LABOR-MANAGEMENT RELATIONS IN INDUSTRY

16 January 1964

CONTENTS

Page

NTRODUCTION--Vice Admiral Rufus E. Rose, USN, Commandant, ICAF 1

SPEAKER--Mr. William G. Caples, Vice President of Inland Steel Company 1

GENERAL DISCUSSION 14

NOTICE

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

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LABOR-MANAGEMENT RELATIONS IN INDUSTRY

16 January 1964

ADMIRAL ROSE: We make sort of an abrupt shift this morning between the first lecture and the second. In our second lecture we are working up to 2 days of both sides of labor-management relations. As you know, Mr. Hayes speaks to us tomorrow. But today, to speak to us on this vital subject of labor-management relations we have a good friend of the school, Mr. William G. Caples, the vice president of Inland Steel. He is going to talk to us on the subject of "Labor-Management Relations in Industry," and, I am sure, from the viewpoint of industry.

Mr. Caples, it is a great pleasure to have you back.

MR. CAPLES: Thank you, gentlemen. I hope that you will excuse my voice; I am sort of full of antibiotics and cough medicine, and I will try to talk so that you can hear. As the Admiral said, you should know my biases against which you can then evaluate what I say. I am on the management side of the bargaining table. I come from a company that does a little over $800 million of sales a year. We have 30,000 people who are distributed through some 35 states in the United States and two provinces of Canada; we have one small operation in Holland. In size, we are the eighth largest steel company in the United States; we are the 53rd manufacturing corporation in size in the United States, according to "Fortune's" list of the 500 biggest. And one of the odd phenomena is that although there are seven steel companies bigger than we are in the United States, we are bigger than any steel company outside the United States in any free country.

We are fully integrated. We mine iron ore, coal, limestone; we have our own fleet; we have our own mills, warehouses, fabricating plants.

As far as unionization is concerned in the production and maintenance group, you could say, we are almost entirely organized. We have some exceptions to that. We have a unit of about 1,400 men

in Chicago which is not organized. We have a small unit in Ohio that is not organized, and two or three others. But for all practical intents and purposes our production and maintenance group is entirely organized. In our exempt and nonexempt group, the white collar people, we have no organized exempt employees and we have one small unit in the nonexempt group in Chicago, and it was there when we bought that company.

Now, with that as background I would like you to consider for a minute that when you get into labor and management dealing one with each other, you should bear in mind that these are two entirely different types of organization which are trying to deal with one another. A corporation is primarily an authoritarian type of organization; it must be. In this respect it has some similarity to the military, and one of the interesting things is that most books on organization that I have read go back either to the Roman Church or to the military as their scheme of things in organization.

Contrast this with a union, which is a political organization and which is run on so-called democratic principles. Now, I want to give an example of this distinction because it may explain something about why some things happen that do happen. For instance, in business we have a saying that a man's word is his bond. And we have found out over a period of time that our behavior is such that people trust us and we do business successfully. If we do not and we do not keep our word, we lose the business. So that, from a practical standpoint this is a selfish pragmatic view toward a commitment and what you do in regard to it.

Now, the union being political, you may make a deal with the union or their representatives in the office, and after they go out of the office they find out that the deal is unpopular with their constituency, and I submit that there are many politicians who make campaign promises that somehow do not come to pass when they get into office. And this is the problem here. When the man finds out that what he has agreed to is unpopular with his constituency he has one of two choices to make; he can keep his word and probably get thrown out at the next election, or he can change his mind, change what he has agreed to do, and stay in office.

The phenomena you see here are in each instance selfish and pragmatic, but absolutely opposed. Another very great difference is how the people who sit at the bargaining table arrive there. Most

business organizations are designed so that as you do one job you learn the job above you. In our company, for instance, the layers of management are: foreman, general foreman, assistant superintendent, superintendent, assistant general manager, general manager, and officer of the corporation; seven layers--and we are not unique. But in these seven layers, people coming up through this hierarchy learn their business, and learn it pretty well. I think you will find most people in business are well-trained in what they do. They are knowledgeable about their business, and they are--oddly enough-generally inarticulate about anything but what they do. Why this phenomenon exists I do not know, because I know more people in our industry, who, when you talk to them about the things they do are lucid and quite articulate, whereas, if you get out of their area, into social matters of one sort or another, some of us have a great talent for sticking both feet in our mouth.

Contrast this with the union organization which is very thin in the sense of depth. Generally in an industrial or craft union you have your business agent or your griever; you have your local union officers; you have the international officers; and this is it; three steps. Because it is a political organization there is very little attempt at training any of the subordinates to move up in another job. Because, as you know, in politics if you train a successor the next thing you know he is in office and you are out.

So that, the man who gets into a job at any level in the union, comes in basically without any training to do that job. He usually is a very articulate fellow. I do not know of any union man who has any position of responsibility--although he may sort of murder the king's English--and grammar is just a word in a book--who is not articulate and effective. The other thing is that they are the best practicing psychologists I know.

Generally speaking, at a bargaining table when a union says to you, "This is what our people think, or want," long years have taught me that they generally know what they're talking about and they generally correctly analyze what their people do want. So, here we have a different type of organization, a different type of people, and fate brings them together at a bargaining table. Now, at the bargaining table the question always arises about what are you going to talk about. The law says that as a matter of legal compulsion you must talk about wages, hours, and conditions of employment. Those seem to be very simple words and seem to be subject to simple

interpretation. But the fact is that over a period of time, since the passage of the Wagner Act in 1935, court interpretation has brought those words to mean actually that when you sit down to bargain you are going to bargain about anything the union thinks affects the worker directly or indirectly. And believe me, this gets to be quite a variety of things.

You get into things that may have doubtful legality, like a discussion of prices; you get into things like your advertising budgets; the funding of your welfare plans; what you are doing in research and whatnot; and you have to talk about these things because they do have a very real effect on the worker; how well or how badly you do them. So, let us assume that when you sit down at a bargaining table today the union is going to talk about anything they want to talk about, and you are either going to talk about what they want to talk about, or you can keep your lawyers busy in the courts for awhile.

The subject matter being that broad you will find that in any bargaining at the first session you will have a list of demands that's as long as this room. This is sort of like the form of a Greek tragedy. You go through this thing at every bargaining for the simple reason that the union makes every demand that any of their members have asked for. So that, if the demand is turned down--as they know it will be and you know it will be--when they go back to their members and the members say, "What about this demand," they say, "Management turned it down." And no matter how ridiculous it is they will throw it on the table once, because they have found out that if they do not throw it on the table and come back to their constituency, and the constituents say, "What happened to this demand?" and the union says, "Well, we didn't make it because we thought it was silly," they will say, "Well, how in hell do you know that management wouldn't have given it to you?" And they do not know unless they have thrown it on the table.

So, usually the first day you go through this act. They make all the demands; you reject them all; and then the next day you get down to talking business. Now, this has to be. As I say, it is a form that has arisen.

Now, when you get into the bargaining itself, what are the areas that you can generally look to for conflict, and what are the areas where the odds are that there will be no conflict? The first place, and the greatest place for conflict, is the fight over who controls

:he jobs. Obviously, the one thing that the union has to sell is a job. :f they do not have jobs to sell they do not have very much to sell :heir membership. So, this fight for control is very real and it ;hows itself in a variety of ways.

For instance, if you are dealing with a craft union as opposed :o an industrial union you will find that the problem of seniority ·eally does not make much difference to the crafts. Because, these)eople are rather secure in their skills, particularly since they imit the number of people who are journeymen, through their ap-)rentice programs. But when you get into the industrial union where .he man is so tied in to the machine, he consciously or unconsciously ·ecognizes the fact that his earnings are directly tied to that machine, ınd that if you take him away from that machine his ability to earn s going to be substantially reduced. One of the interesting phenomena s that the more expensive that machine is the better his earnings ıre going to be.

So that, with the industrial unions you always can anticipate ;uite a quarrel about seniority. And because it is an easier thing or the union to do, basically what they want is all promotion going o the fellow with the whiskers. Of course, from the company's ;tandpoint you want the job going to the person with the greater abil-ty.

Another thing in the control of jobs is the question of who does he work--the question of contracting out of work. For instance, n a steel mill if you are going to build a new mill or something of hat sort, which is outside the ordinary course of business, you ;enerally will go to one of the experts in this field who has engineered ı lot of these things and have them do the job for you. Of course, his means that the people who work in your plant will not get that vork. So, you always have a great quarrel about that.

Another thing that you constantly argue about, again in the con-:rol of jobs, is the size and the composition of your work force. I ıeed go no further on that than to cite to you the present railroad lispute which is pretty near the height of absurdity insofar as the 'iremen are concerned, because they are fighting what they know is ı losing battle. And because on the Canadian Railroads what they ıre fighting is an accomplished fact. And the Southern Railroad ·ecently, having not replaced a fireman, I think in some 5 years vas sued by the union for violation of the contract. They were 'ound to be violating it and were ordered to put firemen on the engines.

So, they are putting firemen on; they are hiring no one but Negroes over 65 years of age. They put them in the engine; they show them where to sit and where the toilet is, and that is their training. And their railroad trains are going just as well as anybody else's.

When you get into the matter of scheduling, this again is a job control thing. This is the scheduling of men on an operation. You always have a great deal of quarrels. The matter of work rules again is a control of jobs thing; the matter of featherbedding--how many people are on a job. This is your engineer in the jet-driven airplane. So that, when you start to talk the control of jobs, both sides have a real issue here. Because, from management's standpoint you want to use men in the way that is the most economic from the standpoint of operating the company. And you want to use the minimum number of people it is possible to use to effectively run an operation.

The second big area of conflict is the control of quantity and quality of output. Obviously the manager wants to get the greatest amount of output from the machines that he can, and he wants the best quality that he can have. The unions often figure that if they control the quantity they will stretch work out. And they are sometimes not quite as interested as you are in the quality, because they do not have to face the customer when the quality is bad, and frankly I sometimes doubt whether they understand the importance of quality. Hopefully, they care.

The third thing that you can get into a point of conflict--and again I cite you the railroad firemen--is when the union fears that you are going to damage the union as an institution. In the case of the firemen the damage is ultimately going to be the elimination of the union. But with any damage to the union as an institution you can figure you are going to have a war on your hands.

The fourth big area is when you do something that affects the job security of the officers themselves. This the job security problem of the union officers.

I suggest to you that you can look at any strike or any major conflict, and it will fall within one of these four areas--the control of jobs; the control of quantity and quality of output; the fear of damage to the union as an institution; and the job security of the union officers themselves.

If you want to take the recent dockworkers' strike, this was a question of control of jobs; the workload. If you take the newspaper strike it is the same thing. But any strike that you can name I venture will fall within one of these four areas. Now, on lots of things that people think we have trouble about, we really do not. Wages really are not ever very much of a problem because the union's economists are just as good as our economists and we do not really have too much variance as to the amount. We sometimes vary as to computing the cost, to the extent that in 1962 we got into the absurdity of having to have a "neutral" computer to run our figures. And oddly enough, putting the same data in the same answers came out. But we used a Carnegie Tech computer to make sure that this was all on the up and up, having previously used U.S. Steel's computer. But these absurdities arise.

I have said earlier that the men who go into the union offices are generally untrained. However, I should also have added that all of the unions hire specialists in law, in actuarial science, in industrial engineering; and these people generally have a high degree of competence. I think that the professional staffs that the unions have are certainly equally capable with ours, and when you run into an occasional person like Justice Goldberg I would say they are better. But he is an outstanding person in any field.

On some things such as safety, where both parties are concerned with the physical welfare of the individual you get a high degree of cooperation. Now, one of the trends in the United States at the present time is a great desire, apparently, to avoid conflict. President Kennedy, in his speech at Yale, talked about the continuing dialogue and this has gotten over into labor-management relations. People want you to talk things out rather than resort to force. And there is a great deal in this, because most strikes do not determine anything except who is the stronger. On the other hand, in our society many things come out of conflict.

For instance, I think of the social movement at the moment, of trying to get the Negro a fair shake--and I think he is going to make much more progress because of conflict. So you have got to strike a balance in the society; when is conflict good and when is it bad; when are you willing to pay for inconvenience, and when are you not. But generally speaking, the people in our country do not like inconvenience. And if a management and union come to a strike and inconvenience somebody, from the standpoint of the general public it is going to be "A plague on both your houses."

So, to try to avoid conflict a great number of devices have been arrived at, and I will briefly go over the more popular of them and try to point out what in my opinion is good and bad. Now, one of them is factfinding. Factfinding can be of two sorts; one under the Labor-Management Act or a statutory factfinding body. And this factfinding body by law is limited to advise the President of the United States whether there is or is not a conflict that affects the national health and welfare. And if I read the Supreme Court's decision correctly in the case of the steelworkers against the coordinating steel companies in 1959, what in effect the court said was that when the President of the United States says there is a strike that affects the national health and welfare, there is. And I am not at all sure but what that is a very wise decision.

Many people point out that there has really not been any strike at which there has been an injunction issued under the Taft-Hartley Law where, in fact, there was any great effect on the national health and welfare. I recall back in 1952 when we had our waltz with President Truman that he made a speech when he seized the mills, saying that one hour's loss of production would affect the war in Korea. Of course, later we had a 6-week strike and so far as I know there was not any failure of supply at any time in that war. But, these things happen.

The other type of factfinding is where the President generally will appoint a board to find facts--this is the name--and, of course, the thing that they do is find everything but facts. Usually these are artful people who have been in this type of situation before. What they basically do is listen to both sides, and having listened they make a proposal for a settlement. And if it is to be successful--and it often is--they make a settlement that is too good for the union to reject and not expensive enough for the companies to reject; they walk right down that razor's edge. And this is a compromise that both can accept.

It also has failed where they have not been artful enough to find this razor's edge.

A second method that is advocated a great deal and used a great deal is arbitration. Now, arbitration can be of several types. One is arbitration as to the meaning and application of a contract, where there is ambiguity in the meaning or ambiguity in the words; people are not sure what they meant. And I can assure you that sometimes

when you make one of these agreements after 30 or 40 hours without sleep it is a wonder that contracts do not come out worse than they do. About 6 or 7 weeks after these things are over you will be reading the contract and you will wonder where you left your brains the night you wrote it.

This is a means of bringing in a third party who is skilled in this matter, and we have many who are quite skilled, fortunately. And they listen to both sides and make a binding decision as to what the meaning of that contract is and what you will do. This, I think, is generally accepted by unions and management as being a very desirable sort of thing. Because, it is in essence no different than two citizens who have quarreled going into a court of law. The contract is the law under which we live and the arbitrator is the judge who determines it. The reward you get for this is that this is settled by reason and not by conflict.

A second use for arbitration is for a third party to determine the contract terms after listening to both sides. Most managements, and I am sure that mine is one, will not let a third party determine the course of our company as to costs or anything else. This is one place where we will take a strike. On the other hand, in some quasi-public things such as the bus company in New York, there is a permanent board that determines these things, and the question is getting Mike Quill to accept it. But this is a device that often is used, and of course it is a very popular one with the unions. The unions figure they are going to get something out of this; that it may not be too bad. And when you look at something like the Morse Committee on longshoremen, they have got a real point.

The third thing is compulsory arbitration. Compulsory arbitration has been tried in some other countries--primarily Australia and New Zealand--and, of course, where you have compulsory arbitration no one is going to settle anything when they can go to court, because in any bargaining one side feels its position is strong and the other feels it is not. So, the strong side or the weak side, one or the other, is going to run to court for compulsory arbitration.

To my mind the worst thing about compulsory arbitration is that when you have a board to determine costs, which is what this in effect is, the next thing is that you are going to have to have control of prices. And when you have control of costs and prices the next

thing you have is control of the economy. I think most of us would rather have an economy with as few controls as necessary to keep a good society.

The fourth device that is talked about--and in the case of President Truman was used--is the seizure of the struck facility. However, this can bite both ways, because the Canadian Government has recently seized the Seamen's Union. Because, in the case of the ships and the Seamen's Union in Canada they felt the recalcitrant party was the union and it is now under government trusteeship and the union has been seized. Whether this is a good device or not, you can make up your own mind. It is argued both ways. My own belief is that of course in time of war or a grave national emergency all rules are off; but in time of peace it seems to me that seizure is a very bad thing. It reeks too much of a controlled economy, and the government must insert itself into a place where it probably should not be.

The last device I will mention is mediation. And to my mind this is probably the best and the most effective. This is where a third party comes in and tries to get the two parties to agree on a solution. Oftentimes when you have been bargaining a long time you get so committed on both sides--and we talk about the Orientals being facesavers; I think we can teach the Orientals a great deal, for face-saving in this country is quite a business. And neither side will back down because of the question of saving face. A mediator can get in there and pull them off positions or find ways to pull them off positions and get people to agree.

There are several people in this country who have been extremely successful at this; Dr. George Taylor at the University of Pennsylvania; David Cole, who happens to be our permanent arbitrator and who is also the permanent arbitrator on jurisdictional disputes in the AFL-CIO. Of course, the highest level we ever got to in mediation in the steel industry was in 1959 when Mr. Nixon was Vice President and mediated that strike successfully.

And to digress a little, Mr. Nixon and Mr. Mitchell who was then the Secretary of Labor came in and made a proposition, finally, to both sides after a great deal of talking back and forth, that neither side liked, but both sides took. I do not think we are going to have that highlevel mediation again, but we had it then.

So, to repeat, the devices that are used to try to avoid conflict, are factfinding; arbitration; seizure; and mediation. Sometimes there are combinations of these things.

Now, the other things that I was supposed to cover in my remarks, I would say fall in large part into the land of speculation. One was the impact of technology on employment and output, and the other was the question of retraining. Now, on the question of the impact of technology on employment and output I do not think there is any doubt that the rapidly increasing technology is going to give us all a problem in society that we do not know the solution to. For instance, since the end of World War II our employment in the United States has increased eight million people. And of that eight million, one million have been from industry.

In my own industry, we were unionized in 1937 and at that time we had about 540,000 people producing steel in the United States. At that time we could produce less that half the steel we can produce today. Today in the steelmills we have about 425,000 people producing steel. To give you figures of my own company, at the end of World War II we employed about 31,000 people; we could produce about half as much as we can produce now--less than half as much; we had eight less warehouses; we had three less fabricating outfits; and we did not operate outside the United States. Today we have a little less than 30,000.

If you want to take a specific part of our industry, in those days we had 1,400 people mining coal and were producing roughly 6,000 tons a day. We now have 700 people and produce a little under 9,000 tons a day. So that, all of these things add up, and I do not know of any industry that cannot produce more than it is now producing with the same number of men and which cannot increase its output materially without adding too many more men. How we solve this problem I do not know.

We in our company at the moment are faced for the first time with technological change where we are permanently going to displace a large number of people. We are wrestling with the problem and everybody is quite frustrated because no one feels that he has come up with any good answers. However, I can point out that on a subject that nobody knows anything about we read more learned articles than on any other subject I know.

On the question of retraining I think you have to look at two things: retraining for what and at whose expense. Training just for the sake of training does not make a great deal of sense unless it is something that might give somebody a chance of living a fuller life. So that, within an industrial enterprise, if there are jobs available and most people are trainable, I think there is an obligation on the industry to train those people to take over the jobs that are available. But, you run into odd things there also.

We had an old Springfield boilerhouse which we abondoned not long ago. It was used to furnish steam, which, in turn, ran generators and furnished electric energy. We put in some new high-pressure turbines--high-pressure steam--to again run a generating plant, a much more complex, sophisticated, and economic device than the old one, and when we started to train the men for the new one we found out that to really do their job adequately they needed a basic education of about 3 years of high school. The men who actually took the training had that much education at least--only one had 3 years; the rest had 4 years of high school or more. The most anybody had was 2 years of college. Of the men who were not trainable, we found, men who were making a good living at the time, none of them had been above the fourth grade in elementary school. Now, in this particular case there was a happy solution because the unskilled, uneducated men were all old, of retirement age, and did retire. But you do not get those breaks very often.

Another thing within industry--and I think it is industry's expense--is that you are constantly needing to upgrade the skills of your people. Where people are motivated to take training--I say motivated because I do not know of anybody who knows how to motivate somebody to take an education. Either a person wants to learn or he does not and if he does not there is no one on earth who can teach him or make him learn. But when someone wants to learn, then it should be made available to him at any level, so he can go out and prove himself. This, I think, is very much the concept of education and training in the military.

We go from training technologists, which basically would be 2 years of highly vocationalized engineering, up to the point we now have two men taking their doctorates in mathematics because they did not feel they had the depth of knowledge in mathematics that is necessary in our industry to know accurately what we can do with computers.

Where there are not jobs available I think that the job of training men for jobs available elsewhere is a general charge on the society and has to be borne by the society. And I think this is generally the view of the Congress. Because, with the Manpower and Training Act which has just been recently amended in two or three ways, as I think it should have been, you can now take these people, even the illiterates, and give them some basic literacy training. And I submit that in this world today the bare minimum of literacy to hold the simplest job is reading, writing, and arithmetic. And again, there are provisions made so these people can be paid and trained for the job.

Now, one of the big problems is that we have a big pool of illiteracy, and how we get rid of that, again I am not sure that anybody knows. For instance, as the packing houses have mechanized they have eliminated a great many people, most of whom happen to be Negro, and most of whom are illiterate. These are people who were making $3 to $3.25 an hour. They have been very good citizens; they have been dependable people; they have raised families and have been a good influence in the community. All of a sudden they are out of a job and they are not really trainable for anything.

Ralph Helstein who is the president of the Packinghouse Workers Union has a thesis that in any factory or town the jobs that can be done by illiterates should be restricted to illiterates; no person who is literate should be allowed to take the job; his argument being that this is the only way in which the illiterates can be valuable in the society.

One of the other methods of training that they are getting at in the city of Chicago is that any illiterate on relief in the city of Chicago must go to school. And the interesting thing is that they do go to school and they want to go to school. The only problem occurs when they have children in school. It is psychologically a little difficult to get someone to go to the first grade when his children are in the seventh or eighth; but, they are overcoming that one.

Now, I think that at this point I have covered the assigned things, and it is my understanding that we take a ten-minute break and then I am subjected to your questions which I hope I can answer--at least some of them.

Thank you.

QUESTION: Sir, my question is one of a value judgment. You have dealt with the unions over the years. Would you say as a generalization that the unions have helped the industry you are associated with cause a burden over the years, or has the reverse been true?

MR. CAPLES: I cannot answer that question directly, but I do not want to duck it. Let me answer it this way. As far as the management of the company is concerned, the union has made it better. The things that caused unionization basically were bad scheduling, where you would call a bunch of men out; this was in the depression; you would send 30 home and keep two. And it is very difficult for a guy to go to work and come back and tell his wife what happened--or what didn't happen.

The indiscriminate firings and that lack of security, these things are all gone today. Today we schedule better, we manage better, and the simple reason is because the union is always looking down your throat. And they expect you to hold to a rather high standard. Because, if you do not run a company well, then the union is not going to go anyplace. So, from an operating standpoint, yes, they have done some good--a great deal of good, actually.

From an economic standpoint I do not think the answer is so clear-cut. For instance, after the war when there were great shortages they used their economic power to force more rapid rate of cost increase than really should have been forced. So, in that respect it was bad. Now they seem to have a realization of the economic problem, and in our own industry at least, in the last two bargainings--which have been peaceful--they have had a very sympathetic reaction to our problems, as we have tried to have to theirs.

So that, on balance I would say at this point it has been a good thing for the society. I also believe that if you had an election today of the unionized plants in steel, probably 95 to 98 percent of the men would want to keep the union.

QUESTION: In a newspaper report some days ago Secretary Wirtz was quoted as recommending that all overtime be charged double time rather than time-and-a-half as it is now, in order to reduce unemployment. What would be your reaction to this? Do you expect it to come up in negotiations, and do you think that the labor unions themselves will support it?

MR. CAPLES: Well, that is a series of questions, and I will try to answer them. If I read Secretary Wirtz correctly, he waltzed a little on that one and did not answer it directly. And being a good Chicago boy he has to be excused. The theory, of course, is, and the theory of the Fair Labor Standards Act is, that if you pay a penalty for working a man in excess of so many hours you are not going to work him. Now, this just happens to be a specious theory. Let us take a practical example. Let us say we have enough business to keep 10 turns going. That would be two 8-hour shifts a day, or two 8-hour turns a day for 5 days of the week. If our business picks up enough to fill an 11th turn we are not going to put on a crew to work that 11th turn; it is cheaper to work it overtime. And it is probably cheaper to continue to work it overtime until you know you can sustain another crew for a reasonable period of time --4 or 5 weeks.

The reason it is cheaper is twofold; one is, if you schedule a man on and work him less than 32 hours you pay him for 32 hours. So, if you work overtime for two turns you cannot do any worse than tie. Another thing is that when you bring men on you incur considerable liabilities today beside their direct pay, particularly if they have been on layoff for any period of time. So that, the penalties will not get the result; at least not to the extent that I think people hope for. The second thing is that one of the odd phenomena in the United States is that we had a steady reduction of hours per week on the average until the Fair Labor Standards Act came into effect. Now, what the cause of that phenomenon is I do not know, but this is what the figures say.

The third thing was, will the unions be for it? Sure the unions will be for it, for the simple reason that this is a very good way to raise pay. The best example of that is the electrical workers in Local 6 in New York City, which Harry Van Arsdale runs, on construction. The basic week for those people is 35 hours and none of them are scheduled less than 42. Well, where you have got 7 overtime hours built into your workweek this is a much faster rate of increase than on straight time. So, I think the unions would be unanimously for it, but I do not think this would in any way deter them from also wanting legislation to reduce the hours in the workweek.

QUESTION: Sir, you commented that you were currently wrestling with a technological problem that would cause you to lay off a large number of people on a permanent basis. In this, does

management make the decision and then call the union in and discuss it, or do you call the union officials in and try to work it out together? Or do you just arrive at a decision and issue the ultimatum?

MR. CAPLES: Well, in this particular case of ours we have a contract provision that will take care of this. But it is a contract provision that was written not in contemplation of a large permanent layoff. So that, although you can follow the contract strictly and lay these people off, the result is going to be that you will lay off a lot of longer-term people who have fairly good incomes. So that, if you follow the contract you are going to get a result which in the view of our management is not a good result.

The question then comes up, can you find a more equitable solution that is acceptable to the union. And the actual procedural steps that we took, the day the board approved the changes that were going to make this possible, as soon as the board approved it--we were bargaining in Pittsburgh at the time--and I had made arrangements to be called from Chicago. And as soon as they called and said the board had approved this I got the international representative we deal with, the heads of the bargaining committee of that local union--these people--pulled them out of sessions and told them precisely what the board had done; approximately when these facilities would be built and that people would be displaced.

I said, "We don't know the answer to this and we're trying to figure it out. When we think we have a solution we will come back to you and talk about it." Because, to go beyond the contract it will take the consent of the union. Now, this is again one of the places where the political aspect of the union gets in. In this case so many men will be effected--actually about 1,000 out of 15,000--that the numbers may be in our favor. But the last time we had one of these things there were 184 men effected in 15,000 and the union just would not listen to us. I came down to Washington to talk to Arthur Goldberg about it, and Arthur Goldberg said, "Well, morally you're right; in every way you're right, but the arithmetic is against you." He said, "15,000 men are not going to give up any rights for 184 men." And I think this is probably true. But where you have 1,000, and people see this trend, there may be a much greater inclination at this point to sort of bend with the blow a little bit and see if there is not a better solution.

But specifically, whatever we do will have to be done in conjunction with and by agreement with the union.

QUESTION: You read a lot about industry-wide bargaining and ·elative relationship to being monopolistic from the labor point of ·iew. I thought perhaps you might give us your views on what your :ompany thinks of this problem. Some people have even suggested hat maybe we should legislate against this sort of thing.

MR. CAPLES: Well, since I am in industry bargaining I had ›etter indicate a bias to begin with. I think you have got to look at ıow the industry is organized. Now, in the steel industry the steel-vorkers have about 94 percent of the industry organized. This in-:ludes the iron ore mines and the ships. So that, they control the ;ource of labor in this industry. This is also true in aluminum vhich the steelworkers have organized, and in can manufacture which hey have organized.

Now, where you have this kind of monolithic union situation, o my mind the only way you get any reasonable balance of power is ›y a combination of companies to bargain. In our case it is 11 :ompanies. So, we say it is not the industry, but since it is 84 per-:ent of the industry this is a fairly healthy hunk. I think this is the ›nly way you get countervailing power. They could chew up any of ıs, including U.S. Steel--as big as it is--if they had them alone.

Now, of course, one of the things that Walter Reuther sits in con-;tant terror of is the fact that General Motors, Ford and Chrysler nay get together and take him on. As a matter of fact, I think they ıave, because in the last bargaining when an identical offer is made n three places in Detroit within 5 minutes of time I am inclined to :hink that somebody talked beforehand. And again, the reason here .s so he cannot whipsaw them.

Now, you get into another complex problem and that is the prob-.em of do the unions have too much or too little power. You can ırgue all day on that, and this is a judgment thing one way or the ›ther. And I think if you really boil it down, some unions do and ;ome unions do not. I think in the case of our industry I do not feel :hey have too much power. We have had some pretty bloody fights vith them, but no one really has come out on top; both of us have .ost to the extent that right now, to be honest, neither of us have nuch stomach for another fight.

QUESTION: You referred in your talk, to government intervention. A previous speaker made reference to what he termed a "planned approach" on the part of labor which would naturally encourage government intervention. Would you comment on this?

MR. CAPLES: Well, of course, I believe this; that the only people who can indicate the public interest are the elected government. And I believe that there are times when the elected government must indicate what the public interest is. Now, you as a free person can agree or disagree with it. You can agree or disagree with the amount of intervention. In President Kennedy's administration, when Arthur Goldberg was Secretary of Labor he intervened a lot for the simple reason that this was something that Arthur liked to do and did well. I think most people felt that there was too much intervention at that time. I personally felt, under President Eisenhower, that there was too little; that the attitude of government then seemed to be, "If I don't look it will go away." Of course, it did not.

This, again, is a judgment. But I think on the whole in a democratic society that the elected government must determine the public interest and it must act within that interest. I do not quarrel with that at all. And I think that generally speaking, the elected officials in this country have done a reasonable good, if not a very good job, in keeping things on a fairly even balance. You hear people cry about government interference in one way or the other, but the hard, cold fact is that we are less interfered with in the United States than any business anywhere in the world that I know of.

About the only restraint on us is that we cannot combine in restraint of trade. But where we put a plant, whether we expand it, whether we cut it out, what we make or do not make; all of these decisions which in the free countries of Europe must be taken up with some government source, we do not have any such restrictions on us at all. And I have a feeling that if we were as restrainted as most European industries are--and they do not think they are too restrained, I might point out--we might have something to scream about. But I think at this point in time nobody can make a case that industry has been adversely affected by anything the government has done, regardless of which party was in power.

QUESTION: Can you comment on the treating of unions as a ɜgal entity? What is the trend in this area? Should this be done? ɜ there a law pertaining to this area?

MR. CAPLES: Well, of course, you can sue them now, which, ı effect, treats them as a legal entity. I think they are just as much legal entity as we are. We have a bunch of people who combined nd put some money in, hopefully to make some money. They com-ined because in combination they have strength, hopefully for them ıdividually to make more money. Now, if you are going to control ither type of organization, then there must be some legal restraints n them, and, of course, the law is one. If you are going to enforce ıe law you have to have some way to get them before the court. And, f course, we now can do that under the Labor-Management Act. I ıink they should be treated as a corporation is.

We are theoretically a person in the legal process and I think ıeoretically they should be. Now, they scream about that because ıis is a restriction on them. I feel sort of, with relation to that, bout the businessman who screams about the government; I do not ıke restrictions and they do not either. So, I yell "This is unfair," oping somebody will listen. But I do not think, in fact, that it is. o, I think they should be regarded a legal person and I think they re.

QUESTION: You indicated, sir, that labor in contrast to in-ustry is not training replacements for itself; they are not bringing ıem up in the hierarchy. Where are they getting their replace-ıents, then, and in your opinion is this a serious problem that will ffect both industry and labor?

MR. CAPLES: Well, I illustrate it this way; if you can name ɔr me the successor to any union leader I will take that statement ack. For instance, who is going to succeed Walter Reuther? Who ɜ going to succeed Dave MacDonald? When John Lewis was at the eight of his vigor nobody ever ran around the miners' union with ny strength because John would just cut his head off, which he ould do quite effectively. Now, this is a political thing, and what as happened is that it gives no continuity to the control of the union.

When the leader of a union dies there is always quite a palace ight to see who is going to take his place. We saw that last year ı the steelworkers when Dave MacDonald was sick. They did not

know for awhile whether he had had a heart attack or not; fortunately it turned out he had not. But he was out of the bargaining for a month. In that period of time when the boys in the union figured maybe they were not going to have Dave around anymore you never saw such a scramble in your life. Everybody was clawing to get where MacDonald was. When it turned out he did not have a heart attack and he came back, all quieted down very quickly.

So, what actually happens is somebody turned up through a process of fighting for position he gets in and it usually takes him a few years to consolidate his power. And while he is consolidating his power he is usually fairly easy to live with. But in those years you have the advantage until he has his power consolidated, and then he has to make it up. So, you can relax for a couple of years, but get ready because it is coming. And it averages out over a period of time. And on occasion the man who originally gains power may not have the skill to keep it.

QUESTION: Sir, will you comment on the small manufacturers--those that are not unionized? What forces it to work both ways?

MR. CAPLES: Well, I think there are a variety of reasons. One of the interesting phenomena is that where you have a nonunionized force, for communications you have got to set up a similar structure to a union. One of the great advantages in having a union is that it is a very easy way to communicate with your workers because you do it through the union. And you avoid a lot of things; like, when you are going to lay people off you sit down with the union and agree to lay them off. The union never thinks of the tough question, "Why in hell don't you run the business so we don't have to lay them off?"

In our largest unorganized plant they have always had an exceptionally good communications system. They have a suggestion system, and actually, the guy who runs the suggestion system is the best listener I have ever seen in my life. When they turn a suggestion down, or they accept it, this fellow goes out to tell the other man why. And he really is a communicator between the top management and these people, and very good at it. The people have felt that they have been reasonably treated. They feel that they get as good leadership as they would get and they do not pay $5 a month for it. And most workers are pragmatists. They will have a union if they think it will do them some good, and they are not going to pay $60 a year if they do not think it will do them some good. I think it is just that simple.

As long as we manage that company in a way that is satisfac-
:ory to these people we are not going to have a union. The union
ıas spent enough trying to organize us. The District Director and
: one night discussed it over a couple of bottles of pop and he told
ıne that he had spent over a quarter of a million dollars trying to
›rganize that plant. I said, "Well, Joe, you've got lots of money;
go right ahead and spend it." But, for some reason they have never
›een able to persuade these people.

Another thing is, this plant has never been on strike. And they
ıave seen a series of strikes in the steel industry with a loss of pay,
ınd they have never lost a nickel. So, when they put it on balance
:hey think they are better off. But at any time they reverse and
lo not think they are better off, then they will become unionized.
That plant, incidentally, is over 100 years old. It is very unlikely,
with that tradition and with the lack of strength in the union move-
nent that there is today, that they will organize it.

QUESTION: From your observation, what has been the effect
›f right-to-work laws, and what would be your evaluation as to
:heir effect on the future should they become more dynamic?

MR. CAPLES: Well, let me first comment on right-to-work
.aws per se. The Labor-Management Relations Act, and the
Landrum-Griffin Act, which are the basic labor laws of the United
States, say that it is the policy of the United States to encourage
.abor to organize; this is the law of the land. Now, so long as that
.s the law of the land--and if you do not like it I suppose you can
ısk Congress to change it--but so long as it is the law of the land
: think there is a basic conflict between that law and right-to-work
.aws. Because, if the policy is to organize, then it seems to me
:hat if you are in a minority and do not want to join the union, at
.east you are in the same position that a citizen is when his party
.s out of power. You pay your taxes anyway, unless you want to
›ecome a guest of the state. I think that either you ought to revise
:he basic law of the United States, or you should not have right-to-
work laws.

Now, as far as the right-to-work laws themselves are con-
:erned, I really have never known any great advocate of right-to-
work laws who really was not out to bust unions. You can question
:hem on this, but when you really get under the skin this is what
:hey're after. There is only one industrial state in the United States
:hat has a right-to-work law, and that is Indiana. The right-to-work

advocates have a nice lobby down here. A bunch of the boys have got things going pretty good and they raise a lot of hoorah, but I do not think they do any good. They really are not even bright the way they go about it. If you really want to bust unions just cut the check off; that is the way to bust a union; take the money away from them and let them collect it themselves.

But they are afraid to go at it in this kind of direct attack and so they go at it through the right-to-work laws. If I believed in the sincerity of any of the people who advocate these strongly I might have a different view. But the way that the law now sits and the attitude of the people in back of right-to-work laws, I basically just do not have much faith in them and I personally think they are wrong under existing law. This is not a popular industry attitude I might point out.

QUESTION: Mr. Caples, since all the contracts that are negotiated are for a finite time--1 to 3 years--and in view of the fact that the union leaders, or, as you have mentioned, it is essentially political in its mission, are we to expect that each end of contract on the part of the union means an upping in wages and benefits for the union members?

MR. CAPLES: Let me first correct one thing. All contracts are not for a finite period of time. The mineworkers contract is open end, and has not now been changed since 1958. Our steelworker contract is open end. It can be opened for bargaining on 31 December 1964 but the union cannot strike unless they give us 120 days' notice. So they are not all for finite periods of time. My guess is the trend is against finite periods.

Now, as to the question are they going to get more, there is a famous story about Sam Gompers once testifying before the Congress. Somebody asked him what labor wanted and he said, "More." The fact is that in the United States in the last 150 years there have only been 2 years, in spite of depressions, prosperity, and everything else, in which the basic wage in the United States has not increased. So, if you look at the record, which is 148 to 2 the ability would be, it seems to me, that they are going to increase.

Now, if you look at it the other way, I cannot think of a more bleak outlook for any human being. Most people do not progress too far in the sense of responsibility. This is due to a combination

of things, I suppose; a lack of basic ability; lack of desire; et cetera; lack of opportunity, maybe. But if you are going to sit in a relatively static position all your life, and look forward to having nothing any better than you have today, it seems to me that this is an awful defeatist outlook in what should be a growing economy. Why, in a growing economy, should somebody have a static position?

So long as the worker's increases in the plants do not exceed their productivity; so long as you can keep a constant price or maybe cut the price, then I think it is all right. Personally I do not get unhappy about the unions coming in and asking me for more. If you go back to the history of this country and consider the 1920's where increases were restricted and many did not recognize the fact that gains should be shared by a lot of people--look what came behind it; you do not get too unhappy about sharing increased productivity.

The other thing that is a much bigger problem to my mind than this is the fact that we now have industrial capacity to produce far more physical goods than we are producing. I cannot name an industry that is working anywhere near capacity. We are not, autos are not, chemicals are not, oil is not. And this being true, and at the same time we have these rather large pockets of poverty--compared with the rest of the society in the United States; the thing that President Johnson was talking about in his State of the Nation speech--how do you get a distribution, then, when you have the productive capacity and facilities that will make sure that you do not have poverty in this country?

And I am inclined to believe, having once taught economics, that it is more of a philosophy than a science; that you are going to have to find some better method than we now have for the distribution of goods, because the technology has gotten to the point where we are capable of producing what people cannot buy. This is a real tough one and I do not think anybody knows the answer to it.

CAPTAIN HENRY: Mr. Caples, like previous classes, this one has had a fine hour-and-a-half with you. Thank you very much.

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