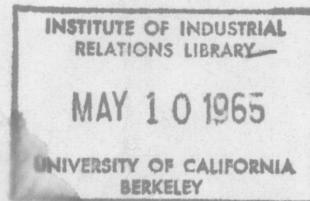


Longshore Industry  
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# The ILWU-PMA Mechanization and Modernization Agreement

By LINCOLN FAIRLEY



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# The ILWU-PMA Mechanization and Modernization Agreement

By LINCOLN FAIRLEY

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**Dr. Fairley serves as Research Director for the International Longshoremen's and Warehousemen's Union.**

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ON OCTOBER 18, 1960, the International Longshoremen's and Warehousemen's Union and the Pacific Maritime Association signed a mechanization and modernization agreement running to July 1, 1966. The agreement was the culmination, reached after five months of intensive negotiations, of discussions and planning by the parties which had begun three years earlier in 1957. Union members gain a unique degree of protection against layoff and declining earnings, insofar as these threats are the result of rising productivity, while the employers gain substantially greater freedom to mechanize and modernize. Negotiations were amicable, with no strike threat, and were conducted without benefit of any third party.

The union involved, the ILWU, represents, with minor exceptions, all the longshoremen, shipsclerks and related categories on the Pacific Coast of the United States, the West coast of Canada and Alaska and Hawaii. It also represents warehousemen in these areas and a wide variety of miscellaneous workers. In Hawaii, it represents also the vast majority of workers in the sugar and pineapple industries, all the way from field

laborers through those engaged in processing. It is the longshoremen and shipsclerks on the Pacific Coast who are involved in the mechanization and modernization agreement under discussion. Somewhat similar agreements now apply in British Columbia and Hawaii, but these are separate contracts.

Among the Pacific Coast longshoremen and clerks it is necessary to distinguish three categories, differentiated principally by the extent of their attachment to the industry. Ever since the award of the National Longshoremen's Board in 1934, the regular longshoremen have been in the lingo of the industry, "registered" men. To become registered a man must be approved both by the employers' association and by the union. The number to be registered in a particular port is likewise jointly determined. Disputes over registration may be taken to arbitration.

At the present time there are two categories of registered longshoremen, those "fully registered" or "A" men, and those "partially registered," known as "B" men, or "pool men." The fully registered men have first preference for dispatch. They constitute the union's membership, though registration is in no way contingent upon union membership.

The partially registered men are entitled to any work not claimed by

the "A" men and, except for benefits under the mechanization agreement, are entitled to all contract benefits, including welfare and vacations. Their time as "B" men counts toward their qualifying years of service for pensions. The "B" men constitute an entrance classification: they are men who have decided to be longshoremen and who in the course of time anticipate becoming fully registered men and union members. They are for the most part younger men, starting before age 40, and willing to put up with an annual income of \$5,000 or so in order to become "A" men who, if they make themselves regularly available, earn about \$7,500 a year.

The third category of men consists of "casuals," who have no recognized attachment to the industry and who work only on peak days when the "A" and "B" lists have been exhausted. The need for an auxiliary force of "B" men and casuals arises out of the violent day-to-day fluctuations in the demand for men. The regular work force of "A" men could not handle the work without causing serious gang shortages on busy days, with resultant ship delays.

On the other side of the bargaining table is the Pacific Maritime Association, made up of several different groups of employers with somewhat diverse interests. There are, first, the West coast steamship operators, including Matson Navigation Company which shuttles between the coast and Hawaii; Alaska Steamship Company, which runs to Alaska from Seattle; American President Lines, which runs to the Orient and around the world; Pacific Far East Line and States Steamship Company, which run to the Orient. These represent the main strength of the association and are the principal policy makers.

The second group includes East coast operators whose ships touch at

West coast ports, such as Grace Line, American Mail Line and Weyerhaeuser Steamship Company.

There are, thirdly, a large number of foreign lines—Japanese, British, German, Scandinavian and many others—some of which are members of the association and others of which participate only through their West coast agents who are members.

Finally, there are the stevedore contractors who are, for the most part, the direct employers of longshoremen and who work on a contract basis for the steamship operators. They load and discharge the ships. Only two of the steamship companies do their own stevedoring and hence employ longshoremen directly. There are also terminal operators who, like the stevedore contractors, do work on behalf of the steamship companies, but who are reimbursed on the basis of a tariff, not a contract. They do such dock work as loading and unloading rail cars and palletizing or depalletizing cargo, work which is often done by the steamship companies themselves.

### **Character and Extent of Mechanization**

The longshore industry is technologically among the most backward. An industrial engineer from any one of the mass production industries would be horrified to find sacks of coffee on the San Francisco docks being handled just as they have been handled since sailing ship days. No one of the many separate corporate links in the transportation chain has sufficient interest in greater efficiency to force the changes in coffee handling methods, for example, which, to be effective, must start in Brazil and be carried right through to Hills Brothers or Folgers in San Francisco.

At the other extreme is Matson's container ship which can be loaded

and discharged in a single shift of eight hours using a single longshore gang in place of eight or nine gangs for five or six shifts just for loading. The specially designed ship carries nothing but large containers the size of truck trailers, hoisted in and out by a specially designed shore-based crane. On this operation, productivity of the longshore labor has been increased 40 to 50 times. If the whole operation from shipper to consignee is considered, the gain is very much greater.

The fact, of course, is that the longshore industry combines a vast number of operations which have nothing in common but the movement of cargo to or from a ship. Ships and piers differ markedly in design, the conditions of trade routes differ and cargoes range from bulk wheat, sugar or wine to "plunder," which consists of miscellaneous break-bulk items. There is little which is comparable between pouring bulk sugar into the hold of a specially prepared ship and stowing lumber piece by piece. It is not surprising that technological advance proceeds by fits and starts, now here, now there.

The first big change, accelerated by wartime demands for greater efficiency, was the use of lift trucks on the docks. This radically changed dock operations and forced the Union to give up the "long gang" including a dock complement attached to the ship's gang. "Short gangs," or ship gangs, have prevailed since the war.

Since then the important developments have been, first a shift to bulk handling, a radical improvement in bulk handling methods, for such cargoes as grain, ore, sugar and scrap metal; and, second, the increasing use of unit loads to replace the old break-bulk handling. Instead of sacks or boxes or sticks of lumber being handled piece by piece, they are now

increasingly being handled in units weighing a ton or more. The items may be glued together as in the case of cartons of pineapple or beer; they may be strapped as in the case of lumber; or they may be put into vans or containers. The containers may carry anything from household goods of an Army officer going to Guam to bulk rice from Sacramento.

Recent studies, particularly those by the Maritime Cargo Transportation Conference, a quasi-governmental unit of the National Academy of Science, suggest that for the ship operation alone, savings from handling simple palletized loads may equal savings from the more elaborate container systems. However, considering the entire transportation chain from shipper to consignee, where several modes of transportation are involved, it seems that containerization will become increasingly important.

It is changes of these types, certain to be multiplied in the future, which have begun to reduce the demand for longshoremen and which have stirred the industry into adopting the program under consideration. How rapidly the changes will occur and how great will be the reduction in work opportunity cannot be foreseen with any great accuracy. Our own conclusion is that there are enough difficulties in the way of progress so that attrition, as aided by the program of early retirement incorporated in the mechanization agreement will continue to exceed the drop in work opportunity.

### **Background**

This agreement did not spring full-blown from the brow of Zeus, or from the brain of Bridges. Its genesis goes back a number of years, but more specifically to 1957. In April, 1957, the problem of loss of work opportunity due to mechanization was

discussed at a longshore caucus and the officers of the Longshore Division of the union were instructed to make a report to the following caucus on just what was happening. The caucus in our union is a delegated convention representing all the longshore locals which meets at least once and frequently twice a year to formulate policy for the division, including particularly bargaining demands. The officers, assisted by the research department, made a careful survey of the extent of mechanization, made rough estimates of probable effects on work opportunity and came up with recommendations on how to proceed.

The next caucus, held in Portland the following October, was called specifically to review the officers' report. The problem under discussion was formulated in this fashion: "Do we want to stick with our present policy of guerrilla resistance or do we want to adopt a more flexible policy in order to buy specific benefits in return?" It was agreed that by the term "mechanization," the union meant any change in method of work which was labor saving, whether any mechanical devices were involved or not. In the language of the industry:

"We all know what we are talking about when we say Mechanization but actually it is a whole series of things which are more accurately described as Changes in Methods of Operation. We include not only a mechanical device like an Aberdeen dolly or a sugar leg, but the use of unit loads whether or not in containers, an increase in the size of the load, any shift of work away from the waterfront, any infringement on the first place of rest, and any reduction in double handling."

The reasoning of the Longshore Division officers as presented to the

caucus delegates was summarized in the report as follows:

"Such research and surveys as we have conducted indicate that so far only a relatively small portion of the over-all cargo movement operations are mechanized. However, the trend is definitely toward greater use of labor-saving devices and techniques.

"The present longshore contracts and working rules offer a high degree of protection against PMA's adopting new methods of cargo handling to the detriment of the workers in the industry. There is thus every likelihood that the union can resist and delay mechanization within certain limits. On the other hand, present contracts and working rules must be changed by negotiation or arbitration if the employers are to obtain the maximum benefits possible from mechanization. PMA desires to be allowed full utilization of labor-saving devices and manpower. They have indicated willingness to share the benefits to the shipping and stevedoring companies resulting from mechanization.

"We should decide how the union will meet the problem. On one hand we have the determination of the rank and file to secure their share of the increased productivity as the result of mechanization, by holding tight and keeping the maximum number of men on the job and, upon occasion, suggesting that more men are needed. This approach is fundamentally one of holding the *status quo* as long as possible.

"The other approach is one which would modify the present restrictions such as working rules, standard gangs, etc., which hamper the maximum output and development of mechanized techniques.

"Assuming for the time being that the union has sufficient strength and discipline and the employers (through

their organization, PMA) have no inclination to force a showdown when the contracts terminate next June, then as a result of our ability to hold the fort, or *status quo*, the best the union can hope to come out with is an ever-increasing mechanization with any disputes as to premium wage rates, number of men used per operation, etc., being resolved through the grievance machinery including arbitration.

"Realistically, the specific terms and language of the contract hold little promise of permitting the union to maintain *status quo* as an answer to the problem of mechanization. Locals try to avoid using the grievance machinery for fear that decisions will go against us. What takes place then is job action and the economic threat of tying up or delaying a ship in order to try to keep the usual number of men on the job or to force more men on the job along with the introduction of machinery. So far this has worked fairly well. As to how long it will continue to work in the future and what it may cost in the way of overall improvements in the wages, hours and working conditions to keep it working is a matter that warrants serious consideration by the caucus.

"On the other hand, the employers have indicated their willingness to sit down and come to grips across the negotiating table with the problems and the benefits of mechanization. Their attitude is not one of insisting that we do not participate whatsoever in the results of increased productivity and the savings in money and labor due to mechanization. But they have stated to us frankly that they hesitate to make the capital investment required unless some understandings are first reached with the union guaranteeing against organized harassment and work stoppages.

"This is another way of saying that they recognize notwithstanding the contract guarantees of freedom to introduce and use the maximum labor-saving devices, that the workers are not without ways and means of also profiting. There are exceptions, of course. Some companies have gone ahead and developed new methods and techniques. These moves have been met by the union's insistence on maintaining the usual number of men on the job.

"Presently it seems possible for the union to negotiate a contract embracing the full use of labor-saving machinery with maximum protection for the welfare of the workers. Such protection can generally be spelled out in the following terms.

"(1) Adequate guarantees against speedup of individual longshoremen. (2) Guarantees of safety. (3) Guarantees against layoffs of the basic work force; the basic work force here is defined as the presently registered longshoremen, clerks and walking bosses. (4) No reduction in take-home pay. (5) Shortening the work shift. (6) The possibility of guaranteed work opportunity to provide guaranteed weekly take-home pay. (7) Improvements in pension, welfare and vacation conditions.

"If the caucus and the membership decide that the best program is more or less the current approach, namely, to meet the mechanization on a given operation by resisting, or by keeping the maximum number of men on the job it's hardly necessary to try to develop any alternative program at the caucus. We can continue as we are until the contract ends, or attempt to negotiate or force by one means or another, an extension of the contract with whatever improvements can be obtained. Or, if we wish to sit down with the employers now,

some months prior to the contract termination date, and seek to negotiate contract rules and guarantees giving maximum protection to the union in the matter of mechanization, such a course is open to us.

*"Recommendation:* It is the recommendation of the International Officers and the Coast Committee that the caucus empower the International and the Coast Committee to continue their unofficial discussions in order to learn how far PMA will go in giving adequate guarantees for the workers in the industry."

Debate proceeded for three full days. Had a vote been taken the first day, the decision might easily have been to continue to use the union's muscle to preserve the *status quo*. "We've gotten along all right so far, so why not continue?" But as the discussion proceeded, the view gradually prevailed that the continuance of guerrilla resistance meant fighting a losing battle, a delaying or holding action at best. The pressure to increase productivity was growing and, in the future, might be expected to accelerate. The employers might decide to become tough and the general economic picture did not bode well for a prolonged strike on an issue on which it would be difficult to secure public support. Arbitrators are not disposed to protect the use of unnecessary men so that in the case of disputes arising under the grievance machinery the chances were that we would lose more cases than we won and even when winning we would only be hanging onto what we had, not gaining anything. Finally, it was recognized that a candid review of the past several years showed that despite the militant position of the membership, many operating changes had been made and we had nothing to show for them; no positive benefits or gains had accrued to the men from

the changes already put into effect by management.

The decision was therefore made, by unanimous action of the delegates to accept the recommendation to explore further with the PMA the possibilities of some sort of *quid pro quo*, some specific benefits to the longshoremen, as our "share of the machine," in return for what the employers were seeking, namely, a chance to adopt new methods and relaxation of such working rules as required multiple handling, set a limit on the size of sling loads or called for unnecessarily large gangs.

If space permitted it could be demonstrated that each of these rules, when adopted, served an important function in protecting the men on the job from loss of work, from discrimination or from speed-up. In many instances, the original need for the rule has disappeared with the adoption of other contract provisions or with the growing use of new methods. Nevertheless, the rule is treasured by the men because many remember the conditions before the rule was adopted and the travail involved in winning it. Part of the educational job which had to be done at the caucus and which has had to be continued since was to convince the men that other forms of protection—such as are now embodied in the new agreement—could be exchanged for the old rules without any sacrifice of security.

It may be interjected at this point that working rules in the West coast longshore industry are agreements, negotiated and administered port by port, specifying for each operation how work shall be carried on and by how many men. With the possible exception of the railroad and printing industries, less is left to employer prerogative than in other industries. Nevertheless, these are joint rules, they are the result of collective bar-

gaining and they are beneficial to both parties by insuring equality of treatment among employers, and they have been in effect for many years. They were overhauled in 1948-1949, but have been largely unchanged since.

The important point here is that union insistence on the observance of the rules made it economically difficult for those employers who desired to do so to adopt new methods. A six-man gang in the hold is necessary when scrap metal is handled in the old-fashioned way, but becomes too large when the metal is picked up by a magnet.

Pursuant to the instructions of the caucus, the next step in the development of the agreement was a resumption of informal conversations with the PMA. These led, in November 1957, to adoption, still informally, of the following statement of objectives:

### **"OBJECTIVES"**

"1. To extend and broaden the scope of cargo traffic moving through West Coast ports and to revitalize the lagging volume of existing types of cargoes by: (a) Encouraging employers to develop new methods of operation, (b) Accelerating existing processes of cargo handling, and (c) reducing cargo handling costs in water transportation, including faster ship turnaround.

"2. To preserve the present registered force of longshoremen as the basic work force in the industry, and to share with that force a portion of the net labor cost saving to be effected by introduction of mechanical innovations, removal of contractual restrictions, or any other means.

"3. To accomplish objectives 1 and 2 WITHOUT: (a) Individual speed-up, (b) Breaching legitimate safety rules and codes, (c) Indiscriminate layoffs, (d) Bankrupting operations

which do not lend themselves to change, (e) Driving away any existing cargoes, and (f) Distorting hourly wage rates of longshoremen in comparison to rates paid workers of comparable skill in the longshore industry.

"4. An additional objective proposed by the union is to reduce the length of the present longshore work shifts."

These objectives are, basically, the objectives which are implemented by the current agreement negotiated in 1960. The union has explicitly reserved the right to raise the question of a further reduction of hours during the life of the agreement.

The above review of caucus action has sufficiently explained the union's objectives. It remains to comment on the employers' objectives, even though I am not in the best position to do so. As indicated at the outset, some members of PMA are steamship operators while others are stevedore contractors. The latter work on what is essentially a cost-plus basis and, in consequence, have little or no interest in any steps which will reduce the number of men they employ. In the past they have passed along their costs to the steamship operators who, in turn, have passed them along to the shippers and to the federal government through the subsidy program. The whole industry, in fact, has been essentially cost-plus in character. This accounts in part for its extraordinary backwardness technologically.

Recently, the steamship operators have been feeling significant pressures from their shipper clients and from the federal government to reduce their costs, particularly their cargo handling costs. To accomplish this they have been taking a whole series of measures to secure greater control over the cargo handling operation and to make it more efficient. They seized upon the union's demand

in 1959 for an eight-hour guarantee to obtain greater flexibility of operation than they had previously enjoyed. Through what is known in the industry as the "performance and conformance" program in 1960 they rooted out a lot of extra-contractual practices which, because of the laxity of the stevedore contractors, had been allowed to grow up, like early quits, late starts, four-on and four-off. The men had naturally taken advantage of the contractors' laxity, so that the ship operators' pressures had to be directed both at the men and the contractors. The elimination of these practices was reflected in higher productivity rates even before the new mechanization program became effective.

The mechanization agreement is the latest step in this process by which the operators are developing control over the flow of cargo and hence over the cost of its handling. The nature of the new technology, in particular the use of containers, not only facilitates, but requires, this sort of through control just as it is requiring the development of through bills of lading. The most successful users of containers are those companies which operate in more than one segment of the transportation chain.

It was not until the 1959 negotiations that any further action took place. Meanwhile, however, union and PMA technicians undertook to devise a method for measuring productivity change and the savings which would accrue to the employers from productivity gains, including those from reduced ship turnaround. The union had proposed this formula: That each employer contribute to a mechanization fund an amount equal to the straight-time wage rate for each man-hour which was saved in his operations as a result of improved productivity during an appropriate period, presumably a year. Since the straight-time rate is roughly one-half

of total direct labor cost per hour, this formula would mean sharing gains on approximately a 50-50 basis.

On the basis of such a formula the progressive employers would contribute most while those preferring the *status quo* would contribute nothing. While the specific amount of contribution was never agreed to by the PMA, the principle of payment on the basis of measurement was generally accepted. A method of computation was worked out, with assistance from the Maritime Cargo Transportation Conference of the National Academy of Science, and the PMA instituted a system of reporting tons and man-hours, company by company, ship by ship and commodity by commodity, designed to provide the required information.

In 1959, while there was full agreement on the perspectives, the PMA indicated that it needed more time to develop the necessary factual basis before reaching a final agreement. The union, however, was unwilling to defer action for another year. Consequently, an interim agreement was worked out which accomplished the following:

(1) It restated the basic objectives of the parties including a specific guarantee against layoffs of the fully registered men.

(2) It established a mechanization fund to which the PMA agreed to contribute a down payment of \$1½ million during the ensuing contract year, the money to be raised as the PMA saw fit. This amounted to about \$100 per registered man, since there are roughly 15,000 registered longshoremen and clerks, and to about 1½ per cent of the annual payroll.

(3) It formalized a procedure for modifying gang sizes and other rules case by case where new labor saving devices were introduced, but froze working rules under all other conditions.

Shortly thereafter, the PMA borrowed Max Kossoris from the U. S. Bureau of Statistics to help them work out a more complete and more adequate system for reporting tons and man-hours as well as a formula for computing the necessary indices of productivity. The statistical problems involved are in many respects similar to those the Bureau encounters in computing the Consumer Price Index and Kossoris was eminently qualified for the job. Though he was employed by PMA he kept the union informed at all stages.<sup>1</sup>

### The 1960 Agreement

The general nature of the agreement reached in October, 1960, should now be clear. The union won a substantial degree of security for its members; the employers won a substantial degree of freedom to push for productivity improvement. The agreement runs until July 1, 1966, and is not subject to review. The basic longshore and clerks' agreements were extended for the same period, but are open annually on all matters except mechanization and pensions, including reduction of hours.

The PMA agreed to contribute \$5 million annually for 5½ years or about 4½ per cent of present payroll, beginning January 1, 1961, but reserved to themselves the right to determine how to raise the money. The money will go into a trust fund for the exclusive use of those men who had full registration at the time the agreement was signed. Three million dollars each year is considered to be, in our terminology, the men's "share of the machine" and it is understood that the union will seek in 1966 to continue this portion of the fund for the pur-

poses for which it is intended, namely, the early retirement, cash vesting and death benefit features.

The remaining \$2 million per year is what the men are to receive for selling a portion of their property rights in the working rules, to use Professor Gomberg's concept. These are rules which they have struggled to obtain and which they are loath to relinquish. It is understood that \$10 million is the selling price (\$2 million for five years) and that by 1966 the transaction will be completed. This portion of the fund is to be used for the wage guarantee. Men becoming registered from now on will not be entitled to any of this money because they will not have given up anything.

Maximum possible security for the present fully registered work force is provided as follows:

(1) There is a flat guarantee against layoffs. The parties prepared for this by freezing registration in 1958 and by making registration coastwide instead of port by port, so as to facilitate shifts from area to area.

(2) There are two cushions which will take up the shock as work opportunity declines due to rising productivity. Normal attrition is high because the average age is well over 45 years. Deaths and normal pensioning remove about 4 per cent a year. And, secondly, the parties have agreed to cooperate in reducing the percentage of work going to the "B" men and casuals. Together, these groups do about 12 per cent of the work. It is anticipated that this percentage can be reduced to 5. Thus a considerable decline in work opportunity can occur before the fully registered men are affected.

<sup>1</sup> Kossoris has described his work and written a valuable commentary on the new agreement in "Working Rules in West

Coast Longshoring," *Monthly Labor Review*, January, 1961.

(3) The agreement provides for voluntary early retirement, at age 62, with a monthly benefit of \$220, the sum of maximum Social Security and the regular longshore pension of \$100. At age 65, when Social Security is payable, the industry pension will drop back to \$100. This early retirement provision will tempt some men to withdraw from the labor force, leaving more work for the younger men. This is seniority in reverse.

If a man chooses not to retire early, but continues to work until normal retirement, he will receive a lump sum of \$7,920, the equivalent of \$220 per month for 36 weeks, from age 62 to age 65.

(4) If necessary to meet a sharp decline in work opportunity, the parties may invoke compulsory early retirement. In this event, the men will receive \$320 a month, the extra \$100 being intended to make retirement more palatable to the men.

(5) Finally, if, despite these steps, average weekly earnings fall below the equivalent of 35 straight-time hours per week (about \$100), the weekly guarantee of this amount will become operative. Equivalent hours are now about 40. Important details of the guarantee remain to be worked out: How much pressure will be put upon a man to move from a port of low work opportunity to a port of higher work opportunity? Will the guarantee be payable in a port where the local union has persisted in maintaining a large secondary labor force of "B" men or casuals? Before the guarantee is payable, will the registered men be required to do the hard and disagreeable jobs, like handling bananas, which they now leave for the "B" men and casuals? Will the guarantee be payable on a quarterly or a yearly basis? We have tentatively ruled out shorter periods than a quarter because of the greater expense.

These questions are still to be answered, in part because neither party anticipates an early need for the guarantee and both parties sincerely hope it will never be necessary. The political problems of putting the guarantee into effect are tough from the union's point of view. In calculating the amount needed for the guarantee we assumed as an outside possibility a rise in productivity of 10 per cent a year; the actual improvement rate, we anticipate, will be considerably less. Assuming no change in tonnage handled, the guarantee would not become operative, under these assumptions, until late in the fourth year of the plan's operation. With an increase in tonnage, even a moderate one, the guarantee may not be necessary at all.

As indicated earlier, funds for the wage guarantee will no longer be accumulated after 1966. We anticipate that once existing restrictive rules have disappeared, the rate of productivity increase due to mechanization will certainly not be greater than the rate of attrition so that by controlling manpower intake we shall be able to prevent average work opportunity from dropping below a reasonable level.

The wage guarantee does not apply to a drop in work opportunity due to economic decline. This raises a nice technical question, of how to distinguish the causes for an observed decline and how to determine their relative magnitudes. The question can be answered by use of the detailed data on tons and man-hours which PMA is accumulating, but it may have to be answered nonstatistically, simply through the processes of bargaining.

What the employers gain is the opportunity to put in any new machine or method provided they can establish, through the grievance machinery, that the method is safe, that there is no speedup of the individual

and that the work is not onerous. These safeguards are written into the agreement. The concepts "speedup" and "onerous" are giving us some difficulty in definition, but interpretations are beginning to come out of the labor relations committees and arbitrators. Subject to these safeguards, any existing working rule which can be shown to prevent or to limit more efficient operation, must be changed.

Under the agreement, the employers will be under no obligation to perform work with unnecessary men, or "witnesses" as they are sometimes called. The men necessary to any longshore operation will be based upon a determination to be made in accordance with the agreement. In this respect the agreement takes into account contractual provisions for relief and the fact that during many operations all men will not be working at all times due to the cycle of the operation.

The old sling load limit (2,100 pounds) will continue to apply to all loads built by longshoremen where conditions, number of men on the dock, and in the ship, and the method of operation is the same as when the original sling load agreement was negotiated. This will be the standard by which the union can measure changes which do take place.

Sling load limits are lifted for changed operations or where new commodities or operations have developed. For these, loads will be as directed by the employer, within safe and practical limits and without speed-up of the individual. An increase in the number of men manhandling cargo or use of machinery to move or stow cargo on docks or ships will be considered a changed operation permitting loads in excess of the standard previously agreed upon.

Past practices which resulted in over-standard loads being skimmed or cargo being removed from pallet

boards and placed on the skin of the dock while in transit to or from the ship's hold are eliminated. This will end unnecessary handling of cargo to the benefit of the employers; it will eliminate these jobs from the industry.

The men so employed in the past are assured that there will be other work for them. Men incapacitated by age or illness and therefore unable to handle ship work will be guaranteed priority on the dock work.

The hold gang for cargo which continues to be hand-handled will continue to be at least six men for discharge and eight for loading. The minimum basic cargo gang may be reduced to four men in the hold when the employers add mechanical equipment, or under other special circumstances detailed in the agreement.

The employer may bring machinery and machine drivers into the hold and swing out an equivalent number of hold men, but four basic hold men must be retained at all times where hold men are required.

When loads above contractual limits are moved manually, additional men or machines will be provided to guarantee against onerous individual work loads.

In one respect the agreement provides a direct benefit to both the men and the employers; it protects the industry's jurisdiction on the dock.

The agreement spells out longshore work between the first and last place of rest as follows: (a) High piling or breaking down high piles; (b) Sorting; (c) Movement of cargo on the dock or in a terminal or to another dock, terminal or warehouse; (d) The removing of cargo from longshore boards; (e) The building of all loads on the dock.

The employer is not required to perform all of the above work, but he may not use any but longshoremen if such work is done.

In some areas, part of this work has been done by lumpers, members of the Teamsters' union, employed by drayage companies on behalf of the shipper or consignee. The steamship companies desired to have all work on their docks done by their employees, or employees of terminal companies operating on their behalf. And the union was, of course, interested in nailing down its jurisdiction over this work.

In addition, the union is guaranteed that any new equipment used by PMA employers will be operated by ILWU members, trained if necessary by the employers. Some difficulties have been encountered on this score with the operating engineers, but the problems are being worked out.

Finally, continuing a process which has been going on for some years, modifications were made in the grievance machinery to insure more expeditious settlement on the spot and to provide, when necessary, quicker reference to the coastwide grievance machinery. Largely because of the many radical changes in operations resulting from the adoption of the eight-hour guarantee in 1959 and of this new mechanization agreement, both parties have moved in the direction of greater centralization in the handling of grievances. Coastwide rules are superseding many local rules. So far as the PMA is concerned, this is symptomatic of the drive, already discussed, to assume greater control by the steamship operators.

To provide a financial incentive for contract observance, the PMA insisted on an abatement provision. This reads as follows:

"In the event that the Union or any Local fails or refuses to follow a Coast Labor Relations Committee or Arbitrator's ruling interpreting or applying the provisions of this document, or in the event of a work stop-

page in any port or ports in violation of the provisions of this document, payments into the Fund shall be abated during the period of such failure, refusal or stoppage in the manner and amount hereinafter provided, and the total Employer obligation shall be reduced by such amount.

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

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

### **Problems Arising in Negotiation or in Application**

Brief mention may be made of several problems with which one or both parties has had to deal during negotiations, since the agreement became effective in January of this year or will have to face in the future.

(1) *Should contributions to the Fund be based on measured improvement in productivity or should they be a flat amount?* Some of the background on this issue is supplied above, and it is indicated that the PMA preferred the flat amount approach even though they have the statistical data for measurement, and even though the union had assumed that measurement had been agreed upon.

Why did the PMA decide on the flat amount approach even though it clearly puts the burden upon the employers? They are now responsible for getting an average of \$5 million worth of improved productivity per year for the entire period of the con-

tract. No reasons were given in negotiation, so that what follows is largely by way of speculation.

One consideration appears to have been that the measurement method under consideration would have included among causes for increased productivity a variety of changes for which neither the union nor the men would be in any way responsible. Employers did not care to put money into a fund, for example, just because they built a new pier or a new ship which expedited the work, or if they streamlined supervision.

Possibly more important was the fact that if payments were to be proportional to increased productivity, the burden would be greatest upon those employers whose productivity gains depended in large measure upon capital investment. Matson, with millions of dollars invested in containers, container ships and cranes, would be paying at the same rate per man-hour saved as a stevedore contractor who gained productivity because of a reduced gang size without any capital expenditure. While the union had never insisted on a straight proportional relationship between productivity gains and contributions and had recognized the need to make some allowance for capital investment, actually none of the formulas which were informally discussed included such an adjustment.

A third factor may have been reluctance on the part of individual employers to reveal their productivity rates, not so much to the union as to other employers. A stevedore contractor, for example, might fear that the steamship operator for whom he is working would discover that another contractor had a better productivity record and could therefore do the work more cheaply.

(2) *How should the money be raised?* Once it had been agreed that the PMA

would contribute a flat amount, then there arose this second question of how the money should be raised. Should individual employers be assessed on a man-hour or a tonnage basis? The choice appears to have been between these alternatives or some combination of the two.

The man-hour basis was used in order to raise the initial \$1.5 million. The tonnage basis is being used now: 17½ cents-per-ton of ordinary cargo, 5½ cents-per-ton of bulk. Domestic operators are paying the assessment, and no doubt have amended their contracts with stevedores accordingly. In the case of foreign lines, the stevedore pays the assessment and collects from the steamship company.

During the period when the man-hour basis was being used, the stevedore contractors and the foreign lines, who as earlier indicated have little or no interest in increased productivity, complained bitterly that they were being compelled to subsidize the more enterprising and progressive companies which were pushing ahead on mechanization. The tonnage basis now in use appears more nearly equitable though, from the outside looking in, it would still appear that payment in proportion to man-hours saved, with an adjustment for capital cost, would be even more equitable.

(3) *Tax problems.* The parties have run into difficulties because the unique character of the agreement does not fit into existing categories of the Internal Revenue Code. The agreement provides that contributions to the fund shall be contingent upon the employers obtaining Internal Revenue Service approval for treating contributions as business expense. To secure approval it may become necessary to incorporate some portions of the program as amendments to the existing pension plan and possibly to make other minor modifications in the agree-

ment as originally written. Negotiations on this matter are currently under way.

(4) *Load size.* The agreement permits larger sling loads when the conditions which governed the setting of sling load limits no longer apply. The operating employers have in some instances interpreted this provision to permit enormously increased sling loads without any compensating use of equipment or without adding any men. The men have balked, protesting that they cannot "meet the hook" when the loads are so big, that they are being speeded up, and that the work is onerous. The original sling load limits were adopted primarily to protect the men in the hold. If now, without any change in equipment or manning scale, they have to stow two tons in the same time they formerly stowed one ton, they naturally object. The employers have been told that under these circumstances the hook will just have to hang while the men stow cargo at the former rate. The no speedup provision governs. Though the Maritime Cargo Transportation Conference studies show that considerable improvement in productivity is possible with larger hold gangs, no employers are so far experimenting with larger gangs.

(5) *Multiple handling.* It was anticipated during negotiations that the elimination of multiple handling on the dock, and the consequent limitation on Teamster jurisdiction, might cause complications with the Teamsters. When the agreement became effective, the Teamsters were told by our employers that they could no longer build their loads on the dock; they would have to build them on their trucks. The Teamsters' union objected and picketed the docks first in Los Angeles and then in San Francisco, despite attempts by ILWU and our employers to confine the problem

to a single dock for test purposes. They argued that their agreements did not expire until July 1, 1961, and that until they could renegotiate their contracts they were not going to permit their members to lose jobs.

The matter was worked out after a few days through four-way negotiations involving PMA, ILWU, the Teamsters' union and drayage associations up and down the coast. Except for San Francisco, the agreement reached provides, on a coastwise basis, for a return to the *status quo* prior to the inauguration of our agreement and for its continuance until July 1. After that date the new methods will go into effect on the docks. The Teamsters' union is planning to renegotiate its contracts, possibly to include some provision similar to ours by which they obtain some benefits in return for loss of jobs. Meanwhile, multiple handling continues on some jobs and the PMA is considering whether to demand some compensating abatement of their contributions to the fund.

In San Francisco, where this settlement was turned down by the Teamsters, the PMA has sued the Teamsters for damages and has brought NLRB charges. These actions will be dropped if the local Teamsters agree, meanwhile, to go along with the agreement worked out for the rest of the coast.

It is important to point out that in this industry and in the present instance the basic jurisdictional struggle is not between the Teamsters and longshoremen but between the drayage companies and the dock operators. What is necessary, by way of immediate solution, is for shippers to give different orders to the drayage companies. The long run solution, which will prevail whatever the outcome of the present jurisdictional beef, is that technological advance will eliminate the work which is now at issue. Most loads will be handled as units,

with the result that neither Teamsters nor longshoremen will be building loads on the dock. That work will be done once and for all by employees of the shipper.

(6) *What will be the effect on future wage negotiations?* This is a nice question. Has the union, by getting a side deal on mechanization, deprived itself of an important argument for wage increases? A first answer may appear this June when wages are open for negotiation and, failing agreement, for settlement by arbitration. The union will certainly insist that the mechanization agreement is wholly apart from wages, that employers are recovering at least the equivalent of their annual \$5 million contribution through mechanization and rules changes—and if they are not, that it is their own fault. The PMA may contend that the mechanization agreement costs something like 4½ per cent of payroll, that on top of that wages were increased eight cents last June, and that the union has always argued productivity gains in the past as one basis for wage increases.

Actually in the past, productivity as a wage argument has been accorded relatively little attention, particularly by arbitrators. The employers have on occasion argued that the men were not entitled to an increase because productivity in the industry was low and falling, while the union has argued, on the basis of national productivity gains, that unless productivity is taken into account living standards cannot be increased. Decisions, as in most industries, have been largely made on the basis of other factors.

To hazard a guess, I would say that if the wage issue is settled in negotiations the influence of the mechanization agreement will be governed largely by how smoothly the agreement is working. If a lot of difficulties are being experienced which the PMA can attribute to the union or to

the men, the employers will not be disposed to grant a wage increase, or not as much as they otherwise might. If the matter goes to arbitration? Who can predict what an arbitrator will do?

### **Related Issues**

(1) *Is mechanization a proper matter for collective bargaining?* Though many employers consider that mechanization is wholly an employer prerogative, the PMA never took this position. From the start, they recognized that the union had a legitimate interest and they were willing to concede that the men were entitled to a "share of the machine." It is true that their position may have been in part a recognition that without the cooperation of the union they could not hope to accomplish their objective of greater managerial freedom and elimination of restrictive practice, at least without a prolonged struggle. Nevertheless, their position represents a more farsighted attitude than prevails in many industries. From the standpoint of economics, mechanization and productivity are certainly proper subjects for bargaining. If wage bargaining is restricted to the amount of payment per hour, the question of how much work is done in an hour remains to be fought out on the job in those cases where the men are in a position to fight, or in the more usual case for the employer to determine. A complete bargain, of course, includes the rate of work as well as the compensation.

(2) *Is third party participation necessary or desirable in bargaining over such issues as mechanization?* Both the ILWU and the PMA feel strongly that on a complicated issue of this sort no outsider can be of any real assistance. If the parties cannot work out a satisfactory solution, a third party is even less likely to be able to do so. Even though at times during

the five months of negotiating this agreement one party or the other might in frustration have demanded that the matter be referred to the permanent coast arbitrator, neither party did so. A representative of the U. S. Maritime Administration attended the negotiations but did not participate in any fashion. No conciliators were called in.

The union, in fact (I cannot speak for PMA), deplores what appears to be a trend toward outside participation—we would say “interference”—in matters properly handled through collective bargaining. We are opposed, whether the third party be the government or, begging the pardon of those present, college professors. We think the Bi-State Waterfront Commission on the East coast was unnecessary and undesirable, despite some of the serious situations it was designed to correct and despite some of the good things which it has done. We have strenuously opposed proposals which have been made from time to time for the establishment in the maritime industry of government machinery similar to that in the railroad industry. We are skeptical of the tripartite bodies set up by last year's steel negotiations and in the packinghouse industry. As far as we can learn, they are accomplishing very little, at great expense to the parties.

So far as our present agreement goes, we agree with Donald Crawford when he told a conference at the Wharton School last December: “Maybe Bridges gave away the Union and maybe the Waterfront Employers Association sold out the stockholders. But of this I am sure: no matter how bad a deal it was, still the Association and the Union each made a better deal for itself than the central government would provide for them.”<sup>2</sup> The

essential point is equally valid if one thinks the deal is a good one.

(3) *Is an agreement such as this any contribution to the solution of the problem of unemployment?* The ILWU answer is, regrettably, “Only a very small one.” We are protecting our own members to a very considerable extent against the threat of unemployment and loss of earnings but by so doing, are closing the door on younger workers who are seeking jobs in the industry. There is no difference in this respect between what we are doing and what happens in any industry as productivity rises without a corresponding increase in production. The difference lies in the fact that in this case the union is a party to closing the doors and this has exposed us to sharp criticism even from some in our own ranks.

The “B” men awaiting advancement to full registration have naturally objected that the agreement discriminates against them and their cause has been supported by outside observers. Yet these same observers would not think of criticizing the steel industry for not employing men whom they do not need. The point, apparently, is that the union should not be party to limiting the number of workers in an industry, even though the limitation is required in the interests of efficient operation. If the union insists on keeping unnecessary workers on the job, it is attacked for featherbedding; if it cooperates to improve efficiency and the security of the union members, it is being selfish and discriminatory. To those critics with full tenure who come from academic circles, I would put this question: “Do you think tenure should be extended to all teaching assistants?”

As I have indicated above, the union has reserved the right, at any open-

<sup>2</sup> “Industrial Relations in the 1960's—Problems and Prospects,” University of Pennsylvania, Labor Relations Council of

the Wharton School of Finance and Commerce, February 15, 1961, Volume I, p. 28.

ing during the life of the agreement, to seek a reduction in the work shift. We expect to move in this direction when and if the situation is propitious. This, so far as we know, is the only way that a union, through collective bargaining, can help to meet the problem of the displacement of men by new machines and new methods.

We are convinced that national legislation and national planning will be required to cope with the chronic unemployment crisis which confronts the country.

(4) *Can the agreement be applied in other industries?* This question cannot be answered satisfactorily within the limits of this paper; it would require at least as much space as I have already consumed and, besides, it would require another author, one far more familiar than I with conditions prevailing in other industries. What I propose to do is simply to list the factors which, in my judgment, have contributed toward making the plan workable in the West coast longshore industry:

(a) Productivity must advance at a pace no faster than the work force is reduced by attrition. Within our own jurisdiction, the work force in the Hawaii sugar industry has been more than cut in half—with the same output—in less than two decades. It would have been impossible to negotiate a similar agreement under these circumstances. There we have experimented with some interesting variations on severance pay, but we have had to accept substantial layoffs.

(b) The union must have something to sell in the way of work rules or work practices which the industry considers worth buying. Many, if not

most, unions have never achieved such a position. They do not have manning scales, or agreed-on work loads, or any say as to the conditions which shall prevail when new equipment is introduced. In such cases the union can seek severance pay, or re-training allowances, or transfer to new locations, but it cannot bargain away valuable rules because it does not own any.

(c) The union must have the discipline to deliver what it agrees to give up. The process in our union of convincing the membership that it was desirable at this time to move in this direction began as early as 1957 and is still going on. Besides several caucuses, the matter has been discussed at many union meetings, has been presented in printed form and was voted upon in a coastwide referendum last winter. Without such an educational process, the men would never have been willing to change working conditions which they had fought for originally and had enjoyed for years.

Without pretending to any careful analysis of conditions prevailing in these industries, it seems to us that the ILWU-PMA approach might be applicable, with appropriate variations to meet different situations, to the railroad industry, to the printing trades and to some sections of the trucking industry. We have had inquiries from the union side from local officials in each of these industries but do not have information as to whether the plan is seriously under consideration. In the mass production industries we doubt that the unions are in a position to embrace such a program even if they desired to do so. [The End]