proposals, and at the start the union shop provision was of primary concern. Negotiations with the company actually started on July 24, 1946, with lengthy meetings totaling twenty-two days. The composition of the unions negotiating committee was quite large compared with that of the A.F. of L. unions. The O.W.I.U. normally have around fifteen members present, whereas the A.F. of L. has not more than six. Reasons for this large number may be accounted for by the fact that C.I.O. unions are controlled by there "body" more so than the A.F. of L. unions. This means that the "body" is not willing to let a few men meet and decide their contract. They want to know the full story. Experienced hands are at the table with the negotiating committee from the local, such as a vice president from the International and usually the District Director. These men guide and train the new local in the act of collective bargaining.

To start the actual negotiations the union has a prepared written contract ready to submit for the company's approval. This contract contains all the standard clauses handed down by the International union. A mutual exchange of terms to be bargained over were first submitted by both sides. This differs from the method used by the A.F. of L. in that their bargaining each article is agreed upon one at a time. Actually, this is the method finally used. The union reads over this prepared contract and the company states its approval of those articles that will be acceptable to them. Those not acceptable are turned down either to be cast out or to be used for bargaining later on. The company has its own proposals ready to substitute for, or to be included in the agreement. If accepted they are included, if not they too will be used to bargain against those of the union.

DIFFICULT PROVISIONS

One of the first snags to be reached in negotiations covered the date of termination of the contract. The International Executive Board meeting in Ft. Worth from May 6-11, 1946, decided all O.W.I.U. contracts to end on June 1st of each year. 4 This decision was included in the first contract offerred by the union. The company immediately refused this date for it was readily apparent that if they agreed to this dat along with all other refineries in the nation, the union would be able to shut down all refineries throughout the nation at one time, thus effecting a complete and nationwide gasoline shortage that would give them added power in future contract negotiations. The company's objection stalled negotiations long enough for the union to realize that a "sleeper" could not be put through.

4. INTERNATIONAL OIL WORKER - O.W.I.U. Official Journal, May, 1946.

An other provision proposed by the union that received violent objection to by the company was that concerning the closed or union shop. The union during the heated organizing campaign had promised its membership that this would receive its fullest support after union recognition was won. The company t ok the stand that such a provision was "un-American", and that they would stand a strike rather than agree to such a proposal. Consequently the union and/or closed shop clauses were dropped by the union and in their place was a Maintenance of Membership provision included in the article providing for Union Security. A separate article titled "check-off" was also included that provided the union with a means of collecting initiation fees and regular monthly dues from its members provided such members authorized the compay to do so in writing.

Overtime was a tough subject to agree upon since the nature of the work requires that the plant be operated 24 hours a day. The main difficulty arose over terminology in discussing the subject. For example, what is to constitute over time¾ Will it be for work over eight hours a day, or will it be for over forty hours a week? And if overtime had been worked, can the company compensate by not scheduling work? This is a sample of what both parties had to work out and put in writing before clear discussion of the subject could be reached.

Once a week, and sometimes oftener, the union members would receive reports concerning the progress of negotiations. For instance, during the month of November, 1946, the union reported that Standard Oil reguses to liberalize the pension plan or subscribe to the union health plan. 5 This was not of major concern to the membership since they were already covered by such plans for many years prior to the advent of the union. This report was made for the main prupose of following the action of the International Executive Council which had made as one of its goals during its meeting in May, 1946, to bring down the retirement age to 55 and to double the retirement benefits. This, by the way, was a unanimous decision.

Also, during these meetings the union attempted to show that its membership was strong and ready to back its demands with force. They would report both in their journal and to the company that its members were solid and militant. One would not be naive enough that the company would not want to know this information in the first hand, for it is at these meetings that the company can find out just how much power the union holds. The union's main objective is to demonstrate that they have this power in any way possible. When negotiations were snagged again around October 30, 1946, the negotiating committee was given the power to strike, to be used whenever necessary, by unanimous vote.

Here, it is interesting to note how the strike procedure of the O.W.I.U. differs from that of an A.F. of L. craft union.

From the Constitution and By-laws of the O.W.I.U., strike procedure is as follows:

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5. INTERNATIONAL OIL WORKER, Official O.W.I.U. Journal, November 4, 1946

"Should three fourths of the affected members voting decide on a strike, by secret ballot, the president of the local union or presidents of the local unions, shall, in conjunction, notify the International President of the cause of the matter of the dispute. The President of the International will authorize the strike." 6

The strike procedure of the International Association of Machinists is as follows:

"Strikes of machinists can be called only after no less than three-quarters of the membership effected vote in favor of a strike. No officer, howerver high in rank, can call a strike. After a vote is taken, the matter of the strike is referred to the Grand Lodge, the national office of the organization.

"The International Association of Machinists is committed to the principal of settling all disputes with employers through direct negotiation, conciliation, and voluntary arbitration. Strikes are called only as a last resort, after every means of settling the dispute has been tried and failed." 7

The interesting and significant difference between the two appears in comparing the first sentence of each. The difference however, may be that of interpretation or just legalistic. At any rate it is noted that the O.W.I.U. reads: "should three-fourths of the effected members voting decide on a strike," while the Machinists reads: "strikes of machinists can be called only after no less than three-quarters of the membership effected vote in favor of a strike." For example, if each respective union had 100 members, we could call a strike if only three-fourths of those voting voted in favor; say 60 were voting, then 45 votes in favor of a strike would be enough, while in the other union it would take 75 votes to authorize action.

The longest of all the articles in the agreement is Article 9, concerning Promotions, Demotions, Lay-offs, and Hirings. This article is based upon seniority, the primary subject during most of the organizing campaign. It is on this subject that the union obtained most of what they wanted. Management if it had its way, would of course, like to do without any seniority for it is more economical for them to run their business. However, they do and have recognized seniority in the past since it is an equitable way in handling employees. Besides, with a pension and retirement plan in operation it is essential.

Strict seniority as it appears in the agreement, is another thing. Even those union men on the negotiating committee who at one time insisted for its adoption, now realize the inequities involved. During the negotiations management pointed out that they agreed to the principle of seniority, but that it is only fair to their employees for the purpose of training promising workers for future management jobs, that a small percent say 5-10% be allowed to be excluded. This point would not be allowed the union and does not appear in the contract.

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6. Constitution and By-Laws of the O.W.I.U., 1941-1942, Article XII, Sec. 2.

7. LABOR INFORMATION BULLETIN, Volume V, May 1938.

V. THE CONTRACT

The criterion of a good contract has not as yet been fully established. Slichter says: "The general principle is that it should contain compromises which recognize the most crucial interests of both the union and the management." 1 He further lists ten principal conditions which a "good" agreement should meet. They are:

1. It should give security to the union. (This is provided for in Article 3.)

2. It should give management reasonable opportunity to select its own employees. (There is no closed or union shop clause).

3. It should protect management from being required to discharge valuable employees because of the imposition of discipline by the union unless the discipline has been reviewed by the same umpire who reviews discipline imposed by management. (The Article on Union Security contains a provision covering disputes between employees and the union. If the employee has not used the 5 day escape period, at the end of each year, and is not in good standing, such dispute may be submitted to arbitration as provided in the engagement or otherwise settled as mutually agreed by the company and the union.

4. It should give management reasonable freedom to make changes in methods and equipment. (There is no clause concerning technological change, but there are certain restrictions concerning schedule changes and the application of seniority in cases where changes cause lay-offs).

5. It should give workers reasonable protection from technological changes. (most workers are protected by a section that covers transfers due to changes in method of operation).

6. It should not enforce wasteful utilization of labor. (There appears to be no provisions forcing featherbedding).

7. It should provide an orderly way of allocation work in the event of a drop in the demand for labor by the enterprise. It should protect the workers from permanent lay-off because of temporary declines in the demand for labor. (The nature of the business and the prosperous period has caused this subject to be neglected).

8. It should permit management to retain reasonable incentives to encourage efficiency. (Already discussed earlier above under seniority).

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1. Summer H. Slichter, THE CHALLENGE OF INDUSTRIAL RELATIONS, P.57.

9. It should provide machinery for determing the meaning of the agreement in the event of disputes over its interpretation and for enforcing the agreement in the event of violation by the employer or by the union. (There is no such provision in the contract. No umpire is referred to for interpretation, only the grievance procedure is outlined).

10. It should provide machinery for hearing grievance which do not arise out of alleged violations of the agreement, but which arise because the employer or the union is acting in ways which the other regards as unfair. (Article 17 - Grievance Procedure outlines the four step procedure. The last step provides for the appointment of bi-party board.

From the above it is apparent that this contract meets the requirements of a "good" contract. There is room for much improvement that may appear after both parties have worked together for longer periods of time.

VI TWO YEARS UNDER THE CONTRACT

Except for wages, the contract has been in operation without any major changes being made in the original agreement. Only one grievance case has been submitted to artibtation. This was more or less a test case and the decision was granted in favor of the company.

Each problem that has come up has been attacked by both sides in an intelligent manner, working them out to the most logical solution. Therefore, it may be said that collective bargaining has been on a problem basis, each side sticking to the stated definition laid down inthe contract.

STRIKE - SEPTEMBER, 1948

The first major oil strike in California since 1921, occurred in September, 1948. 1 A summary of the strike, from the Monthly Labor Review is as follows:

"About 16,000 employees of nine major oil companies in California stopped work on September 4, as last minute negotiations between the companies and the sixteen locals of O.W.I.U. (C.I.O) failed to bring about agreement on wages. The union asked originally for hourly increases ranging from 30 to 39½ cents but lowered the demand to 21 cents by September 3. The companies offer was 12½ cents which they claimed would raise wages 83% above the 1941 figure."

"The number of idle workers increased to nearly 22,000 on September 8, when members of the Independent Union of Petroleum Workers employees of the Standard Oil of California failed to reach an agreement and joined in the strike."

"As the strike progressed, the union scaled down its wages demand to an increase of 12½ cents an hour, retroactive to July 1; it suggested further that the remainder of the 21 cents increase should be submitted to arbitration by the Governor of California. In addition, the union steadfastly refused a settlement unless it included a satisfactory union security provision, the right of all strikers to return to work and the dismisal of damage suits totaling several million dollars brought against the union by the companies." 2

The above summary gives little light as to the nature of the strike. Neither side really expected a strike to be pulled. The union, at most, expected that it would last only three or four days, and their demands would be won. They set the date on a Labor Day week-end, giving them four days before returning to work. In this short time they were hoping to have an effective shut-down and then they would go back to work. In as much as neither side expected a strike, it seems that this must have been their plans.

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2. MONTHLY LABOR REVIEW, Volume 67, November, 1948.

On the last day of negotiations, the unions offerred to bring the plants down in the usual orderly fashion. This was agreed to by all except one. Standard Oil stated that it would keep its plants open, using supervisory personnel, and others that would stay in. This turned out to be the "unexpected" in the plans of the union.[3] By not having an effective strike their position would be critical. As the strike continued, the public still received gasoline and no one felt any real inconvenience.

Violence on the picket line was no uncommon and the hard feelings generated during the two months of the strike will be remembered for many years. At the present time, Local 561 of the O.W.I.U. has no bargaining rights. These rights were lost due to a representation election ordered during the final phase of the strike. Months before the strike started some unions had petitioned the N.L.R.B. for an election and the election was ordered during the first part of November. By bad judgment and poor tactics the O.W.I.U. has lost for at least a year what it had so triumphantly won only two years before.

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3. Unions Official Journal, INTERNATIONAL OIL WORKER, stated this to be the first time any refinery refused an order shut-down by members of O.W.I.U.

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