L60-86

MANAGEMENT RESPONSIBILITIES IN LABOR RELATIONS

Mr. William G. Caples

NOTICE

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Reviewed by: Colonel P. B. Klein, USAF

Date: 12 February 1960

INDUSTRIAL COLLEGE OF THE ARMED FORCES

WASHINGTON, D. C.

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CONTENTS

	Page
INTRODUCTION--Mr. S. S. Hill, Member of the Faculty, ICAF	1
SPEAKER--------Mr. William G. Caples, Vice President in Charge of Industrial Relations, Inland Steel Company, Chicago, Illinois	2
GENERAL DISCUSSION	21

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MR. HILL: As our speaker of this morning knows very well, people don't work mainly for economic compensation. That is something you have to get into a bill, and you hope it is going to be the maximum amount. But people work really for the satisfaction of a job well done and for recognition that comes with it.

Yesterday we had a program in which labor put its best foot forward, and I think that the class should know that General Mundy deserves the credit for putting on the show. He arranged the matter with Mr. Hayes and Dr. Reichley, his Director of Instruction, finalized many of the arrangements. I think that, with the permission of the class, I will cast one ballot of thanks for his part in doing that.

The matter of industrial relations is really a part of human relations, and from my study of Mr. Caples' human relations over a period of years, I think his success is due to his interest in people. He has a long record of civic performance. He has come here as one of his contributions to his obligation to the community. I believe that he enjoys coming here to speak to us as much as we enjoy having him come. We feel a deep sense of obligation to Mr. Caples for taking time out of a very busy schedule, not only from his business obligations but also from those of a community nature, and we thank him for coming here to be with us.

I now introduce to you Mr. William G. Caples, Vice President in Charge of Industrial Relations, Inland Steel Company of Chicago. Mr. Caples.

MR. CAPLES: Thank you, Mr. Hill. General Mundy, Gentlemen: I am going to try today to explain to you the relationship between organized labor and management as we see it from the standpoint of management. Obviously, being on the management side, you will understand that I have bias; you will understand what my biases are.

I have been on only one side of the bargaining table; I have been on both sides of the work situation. I come from a company which, in my industry, is small; which compared with other industries is large. Had we not had what the Irish refer to as "the trouble" this year, we probably would have reached a billion dollars in sales. We do employ about 30,000 people. We operate in 36 States in the United States and one province in Canada. We have about 36 bargaining units, and we deal with 11 different types of international unions, varying from independents to large industrial unions, craft unions.

It has been my responsibility over a period of time to deal with all these people. There is one thing I should say in reference to Mr. Hill's introduction. This economic theory has never reached my wife, who is assured completely that we work purely to take care of economic matters.

I am not going to read you anything, but I have one of those disorderly minds and, if I don't use an outline, I wander too far, so I wrote one.

I want to point out the things that I think are essential to bear in mind when you look at a labor organization and a business organization, their similarities and their differences. Mayb e they explain to some degree some of the things that happen to us. I will try to explain what I believe a labor organization to be and what I believe a business organization to be, where we rub and have friction, and where we mesh and don 't have friction.

The union, by its nature, is a political organization. People sometimes tend to forget this. The officers are elected. They are people who politically evolve as leaders. One of the problems we run into, and one of the best selective devices I know, is, when you want foremen to take stewards and make foremen out of them, because they have exhibited a type of natural leadership, and you can train people who have ability and leadership. The problem there is, we keep constantly sucking the leadership out of the work force. That's another thing.

But, since the union is political, since it is elected, it has a relatively flat structure. I don't know of any organizational structure of a union which is a long, involved, many-step process. Generally speaking, if you take the steel workers' union as an example, and it is fairly typical, there are three levels of management within the union. There are the stewards in the shop, there is the international representative, and then there are the officers of the union. It's a very flat, three-step structure.

Most of the people who are successful in the union movement are

extremely articulate; they have had to be, as most politicians are; and they are very good practicing psychologists. Most of them are untrained, but I think sometimes they do better than those with a considerable amount of training.

Because of the political aspect of the organization, you will find that it is almost impossible to determine succession within a union. That is fairly obvious when you start to think about it. In political succession, if you train a successor, he is liable to throw you out in the next election, and this is a risk that most people don't want to undertake, especially those who are concerned with job security. The result of this is that you don't train succession. As a matter of fact, if a strong man arises, you usually get rid of him. The method depends and varies with the union. If you want to question this, name, if you can or if you will, the successor to anyone in any major union. Who is Mr. Reuther's successor? Who is Mr. McDonald's successor? Who is Mr. Hayes's successor? You just can't find and identify them.

So that you have a problem whenever a union leader dies--and that seems to be about the only way they get succeeded, with rare exceptions. Well, take, for instance, a man like John Lewis. He is 79 years old and you can't identify his successor yet. You have a problem. Once a union leader does die and needs a successor, there is always a battle for power within the union to see who is ultimately going to succeed. And generally the result of that struggle is an unsatisfactory thing from

the management side of the table, because your company is then being used for somebody ele's political ambition.

However, to remedy the lack of training that comes from a built-up succession, the unions have hired some extremely able staff people, highly trained, technical, able people. You saw some of Al Hayes yesterday. I understand Nelson Cruikshank was here--as good a man on various types of employee benefits as you will find in the United States. These people do the staff work and the planning for the unions generally.

There is always a certain amount of friction between the staff and the line, which is elected and appointed. Of course this couldn't happen in the military, but it does happen in the union.

The other thing that you should constantly bear in mind is that in political organizations people must be responsive to their constituents. We in business often say our word is our bond, and we have found over a period of time that if it is not our bond people cease to do business with us. So that, from a standpoint of selfishness, we have to keep our word. A politician--and I am talking about politicians generally--if he finds the things he is saying are not responsive to what his constituency wants, changes his mind and changes his position. So that sometimes a union leader will make an agreement with you, go out and find out it is not satisfactory to his constituency, and then go back on the agreement, the reason being, of course, that his survival within his own structure dictates

this. I merely submit that this is true of people outside the union movement in the political structure as well as in the union movement.

Take this type of organization and contrast it with a business, bearing in mind that in practically every book on organization that I have ever read the business organization originally stems from and is a variation on either the military structure or the structure of the Roman Church. They are people who have been organized and put into a form in the hope that the business is going to make a profit. The structure is usually fairly deep. For instance, take a company like mine. Your lowest level of management is your foreman. You go from your foreman to your general foreman, to your superintendent. Then there is your assistant general superintendent, your general superintendent, your vice president, your president, and your board of directors. It is a deep structure. If it is properly put together the people within it are always taking jobs which, hopefully, will train them for the jobs up above. We are constantly trying to train a succession which is capable, which knows what it is doing; and we must identify our succession.

For instance, in our company each vice president each year must go before the Chairman of the Board, the President, and the Vice Chairman and go over every man he has and identify at that time what he believes this man's abilities to be, what he believes his future to be, what training he needs, and what he is doing about it. The successions are fairly identifiable and come up trained, because you are going to be there a long time, you

hope. So that you end up generally with people who know the things that they do and, if you want to talk to them about the things they do, they are highly articulate. If you talk to them about things that they do not want to do or things they have not done they are usually inarticulate.

So that, when we come to the bargaining table, we have two very different types of individuals who evolved out of very different environments and very different backgrounds. We sit down at a table to solve our troubles. Now, collective bargaining under the law is a process by which wages, hours, and conditions of employment are supposed to be determined. Wages, hours, and conditions of employment have spread to the point where we discuss practically everything from Marilyn Monroe, Gsa Gsa Gabor, how the football league is doing, what is wrong with the advertising of the company. The scope of the bargaining table now is unlimited. I can't conceive of any subject that has not been discussed in the present bargaining at least once, and in this one we probably caught them 3 or 4 times on the way around.

When you get into this situation there are four areas, in my opinion, which cause conflict, and in any other area you really don't have much conflict. You will notice that wages is not one of the things that I mention. This may be a surprise to some of you. Another thing in which there obviously is and in which there should be a fairly high degree of agreement is something like safety, where the physical welfare of the people is of high concern to both sides. But the four areas in which I

think you get into trouble--and I think it is inevitable that you will get into trouble--are these: The first one is when you attack the union as an institution or when you do anything which the union believes will destroy or harm it as an institution. A sort of subheading to that is, if you go after the security of the men who are running the union. If you decide to take on the president of a union and try to get rid of him, you can almost put it in your book that you are going to have a strike, successful or unsuccessful. This is if you attack the union as an institution. You will note in the steel bargaining, although there has been a fair amount of vituperation on the other side, I know of no statement in the bargaining or outside in which there has been any attack on the steel workers' union as an institution or any attack on any of the men in it.

The second area in which there is a great deal of conflict is that of control of jobs. Now, when you get to the essentials of what the union has to sell, basically what it has to sell are jobs. The strong drive for the union shop, in my opinion, is totally this point. In other words, if you have a union shop then you control the job. If you can say to men, "You join my union and I'll see that you get a job," this is a very powerful economic argument, and it is one in which the people have security and the union itself has security. So there is the control of jobs. One of the interesting changes in attitude in the United States society is that we have come to believe that the union has a perfect right to control jobs. I cite the present steel strike in which there has been no talk,

internally or externally, of replacement of any striker, and yet we had 116 days of strike. We have so totatally accepted this concept of the control by the union of the jobs that nobody even thought of trying to rehire workers, although under the law we have a perfect right in time of strike, if we can do it, to replace the striking worker.

The third area where we get into arguments is the control of cost. Obviously, if a business is to succeed, cost control is about the most important thing you have to worry about. The union is much less concerned about this than you are, primarily because one of the most effective areas of cost control is the elimination of men. When you have a situation such as we do, where every time a man walks through a gate we know there is $25 going out, obviously one way to control the going out of those $25 is to engineer that man out of existence. With the exception of the mine workers' union, who in 1923 accepted the reality of life that, if you were going to keep constantly pushing the wage of the men up, then you were going to have to accept mechanization which was designed to eliminate men to keep the cost down, most unions fight any elimination of men. Why? I really don't know, because, other than the problems you have with the men themselves, historically, where men have been displaced, the jobs which arise are usually more pleasant, higher skilled, and higher paid.

I will cite my own industry to give you an example of that. We have in the production and maintenance jobs in steel today approximately the

same number of men who were employed in steel in 1937, when the industry was organized. In that period of time we have better than doubled the capacity of the industry without increasing the number of men. But the other side of the story is that we have almost twice as many white collar people, technical people, and research people, where we have a much higher skilled force. And I submit that sitting in an air-conditioned office has something to offer over sitting in front of an open-hearth furnace on a hot day.

The control of cost is a thing we fight about all the time, and I think that from the nature of things we must fight about it.

The fourth thing is the control of the quantity and quality of goods. This is the output and what kind of goods you put out. We have in our industry, and I suppose it is true in every industry, had to fight controlled production from the time we put in machines, and I think we will have to continue to do it. We maintain that we have the absolute right to determine what speed the machines will operate at, bearing in mind the physical well-being of the men and bearing in mind that we don't do something that is beyond their physical limitations. We also say that it is up to us to control the quality of goods, because we are the people who ultimately have to sell them, and we are the people who believe we know a little better what the customer's requirements are. But, when you get into an area where you start to question any one of these four things--the union as an institution, your cost control items, your control of jobs,

and your control of quantity and quality of goods, you can say that potentially you are going to have trouble. In the present strike I think it is fairly obvious that three of these four elements are present--the control of jobs, the control of cost, and the control of quantity and quality of the goods.

Now, what panacea there is to have bargaining get into these controversial areas and get out of them without trouble, I really doubt that I would be qualified to say. In my own industry we are now in the sixth strike in 14 years, and that's not a very happy record.

Getting on from the collective bargaining, which is the spectacular part of the business, the one you read about in the papers, and the one which those who are not in the industrial world believe is the whole of collective bargaining, I want to say that the real part of union-management relationship is not at the bargaining table. The real relationship comes in the administration of the contract, once written. When you write a contract, basically you have agreed on a set of industrial laws and laws by which you live, and once you have those laws then you must see that your commitments are obeyed, and you must see that the union obeys its commitments. You may say, "What concern of yours is it if the union does not obey its commitments?" The concern is primarily this: If we do not make the union live up to its obligations, and if we do not make our management live up to its obligations, all kinds of situations arise which, either in themselves, create chaos, strikes, and what not, or a

situation develops which at collective-bargaining time will create a situation that may ultimately result in a strike, because of trying to cure something that has been done which we don't feel we can live with. We have a few of those on the record at the moment.

How they arise is fairly easy to understand. I am a foreman and I've got a superintendent beating me over the head to get production out, I'm having trouble with the steward, and I make a deal. It is a perfectly natural, human thing to do. That deal may rise to haunt me forever more. I can give you an example; we had an arbitration on it--not in my company but in another one. It came down about two weeks ago. It happened in the Sparrows Point Plant of Bethlehem Steel. They have railroad car repair shops in that plant, and these shops, as they generally are, are out in the open. It became a custom in that particular mill when it rained or when the weather was inclement on a week day to stop work and to do make-up time on Saturday. This went on for a period of years and on the face of it looked like a fairly sensible arrangement. The union grieved on the basis that work on Saturday was work for six consecutive days, and it was, and they wanted overtime for it. The arbitrator ruled it was the sixth consecutive day. The contract said overtime. So he ruled overtime. The company said, "All right. If there is overtime, then we quit working on Saturdays." The union then said, "This is a past practice and you have to work on Saturdays." So they went back to the same arbitrator, and with that type of logic that sometimes is a

little baffling, he said that the overtime was not a past practice so they had to pay it, but working on Saturday was a past practice, so they had to continue to work on Saturdays with overtime . This matter will be up for a great deal of discussion here this week, because I sure that, where you do something for the convenience and the comfort ofthe men, as they have done here, you don't expect to do it at a financial penalty. This will be talked about.

Those are the administrative problems that arise, and I have given you one example. What you try to do in administering a contract is to interpret it as clearly as you can and to try to determine things as you thought they were intended at the bargaining table. For instance, in my company, when we make a contract, we go over with every supervisor in the company, in groups of 10, that contract from beginning to end, taking the old contract, the changes between it and the new contract, what the company's intent was, what we were trying to accomplish with it, and we hold our supervision to complying with the contract. When we get into the areas which are disagreement areas, there is a provision that these matters can be taken toarbitration. I personally believe that arbitration is the best thing that has come out of collective bargaining. I believe it for this reason—that it is a sensible way of settling disputes between reasonable men. If you have an agreement and you think you know what it meant and the union thinks it knows what it meant, and you cannot agree, rather than to get into some kind of disruptive

situation, you submit it to some person in whom you have faith, both as to his ability and his judgment, and you live by what he rules.

In our own company we win about 93 or 94 percent of our arbitrations. This in one way looks good and in another way doesn't mean anything, because you can win 90 and lose 1 and the 1 can hurt you more than the 90 you win, sometimes. The reason for this is, we have as a rule of thumb, unless in our own minds we can absolutely win, we don't arbitrate. We'll give in to the union rather than arbitrate something that we think we are going to lose. Obviously our judgment is about 7 percent bad on this point.

The other thing you have to do in administration is make sure that you do get the greatest use of your manpower. Bear in mind that in a society such as ours there are such terrific demands on ability and brains--and there is nothing we can do about the quantity of brains in this country--this is something the Lord determines--and the demands in our society for people of really intellectual quality are so great--you've got the demands of the military, you've got the demands of teachers, you've got the demands of the medical profession, you've got the demands of the ministry, and you've got the demands of business—that there just frankly are not enough people to go around and adequately do all of the things that need to be done. This is a limitation we can't do very much about. But, where we do get abilities, then to the extent that it is possible we want to use these abilities. Here we have had very little opposition

from the union, I am happy to state. We take and train anybody we believe is trainable who wants to be trained. I say "who wants to be trained," because those of you who have taught know that you can't teach somebody who doesn't want to learn. We have found a high degree of interest from people who want to learn. Of the 30,000 people that we have, 7,000 and some odd are given some kind of training each year. These are always training toward higher skills. For instance, we have one agreement with Purdue University where we make technicians. They get the equivalent of about two years of engineering in a highly vocationalized sense. One is in open-hearth steel making, which is a metallurgical variation, one is in electrical repair and maintenance, another one is in plant maintenance other than electrical. This is the type of thing where people take two years at night of their own time and we work on rotating shifts. This is the only rotating school I know. We have to rotate the schooling with the men's shifts. In spite of that we always have more applicants for that course than we can handle, and we limit it to about 275 people a year. This means anybody in the company who wants to apply and can pass the entrance examinations of Purdue University.

The other problem of administration we have to deal with is a really knotty one and one that at this point I do not think there is any adequate solution for now. That is the problem of displacement by technological change. There is no responsible union official I know who will argue with you for one minute that for the good of the society generally you

should encourage technological change, that technological change over a period of time has benefited the society generally and has given us more goods at lower prices and that people are better off. This is theory. The management and the union agree perfectly on the theory, but so often when you get from theory to practice it starts to rub a little bit or it is a little different.

When you get into practice, if I am in a job where I am going to be displaced this becomes a very real matter to me very promptly, and I react like anybody else who is being directly affected as an individual. I become very untheoretical and I become very practical, because the problem is: What's going to happen to me? If I am the fellow who is working next to the man who is going to be displaced, I get concerned about what is going to happen to me as a result of what happens to him. Theoretical matters go out the window and you start to deal with practicalities.

Let me mention a couple of the tougher problems that arise from this. I'll talk out of the experience of my company, because I think I know a little bit about that. Where we have eliminated operations, generally speaking, the men who drew the highest pay and who had the longest service had the least usable skill when we cut the operation out. Let me be specific on that. We eliminated an old hand sheet mill 3 or 4 years ago. We had rollers in the hand sheet mill. Here is a skill which is a high skill for a particular situation which you can't use any other

place in a mill. So these people, who had been drawing money for a high skill, were transferable at a much lower skill and at a much reduced amount of earning. We went to the union with a series of things that could be done for these people--super seniority, slotting them into doing a particular type of training for a particular type of job. There were 6 or 7 variables that we suggested. There were 184 people affected in a mill where therewere 15, 000 people employed. The union would do nothing. The reason was perfectly obvious. The arithmetic was against it. They were not going to do favors for 184 votes and make 15, 000 less 184 disturbed and angry because they might have something taken away from them. So the union wouldn't touch it. I came down here and had a long discussion with Arthur Goldberg about it. He is council for the steel workers. He agreed our position was absolutely right, but agreed that the union couldn't do anything about it. This is one of the things we are haggling about at the moment, I might point out.

What we did do was, we took a management prerogative and transferred these people, because we thought it was no answer to give men severance pay who had worked for us 40 years and were past 60 years of age and for all practical intents and purposes unemployable, to throw them out on the street with severance. So we did manage to transfer these people. Over the three years some them became old enough to retire and have retired. The younger men, the lower paid men, are all doing better than they were doing at the time they were displaced. The

older men, the higher paid men, are all doing worse in an economic sense, other than the fact that they are employed and are working toward pensions; and we find that when they reach pensionable age they are immediately taking it. But even here they are affected, because, under the pension formula that we use, your pension is directly related to your last 10 years of earnings, and if you cut your earnings in the last 5 years you cut your pension accordingly, if you are above the minimum.

What you do with these people I don't know. My own belief is that we could and should work out some kind of a pay-extension arrangement during retraining, if they are retrainable, and most people are, at any age, and transferable, and, if they are not retrainable or transferable, some kind of pay extension to either bring them into early retirement, which we have proposed, incidentally, at age 55 and above, or so they can find another job where they might be able to use their skills and capabilities.

As to the day-to-day living in the plants, you will find that trouble varies almost in direct proportion to the number of men you have employed. We have never had a wild-cat strike in any plant except our Indiana Harbor Works. We have plants that go up to about 1400 or 1500 people, and one of them, incidentally, is unorganized, which is sort of rare in this day and age. Where we know the men, where the men know the supervision, where we are able to see that our supervision is in the plant, including the plant managers down, where we are individuals and not names, where the men

know they have access to us at some time coming through the mill, we don't have trouble. If you are a good listener you can hear about everything that is going on, because the men will stop and tell you about things.

In the big operations, where you do have these tremendous masses of men, it is almost impossible to get that kind of personal relationship. Basically in a big mill--for instance, at the No. 2 Open Hearth Department of the Indiana Harbor Works, we have 2,000 men in that department alone--in a big urban community today the men do not live in the same neighborhood with their workers. Our people live in a radius of 60 miles of the mill. Some drive 120 miles a day to and from work, which to my mind is asinine, but they do it. With all these things you get an impersonal relationship that is very hard to overcome. You use a lot of the drapings of personal relationship, you do everything you can to personalize the relationship, but you get dealing en masse where it is almost impossible.

Here is the place from which come your greatest industrial strikes. This is the place where the desire of protection by the man becomes the greatest. One man in a mass of 15,000 is not very much man. No matter how big he is physically, he feels this. Management is away from the plant; he basically doesn't know the members. You're a guy he may see walking through a mill once in six months. So that, when they cannot get satisfaction, then we get some kind of disruption, which is a wild-cat strike. This can come about in 2 or 3 ways. It can come

about because somebody in the union wants it from a political standpoint, where he wants to get something out of the management he feels he can't get by any other way; or it may be just that the men get so pent up they have got to do something. When they do, it usually is quite a something. One of the truisms of industrial relations is, it is very easy to pull men; it is almost unbelievably easy. The trick is to get them back to work.

When I was at the mill and these birds used to threaten me with the fact that they were going to pull the men, I always used to say, "Before you pull them, have the answer as to how you are going to get them back." Any idiot can pull them, but it takes a really smart guy to get them back on the job. Generally, when they'd think about it they wouldn't pull them, because it is difficult. A man does a foolish thing; then he's got to justify it, especially to his wife, and this can take some doing, occasionally. So they are out, and then you've got to get them back.

These disruptions start. How are you going to stop wild-cats? Frankly, I don't know. We have proposed a series of things to the steel workers. We are an industry that has been plagued with them. In the last three years we've had in the 11 companies that are bargaining over 800 stoppages unauthorized. I want to say in my own case that we have had one in seven years, and I hope we don't have another one for the next 27 years. I'll be retired then and I'll let the other fellow worry about it.

They do happen. How you stop them I don't know. We have proposed a series of things, none of which seems to be satisfactory with the union, because we are arguing again about control of jobs.

That is a very quick horseback galop, and I know you want to ask questions, so I will stop at that point and try to answer questions, assuming that to be background. As I said to Mr. Hill, if you have any on steel, I will happy to answer those specifically as to my own industry.

MR. HILL: Questions?

QUESTION: Mr. Caples, a previous speaker from this platform, while indicating general support for the companies' position on changing the work rules involved in the recent strike, considered the timing of the companies' tabling of the proposition very unfortunate, in that it arrived just 20 or 10 days before the current agreement was to expire. Would you discuss the factors leading up to the companies' decision to take this position and to do it at that time, so we can evaluate the speaker's comments?

MR. CAPLES: I'll be happy to do so, sir. Actually we made that offer on June 10, which was 21 days before the end of the contract and 35 days before the actual strike. On April 10 we had submitted our studies for the consideration of the chief negotiator and of Mr. McDonald. Bear in mind that you start to study for bargaining long before it happens.

We started preparations for this bargaining in the spring of 1958. When I say study I mean precisely that. We kept a group of people studying not only the general economics but also the specifics of our own contracts, wages, and incentives, all comparing with 40 industries in the United States, and comparing with the steel industry everywhere in the world, including, this time, the Soviet Union, because we had some knowledge of an exchange on Soviet steel.

We came to the conclusion that the best thing for all of us was to continue the existing contract for a year. The steel workers had their third convention in September. The third speaker was Mr. McDonald. He got up and gave quite a firey speech, saying in effect, "We are going to take the steel industry on." Then they had a series of meetings in the fall of the districts, saying they were going to take us on. This was really quite odd, because I don't know of anybody in any steel company who said anything about a strike, and certainly not 10 months before a contract ended. But in April, on the 10th, to be precise, Conrad Cooper, who had been appointed as the chief negotiator, sat down with Mr. McDonald and went over our studies with him. We went over the problem of inflation, which we think is the most important problem before the American people. Oddly enough, Senator Douglas of Illinois, who certainly is no great friend of business--although he is my senior Senator and I am a Democrat--has just recently issued a report which was written by two men at Harvard, which basically says "A plague on both your houses,"

but which attributes the major part of inflation in the United States to the wage push in steel. This pretty well jibes with what we believe. We had gone over the status of the steel worker, who by his own boast is the richest paid worker in the world. We'll accept their word for it. We went over the question of productivity, which we say is output per man hour and which they say is productivity. We don't think they are interchangeable. The productivity, in the sense of output per man hour, in our business has not been great. We went over the lack of profitability in our industry, where we need money; and we went over the question of foreign competition, which Mr. McDonald terms a phony.

We said, "Looking at all of these things," and we gave him the back-up figures on them, "looking at a false market which you created to a degree, yourselves, through all the fear of strike"--he was the best salesman we had last fall--"the best thing to do is let's go for a year as things are. You are well off now, and bear in mind that, under the present auto workers' contract, at the end of that contract the auto worker won't be in rock-throwing distance of the steel worker then; he will be about 24 cents an hour under him." Reuther and McDonald are competitors; they make no bones about that. I think they like each other, but they compete fairly highly. We said, "Let's find out how much of this is a real margin."

Then in 1960 it looked as if economically we'd have a leveling off and we could sit down and do something that made some sense against a fairly solid background of knowledge. You may recall that Mr. McDonald

called in the newspapers and, to use his language, rejected this out of hand, whatever that means. The constitution of the steel workers provides that the wage and policy determinations are made by a thing called the Wage-Policy Committee. After he had, as an individual, rejected this, his lawyer got hold of him and they had the Executive Committee and the Wage and Policy Committee, retroactively, clean it up legally and also refuse it or reject it.

We argued from April till June trying to influence people to our point of view, and we became convinced in June that for political reasons or for some other reason McDonald had to have some money. So we said, "If you've got to have money, and if you can't be persuaded to this point of view, rather than have a strike, here are things by which we can save money, and in the saving of the money, we will turn that saving over to your union to be expended in such manner as you feel is best from your standpoint." He at that time thought it was a pretty good idea, and we discussed these things. Finally he said, "Why don't you put these in writing, these areas of discussion?" And we did. These are the famous eight points. These were presented to Mr. McDonald as areas for discussion. They included scheduling; they included seniority; they included a variety of things. The eighth point was that we clarify the contract language, and, oddly enough, this is the one point upon which we have agreed in all this bargaining. And it means very little.

Rather than use these as areas of discussion, Mr. McDonald

took them--and I charge this is an act of bad faith—and blew them up and issued them to the newspapers, saying we were out to break the union and that we absolutely would not do one thing unless he agreed to all of these things. That was never said in the bargaining and has never been said yet. He has been able to persuade the public generally and has been able to persuade his people that that was our intent.

I also charge that there has never been and there is not now any attempt to break his union; he says there is; there has been no attempt to change seniority. In my own company, for instance, we have asked for no change in the seniority sections of the contract. In fact, we have granted two that the union wanted. In my company we don't even have the work-rule situation; nor does Wheeling Steel. But you'd never know it from the stuff that is being sent to our people.

So the way it was used was a bad thing from our standpoint. Had it been used as it was intended to be used, and on the basis on which we gave it, there would never have been an issue. So it depends upon whether you were on the outside looking in or on the inside looking out as to whether the timing was good or bad. If we had put it to them as an absolute, as McDonald claims, the timing would have been bad and it would have been a foolish bargaining maneuver. We were sort of seduced under promise of marriage.

QUESTION: Mr. Caples, I was interested in your statement that when you need a good foreman you take the shop steward and make a

foreman out of him. This is a rather sudden change from one side of the fence to the other. I am curious to know whether or not there is any difficulty with the individuals in transferring their allegiance and loyalty with them when they change jobs.

MR. CAPLES: Yes, there are difficulties. One of the real difficulties is to keep a rein on them, because they are too tough when you switch them, generally. But we give them a very thorough training course. Unless the man wants to come we don't arbitrarily transfer him. We have had men who have refused to come, saying they would rather stay in the union movement. But, if he is willing to make that transition--and it is a real transition--then we give him a training course. We put him on his trial turn as foreman until he gets used to it. We try to tell him what not to do and let him go from that point. We also make sure that wherever he is going to supervise he is technically trained both in what he is going to supervise and in basically the best way we believe to handle the people under his supervision. It has worked out very well. Some of these men have come a long way since they came out of the union. It takes a lot of ability to really run a union. We are just stealing the ability, frankly.

QUESTION: Sir, I am interested in the training course that you refer to. There are two things. First, is that completely paid for by the company? Second, does it take a man out of labor and train him into the management side, or is it within labor, or is it within management?

MR. CAPLES: On the particular course at Purdue that I talked about it can be either within labor or within management. We make no promise to any man who takes the course. The basic idea is to improve his technical skill as an individual. The company pays for the course entirely. As a matter of fact, we furnish some of the faculty on that particular course, and the shop work on it is all done in the mill, in our own class rooms, where we set up whatever training aids need be.

Some of these men never come into the management; some of them do. We have found that practically no successful graduate of that course fails to progress to a degree within the company and to get ahead economically.

We also have courses of other types that we pay for. We have some where the men, themselves, pay for them. These are both in the work force and in the management group. Then we have out-and-out management trainees whom we get out of the colleges. One of the interesting bylights of that is that this year, because of the strike, we are having a very difficult time recruiting college graduates for steel. They are just saying, "We'll go someplace where things are a little more stable." Now, this, if it became a trend, could be a very, very unhappy thing for the industry.

QUESTION: Mr. Caples, what is your opinion, or, if you prefer, the opinion of Inland Steel, with respect to the so-called right-to-work laws. I am particularly interested in whether in this opinion you feel

that the enactment of the right-to-work laws would lessen your problems with respect to labor or increase them.

MR. CAPLES: I personally am against right-to-work laws, as is our company. The reason for it is this: The National Labor Relations Act says that the union, if a bare majority votes for it, must represent all people within the bargaining unit; so that you've got a 51 percent, which is a bare majority--or one person is a majority. They have to represent all the rest. This is what the law says. It is an obligation they must discharge. That being the basic law of the land, if you do not change that law, it seems to me, it is a logical inconsistency to have a right-to-work law, because I think at that point you get the analogy of taxation. If this is the law, and if they must represent you, then I think you should pay the cost of the institution that represents you.

I am not kidding anybody; I don't like to pay income taxes, but I realize I have to, and I do pay them. It seems to me that where you could have somebody that you have to represent and then have that person perfectly free to tear your organization apart just isn't right. If the Congress changes the basic law I might have a different attitude.

The other thing is, I don't think actually the right-to-work laws have hurt the unions very much. There has been all kinds of screaming about them. We happen to operate in Indiana which is one of the few States that have one. I have noticed no effect one way or the other.

QUESTION: Sir, recently we have heard some interesting remarks

remarks on whether the United States is or is not pricing itself out of the world market. Would you give us your opinion on that, your point of view?

MR. CAPLES: I'll talk about steel, which is the only thing I know. We most definitely are, if we have not already. One of the things that we emphasized in this bargaining is that we have been a net exporting nation of steel historically. We have exported up to as high as something like 5 million tons--I mean in a peacetime economy, not in a war economy, where we send things out for either our own troops or for allies. In 1958 the figures indicated that the trend was two-fold. As to foreign imports--I am talking about steel now, not in the form of finished goods, such as automobiles or something--this was the same type of product that we put out--the trend was steadily coming up and had risen to about a million 900 thousand tons. The export trend was coming down, and the two trend lines continued. Then it appeared to us that we would become a net importing nation of steel. Our projections which were carried out were fairly accurate, because that happened in the spring of this year, and of course at the end of September, I think, we imported something like 3 million 900 thousand tons. When we started to analyze why, we found we had this situation on the East Coast, in Chicago, and on the West Coast: I can show you hand bills from warehouses and advertisements which don't quote a price. They quote so many dollars off United States prices. In some instances the price quoted was less than our manufacturing

cost. To use the old wheeze--even with volume you can't make any money that way.

The other thing was that the longer you applied labor to the product the worse the competition was. For instance, take wire, which has to be drawn from bars; take barbed wire, which is a purely American product; take nails, which are another wire product. Actually, most of the nails used in the United States now are made in Western Europe, and over half the barbed wire, and the butt weld pipe on the West Coast. We have the Japanese selling reenforcing bar in Chicago at less than our manufacturing cost.

The reason, as we can determine it thus far, is the very great difference in the cost of labor. As far as we can make out, Japanese labor gets about the equivalent of 41 cents an hour. Their cost is equivalent to 46 cents an hour. Our people at the time of the strike were making $3.11 in cash and getting about 59 cents in benefits, or a total cost of $3.70. Western Europe runs around $1. So we were working at a disadvantage of 3 to 7 to 1. Our labor cost in steel alone--forgetting that in any product it is about a third of your cost--we figure, on any finished product, going back to raw materials and everything, is some place around 80 percent of the cost of the product. Where we were beating ourselves out of the market was purely on price.

What do you do about that? You can do one of two things about it. You can come down to Washington and cry for a tariff, or you can get a

price that's competitive. It seemed to us that to go and ask for a tariff was folly, for two reasons. One is, we didn't know what was so sacred about our business that we should be allowed to tax everybody in the United States to sustain it. The other reason was that we are so dependent on countries outside of the United States now for raw material components, or, in particular, manganese and nickel. We were afraid that, if we ever started tariffs, they might start embargoing exports or, at least, quotaing exports. One of these things we thought was morally wrong, and the other we thought was economically foolish. So that the only avenue left to us was on the matter of price. We believe, if we are going to hold or regain world markets in steel, we've got to get the price down. We've got a plant running in Jersey, and, for instance, during this strike we have been importing steel from South Africa--cold rolled sheet and hot rolled sheet. As you gentlemen undoubtedly know, all steel is made to AISI specifications. In other words, if I order steel from Inland or Bethlehem or anybody else to a particular specification, the chemistry and the tolerances must be within definite limits. So basically you are using exactly the same thing. Our service in Inland is better, but the product is the same.

This being true, anybody in the United States, I think, with the exception of Senator Kefauver, understands that nobody in his right mind is going to pay a different price for the same product. If I had a Purchasing Agent who was buying a product that was identical to another

and paying more money for it, I would look to see if he was buying from a relative or giving a kick-back, and I'd get rid of the Purchasing Agent. His job is to buy at the least possible price.

In our case, we've got flat rolled sheet which is being laid down in Jersey City in the warehouse for less than we paid for the same sheet brought up from Sparrows Point, Maryland, before the strike. This just makes no sense whatsoever. We don't intend to continue this relationship. We didn't buy on that basis. When Sparrows Point and Fairless started operating, we went back to our normal suppliers.

This is a problem you are not going to lick unless you get your price down. There was a lot of talk about "Why didn't you lower your price?" If we had been able to talk McDonald into this extension and if we had found out how much our real market is, I am pretty sure the price would have gone down. But, until we knew what that market was, we did the conservative thing, and held the price.

The other thing in the basis of the whole problem here is that we are convinced that we are not going to get into a situation which exaggerates our problem or increases it and be in a position where we have to increase the price of steel. Our problem right now is getting a contract where we can hold the price of steel and possibly reduce it, because in the world market we are going to have to. But also bear in mind that under the Webb-Pomerian Act we can engage in collusion on price for sales outside of the United States. It is against the anti-trust laws in

the country, but we can do it outside.

QUESTION: Mr. Caples, there have been claims that perhaps the management profits have been too high. Some officials have claimed it is as high as 14 percent. They feel that this is somewhat excessive. Can you give us your comments on this?

MR. CAPLES: That's 14 percent on your capitalization?

STUDENT: That's right.

MR. CAPLES: I think that's low. I'll tell you--you can judge profits by several standards. I think the two normal ones are: What do you get as a return on your sales dollar? What do you get as a return on your investment? Nobody can say with any accuracy, because it is a judgment matter, what is a fair and what is an unfair profit. If you take the sales dollar in steel, the best we have done in 20 years is get a return after taxes of 8.1 cents on the sales dollar. We do not turn our capital over very quickly. We have done that in two years. We did it in 1940 and, oddly enough, in 1950. The worst we ever did I think was in 1944, when we got down to 2.4 cents on the sales dollar, this under wartime controls.

That's one criterion. The other criterion is how well you do with other people who use capital, because you are in the market for capital competing just as everybody else is. To give you an idea of the tremendous sums of capital we need, we've had depreciation allowances of about $5 billion since the war, and we have put in in addition about

$10 billion of new money, some reinvested in the business, some borrowed, and some from stock sales. We put in $15 billion of capital, which shows that you have a fairly high requirement. And this apparently will be a continuing requirement. We are competing with everybody else who needs money. People who invest money are going to invest it only if they think they are going to get a return on it, and they usually want a fairly high return on it.

In the case of steel compared with other industries, using indeces put out by the First National City Bank in New York, which each year compares some 41 to 46 industries, in the last 20 years we have been average or better three times. The best we ever did on that list was 15th, and we have been 26th or worse over 14 of those years. It didn't seem to us on either of these criteria that we were really a very profitable industry. If you look at automobiles as a comparison, we really are a bunch of pikers. I suppose the worst year was 1955, when General Motors as a company made more than the whole steel industry. I got criticized at that time for saying it seemed odd to me that somebody could take and bend what you make and make more money out of bending it than you made making it.

The other thing that you've got to look at is, we have about $20,000 a year invested in each job. Our stockholders last year got $900 out of that $20,000 investment--they got about $600 in cash and about $300 went back into the business. The worker using those tools got better

than $6,000 out of it. Out of that he got about $5800 of it in cash, and he got about $600 of it in deferred benefits. So he wasn't doing very badly using somebody else's money. But I do not believe it is a profitable business in the sense of high profitability.

Where we get caught on this is that everything in our business is big. One of the easy things about publicizing the steel industry is that one thing you can not exaggerate is size. I said earlier here this morning, we are a small company in our industry. We are the 7th largest in the United States and we are bigger than any steel company in the world outside the United States. This gives you some idea of comparison. So, when you earn in gross dollars it looks like a lot of money. Somebody earns $300 million. That's a lot of money even over on the Hill. Somebody looks at it that way. But actually, when you look at it as a basis of sales or something else, it is not tremendous. We do not believe, frankly, that we've done a very good job, from the standpoint of profitability. At least that's our viewpoint.

QUESTION: What do you think the future of collective bargaining in the steel industry will be, sir? Do you think that Congress is going to have to step in with some compulsory legislation in this regard? Do you think collective bargaining has failed?

MR. CAPLES: I think that in steel collective bargaining undoubtedly has failed. I think it has been a rather startling failure. About this injunction that we are now working under, I might point out that there

was all this talk bandied about that the men wouldn't work under an injunction. The men have done a tremendous job of working. My operating guys told me the other day, "Why don't you quit monkeying around with that contract and go get a three-year extension on this injunction?" There they are under the law. At the end of 60 days, if we have not reached an agreement, the men must vote on a last offer.

Mr. McDonald was making mouthings yesterday about the fact that we are now publicizing our last offer as a last offer. This seems to be a terrible thing to do. He publicly said he would not change one word in the contract. He's bargaining but we are not. Terms are wonderful.

At the end of 60 days the National Labor Relations Board takes a vote on whether the men want to accept or reject the last offer. Under the statute they do that by employers. We are trying to explain to our people what this offer is and what results will come from accepting it or rejecting it. If McDonald believes that vote is going to be close, or if he thinks he is going to lose it, then he's going to act like a politician and he's going to come in and settle. If he believes he can get an overwhelming vote for the union—and his stewards are now walking through the company saying "Don't vote. This is of no importance."--then I think we'll have another strike, except for the fact that I don't think the Congress will let us strike.

I think that if we get to that point it is going to be a very sad day for both the union and the steel industry, because the Congress obviously

can do nothing but restrict, and any restriction is going to be equally unpleasant, in my opinion, to both parties. Nobody is getting any nedals for this negotiation on either side of the table. Whether we can persuade McDonald of that fact I don't know. He has a couple of contracts now and he has tasted a little blood, and he thinks that this is the way to go after it. But I think that if politically he thinks that the people are going to vote against him, which really bothers his job security now, I think we'll have an agreement.

As to the odds on it, I think it is a good even money bet either way, and I'm not happy about it.

QUESTION: Yesterday in a discussion meeting it was stated that management's first priority was to get a big profit and its second priority was in the public interest. It was also stated that labor's objective was to change these priorities and that this was the real fight. Would you agree with that?

MR. CAPLES: Obviously I wouldn't. I think that people lose sight of this: It isn't easy to put things in order. But it is perfectly obvious that if you don't make a profit, and an adequate profit, you can forget about all the rest of it, because you aren't going to be there anyway. So that, whatever you do as a company, the thing that makes it profitable is profits. It always seems to me that profits to an industry are like breathing to an individual. You just can't exist without them. If you want to stop breathing, it's all right, but obviously you are dead.

The same thing is true of an industry. Once you have a profitable industry then many, many things flow from it which are basically good. The high-profit industries generally pay the best wages. Generally the high-profit companies have the steadiest employment. I think my company, which is a high-profit company, comparatively, in the steel industry, has the steadiest employment of any company in the steel industry. Until 1958 we had laid no man off in 20 years, and in 1958, which was a severe year, we laid off at the maximum a little less than 4 percent of our work force for one two-week period, and we had only men laid off about three months, or parts of three months, in the twelve months of that year.

Now, if we were not running a business with high profitability which comes from being able to service, which comes from being able to make a good product, which comes from having a modern mill with well trained people in it, none of this would have been possible. All of these things made the profit. Without the profit none of them would have been possible. I think when you try to put them into line as to which comes first and which comes second it is absurd.

Look at the railroads. They are a classic example of where people forgot about profitability, including the Interstate Commerce Commission, and look at the mess they are in. Whether they are going to get out of it without a great struggle is the thing. Look at some of your depressed industries. The textile industry is a good illustration, up in New England.

You can jolly well price yourself out of a market in selling your labor as well as selling your goods. The unions will just have to get in mind that profitability is necessary. I think Gompers was very strong on that. Gompers knew this. Gompers used to say that the worst thing you could do to an employee was fail to make a profit. This is a theory that apparently doesn't linger on 16th Street, but they are going to have to get back to it. I mean on the north side of Lafayette Square.

QUESTION: Mr. Caples, we heard recently from the platform here that, in relation to a discussion about the desirability of the people outside of labor and management to cut down on the strikes, Mr. Meany had made a recommendation, or an offer, that the Government invite both labor and management to a discussion of how this might be achieved, and that so far management had not responded. Now, I raise the question about who in management would be in a position to respond. This also gets down to your collective bargaining. Who in management does do the collective bargaining for management in the steel industry? I am interested in: For instance, if one company, say, U. S. Steel, makes a settlement, are all the others bound to go in?

MR. CAPLES: We have an 11-company coalition. They have the full authority to bind all 11 of us. Mr. McDonald is well aware of that. He is saying, "I've got to beat the heads of the companies; they have the authority." This form of bargaining, oddly enough, was suggested by the union, but it hasn't worked for them, so now they want to get rid of

it. But they have the authority to bind the company. Who does the bargaining? Hired hands like me do the bargaining. Who has the responsibility? The Chief Executives have it. The 11 Chief Executives in this coalition make the ultimate decisions. We make recommendations as to strategy, tactics, and substance; but our authority comes from them. Since most of us are making a career out of doing what our bosses want us to do, we stay within those limitations.

As to the Meany proposal, that stems from a Sidney Hillman lecture that Arthur Goldberg gave at the University of Wisconsin about a year ago. He suggested that a year ago and Mr. Meany is suggesting it now, that the top people in labor and the top people in industry, under the auspices of the Government, get together and see if there is not some way in which we can solve these broad policy matters. They have had those conferences before. They had one, you may recall, in 1945, which was held here under government auspices, and it broke up, on the simple question of what was the limit to which labor would go in taking parts of management's so-called prerogative. Labor just said, "We are going to put any limit on it; we are not going to say what are management's rights and what are our rights. We'll just leave that an open question." This is where it broke up. For such a thing to be fruitful--and I believe that it might be worth trying--you would have to get the top men of the companies. You would have to take people who can not only discuss policy but have the power to actually put it into

effect. It wouldn't make any sense for me to go out there. It would make sense for Mr. Block, our Chairman, the Chief Executive Officer. It would not make sense for Lem Bovart to go out for General Electric; it would make sense for Mr. Cordiner to go. It would make sense if Mr. Meany went and some of the others. But I do not believe that basically, if they made any agreement which their constituency didn't like, they could enforce it in the first place without losing their jobs, and I think that it wouldn't be binding anyway.

I think this is a beautiful thing in concept; I think the practicalities are all against it. But it might be well worth while to try it, because, Lord knows, the things we have tried so far haven't been effective, and this might. But, if they have any hope whatsoever, it would mean that you would have to get really the top people and then send them out to some place like Aspen, Colorado, where they are away from the press and have to live in a social situation with each other. You'd have to get them sort of isolated. And then, like strange dogs sniffing each other, it's going to take a while before they get down to anything that is productive. So you'd have to get maybe 3 or 4 weeks of a man's time to do that.

QUESTION: You have indicated that this industry-wide bargaining produces either company-wide or sub-company contracts. Under these conditions, would you comment on the real desirability of industry-wide bargaining?

MR. CAPLES: To answer the last part of your question first, I think that industry-wide bargaining is undesirable. I think it brings uniformities that do not fit the diverse situation. Having said that, then you can ask, "How did you get yourself into it?" We got into it this way: This is a power proposition, and, if you are going to have countervailing power, in our opinion, you've got to do it through coalition. Over a period of time the union has put absolutely uniform demands on the companies. For instance, in 1947, in my own company, we were the only company in the steel industry that struck that year. We struck on a simple issue. The union absolutely refused to talk to us until they got a contract with U. S. Steel, at which time they came in and literally and figuratively just threw it on the table and said, "Sign it." We said we wouldn't, and we didn't; and we put a steel mill down. Until that mill was down they didn't bargain about one bloody thing. When they found out that they had to bargain about it they did. Bear in mind that this is a tough, complex process. Nobody goes to a collective bargaining table if he can run any place else, if he thinks he is going to lose. Mr. McDonald had all this stuff about wanting government boys and everything else. The reason he wanted them was that he thought they could do what he couldn't do himself. So he was running from the bargaining; he's still trying to run away from it. He's not having much success, but he's trying.

On these uniform demands, take this famous 2(b) clause which we don't have. That was put in U. S. Steel's contract in 1947, thoretically,

to take care of a situation in U. S. Steel. Over a period of years, where the situation was not the same, it has been put into other companies' contracts. It has been a very troublesome clause for U. S. Steel. One company where it was put in in 1956 is Bethlehem. They have had hell's own time with it for three years. This is an absolute uniform demand. We've got to the point where many of our contracts on benefits and what not are uniform through this type of behavior. In 1956, when we were all struck for varying lengths of time, we sat with an absolutely inflexible uniform demand, some of us as long as 5 and 6 weeks after U. S. Steel had settled. We got together and said, "This is the end of this. If we are going to meet a uniform force we are going to meet it with a uniform force." And we entered into this coalition. We appointed four people to bind us. This is an absolutely new--in our industry--method of handling the power problem.

As I said earlier, this is the way the union wanted it at the beginning. As Arthur Goldberg said at one point in the middle of the strike, "This hasn't worked out quite the way we planned." I think that's probably a fairly true statement. We feel that, if the power is given to the union, then we've got to meet it this way. If you reduce that power where you can get really down to arguing about your own problems, it loses effectiveness. In our case, as I said, we don't really have 2(b). The union is sitting up saying, "You are going to have to put 2(b) in your contract." And we are saying, "Not this year." With Wheeling it is the same thing. We don't have

the problem. Why the hell should we put a contract clause in that's giving somebody else nothing but trouble, when they can't point out any trouble in your plant that it cures?

So you go to this forced thing, and it's not a good thing. Obviously, when you get to butting heads with this kind of power, a lot of people are liable to get hurt. In this instance a lot of people have been hurt.

I don't know a better solution, but I don't think this is a good one.

QUESTION: Sir, are there avenues open to you to meet and talk directly to the rank and file union members and explain your point of view just as you have to us here today? Or would that come under the heading of attacking union leaders?

MR. CAPLES: I don't know what it comes under the heading of, but that's precisely what we are doing. They argue that we don't have the right to do it. As a matter of fact, Mr. McDonald was having himself quite a blow-up yesterday because U. S. Steel sent out a pamphlet explaining the offer, which he says misrepresents the offer. How you misrepresent your own offer when you make it, I don't know. But this is what he says. He also says he is going to put out a 32-page booklet explaining the fallacies in the 8-page booklet that U. S. Steel put out.

They don't like you to talk to people, on the basis that you are talking around and bargaining around them. There is nothing in the law whatsoever that says that you can't talk to your people any time you want about anything you want, so long as you don't coerce or threaten. As a matter of fact,

we are taking our people in groups on company time and explaining and answering any questions. We propose before the vote to take time on a radio station, when the Chairman, the Vice Chairman, the President, the Vice President in Charge of Steel Production, and the Works Manager will be on the air and will answer any questions from any employee about this thing. We certainly intend to take it to the people.

QUESTION: Sir, would you please comment on the Kaiser settlement?

MR. CAPLES: Yes, sir, I'll be happy to do so. First I want to say that Mr. Kaiser's company at one point was a part of our coalition. Under the coalition anyone has a perfect right to withdraw if he wants to. Mr. Kaiser had every right to exercise his privilege and withdraw, as he did do. Mr. Kaiser also, when he was meeting with the union, told us before he met with them what he was going to do and kept us advised while he was meeting with them. I say this because I want to emphasize that the contract with the Kaiser Company, although I don't like what they did do, was entirely honorable, and they had every right to do it.

Now, as to the offer itself, Mr. Kaiser has some rather unique problems, not the least of which is that his mill had more wild-cat strikes in total number and for a longer number of days than any mill in the United States under the last contract. So he has some trouble that is fairly particular and that he must take care of. I think that he has the union committed on this to the point where they will take care of it by some method.

The second thing is, he has a relatively new company. They have practically no pensioners, whereas some of the older companies have as many as one pensioner to every four active employees. So that, when you get into pension costs, his costs are lower than anybody else in the industry. We believe that his raw material costs are lower than anybody else's in the industry.

The Kaiser industries have a charitable foundation, the Prominenti Foundation, which gives a type of medical service that is not available to any other company, and from his standpoint it is less costly. Also in California there is an accident and sickness law for which the employees pay two cents. This is a direct cost on the employee. You don't pick this up as your cost in most other States. So he has basically a different cost picture from the rest of us.

Mr. Kaiser says, and I believe his figures, that, for this contract, which is for a period of 20 months--not two years—his costs are 22-1/4 cents, or 11-1/8 cents a year. Taking exactly that contract for the same period of time with the costs of the other companies, bearing in mind these differences, our costs would be 32 cents for the 20 months, or a little better than 16 cents a year. In our opinion, if we put that much additional labor cost on, we cannot stand it within the price of the product. One of the problems that we can not convince Mr. McDonald about is, we cannot raise the price of steel. His attitude is: "What the hell do you care if you raise it 4 or 5 percent? Wait 3 or 4 months

till people are not mad at you."

The other thing is, and this is a very important thing, on the West Coast the price of steel is an average of $14 a ton higher than it is on the East Coast or in the Middle West. So, along with his cost advantages in raw materials he also has a considerable price advantage. His price and that of Bethlehem and U. S. Steel, who also operate on the West Coast, are the same; but their percentage of total product is small whereas it is Mr. Kaiser's total product.

So I think that, with the cost advantage and with the price advantage, he believes that he can absorb this. He has said so publicly and I am perfectly willing to accept it. We cannot, without varying our price, and that's our basic difference. The other thing is, we believe that 20 months, with the history of our industry, is entirely too short a contract. We are asking a minimum of three years. I think if somebody nudges us we might make it longer. But these are the basic differences.

In my own company, half of our output is flat rolled product. His cost differential on that is $21.50 a ton. If we put our price up to $21.50 a ton then I can point to where we would be explaining it. So that's the way it is.

MR. HILL: It must be obvious to all of us that the philosophy which Mr. Caples expresses has been the rule of the day in the history of labor in this country which has been materially changed. Mr. Caples, you have very adequately presented the objectives of management to

our group, you have been patient in answering our questions and much more than adequate. As you know you have been asked to come down to this College more frequently than you have been able to accept, even with the aid of your brother, who sat in these sacred seats about three years ago, when we were able to get you to come down.

MR. CAPLES: I think I have an ex-Commanding Officer here, too.

MR. HILL: You are always welcome, sir; and we hope we can have you back many times. On behalf of the Commandant, the faculty, and the students, thank you sir, very much.

MR. CAPLES: Thank you.