Moving right along

The last labor giant

BY THEODORE PRINCE

If Rip Van Winkle awoke today, a review of labor news might not seem so strange to him. The Teamsters are about to elect Jimmy (James) Hoffa as union president, and the United Auto Workers recently concluded an extensive strike against General Motors. Both these events are reminders of the 1950s and 1960s, when U.S. industrial strength enabled organized labor to acquire a "larger piece of the pie."

Since global competition was not yet a threat to industrial companies in the United States, collective bargaining agreements resulted in generous increases to union workers. In less than a generation, many workers found themselves bona fide members of the middle class.

Union leaders such as Jimmy Hoffa — the candidate's father — and Walter Reuther became genuine folk heroes to the workers they led. Back then, companies engaged in cost-plus-pricing. The price charged the consumer was equal to the actual costs with a margin added. If costs went up, prices — and margins — went up, too.

How times have changed. Global competition and deregulation have completely altered the calculus of the labor equation. Price-based costing has become the mantra: mechanism.

Today, customers determine the value of the good or service; the provider must meet the price or lose the business. This has forced companies to reduce the cost of all their factors of production. Automatic cost increases, passed directly through to the consumer, are no longer possible.

Regulation, by its very nature, fostered an inefficient market. Excess capacity was protected for various public policy reasons. Lack of market entry enabled carriers to keep their prices and cost structure higher than would have been the case in a free market. And organized labor supported regulated markets.

In 1978, when motor carrier deregulation was being considered by Congress, the Teamsters understood deregulation's impact much more than did the trucking companies. In order to prevent passage of deregulation legislation, Teamsters' President Roy Williams unsuccessfully attempted to bribe a senator, resulting in Mr. William's imprisonment.

The results were as the Teamsters had feared they would be. Many union trucking companies, unable to function in the new market, went bankrupt.

They were replaced by non-union carriers that easily obtained the operating authority that had been so zealously rationed under regulation. In the five years after deregulation, half the Teamsters membership lost their union jobs.

Global competition has forced auto companies and the United Auto Workers to come to terms with a new reality. The recent strike at GM dealt with vertical integration.

Making your own parts, rather than buying them, was the hallmark of Alfred Sloan, General Motors' brilliant leader of early this century. When more than 60% of the domestic market was GM's, this integration made sense. Today, with a smaller market share and competitors buying the same parts for less, GM can no longer afford this practice. Eventually, GM and the UAW will be forced to face that reality.

There does still exist one labor giant: the International Longshore and Warehouse Union. The ILWU's early history closely follows that of other American labor unions. Harry Bridges, ILWU's charismatic founder and leader, led his group through early organizing efforts, at the end of which there ensued a major confrontation — a coast-wide strike in 1934.

Joined by other workers seeking a union, tensions mounted. A general strike in San Francisco saw seven strikers killed and the California National Guard called out to restore order. Finally established in its own right, the ILWU developed on the West Coast as a separate entity from the International Longshoreman's Association, its comparable organization on the east and gulf coasts.

Today, the ILWU's strength is drawn from two points. First, it has continued to enforce multi-employee and multi-employer collective bargaining through its agreement with the Pacific Maritime Association. This prevents side deals between employers and the union and it forces everyone to the bargaining table.

By comparison, the National Master Freight Agreement has become greatly reduced in scope over the years. Most union trucking companies now negotiate separately with the Teamsters.

Second, rather than fight the introduction of containerization, the union reached a watershed with management in the Mechanization Agreement. Although this solidified the ILWU's position, employers obtained a commitment that enabled them to invest significant sums in the new technology of containerization.

The results were spectacular for both sides. The growth of international trade over the Pacific Coast supported employment, security and compensation increases for longshore labor.

Many practices that management today seeks to eliminate originated from this point. The pay guarantee plan, travel system, pension, health and welfare plans are all items of dispute between labor and management.

In the meantime, market conditions are nothing less than life threatening for the steamship lines. The cost to load and discharge an export container from the United States to Asia may exceed the revenue for that move. Terminal infrastructure investment certainly represents a large part of that sum, but direct labor is significant. Will the labor giant survive if the lines feeding it start to die?

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