Longshore industry (1961 folder)

Working Rules in West Coast Longshoring

[by Max D. Kossoris]

EDITOR'S NOTE.—*In August 1959, Max D. Kossoris, the director of the Western Regional Office of the Bureau of Labor Statistics and the author of the following article, was asked by the Pacific Maritime Association to develop a man-hours measurement system to meet the requirements of the collective bargaining agreement just then concluded with the International Longshoremen's and Warehousemen's Union. It was understood that he would have to work closely with both union and employers. Although he was employed by the PMA, his appointment was submitted to and approved by the ILWU.*

During the year he spent in developing a measurement system, Mr. Kossoris had free access to both materials and discussions which normally are of a privileged character. He was an observer at most of the negotiations on the agreement concluded in October 1960. Within the framework of his assignment, he frequently discussed the great variety of problems involved with both union and management officials. Because of his desire to protect the privileged nature of materials and discussions, the author submitted the manuscript of this article to officials of both the PMA and the ILWU. The author accepted their criticisms, but he takes full responsibility for the analysis and conclusions presented here.

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

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

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

Before the "New Look" in 1948

The ILWU (then a part of the AFL International Longshoremen's Association) gained formal employer recognition as a result of the general strike of 1934, which followed years of exploitation and abuse of longshoremen by their employers. The bitterness which had characterized the industry carried over into the subsequent employer-union relationship. The employers did their best to break the union, and the union retaliated just as militantly. The years which followed were among the stormiest in U.S. labor history. Between 1934 and 1948, the West Coast had over 20 major port strikes, more than 300 days of coastwide strikes, about 1,300 local "job action" strikes, and about 250 arbitration awards.[1] It

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

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seemed that the warring parties could settle nothing between themselves but had to depend on arbitrators and government commissions to make their "agreements" for them.

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

Severely restrictive working rules were developed in the industry during the period of active warfare between 1934 and 1948. Before going into these, however, it is important to understand the employer-employee relationship. Employers may obtain longshoremen only through hiring halls supported and operated jointly by the union and management.[2] No longshoreman may work steadily for an employer. He reports to the hiring hall, where a union-elected dispatcher fills employer requests by sending a gang to load or unload a ship. When the longshoreman has finished the operation on this ship, he goes back to the hiring hall for his next assignment. The dispatcher tries to equalize the earnings of the men by giving priority to men with low hours. To enable him to do this, the PMA (which acts as a central pay office in each port) supplies him with weekly payroll listings showing the cumulative hours of each man. But the longshoreman is not obligated to accept the dispatcher's assignment for his gang: In some ports, he may pick and choose; in others, he goes to the bottom of the priority list when he refuses the assignment.

The 15,000 class A fully registered longshoremen (and clerks) who are ILWU members are considered the industry's basic labor force and have first choice on available jobs. If not enough are available to fill requirements, the dispatcher assigns class B longshoremen, from whom the register of class A men is filled when necessary, but who, until so selected, are not considered part of the "regular labor force" and are not admitted to ILWU membership. And if these are insufficient, casual workers are assigned. While there are nearly as many class B and casual workers as there are class A men, the first two groups accounted for only about 14 percent of all man-hours worked in 1959. Casuals are also not regarded as part of the regular labor force.

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

Restrictive Rules. One of the irksome rules to employers is the double handling rule which prevails in most ports. Under this rule, cargo must touch the "skin of the dock" before someone other than a longshoreman may handle it. When a pallet load comes out of the hold of a ship and is set down on the dock, a teamster may not load it from the pallet onto his truck. The longshoremen first unload the cargo onto the floor of the dock; then the teamster may take it.

The same rule holds for unloading from the truck onto the dock. The teamster must place the cargo on the floor of the dock; then the longshoremen will load it on a pallet to be taken into the ship's hold.

Another important restriction is the load limit. With few exceptions, the weight of the load that may be hoisted into a ship, or out of it, is restricted by specific contract language. The maximum load is approximately 2,100 pounds per pallet. Loads palletized off the dock[3] are "skimmed" down to 2,100 pounds by the longshoremen when the pallets appear to carry more than the specified

[2] The hiring hall procedure, won in arbitration in 1934, was a major issue in long strikes in 1934, 1936–37, and 1948. See Betty V. H. Schneider, The Maritime Industry (in a special section on Labor and Labor Relations on the West Coast, Monthly Labor Review, May 1959, pp. 552–557).

[3] For certain types of commodities, the shipper is permitted to "unitize" his loads, i.e., treat the load as a single unit.

load limit. Employers claim that there is no reason why much heavier loads could not be carried safely. The union's contention is that this limitation is necessary to protect the men in the ship's hold from "speedup" and overwork.

Perhaps the most costly rule is that governing the size of the longshore gang. Each major port has its own rules, negotiated locally by the respective ILWU local and the PMA. Employers maintain that frequently the stipulated gangs consist of more men than are needed. This seems to be borne out by the customary use in some ports of the "four-on four-off" gang, i.e., of the eight men required to be in the hold of a ship, four are working while four are resting. To employers, this means that a longshoreman in the hold actually works 4 hours for 9 hours' pay.[4]

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

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

Change in Union Strategy

After 1948, however, the climate changed. The union's restrictions remained in force. But union leadership was not unmindful of the fact that high labor costs were driving a considerable volume of coastal and intercoastal cargo to rails and trucks. They also realized that changes in operating procedures were creeping up on the union, slowly but surely, and that the union was losing ground.

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

> 1. To extend and broaden the scope of cargo traffic moving through West Coast ports and to revitalize the lagging volume of existing types of cargo by: (a) encouraging employers to develop new methods of operation; (b) accelerating existing processes of cargo handling; and (c) reducing cargo-handling costs in water transportation, including faster ship turnaround.
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> 2. To preserve the presently registered force of longshoremen as the basic force of the industry and to share with that force a portion of the net labor cost saving to be effected by the introduction of mechanical innovations, removal of contractual restrictions, or any other means.

But these aims were not to be accomplished by individual speedup, breaching of legitimate safety rules and codes, or indiscriminate layoffs. The union also took this opportunity to signal a goal it wanted to accomplish in the future—"to reduce the length of the present longshore work shifts."

In later memorandums, the union spelled out its concept of its share of the savings. For every man-hour saved, the union wanted pay for 1 hour at the straight-time rate. At the time of the 1959 agreement, this would have amounted to $2.74 per hour. The employer's gain, the union pointed out, would be the difference between this rate and the actual average labor cost to the employer after the inclusion of overtime and penalty pay and the cost of pension and welfare benefits (about $4.05 per hour).[5] Even more important would be the faster turnaround of ships, with the cost to the steamship company of each day in

[4] He is paid time and a half for overtime after 6 hours and usually works an 8-hour day.

[5] Under a wage reopening of the 1959 agreement, straight-time pay went to $2.82 and the total labor cost to about $4.15 per hour in June 1960.

the port estimated to be between $2,000 and $5,000.

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

The 1959 Understanding

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

This was the initial step. The ultimate objective was stated to be:

> To guarantee the fully registered work force a share in the savings effected by laborsaving machinery, changed methods of operation, or changes in working rules and contract restrictions resulting in reduced manpower or man-hours with the same or greater productivity for an operation.[6]

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

Measurement and Gain-Sharing Concepts. In August 1959, the PMA asked the author to take a year's leave of absence from his post in the Bureau of Labor Statistics of the U.S. Department of Labor to develop an acceptable measurement system. The system had to meet not only the varied complexities of the cargo-handling industry but also a number of other requirements. It had to be easily understandable by the industry and the longshoremen; it had to be practical; and most of all, it had to be acceptable to both employers and the union. While the union's price for the man-hours saved could be disputed and bargained out by the parties, the number of man-hours involved had to be accepted by both sides as accurate. And that meant the union had to be convinced that the measurement method was sound and objective.

Building on discussions in earlier years—in some of which he had participated as a technical consultant—and incorporating what appeared to be ideas generally accepted by both sides, the author developed the broad outlines of the measurement concept. These may be summarized as follows:

1. Each steamship company would be responsible only for the gains made in its own operations. Payments into the fund to be set up would be in direct proportion to the company's total net gains. Net gains would be gains for the company's entire West Coast operations, with losses in some ports, if any, offsetting gains in others.

2. Computations, of necessity, were to be built on major cargo items or groupings because the man-hours required per ton varied by commodities.

3. Measurements would be in terms of weight-tons and man-hours so as to provide uniform yardsticks.

4. The method of measurement would compare longshore performance during a specified period with an identical period in a base including 1 or more years.

5. For each quarter of the year, the computation for each steamship company would entail a measurement of man-hours actually required to handle all of its cargo, compared with the number of man-hours that would have been needed to handle the identical cargo under the performance rates (i.e., man-hours per ton) of the base period. The difference between the two would measure the man-hours gained or lost.

6. Insofar as possible, the measurement system had to permit separate measurements for each of the restrictive practices given up. (This at first seemed to be unnecessary under the broad language of the 1959 agreement; it also appeared extremely difficult. Later, however, practical solutions were developed to permit the measurement of savings for nearly every one of the restrictive practices.)

7. Savings would be measured by comparing identical seasons so as to rule out, as much as possible, the effects of weather and of seasonal changes in cargo mix in the large miscellaneous group of "general cargo." At the same time, 3 months was considered a long enough period to permit other variables—such as trucking distances on the dock or

[6] Memorandum of Understanding Between Pacific Maritime Association and International Longshoremen's and Warehousemen's Union, signed August 10, 1959. The full text of this section of the agreement was reproduced in the October 1959 issue of the Monthly Labor Review (pp. 1108–1109).

difficulties of stowing in the hold of the ship—to average out.

8. By necessity, 1960 would have to be the first base year because the industry had no earlier data on which to build. Thereafter, the base period could be negotiated.

It was clearly recognized also that with only a few companies ready to move ahead with mechanization, most of the gains to employers would have to come from their greater freedom of operation with the removal of restrictive rules.

The essential requirement obviously was the development of a uniform reporting system, tailored specifically to the operations and reporting capabilities of the industry. But accounting practices varied widely among both steamship companies and stevedores, the labor contractors for the steamship companies who hire the longshoremen through the hiring hall and who supply the equipment and know-how for cargo-handling operations. Many stevedores operated on a "cost plus" basis, or close to it, and consequently had no particular reasons for wanting man-hours curtailed or for wanting a uniform reporting system. Many of them considered their payroll data "confidential" and would not make them available to anyone outside the firm. But specific orders from the steamship companies made the stevedores part of the reporting system. Reasonable accuracy and uniformity were assured with the issuing of detailed instructions, conferences, careful editing, and persistent followup—and the use of experienced monitors in each major port. These monitors helped the stevedores and steamship companies to comply with instructions, but they also served as a check on the promptness and accuracy of reports. The reporting system got underway rather slowly with the beginning of 1960; but by the middle of the year, the PMA had achieved nearly complete reporting of cargo loading and unloading operations on the West Coast.

The difficulty the stevedores had in adjusting to this system should not be underestimated. For most of them, the required data were not readily available. Cargo traditionally is measured in revenue tons—that is, weight or volume, whichever is greater. Special arrangements were necessary in many instances to make the required weight tonnage data available from the steamship companies' records. Again, longshore time usually was measured in gang hours, although the composition of gangs varied for different commodities and operations. Most difficult of all was the matching of longshore man-hours on the dock and on the ship with the specific commodities being handled, because this required reasonably accurate timekeeping. And finally, the compiling of reports involved additional cost and usually additional office staff.

1960 Negotiations

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

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

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

Behind this shift in the employers' position was a significant and interesting change in thinking. During the preceding 2 years, the "sharing of gains" concept was generally accepted, although with at least one important defection. It seemed a reasonable and equitable way out of the bind of restrictive rules, and it promised far-reaching benefits. But early in 1960, the men running some of the larger steamship companies reversed their thinking. To permit the union to share in gains was considered an invasion of management's prerogatives and consequently was completely unacceptable Management decided to "buy out"

the restrictive practices and labor's opposition to mechanization. The problem was the price.

The employer and union negotiators proceeded from very different starting points. In exchange for a free hand, management offered a guaranteed wage that would protect the longshoremen against lost work opportunity. To the union, this was completely unacceptable. Conceivably, cargo might increase in volume so that no longshoremen would lose work; and then the union would get nothing for giving up its restrictive rules. The union's position was: We'll give up our rules, for a price; but we set a high value on our rules because we think the companies will gain millions of dollars.

Subsequent negotiations—which stretched out until the ground rules of the 1960 agreement were settled on October 18, 1960—revolved around the questions of how much and what for.

The 1960 Agreement

The 1960 agreement provides the answers. Under it, management will have a fairly free hand, although some restrictions will remain. The pertinent provisions may be paraphrased and summarized as follows: [7]

1. Employers shall not be required to hire unnecessary men. This includes the right to stop using the four-on and four-off practice or variations of it.

2. The slingload limit shall remain unchanged for loads built by longshoremen as long as the method of operation remains the same as it was at the time the slingload limit was negotiated. But when operations change, the employer shall be the judge of what the weight shall be—provided he stops "within safe and practical limits and without speedup of the individual." Any disagreements are to be settled through the established grievance machinery and without a work stoppage. Loads built by other than longshoremen may be skimmed or not—*as ordered by the employer.*

3. There shall be no multiple handling. The skin of the dock concept is abolished through a provision that this requirement is to be considered satisfied when the loaded pallet board is set on the dock. This will permit teamsters to load directly from pallet to truck and unload from truck directly to pallet.

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

5. When new methods of operation are introduced, the employer is to discuss the proposed manning with the union. But if agreement cannot be reached, the employer may proceed as he sees fit and the union may seek redress through the grievance machinery, with arbitration as the last resort. This provision appears also to cover mechanization, and particularly the use of large containers and vans.

6. As payment for this freedom, the employers are to establish a jointly trusteed fund. This fund is to include the $1½ million already accumulated on the basis of the 1959 agreement. In addition, the employers obligate themselves to pay $5 million a year for the next 5½ years—i.e., until June 15, 1966.

7. The fund shall be divided into two parts: [8]

a. All presently fully registered longshoremen and clerks are guaranteed payment for a specified number of straight-time hours per week.[9] But the guarantee becomes operative only when work opportunity has been reduced because of the new contract provisions and not when tonnage declines because of curtailed "economic activity."

b–(1). All presently fully registered men are entitled to a payment of $7,920 upon reaching age 65 with 25 years of service as a fully registered longshoreman. If a presently fully registered longshoreman dies before completing 25 years of service, the agreement provides for a substantial payment to his family. Similarly, remaining unpaid benefits are payable if a retired longshoreman dies. In other words, the longshoreman has a vested right to the payment. (The right starts after 15 years of service and is fully vested after 25 years.)

b–(2). The longshoreman may choose voluntary retirement at ages 62, 63, or 64, provided he has 25 years of service as a class A registered longshoreman. He will be entitled to $220 a month for 36 months, or $7,920. (The $220 was arrived at by rounding the sum the longshoreman with 25 years of service receives upon normal retirement: $119 from social security and $100 from the industry's pension fund.) Any portion of the $7,920 unpaid when the retired longshoreman actually shifts over to social security and the pension fund must be paid as part of the worker's "vested right."

b–(3). Retirement can be made compulsory at 64, 63, or 62 years of age with respectively 24, 23, and 22 years of service. The payment due the man will be $320 per month for 36 months. (The extra $100 above $220 is to make the compulsory retirement less unpalatable; it will be dropped from the amount which may be outstanding

[7] Memorandum of Agreement on Mechanization and Modernization, October 18, 1960 (PMA); see also The Dispatcher, published by the ILWU, October 21, 1960.

This agreement supplements the basic agreement, which covers wages, hours, welfare, pensions, etc., and which was extended to June 30, 1966, with provision for annual reopenings on any of its terms except pensions.

[8] The benefits provided in the agreement were not negotiated individually. The agreement incorporates them by reference to "union draft of October 4, 1960" and states specifically: "the amounts of such benefits to be determined by the union." Benefits will begin after ratification of the agreement by the union membership at a date to be set by the trustees of the fund.

[9] The agreement does not specify the number of hours per week or the number of weeks per year. This will be left to the trustees' decision. (See preceding footnote.) The union speaks of 35 hours per week in its own publications.

when the man reaches age 65. At that point, the outstanding payments will be the same as for a man retired voluntarily.)

(A man may retire at age 65 if he has 25 years of service. He must retire at 68 if he has that much service. If he lacks years of service, he may stay on until he accumulates 25 years regardless of his age. This explains the employment of some men in their seventies and even eighties.)

8. In the event of a union-caused work stoppage in violation of the agreement of October 1960, the employer obligation may be reduced by as much as $13,650 per day, the average daily cost of the employers' total obligation for a year. Up to 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."

The ILWU caucus, which watched the final "gold fish bowl" negotiating sessions, accepted the agreement.[10] But the agreement will not become operative until the rank and file of the union accepts it by majority vote.[11] Union leaders see a tough selling job ahead because they realize that the men will resist the introduction of rapid change despite the assurance against layoffs. If approved, the agreement will become effective with the beginning of 1961.

The agreement enumerates the main points accepted by both sides. But much more remains to be done to settle pertinent details, such as those relating to the guaranteed wage and all its ramifications. There also remains the difficult problem of how to balance out areas of future oversupply and undersupply of labor, as well as a good many others. In all likelihood, the grievance machinery will be used extensively to hammer out solutions for troublesome problems, and arbitrators will be busy for years working out the common law of collective bargaining in this industry.

Analytical Comments

The 1960 agreement runs until June 1966. The lifting of the restrictive working rules and the abandonment of resistance to mechanization automatically are limited by the expiration date of the contract. So are the payments of $5 million per year by the employers. As each side is busy with plans for carrying its performance to the levels of success it envisages, little has been said yet about the steps that probably will be logical sequences to the present development. But to the economist who has studied the industry and has had the privilege of listening to the negotiating sessions and discussing a large range of problems with both employer and union officials, some "crystal ball gazing" and observations of likely future developments may be permissible. It must be emphasized, however, that these observations are the author's and that they may not be shared by either the PMA or the ILWU.

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

But it is doubtful that the impact will be severe for the presently fully registered longshoremen. To start with, the 1,200 class B longshoremen and the 10,000 casuals form a cushion that can provide up to about 4 million of the 30 million man-hours required each year. Even though some class B longshoremen and casuals always will be necessary for the handling of cargo peaks, a good portion of their man-hours—perhaps 3 million—can go to the class A group, which is given preferential treatment in the hiring halls.

So far, neither the employer group nor the union has a good measure of what the modernization program will mean in terms of man-hours saved. No one knows how fast and how far the program will move. Estimates of the reduction of man-hour requirements have gone as high as 35 percent by the end of the agreement's term. Where mechanization can be used effectively, as in the bulk handling of grain, sugar, etc., the reductions in man-hours required—and consequently the demand for longshoremen—may be even more drastic. But many of the industry's cargo-handling operations do not lend themselves to extensive mechanization. In these situations, man-hour savings will have to come from the lifting of restrictive working rules. For the industry as a whole, with gains varying widely between individual shipping companies for a variety of reasons, it probably is not unreasonable to expect a suc-

[10] About 95 union delegates brought in for a union caucus watched the last 2 weeks of negotiations.

[11] In early 1961, it was announced that 28 of the 29 ILWU locals had accepted the agreement by a vote of 7,882 to 3,695.

cessful program to yield an improvement of 25 percent or better over the next 5 years. After most of the class B longshoremen and the casuals have been eliminated from the industry, how will the rest—about 15 percent—of the cut in man-hours be absorbed?

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

But if all of these reductions prove inadequate, the union may hold a final trump card: The reduction of the daily work shift hours. As far back as 1957 the union indicated this as one of its objectives. If the available total man-hours shrink to the point that the remaining labor force is underemployed, the union may well ask for a reduction in daily hours from 8 to 7 and later to 6. A cut from 8 to 6 would mean a reduction of 25 percent in available man-hours. This, together with natural attrition and early retirement, should be more than adequate to meet increases in productivity—and to keep union membership at a level acceptable to the union.

Total Cost of New Contract to Employers. Although the publicity released by both the PMA and the ILWU clearly indicated that the payment of $27½ million into the jointly trusteed fund was to cover the next 5½ years, i.e., until June 1966, somehow the public gained the impression that this amount represented the ultimate cost of managerial freedom in this industry. This impression is in error. The $27½ million plus the $1½ million already available are only the first step. The logic of the situation requires further payments for continuing this freedom beyond 1966.

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

The inescapable conclusion is that at the termination of the present agreement, another agreement will be necessary for further payments into the fund. Because of the fairly advanced age of a substantial portion of the present work force (the present median age is about 49½ years), the heaviest drain on the fund will come within the next 10 years. Thereafter, perhaps $3 million a year will be adequate to discharge this obligation. But this can go on for 20 or more years, until all of the presently registered work force is retired. (Both the industry's and union's negotiators are aware of this problem.)

New Additions to Labor Force and the Vested Right. Although the immediate problem for the industry will be one of labor force curtailment, eventually new men will have to be added to keep the force at a required level. Can such men be refused the vested right benefit? Theoretically, yes; practically, no. It will likely be difficult for the union to refuse a new man this benefit while the man working alongside him is entitled to it. From the employer's point of view, such discrimination would seem logical because the payment to the presently registered man is for giving up his rights to the restrictive rules. The new man will never have had such rights. It may well be that when the employers request additions to the regular labor force after the present agreement has run out, the union will agree only on condition that the vested right benefit is extended to all newcomers. If the employers agree, the vested right benefit may be extended to *all* fully registered longshoremen—and indefinitely.

Added Labor Cost of the Vested Right Benefit. Based on the 30 million man-hours now worked annually by the entire longshore labor force—i.e., class A, class B, and casuals—the present employer commitment of $5 million per year comes to about 17 cents per man-hour. As man-hours decrease,

this hourly cost will rise. If total man-hours are reduced 25 percent, this cost will rise to 22 cents per hour. (This will be in addition to present supplementary wage costs of pensions, vacations, and welfare, as well as any wage increases that may be negotiated under the annual reopening provision.)

But employers consider this newly won freedom to manage as they see fit—or reasonably so—as easily worth this additional cost. Not only are they hopeful that their savings will offset the cost, but also they calculate the actual increase in labor cost at considerably less than 17 cents. The longshoremen's wage increase this year, the PMA reasons, was 8 cents per hour. At the same time, the warehousemen—the other component of the ILWU— won a wage increase of 21 cents per hour. If this is accepted as the wage increase the longshoremen could have won had they really tried for it, then the difference of 13 cents represents the union's "waiver" in anticipation of a "good deal" for the mechanization and modernization fund. Not only did the employers keep the 13 cents out of the permanent wage structure, but also they reason that this 13 cents is a proper offset against the added labor cost of 17 cents for the new vested rights benefit. The difference between the two—4 cents—therefore is the net cost of this benefit. And for a cost of 4 cents—or even 9 cents, as man-hours are reduced—the newly won freedom is regarded as a good bargain.

No decision has yet been made by PMA how the $5 million is to be levied on the employer group. It could be done in several ways. But if the cost is assessed on a flat man-hour basis so that every steamship operator pays a fixed amount for every man-hour he uses, then disparities will develop between the steamship companies. The company that cannot improve its operations as much as others—whether because it cannot mechanize as much or as rapidly or because of its type of trade—will bear a proportionately larger burden than the company that can cut back on its man-hour requirements quickly. The latter not only will have greater savings because of higher efficiency but will also save on its man-hour assessments. It should be repeated, however, that although the man-hour assessment offers the easiest solution, other methods of assessment are possible.

Buying Out Restrictions vs. Sharing of Savings. In a real sense, the employers' agreement to pay $5 million a year represents a sharing of savings. The employers' promise to pay is conditioned on the expectation that the man-hour savings will be large enough not only to defray the annual payment but also to leave something for themselves as well.

But the difference between buying out the restrictive rules (including the resistance to mechanization) for a fixed sum and the earlier concept of paying for man-hours actually saved basically is that the latter rests on a specific measurement. Under the sharing of gains concept the man-hours would have had to be saved before any payment was due, and the payments would have been in direct proportion to the hours saved. If the union had wanted the fund to grow and to provide the sums necessary to pay for the vested right benefit and the guaranteed wage, then it would have been incumbent upon the union to cooperate freely to bring about savings of the necessary magnitude. If the union had held back, it would have kept money out of the fund. If longshoremen had hung back in any port, they would have deprived not only themselves but all other registered longshoremen as well of money that otherwise would have been available for benefits. Consequently, the union would have been under considerable internal pressure to make the modernization program a success everywhere on the West Coast. It is not inconceivable that the union might even have taken the initiative in introducing or suggesting changes.

Under the buying out procedure, the pressure on the union is external. The union has no interest in augmenting savings to employers because its share of the savings—whatever these may amount to—is set at a flat $5 million a year. The pressure on the union is the fear of the abatement penalty. Every day of noncompliance may deprive the union of up to $13,650. But the assessment of any penalty undoubtedly will be a subject of time-consuming grievance procedures and formal arbitrations. Penalties for noncompliance have been substituted for voluntary cooperation.

The reasons for the employers' shift from the measurement of gains concept to that of an annual lump-sum purchase are not obvious. But it is

interesting to note that unless the employers expected their gains to exceed their annual $5 million payment substantially, the union's preference for the measured-gain system appears to be the more conservative concept.

Use of the Reporting and Measuring System. Obviously, the reporting and measuring system will not be used to measure savings to be shared with the union, as originally intended. But the employer group has a vital interest in knowing what its annual payments actually are buying. For this purpose, the measuring system is indispensable.

Additional uses are obvious. The data will permit, for the first time, an understanding of cargo-handling manpower costs on the West Coast for the industry as a whole, as well as for individual ports and specific commodities. The system will provide a measure of the impact of changes as these are introduced. It also will permit the development of productivity indexes to measure the trend of productivity in longshore operations for individual ports as well as for the entire West Coast and thus reflect the success of the "modernization" program.

And last, but far from least, the system can supply data useful for collective bargaining. Until now, the leaders of the shipping industry admittedly have negotiated "by the seat of their pants."

Conclusion

The vested interest technique favored by the union in this settlement is only one of many possible methods that could have been chosen for allocating to the longshoremen what Harry Bridges calls "the men's share of the machine." This method is feasible only under certain conditions but the method of sharing the gains is secondary to the main achievement: A strong employer group and a strong labor union have evolved a solution for the thorny problem of restrictive working rules that promises to be mutually satisfactory. Employers gain a free hand in managing their business, and the union gains the security of a guaranteed wage and the vested right benefit through a share of the savings accruing from the modernization of the industry. And significantly, this result was achieved in peaceful, intelligent discussions across the negotiating table.

Other industries may find it possible to develop variations of this approach in solving their own work-rule problems. The significance of the West Coast longshore development lies in the fact that it demonstrates that management can resolve this difficulty by giving labor a share in the gains brought about by rapid technological change, while at the same time safeguarding worker security. This generally untried approach to meet the effects of increased mechanization and automation deserves close attention.

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