

CHAPTER V

THE FORD - UAW NEGOTIATIONS OF 1958

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I want first to add my own welcome and that of the Ford Motor Company to all of you who are visiting Detroit for this annual meeting. The fact that you come from all parts of the country is pretty good evidence that Detroit isn't the only place where labor relations problems occur. It just seems that way to us.

I want also to thank you for inviting me to participate in your meeting in this way. There is a lot of value, I believe, in being able to discuss, in calm perspective, a number of principles and viewpoints that are of direct concern to all of us in this volatile field of labor-management relations.

Since it was only a few months ago that Ford Motor Company and the UAW entered into a new three-year contract, I would like to review for you the rather unusual circumstances in which that contract was negotiated and mention some of the major considerations that were involved. I'd like also to raise with you what I regard as a critically important threat to sound labor relations in the future.

Our formal 1958 contract negotiations with the United Automobile Workers began officially on March 31, 1958. Prior to this, of course, both parties had given contract termination notices.

Actually, as many of you know, we could say that our negotiations had begun many months earlier, in December of

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1956, when Walter Reuther, in a speech before the union's Skilled Trades Conference, said that he would win the largest pay increase in the history of the UAW. That meant he would have to get more than 18½ cents in 1958.

During 1957 and 1958, at UAW meetings and conventions, in committee hearings in the halls of Congress, in Solidarity House press releases and through other channels, the union outlined and publicized its 1958 collective bargaining program. The UAW suggested that if car prices were reduced, it would consider shaping its contract demands with that price reduction in mind. There were similar proposals by political figures at both the state and national levels.

In the Fall of 1957, the union indicated that it would seek a shorter work week, higher wages, increased pensions, insurance, supplemental unemployment benefits and a host of contractual changes that would either increase costs drastically or adversely affect management's ability to run the company. But in January, 1958, at a special convention, the union switched signals and called for a profit-sharing plan to replace the shorter work-week demand. Apparently this was done because the union felt sensitive to the charge then being made that its original demands were too inflationary in nature. Of course, this profit-sharing plan never became a bargaining issue.

Finally, at the bargaining table, the union presented us with a set of major demands which were more specific on some points than the advance propaganda had been, but still were vague on several major demands such as general wage increase, special skilled trades wage increase, and so on. In the contractual area, the UAW demands included such things as the option of striking on any grievance at the discretion of the local committeeman; no outside contracting of construction, maintenance, or transportation work; an increase in the number of company-paid union committeemen; and promotions to be based solely on seniority, without consideration of merit.

On April 28, 1958, after the union had proposed that the existing agreement be extended for four months to September, the company offered to extend the contract for two years, continuing the "improvement factor" annual wage increases, the cost-of-living allowance and an individual account plan for employees in states where concurrent payments of SUB and Unemployment Compensation are not permitted. We believed strongly that a sound and early resolution of the dispute in our industry would greatly facilitate economic recovery in our industry and in the economy generally. As a further contribution to this end, the company included an offer to withdraw all its demands for important and significant revisions of the contract, such as reduction in the number of union committeemen. This offer by the company expired, by its terms, on midnight, June 1; but, as a matter of fact, it was rejected by the union within 30 minutes.

From April 28 to June 1, when the contracts expired, the union and the company met almost daily, but did not make much real progress. On May 31 and June 1, just before the contract expired, the UAW made two public proposals aimed at helping it to postpone the decision as to strike or no strike until the time it believed it would have the greatest potential bargaining power, and at the same time enhancing its public relations position. The time to bring its economic power to bear, as the union saw it, would be just prior to the introduction of the new car models in the fall.

The two proposals were 1) that the Federal Mediation and Conciliation Service be invited to intervene, and (2) that there be a 30-day moratorium on negotiations so that a secret ballot referendum could be taken, by which employees would indicate whether they favored the company's proposed two-year contract extension or whether they favored further negotiations to be followed, if necessary, by arbitration of all unresolved economic issues. Ford rejected the proposal.

So, at midnight on June 1, negotiations were recessed, the contract terminated, and Ford Motor Company was operating without a union contract for the first time since 1941.

From the management side, Ford's 1958 bargaining with the UAW differed from other years in several respects. The most important of these were:

1. A change in the company's attitude on telling the public and our employees the company's viewpoint on bargaining problems and issues.
2. An improvement in communication and exchange of views among the major auto companies on the common issues which the UAW raised with all the companies.
3. Continuation of operations on a "no contract" basis for some 4½ months between expiration of the old agreement on June 1 and ratification of the new one on October 17.

On the matter of speaking out to the public and employees, the changed company approach has been evolving for about three years. It is not directed exclusively, or even primarily, to specific bargaining issues. Rather, it is concerned with the whole broad field of union-management relationships and with the business and economic context within which those relationships exist.

We believe that the public and our employees should understand the management problems that develop from the nature of today's industrial unionism. They should understand that every employee benefit has a cost, and that failure to control costs can make the purported benefits illusory. They should understand the vital role that investment plays in making improved living standards possible, and the conditions necessary to attract capital in a free society.

Primarily, our communications program has been aimed at developing ideas such as these. Bargaining issues, for the most part, were analyzed and discussed in terms of these broader ideas. This approach is somewhat different from the notion of

bargaining in public — taking public positions for or against each specific issue in the negotiations.

No one, of course, can say precisely what effect — if any — this communications program had on the final settlement terms. To us, this is not of decisive importance. We believe there is more at stake in the developing course of mass unionism and its influence over our society than the terms of a particular agreement.

As to the “no-contract” period — why didn’t we extend the old contract on a day-to-day basis? Briefly, we felt that a prompt settlement would be a desirable thing, and therefore we declined to take any affirmative steps to help the union postpone the time for settlement. We believed that contract extension, as proposed by the union, would have been such an affirmative step.

The union seemed quite resentful that management should assert any interest in such matters, and accused us of having all kinds of sinister motivations. As subsequent events showed clearly, these accusations were wholly groundless.

During the “no-contract” period from June 1 through the reaching of the new agreement on September 20, and up to ratification on October 17, operations were continued under a company statement of policy. It provided for operations on a normal basis with good conditions of employment, wages and employee benefits. Except for matters such as union shop, checkoff, and grievance arbitration, which rest on mutual consent, the policy called for continuation of the rules and practices prevailing under the old contract. It even provided opportunity for committeemen to handle employee grievances on company time. The maximum time allowable was substantially reduced from the amount permitted under the old contract — but, as we had anticipated, it proved to be more than adequate.

In the “no-contract” period, the union made every effort to see to it that no incident developed into a serious strike — a

premature strike, that is — for, as I mentioned earlier, the UAW strategy was to stretch out the talks until Fall, when it could threaten new model production with a strike. The Company was equally diligent to avoid incidents which could lend credence to a charge that it sought to provoke a strike. We were not after a strike — we were after a settlement. So the summer passed quietly while we continued the talk across the bargaining table.

On September 8, with the entry of Walter Reuther into the negotiations for the first time since June 1, things began to pick up a bit. On September 10, the UAW set September 17 as a strike deadline. To us, the real significance of the deadline was that the union was now ready to reach a settlement. We acted accordingly.

It was clear by then that positions on both sides regarding the terms of a two-year contract were so solidly frozen as to make a settlement on that basis impossible. Accordingly, we decided to explore the possibilities of a sound settlement on a three-year basis. This approach was taken and an agreement reached which we believe was reasonable for both sides. On September 15, the company put its offer on the bargaining table and this offer subsequently became the basis, with some modifications, for our contract agreement. The strike deadline came and went and a final settlement was reached at 4:05 p.m. on September 17, six hours after the strike had started.

The three-year contract continued the "improvement factor" and cost-of-living allowance contained in our first offer, except that the dates of the increases were later and spread out more in frequency than in our first offer. The settlement included certain "catch-up" items — items which either one or all of our major competitors had granted in previous negotiations. These covered jury duty pay, Saturday premium pay, higher midnight shift pay, special early retirement provision, and a more liberal pension credit formula.

The settlement also contained SUB liberalizations, separation

pay out of the company SUB contribution, pension increases, special 8-cents wage increase for skilled trades, a minor life insurance change, and adoption of a new Michigan Blue Shield Plan.

The UAW agreed that it would never again bargain on further pension increases for those already retired.

In the contractual area the major point of significance was that none of the changes, and there were very few, in any way deprived the company of its control of the business or its ability to compete. The UAW agreed to a substantial reduction in the number of union committeemen, who are paid by the company.

Now for a broad look at the outcome. When we signed our 1958 union contract, we fully realized that we were setting a pattern for the automobile industry and for many other industries as well. Therefore, it was important to see to it that our contract reflected as much as possible the best interests of our employees, stockholders, customers and the public as a whole.

If we ignored the public interest and tried to negotiate in a vacuum we would sooner or later be in trouble and perhaps do a disservice to the national economy. If, for example, we made unlimited concessions and raised wage rates or other labor costs beyond reasonable levels, we would only contribute to another cost-push inflationary surge, higher prices with consequent buyer resistance, lessening of production and, of course, unemployment. On the other hand, if we resisted all union demands just because they were union demands, and took an uncalled-for strike with all its bitterness, waste, economic stagnation, and increased costs, it could contribute just as much to an economic slowdown.

In entering these negotiations, three of the company's objectives had been: (1) to avoid excessive costs in the economic aspects; (2) avoid anything that would deprive the company of its control of the business and its ability to compete; and,

(3) avoid falling victim to the union's "whipsaw" technique — one of the undesirable things born of a union monopoly situation.

Were we successful in avoiding an excessive economic settlement?

This question can be answered in different ways, depending upon one's point of view. We must admit that the new contract raised the company's costs, and therefore affects its pricing.

We are of the opinion, however, that when viewed in the context of developments and trends in major industries, our contract's influence will be in the direction of retarding inflationary pressures. We believe it has made and will make a very significant contribution in this direction. Specifically:

The contract breaks away from the pattern of successive leapfrogging settlements in steel, autos, and other major industries which has prevailed in recent years.

It retains and projects for three years the 2½ per cent annual base wage increase concept, despite the higher precedent set in the electrical industry and elsewhere. Furthermore, the frequency is slowed down so that it is no longer "annual" — rather, the successive raises are 13 months apart.

It sets no new high-water marks in so-called "fringe" benefits. Instead, it stays below benchmarks already established in steel, electrical, and other major industries.

Judging by reactions we have received, there is widespread recognition among persons aware of the problems of dealing with union monopoly power that the settlement not only was a sound one under all the circumstances, but was much better than they had anticipated.

As to the second objective, we avoided contractual concessions which would have deprived the company of its control of the business and its ability to compete.

With respect to avoiding the union's "whipsaw" device, we

made no concessions that could be attributed to the union's use of this technique.

All in all, we may be said to have arrived at a reasonable and workable agreement. But in our own experience and that of other companies in recent years, I find a number of reasons for deep concern.

I believe that we as a nation are being pushed fast and hard into a vicious wage-price spiral that could lead in time to economic disaster. I believe that the "push" is due primarily to the overwhelming imbalance of power on the side of the union in labor-management relations. Those views are not new, and I believe that any experienced and objective economist will bear me out on both counts.

These are not problems of labor-management relations alone. They are big enough and serious enough to be matters of public policy.

Mr. and Mrs. America must be convinced of the essential futility and wrongness of wage and fringe gains that cannot be justified on the basis of increased productivity. That's not easy to do. You are in effect asking people to place limits on how far and how fast they can increase their paychecks — not their real income, but the dollars in the pay envelope. That's the tangible thing that tells a fellow he is doing a little better this year than last. It's a hard task, but I am convinced it is necessary.

Fortunately, people are waking up to the facts of inflation. They are beginning to see the effects and to add up two and two. More American working people are learning that there are limits to how far the profits can be reduced before industry is forced to stop building and stop producing, and therefore to stop providing jobs and job stability. More Americans see the relationship between rising prices and living costs and fast-rising labor costs. They see the relationship between higher prices and sales resistance. They know that lowered sales mean less production and fewer jobs. They are becoming aware of

the increasing threat of loss of markets — including domestic markets — to competition from abroad.

In our economic system all groups must share in the growth made possible by the increasing productivity of business management and by the investment of venture capital. Wage and fringe increases that outstrip productivity destroy profitability. They discourage buying and business investment. And they can only lead to everybody sharing more and more of less and less.

As all of you know, the outcome of any important labor negotiations depends very much on the broad environment in which those negotiations take place. The public's attitude can play a large part in determining the final results. For that reason, I think that all of us in the labor relations field must do as much as we can to see that the public is fully and fairly informed as to the issues we deal with and the effects of whatever settlement may be reached. Our American economy has tremendous strength and resiliency. But there are limits as to how far and how fast it can meet our normal human demands for more. When any one group in our society is permitted to satisfy its demands at the expense of others, we are all in trouble. The big job, as I see it, is to keep that economy growing so that it can continue to provide more for all of us.