CHAPTER VI

LABOUR MANAGEMENT RELATIONSHIPS IN THE JAPANESE AND THE UNITED STATES STEEL INDUSTRIES

6.1 INTRODUCTION

A business organization consists of manpower, management, machines, materials and the money necessary for their effective operation. The purpose of the manufacturing enterprise is to transform materials or their parts into products of greater usefulness to others. The extent of profit of the enterprise is determined by how efficiently it makes use of the time of men, materials and machines.

An organization is people. Productivity in a business is dependent upon the interest and willing co-operation of both the managers and workers. Human beings cannot be easily regulated to a predetermined point of productivity. Human beings must be led by goals which they accept as justifiable, worthy and fair to all concerned. This leads to the question of human relations. It has been proved by experience that the principle of good human relations "pays off" through co-operative co-ordination. Good
human relations depend upon understanding of the goals of the enterprise. Workers can be brought to understand that higher earnings are and can be possible only by increased productivity. Such understanding should lead to appreciation of co-operation in the development of improved methods and elimination of waste. Effective means of communication between workers and management lead to a better understanding.

Since labour management relationships play an important role in the performance of a business concern, it is appropriate to examine the conduct of labour management relationships in the steel industries of Japan and the United States to determine its role in the past, present and future performance of these industries. Therefore, the objective of this chapter is to examine the industrial relations systems and the socio-economic conditions under which the labour management relationships developed and operated in the steel industries of Japan and the United States of America.

6.2. LABOUR MANAGEMENT RELATIONSHIPS IN THE JAPANESE STEEL INDUSTRY

The key to a healthy labour management relationships is based upon several interrelated factors, such as the cultural
background of the society, its education system, the recruitment, training, promotion policies and economic incentives.

6.2.1 JAPANESE SOCIETY

Japanese population is highly homogeneous in contrast to the American population which come from different parts of the world. Japanese population is homogeneous through a common core of culture transmitted to virtually the entire population. The common cultural heritage increases the chance that the population will work together for the national interest.

Japanese have lived all their life in a congested landscape roughly the size of the state of California. There are about 125 million people in Japan. They are united by a common language, ethnic background and several age-old traditions which are highly valued by the Japanese. They are not divided by fanatic religious teachings. Though the entire population claims to belong to one or the other major faiths, Shinto and Buddhism, government polls indicate that less than 30 per cent of the population claim to have any real personal religious beliefs.

The family life in Japan remained as a powerful factor in preserving traditional values and attitudes. It is a male dominated
society. Solidarity and obedience within the family unit are taught to the young and these traditional values are carried over to the behaviour outside the family. The family system emphasizes the importance of subordinating individual interests.

The Japanese are fully aware of the conjestion and constriction they encounter all over Japan. In a country where only 15 per cent of the land area is arable, austerity, developed from an economic necessity has become a way of life. Their painting, sculpture, architecture and their gardens have been designed on the premise that there is only loss of everything in their country. These factors tend to reinforce their behaviour as loyal, diligent and hard working citizens.

6.2.2 THE JAPANESE EDUCATION SYSTEM

The Japanese education system consists of six years of elementary school, three years of middle school, three years of high school and four years of college. The first nine years are compulsory. The education system prepares a student to be very industrious. The Japanese children attend school for 240 days against 180 days for the American children. 1 Besides the regular

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schools, many children attend supplementary schools that prepare them for competitive examinations which the children are required to take for entrance to good high schools and colleges.

In the elementary school the curriculum includes Japanese language, social studies, arithmetic, science, music, arts, handicrafts, homemaking, and physical education. In the middle school and high school it covers Japanese language, social studies, mathematics, science, music, fine arts, homemaking, and foreign languages. The curriculum is quite comprehensive which among other subjects include political and moral issues, vocational information, and world affairs. Japanese schools, like the Japanese home, also teach self-discipline. Students spend most of their study time in group study. Through group projects, group trips and through close-knit activity clubs, they enjoy not only group life but are also taught to be sensitive to their colleagues. This prepares the student for life in an organization which emphasises group performance. The high standard of academic training not only strengthens the social cohesion but provide a labour force with superior training. The standardized opportunities and uniform standards in all schools put the burden of performance on the students rather than on extraneous factors. Thus the education
system of Japan supplies a highly qualified and well-disciplined labour force to the Japanese industries.

6.2.3. RECRUITMENT

The Japanese steel companies are very selective in hiring their permanent employees. They hire the best high school graduates from good high schools. A small percentage of their permanent labour force is hired from the middle school graduates. The selection process is very thorough. The companies administer a battery of mental, physical and psychological tests to weed out the potential trouble makers and hire the most promising and loyal candidates. They employ private detective agencies to investigate potential permanent employees before they are hired.

The employees feels proud of having been selected by the company. He is grateful to the company for selecting him. He becomes a part of the company. He knows that his earnings and promotions depend upon the success of the company. If the company fails, the worker loses everything, and then he has to start at the bottom if at all he is hired by another company.

6.2.4 TRAINING

The training programmes in the steel industry is quite elaborate. The newly recruited employees are trained independently
by the company or jointly by the industry. For instance, some steel companies hire some middle school graduates and give them special three year full time training in general education, equivalent to high school, and in occupational skills. High school graduates are given one year to eighteen months training. They also receive on-the-job training as they advance. The worker is hired as a generalist, but is expected to acquire specific skills on the job. The company invests large sums of money and time in training the employee because he is expected to remain with the company until his retirement. The employee is exposed to various phases of operation and thus he becomes very familiar with the general operation of the company. He becomes adaptable to different jobs. Special training programs of short duration are conducted for the supervisory personnel. Supervisors from different steel companies are given intensive training that includes not only lectures and discussions but also sensitivity training. Management takes meticulous care in giving the best kind of training to its permanent employees because these training programs are going to pay the employer several times more than that they have invested on the employee, because they are preparing a valuable labour force for a lifetime contribution to the company.
6.2.5 ADVANCEMENT AND REMUNERATION

Promotion and remuneration are determined more by the factors such as education, age, length of service and number of dependents than by the importance of the position or his ability to perform the job. Thus an older employee earns much more than a younger employee when both are carrying out essentially the same assignment.

The labour costs in the Japanese steel industry consist of regular payments, special payments, welfare payments, retirement allowances, pensions and other costs. Regular payments include basic pay, incentive pay, overtime etc. Special payments include annual or semi annual bonus payments which invariably amount to at least three months regular payments. Welfare payments include health insurance premiums, employee accident compensations, unemployment insurance premiums, welfare-illnessity premiums and the like. Retirement allowance is an a one time payment given at the time of retirement. Besides the regular welfare costs, there are non-statutory welfare costs such as subsidies for housing and livelihood assistance.

In addition to the economic incentives, the company undertakes a number of things to reinforce the employee's
loyalty. Even after the initial training programs, the employee continues to receive training and supervision. The recreational facilities of the company are open to everyone. New workers are often housed in company dormitories or apartment houses. When they buy their own homes the company may arrange and provide low cost mortgages. It is not uncommon that the weddings of employees are arranged in company social clubs with the company paying a part of their wedding expenses. 

The large steel companies in Japan encourage employee participation in sports and games. They form their own teams and leagues. Outstanding professional sports teams are sponsored by prestigious companies. Companies encourage their employees to spend some of their after duty hours together under the company sponsorship. The idea is to build a better understanding and a close-knit feeling among the employees. The Japanese company is committed to the development of the whole individual. Therefore, the company is concerned with the non-working part of the worker's life also.

6.2.6 LIFE TIME EMPLOYMENT SYSTEM

Labour - management relationship in the Japanese steel industry is based on life time employment system. The Japanese employee works for the same employer until his retirement. The lifetime employment system has the effect of tying the long term well being and prosperity of the worker directly with the success and prosperity of the company.

"In Japan, the large industrial corporations treat their employees with the loving care of a concerned parent. They guarantee them lifetime employment and security; they give their most skilled young men (and some women) ten years of diversified management training before assigning them to key roles in company management; they foster co-operation among the workers and between the workers and the management; they favor decision-making by the group with shared responsibilities and rewards; individual self-aggrandizement is frowned upon. In return, the Japanese worker toils at his or her job with a devoted loyalty to his or her company that is equal to his or her love of family and country." 3

The worker commits himself on entrance to the company for the

rest of his working career. The company will not discharge him except in the most extreme circumstances. He will not quit the company for industrial employment elsewhere. He is a member of the company just like the persons who are members of fraternal organizations or families.

This lifetime commitment and its permanent relationship between an employee and a firm imposes obligations and responsibilities both for the management and the worker. "The lasting commitment of the employee and the employer, by which the employer will not discharge or lay off the worker and the worker will not leave the company's employ, is a striking example of a major difference between Western and Japanese job relationships. The Western relationship is more nearly contractual. Both parties to the contract note that under certain conditions, not necessarily related to the performance of his job, the worker will be free to leave the company's employ and the company will be free to ask him to leave." 4

The lifetime employment in Japan ensures continuous use of company-trained personnel. The Japanese management maintains

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that Japan is a poor and overpopulated country, where the jobs are scarce and employment difficult. Lay off means hardships for workers because they will not be able to find other work. In the interest of the national economy, management has a duty to employ as many people as possible at all times.

Japanese management thinks in terms of national interest and is quite conscious of the interaction between business policy and national welfare. This concern for the national well-being is no doubt a consequence both of the historical intimacy of the government and the business community and of the impact of business policy on national welfare.

The Japanese steel companies are able to maintain the lifetime employment system in spite of the economic fluctuations. There are several measures used to deal with the problem of excess number of employees without actual lay off. One of these is to transfer the employee to another facility where he can perform similar tasks. Another measure is to assign maintenance work or jobs that are usually given to outside contractors. Thus the use of outside contractors is reduced.
A third method is to move the excess number of workers to another division or affiliated company such as fabricating companies, engineering and construction service operations or raw material divisions.

A fourth approach is to re-train the worker to take up an altogether a new job. The retraining takes up classroom or workshop sessions of six months to a year during which time they pick up a new skill or craft.

A fifth approach is to lay off their part time employees. In addition to the regular work force the steel companies employ housewives and retired workers at lower pay or subcontract the work to other companies during peak periods. In slack periods they lay off the temporary workers and keep their permanent workers.

Sixth method is to use the wage system to stabilize the employment. The compensation of employees consists of wages and bonus payments. If there is a need for retrenchment they may reduce the bonus payments or stop paying any bonus at all. Or the company may ask the workers to take a short work week or take a short vacation with partial pay or even ask them to take a
small salary cut while the management takes a much bigger salary cut.

Another method is used where all workers are employed to produce and stock the products for future sales. This forces the employer to seek and explore wider markets abroad. Since labour is considered a fixed factor in Japanese industries, the companies have a lower variable cost factor which enables them to price their products cheaper than their counterparts. The lifelong employment system helps them to maintain the stability of employment and output.

The employment system in Japan makes it difficult for workers and managers to change jobs frequently. Quitting one job and going for another seems starting at the bottom of the seniority list on the new job. Under the present system, workers and managers seldom change their jobs. The advancements to higher positions are mainly based on seniority. Thus an older person seldom works under a younger person. Since workers of the same age group work in more or less the same positions in different companies or the government, it is easy to maintain close contact with each other. In Japanese society it is time honoured practice and belief that maintaining the long term intimate ties is very important for good and everlasting business relationships.
Under the lifelong employment system of the Japanese steel industry, firings and layoffs are extremely low. The Japanese worker works very diligently. "There are only two job classifications in Japan: skilled and unskilled. Depending on what needs to be done on a given day, a worker may perform a variety of jobs. If the floor is dirty, he'll pick up a broom and sweep it without worrying about whether that's part of his job definition. Naturally, this sense of responsibility leads to such greater efficiency". In Japan, co-operation and mutual concern have dominated the labour relations in the steel industry. The Japanese steel workers are more industrious and productive than the American steel workers. For instance, the Ohashi plant of Nippon Steel near Tokyo turned out 1,800 tons of steel per worker in 1961, while his counterpart at Burns Harbor of U.S. Bethlehem Steel Corporation produced less than a third of that quantity. Burns Harbor plant is one of the most modern plants in America. Undoubtedly, a number of important factors such as the worker attitude, modernity of plants, rate of plant use, management attitude and so on come into play in making such significant output difference.


Japanese steel companies encourage employee suggestions of ideas and proposals designed to improve the efficiency and ease of operation and thus reduce the costs. Each section which originates an idea or ideas, undertakes to study its feasibility before it is submitted for consideration by the higher levels of management. Since these proposals are well conceived and in general have a tendency to reduce costs, the top management attach a great deal of importance to these proposals. After careful study of each proposal, if they are found feasible, these proposals are implemented within the framework of the overall objective of the company. The workers are recognized and properly rewarded for their contribution.

The key element to the strength of the lifelong employment system of Japan is the Japanese society. It has been shaped by history and geography to be austere and adaptable. In a country where tradition and culture are deeply rooted the loyalty factor is very strong and well maintained. The Japanese worker gives his loyalty to the employing corporation like a Samurai warrior of the past swearing allegiance to his sword. The lifelong employment system has provided an environment in which the

7. Ibs, Kyanosuke, It took the Japanese to Build Japan, Business Week, October 5, 1956, p.17.
Japanese worker can feel a sense of pride, a sense of belonging, self-reliance, self-respect, and above all self-esteem and security. The company gives him the assurance of lifelong employment; in turn the employee gives his loyalty to the company which is complete identification with the employing institution. He is conscious of the fact that his future and success are inextricably intertwined with the future and success of his employer. The failure of the company is simply unthinkable. The company’s future must be protected at all costs. The austerity and loyalty ensure the Japanese steel industry the flow of highly motivated and productive work force that identifies with the future of the company. This special feeling of proprietorship and protective-ness by the company personnel is also the root of Japan’s labour-management relationship.

However, economic contractions and technological changes are threatening the time-honoured lifetime employment pact. For many years it was considered by many as an ingenious answer to the constant challenges of increasing productivity and cordial labour-management relations. But these are now changing and the problem is how long the same practice can be continued against a background of constant economic, technological and social
changes. Yet, the steel companies are unwilling to let go
their workers. They admit that in the long run they must have
fewer workers. The lifelong employment system is by no means
likely to collapse in some foreseeable future.

There are a number of advantages in the lifelong employ-
ment system. As per this system the labour is treated as a fixed
cost. This creates a serious problem for the firms because they
cannot layoff their workers when they face recession in their
industry. However, the system has some merits. The companies
can project their long range man power requirements and accordin-
gly recruit and train an adequate number of good workers. Since
the employees are not afraid of losing their jobs, the labour
relations in Japan provide an exceptional support to the intro-
duction and diffusion of modern technology. The Japanese workers
welcome the technological advancements because they improve the
worker performance.

The Japanese employment system creates an unusually close
tie between the individual worker and the company. There is
nothing in the union structure that prevents job reassignments
or reclassifications. The advantage of inter-company mobility is
compensated by intra-company mobility which has a tendency to
stabilize the employment pattern.
To help employees increase their personal assets, the Japanese steel companies have made improvements in their system of employee asset formation, employee house ownership, stock-sharing schemes, pension schemes for old age security and education subsidy schemes for children of deceased employees. All these and other schemes have a tendency to strengthen the employee loyalty to the company.

6.2.7 GROUP PERFORMANCE:

In Japanese factory system, group performance is recognized and accepted more than the individual performance. Therefore, it does not help a junior person to outperform his boss or his peers with an intent of taking over his job. The whole factory system makes the Japanese worker very co-operative, and patient.

If a problem develops at a certain level in a Japanese plant, the workers at that level takes the initiative to solve the problem rather than wait for instructions from above. They bring the problem to the attention of their superiors after it has been solved or if they fail to solve it. This is an indication of the extent of interest and involvement of the worker in the effective functioning of the company. Such interests and involvement are seldom seen among American workers either due to lack
of co-operation, poor labour-management relationships or the complex labour union regulations.

An example of the group activity in the Japanese steel industry is the Jishu-Kenri (J-K) activity. The Jishu-Kenri activity is generally understood to be voluntary self-study activities which is the driving force behind the development of Japan's steel industry. This is a voluntary movement of small groups of workers — six or seven blue collar workers with a foreman — to improve the efficiency of production and work environment. Each group gets involved in different activities such as operational improvements, maintenance of facilities, cost reduction, reduction of errors, savings of resources and energy and improvement in the quality of a product. They play a great role in bolstering corporate activities through flexible response to change.

The J-K activities are based on voluntary will and co-operation of each employee and are aimed at self-realization, improvement of the working environment and human relations, display of creativity and improvement of morale.

By the beginning of 1980 there were more than thirty thousand J-K groups in over 160 plants and offices operated by
46 steel companies. The number of workers participating in J-K activities totalled around 200,000 in 1980. These groups meet regularly and prepare reports which are submitted to management for adoption. In turn all managements have been very receptive to the suggestions made for improvement in the steel companies. For instance, it is reported that in Sumitomo Metal Industries 60 per cent of the energy saving achieved was due to the work of J-K activity. Recently, the J-K activities are engaged in tackling more specific problems such as cost reductions, achievement of production goals, maintenance of facilities, quality improvement, meeting delivery deadlines and ensuring work safety.

6.2.3 LABOUR UNION ACTIVITIES

The most important factor that minimizes the incidence of disruptive labour unrest in the Japanese steel companies is the identification of the employee with the company. This does not mean that labour unions are passive in Japan. On the other hand, they are very strong and they fight fiercely to safeguard the interest of their members. Whether they are private or public employees they share one common characteristic, they are convinced

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that disruptive labour practices shall not endanger the future of their organization. Managements also play an important role in avoiding disruptive labour practices.

In Japan, labour unions were born not out of violent struggles led by bitter union leaders, but at the initiative of company leaders. Not only they forced the unions and encouraged union membership of blue collar workers, but they also eagerly sought feedback from unions to find opportunities for meeting worker complaints in order to create a more satisfied labour force. To avoid an excessive adverse relationship, the management socializes with union leaders and thus create a more friendly and co-operative attitude. Thus, it has been found that unions in Japan do not engage in prolonged and disruptive strikes or other similar activities. In the steel industry there was a strike that lasted for 39 days in 1959. After that strike, they have not engaged in a prolonged strike any more. The only disruption of work from 1959 to the present time was a 25 hour walkout by the steel workers. The workers and the management realize the seriousness of the strike and how it can hurt the future of the company. Therefore, they maintain a more productive and co-operative relationship with their employees. Mutual trust, loyalty and
friendship are very high among the Japanese steel workers for their employers and executives. Japanese workers' pride in their work and loyalty to the company are demonstrated by their capacity to produce goods that are excellent in quality, yet competitive in price. The Japanese worker is more diligent, works more carefully and has a great regard for what he is doing.

Relations between labour and management continued to be peaceful throughout the 1980's as in the 1970's. In April 1984, the five major steel producers, namely, Nippon Steel, Nippon Kokan, Kawasaki Steel, Sumitomo Metal and Kobe Steel concluded an agreement with the steel workers to increase their wages by 6900 yen to 3.11 per cent per month for the average employee with 15 years of service or more. This was slightly higher than the 1983 agreement but less than the 1979 wage increase of 8600 yen. The retiree's benefit was raised by 300,000 yen to 12.1 million yen for an employee retiring at 58 with 33 years of service. The workers accident compensation was raised to 20 million yen. The bonus negotiation in 1984 with the five major steel companies fixed the bonus payments to 1 million yen to be paid in two equal instalments. Between 1978 and 1984, the bonus payments varied
between 700,000 yen to 1 million yen. The most interesting aspect is that all these settlements were reached without any disruption of work.

In keeping with the practice of lifelong employment system, the steel industry was having more workers than currently needed. Since 1975, corporate policies emphasized restrained hiring and normal rate of employee retirement. The steel industry employment in 1984 totalled 265,000 workers. This was about 7000 workers less than the 1983 employment figure. In 1978, the steel industry had on roll 315,000 workers. The steel industry still continues to decrease its labour force without any layoffs and thereby ensuring to preserve the time-honoured lifetime employment practice in tact.

6.3 LABOUR-MANAGEMENT RELATIONSHIPS IN THE U.S. STEEL INDUSTRY

American management emphasise individual performance whereas the Japanese management emphasizes group performance. Any country's practices are deeply rooted in its traditions and cannot therefore be easily transplanted. During the early stages of the colonization of America, the shrewdest man or the man with the fastest gun or the strongest man was respected and
sought after. All through the history of the United States one can see the preservation of individualism. This rugged individualism became a tradition in the American way of life. The capitalist system promotes individual initiative and enterprise and rewards those who succeed. The family structure is geared to promote individualism. There are no joint families; children very seldom live with their parents once they reach 17 or 18 years of age. The American school system does not promote group study, group projects or other group activities as invariably seen under the Japanese school system. Therefore, the individual worker in America is not trained at home or in the schools to appreciate the virtues of group activity. The individualism and its protection is a part of the American tradition. The individualism is quite alive in the corporate culture also. The person who produces more, performs better or has better ideas is the one who gets promoted to higher positions. The American corporate environment does not provide any room for group performance. Neither the union regulations nor the management rules encourage group performance. When each worker is preoccupied with the protection of his job or increase in his salary or wages, he has much less time to think of or work in groups. Experience has
demonstrated that the person who out-performs his colleague is well rewarded or promoted. In the Japanese system out performing one's colleague is not a guarantee for promotion. Unless there are deep rooted changes in the social and economic values of the country, it is difficult to expect the transplantation of individual performance with group performance in the American business environment.

6.3.1 UNIONISM IN THE AMERICAN STEEL INDUSTRY:

American unions are neither sponsored nor promoted by management. American management is prohibited to intervene in the organization, administration or any other activity of labour unions. The National Labour Relations Act of 1935 and the Taft Hartley Act of 1947 specifically made it an unfair labour practice for the employer to promote, to finance or to interfere with the internal activities of a union. Until the passage of the National Labour Relations Act there was a great deal of resistance on the part of the American management to bargain collectively with the union chosen by the majority of workers as its bargaining agent. The National Labour Relations Act made it compulsory for the management to bargain with the bargaining agent which is the union selected by the majority of workers.
The American management is used to frequent hiring and firing of workers. The management is so mesmerized with the maximization of the profit that they often forget to think of the long term welfare of the company or its workers.

The management does not seem to instil a sense of belonging or a sense of pride in the worker who is constantly aware of the transient nature of the tenure of his job. Therefore, the employee has no reason to think that his future is inextricably linked with the future of the company. It is natural that he engages himself in activities that will bring him the greatest economic reward with the least amount of contribution. Hence he is less diligent, less loyal, less prompt and careless in his work. Since the company does not provide him security of income or employment he has no obligation to enhance the performance of the company through his industrious participation. The workers' behaviour in the work place is a reflection of these and other conditions of work. The worker loses a sense of responsibility for the future well being of the company.

The United Steel Workers of America is the union that represents the steel workers in America. This union was organized in 1937. Union membership started to grow rapidly after the Second
World War. In 1972 the membership reached 1.4 million figure from 1.15 million during 1960. After 1965, the employment in the steel industry was declining. The employment peaked in 1965 with 453,539 workers. In the next ten years the total employment declined to 359,945. After 1979 the employment started to decline faster. In 1985 the total number of hourly employees in the U.S. steel industry was only 150,906. There are several reasons for the decline of employment such as the plant closings, import penetration of the domestic market, under utilization of plant capacity as low as 48.4 per cent in 1982 and retirement, layoff etc. Unemployment in the steel industry is expected to increase as some steel companies might close down their doors permanently. The second largest steel company—the UTV Corporation has already filed for bankruptcy in 1985. The steel industry's problems began to crop up in the early 1950's. "Steel was under-priced; the companies were besieged by union wage demands; the companies did not have the capital needed to invest in new plants; replacement costs were excessive in relation to the price steel would bring. The handwriting was on the wall."\(^9\) The dismal scenario described by Mr. Gencen has not improved a bit, but on

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the contrary it has become worse with the increase in imports. The still worse seems to be lurking in the future.

6.3.2 STRIKES

The Congress of Industrial Organization, the biggest industrial union in the United States, formed under the leadership of John Lewis in 1935 was responsible for organizing the steel workers in 1937 into the United Steel Workers Union. The union was gaining recognition and power only after the passage of the National Labour Relations Act which legally permitted the unions to use their principal economic weapons, namely, strikes, boycott and picketing to win the industrial disputes.

During the Second World War, strikes occasioned by labour-management disputes were uncommon. The major cause of strikes in the United States continued to be the issue of wages and benefits. In 1946, there was a 25 days strike in the steel industry. Then the next strike was organised in 1949, between October 1 and November 11. In 1952 the steel companies refused to grant the wage increase awarded by the Wage Negotiation Board. The steel workers union had already made plans for going on strike. Since the post-war economic reconstruction required
large quantities of steel that must be produced from the existing plants, the country could not afford a strike in the steel industry. Therefore, President Truman had no choice but to avert the impending strike by using his emergency powers granted under the Taft-Hartley Act. President Truman therefore, seized the steel mills on April 9, 1952, and entered into a contract with the United Steel Workers giving the wage increase awarded by the Wage Stabilization Board and restored the mills to its owners. On June 2, 1952, the Supreme Court ruled that the seizure of the steel mills was unconstitutional. 10

The steel workers union organized another strike on June 2 which lasted until July 26. This strike was settled by the intervention of President Truman with the union getting 15 cents increase in hourly wages. 11

The steel industry's major encounter with the United Steel Workers Union took place in 1959. On July 15, 1959, the United Steel Workers struck work in the steel plants and the


11. Ibid., pp. 555, 556.
strike continued till November 7, 1959, when the Federal Court issued an injunction under the Taft Hartley Act ordering the workers back to work. The strike was settled after 116 days and the steel workers got 41 cents an hour wage increase. In this strike about 530,000 steel workers walked out. The strike shut down the basic steel industry for 116 days with a direct loss of 40 to 50 million man-days of working time and secondary unemployment at half as much again. This strike alone was responsible for a larger total of man-days lost than the total man-days lost by all the strikes taken together in any single year.

The steel industry was totally unprepared to cope with such a prolonged strike. Unsure of an early settlement, the domestic steel consuming industries turned to the foreign steel producers for an adequate supply of steel. This was a great opportunity for the Japanese and the European steel producers to get a foothold in the American market. In the 1950's the imports accounted for less than 3 per cent of the total steel consumption. In the 1960's the imports averaged 9.3 per cent and by 1970's it went up to 15.5 per cent of the domestic consumption. In 1982 the imports accounted for 21.8 per cent and it reached
the highest in 1954 with 26.4 per cent of the domestic market demand. The mounting imports of steel was alleged to be as one of the major causes of the decline of the U.S. steel industry. However, it may be more accurate to say that the imports of steel is an effect of the decline of the steel industry rather than the cause of it.

The U.S. steel industry seemed to have learned a grim and unforgettable lesson from the 1959 steel strike. Since then the steel companies have been trying to maintain industrial peace. The United States Steel Corporation maintained a leadership in negotiating innovative approaches for maintaining industrial peace. The most innovative approach that worked successfully in the steel industry for several years, was the Experimental Negotiating Agreement.

6.3.3 EXPERIMENTAL NEGOTIATING AGREEMENT

The Union and the management were working on the details of the Experimental Negotiating Agreement for several years before it was used the first time in 1974. Under the Experimental Negotiating Agreement (ENA) the steel workers guarantee that they would not stage a nation-wide strike. In exchange, the steel industry guarantees a certain minimum wage - and - benefits for
the steel workers even before the contract negotiations begin. The EIA was designed to assure the steel buyers that there would not be any disruption in the working of the steel industry and therefore, they can be sure of a continued supply of steel. However, under the EIA, the union is allowed to resort to strike in individual plants over local issues. Such a strike occurred in 1977 at the Minnesota iron ore range over, what the union claimed was a local issue - an incentive pay. The industry bargainers were dismayed by the union’s action and claimed that the steel workers abused the EIA by demanding more than they were due under the bargaining agreement. The management warned union that they could not tolerate such demands. This warning did produce the electric effects the union seemed to have understood the message very clearly.

The EIA was designed to ensure smooth production cycles in the domestic steel industry and to stem the flow of imports. Evidence seemed to indicate that the EIA could not stem the flow of imported steel. Nevertheless, some steel executives contend that the no-strike guarantee was worth the price for maintaining industrial peace throughout the steel industry.

The EIA was found to be an alternative bargaining method in order to solve the mutual problems of the unions and the
management. The EMA removed the threat of industry-wide strike by substituting binding arbitration for economic strike in the event of unresolved contract or economic issues. One of the benefits of the EMA is the elimination of the customer stockpiling of steel on account of the uncertainty of the result of contract negotiation. Another gain was minimizing the threat of increased imports in negotiating years with permanent after-effects.

The U.S. steel industry which was granting generous wage and benefit settlements throughout the 1970's has recently adopted a get-tough policy. It is even attempting to halt all wage increases and the cost of living adjustments guaranteed under the EMA. Such a sudden reversal of policies is being generally interpreted as the management's total lack of concern for the welfare of its employees. Another case that undermined the workers' trust in management was the purchase of Marathon Oil Company by the U.S. steel corporation. Several years in the past, during labour-management negotiations, the company presented charts, slides and other material to prove that due to lack of finances it was unable to modernize the plants and equipment. They were trying to convince the workers that they wanted to do
several things to improve the efficiency of operations and thus maintain competitive parity with the foreign steel producers, but they could not attempt any of them for lack of money. Then they turned around, spent a few billion dollars to buy the Marathon Oil Company. The union feels that they are deceived.

Under these conditions it is quite natural for the workers not to trust the management. The nonstrike part of the FMA that maintained industrial peace from 1974 ended in August 1986 when 22,000 steel workers of the U.S. Steel Corporation went on strike on account of wage disputes. The terms of new contract will determine the future of Experimental Negotiating Agreement.

6.3.4 WAGES

From 1959 to 1966, the U.S. steel industry operated without a major strike. To maintain such an industrial peace the steel industry was paying a high price. As indicated in tables 6.1 and 6.2 hourly labour cost in 1955 was $2.72 and gradually it increased and reached $3.62 by 1966. In 1967 the steel workers were making $4.76 while the average hourly wage in manufacturing industries was only $2.83. By 1970 the steel workers averaged $5.68 against the U.S. average of $3.43. After 1972 the wages in the steel industry began to increase rapidly. In
Table 6.1

U.S. Steel Industry Employment Cost Per Man-hour

In Selected Years (Wage Employees Only)

<table>
<thead>
<tr>
<th>Year</th>
<th>Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>$2.72</td>
</tr>
<tr>
<td>1960</td>
<td>3.82</td>
</tr>
<tr>
<td>1965</td>
<td>4.48</td>
</tr>
<tr>
<td>1970</td>
<td>5.68</td>
</tr>
<tr>
<td>1972</td>
<td>7.07</td>
</tr>
<tr>
<td>1975</td>
<td>10.59</td>
</tr>
<tr>
<td>1977</td>
<td>13.05</td>
</tr>
<tr>
<td>1979</td>
<td>15.92</td>
</tr>
<tr>
<td>1980</td>
<td>18.45</td>
</tr>
<tr>
<td>1981</td>
<td>20.15</td>
</tr>
<tr>
<td>1982</td>
<td>23.78</td>
</tr>
<tr>
<td>1983</td>
<td>22.21</td>
</tr>
<tr>
<td>1984</td>
<td>22.29</td>
</tr>
<tr>
<td>1985</td>
<td>22.81</td>
</tr>
</tbody>
</table>

Table 6.2

Average Hourly Earnings of Production Workers in Manufacturing Industries

<table>
<thead>
<tr>
<th>Year</th>
<th>Hourly Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>$2.88</td>
</tr>
<tr>
<td>1968</td>
<td>3.05</td>
</tr>
<tr>
<td>1969</td>
<td>3.25</td>
</tr>
<tr>
<td>1970</td>
<td>3.43</td>
</tr>
<tr>
<td>1971</td>
<td>3.66</td>
</tr>
<tr>
<td>1972</td>
<td>3.89</td>
</tr>
<tr>
<td>1973</td>
<td>4.15</td>
</tr>
<tr>
<td>1974</td>
<td>4.50</td>
</tr>
<tr>
<td>1975</td>
<td>4.98</td>
</tr>
</tbody>
</table>


1973 they were making $3.50 more than the hourly wage of the manufacturing workers. By 1974, their wages were slightly over 200 per cent of the other manufacturing employees. In 1981 the hourly wage in the steel industry was $20.15. The 41-month
contract signed with the United Steel Workers Union on March 1, 1983 would cut the wages in the first year by $ 1.90 an hour making the hourly wage $ 22. However, contract provisions call for general increases in wages over the remaining duration of the contract which will eventually increase to $ 25 by August 1986. This increase was less than the 12.5 per cent average annual increase the companies paid during the 1970's. Compared to the U.S. steel workers, the Japanese steel workers were getting a fraction of what the U.S. workers got. For instance, in 1955 the Japanese steel workers received only 43 cents against $ 2.72 of U.S. steel workers. By 1960, the Japanese workers received 62 cents which went up to 98 cents in 1965 and 203 cents in 1970. From 1973 to 1983 the U.S. steel workers average hourly wages increased from $ 7.68 to $ 22 while those of the Japanese workers went up from $ 4.19 to $ 12. In absolute terms, there is quite a difference between the wages paid by the U.S. steel industry and those paid by the Japanese steel industry. Such a difference will play a significant role in competitive advantage in international trade. It is estimated that the Japanese steel makers enjoyed roughly a $ 100 per ton advantage in labour costs over their major U.S. competitors.
The United States Steel workers are considered to be one of the highest paid workers in America. The U.S. Steel industry was paying such high wages to maintain industrial peace so as to stabilize the production and to thwart the foreign competition. The industry spokesmen maintain that the UWA has not brought about the desired result. Therefore, the U.S. Steel Corporation has adopted a tough stand against the steel workers in recent negotiations. The union and the USI corporation (the former U.S. Steel Corporation) are planning for a new three-year-contract. The USI claimed that its final offer would have lowered the hourly labour cost of $25.35 by $2.70 in the first year of the contract, and smaller amounts in the second and the third years. To compensate for this loss in wages, the steel maker offered a 10 per cent share in the company's profits. But the union demanded a freeze on wages at the current level with an 82 cents an hour cut in the medical benefits. Since the union and the management differed on the wage demand and the wage offer, 22000 steel workers went on strike against the USI corporation on October 30, 1986.12

5.3.5 LABOUR - MANAGEMENT COOPERATION AND PARTICIPATION

Increasing number of labour and business leaders are beginning to recognize that the survival of their institutions and jobs are threatened. Things are getting so bad in the steel industry that the problems need to be approached through newer methods than the traditional ones have failed. Therefore, collaborative relationships are developing in the steel industry. Unions are increasingly co-operating with managements in instituting new work relationships that seek to give workers a voice in shop-floor decisions, eliminate the old authoritarianism of supervisors and improve product quality and output. These programmes try to reduce the conflict between the workers and their bosses.

The current co-operative relationship in the steel industry has emerged due to pressures from sources external to the collective bargaining relationship that directly affect the labour and the management. In the past, the threat of labour strike had led to a serious penetration of the domestic market by the foreign steel producers and the subsequent loss of market share for the management and loss of jobs for the unions. Efforts to develop a dialogue and consensus at the national level have occurred periodically through most of this century. The most successful attempts
case during the two world wars. After the wars, the absence of external threats to the society led the concerned parties to return to their previous power struggle and conflicts. The economic conditions are now ripe for the steel industry to engage in labour-management co-operation and participation.

It is difficult to anticipate that the external pressure coming from the foreign competition will diminish in the foreseeable future unless the U.S. steel industry takes drastic measures to improve its competitive position. However, the economic recession of the 1960s is a powerful external pressure to be reckoned with. On the one hand, it underlines a greater need to maintain a co-operative stand and on the other the policies and programs the industry has to evolve for coping with the economic recession involves a great deal of stake for the union. The only and possible conclusion one can derive from these policies and programmes is that the union is no longer in a position to guarantee the major objective of job security in its entirety.

Another external pressure which the industry faced was the imminent threat of government intervention in the process of collective bargaining when the labour and management fail to reach a satisfactory settlement. The strategic position of the
steel industry has invited Federal intervention in the past ranging from the seizure of the steel mills under Truman administration to the so-called "jawboning" under the Johnson and the Nixon administrations. There were other kinds of government intervention in the steel industry such as the wage and price control, mediation and arbitration, the Taft-Hartley proceedings. These external pressures were instrumental for the parties to agree on formulating the EMA structure under which a nation-wide strike is averted. The major objectives of the co-operative programs such as the EMA, as a defensive response to the major external pressure, is perceived as the protection and preservation of welfare and individual gains of labour and management respectively.

It appears that the future of the labour-management co-operative programs such as the EMA depends upon the nature and the degree of change of external factors and the pressures arising from within the organization. Internal changes affecting one or both the parties could alter significantly the future of co-operative programs.

Like the Japanese steel companies, the American steel companies also encourage employee suggestions to improve their
operations. In 1960 Bethlehem Steel Corporation held a contest in which the best suggestion at each plant could get a reward of $6000 or a new car. It received 7000 ideas which could have saved the company as much as $23 million over the next three years if they were implemented. Because of the lack of trust many workers did not even participate in the contest. Mr. Clemens of the grievance committee of the local union at Burns Harbor says that of the 12 first place awards in the suggestion contest, only four went to the hourly workers and the rest went to the salaried employees. The union claims that the management steals their ideas and are not willing to pay for them. These allegations may or may not be true. Nevertheless, the mere existence of such allegations may serve to indicate an apparent mistrust of management of their programs and policies.

In April 1960, nine steel companies and the United Steelworkers Union agreed to set up the labor-management participation teams in certain plants to deal with the quality and production problems and workers' complaints about the job. This concept was proposed and sponsored by Jones and Laughlin and Bethlehem Steel Corporation who had some experience in the team participation work. Bethlehem Steel Corporation brought an outside consultant into
its Los Angeles Works to hold consciousness-raising seminars for steel workers and particularly to induce foremen to get more team work from their crews by reducing antagonisms. The result was a 30 per cent increase in the daily output on two rolling mills in the first week after the seminar.13

The Experimental Negotiating Agreement and other joint action programs are described as evidence to indicate that, in recent years, the labour relation in the steel industry is a co-operative labour management relationship. But it is not a genuine co-operative relationship. It is described as a defensive response by the labour and the management to protect their own self-interest rather than a relationship based on mutual trust and respect to promote the long term interest of the steel companies. The co-operation and participation programs are conceived and understood by the top leadership of the union and the management. The results of such programs will depend on the ability of the management and the union leadership to convince the lower management and the rank and file workers that they are designed to solve the age-old antagonistic attitude and bring about a peaceful co-existence with one another for preserving the well being of the workers and prosperity of the company.

The participation team approach is being used in some plants on an experimental basis. One of the initial problems is to convince the first-line supervisors that they must change their style of management and start listening to the suggestions of the workers. If these experimental teams succeed, the concept has a good chance of spreading to other plants and other industries. However, the long term success and adoption of participation approach depend upon the perception of union leadership and rank-and-file having regard to the benefits and losses to the union.

But at the same time many workers opine that the benefits accruing from the participation approach may lead to greater efficiency and eventual reduction in the number of jobs at the shop-floor.

There are many instances where labour and management could establish mutual relationships through co-operation. Yet management is reluctant ready to fully co-operate with labour. Perhaps, the management is skeptical that co-operation and participation with labour may dilute its authority, power and control of business. Another obstacle to co-operation is the existence of some close-minded union leaders who do not think in terms of co-operation. Some of the union leaders who hold offices for a long time have gained their power by being fighters. Therefore, they still believe that, to be important labour leaders, they must continue to fight.
for bigger wage increases, better working conditions and shorter working hours. They have yet to learn the advantages of co-operation and persuaded to think in a positive way, they could easily sell their ideas and achieve better results through co-operation and participation rather than through confrontation.

Co-operation should originate from educated and matured individuals and must be understood and accepted by the majority. It should be based upon a broader understanding of the major issues. The concerned parties must be willing to make some sacrifices of their immediate gains. They must substitute the individual gains for the long-term common goal of the organization. Labour-management co-operation based on these lines has a better chance of success and survival in the long run. Co-operation which is initiated as a measure to overcome temporary adverse economic condition, such as the present labour-management truce in the steel industry, has only a slim chance of survival in the long run. This is likely to be so, because when the present difficulties are over, they are likely to develop a myopic views and start a process of collective bargaining on the same old premise of labour and management as adversaries rather than as two aspects of the same organization. The labour and management have an obligation to the country to
maintain a strong and efficient steel industry to support the economic progress and the national security of the United States. In the face of severe foreign competition, labour-management co-operation is one of the best ways of improving the competitiveness of the steel industry.

The labour-management co-operation and participation will take time to take deep roots and to ensure its success to prove whether the new approach can halt the steel industry's decline in world-wide competition. This is one of the most important experiments in labour-management relations; and its success or failure will determine the future of innovative work practices in the United States Steel Industry.

6.4 CONCLUSION

The United States steel industry is not the most modern steel industry. It has a number of old plants and equipments. It is plagued by a variety of problems. Many critics believe that there is excess capacity in the industry. In 1981 the industry had 150 million tons of crude steel production capacity. This has been toned down to 130 million tons in 1985. Considering the average capacity utilization of 63 per cent for 1981 through 1985.

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it is no secret that the industry has a problem of excess capacity. However, the industry does not subscribe to this view. Nevertheless the steel companies have already started closing down several of these old plants. Since 1974 the steel industry had already closed down over 200 steel producing plants. For instance, in 1982 alone Nolouth Steel closed down 2.4 million capacity plant in Weirton, West Virginia, Colt Industries closed down 1.6 million capacity plant in Midland, Pennsylvania and Bethlehem Steel Corporation closed down 0.4 million capacity plant in Los Angeles. In 1983 and 1984 Kaiser Steel and U.S. Steel Corporation closed down about 6 million ton capacity plant. Plans are already made to close down Lackawana Plant of the Bethlehem Steel with a capacity of 3.5 million tons and a 2.9 million tons capacity of open hearth production of the U.S. Steel Corporation before the end of the decade. All these developments make the steel worker to anticipate what is in store for them.

The poor labour relations are cited as one of the major hindrances of the U.S. steel industry that cuts its ability to compete with foreign steel producers. The labour-management relations have been marred by deep-seated antagonisms, distrust, disrespect and above all a lack of common goal. After visiting
Japanese plants, the American steel executives have commented that the Japanese workers are more dedicated, loyal and more productive than the American workers. Undoubtedly such comments infuriate the U.S. steel workers. The management seems to forget that dedication, loyalty and productivity are the outcome of many factors such as better management scope for use of modern equipments and technology, better labour relations and the use of better quality resources. The American worker cannot be expected to be loyal or as productive as the Japanese counterpart because the management has not created the necessary conditions for him to be as efficient as the Japanese worker. Comparisons with the Japanese workers can only affect adversely the morale of an American worker. The physical facilities provided to the American worker are not comparable to the most modern and efficient facilities and set-up at the Japanese plants. The American workers claim that if the Japanese were to work under the American conditions they would not be doing any better than the American workers. The latter also complain that they are tired of hearing that they are overpaid. As already stated earlier, they are of course, overpaid.

Labour unionism has reached such a stage that public reputation is emerging as one of its major responsibilities.
Increasing productivity is a way of achieving reputation. Management is aware of the decline in productivity in the steel industry. Therefore, the labour and management have a keen desire to improve productivity. Labour-management co-operation and participation is the newest approach that is being experimented in several steel plants for improving productivity. The feasibility of co-operation is based on the concept of maturity. For successful co-operation programmes both labour and management must be mature. A lack of maturity can be detected when one of the parties makes co-operation impossible. In industrial relations, when one party dominates in the joint effort of decision making process, the level of anticipated co-operation will be low. If decisions are to be made by one party, it is not likely that the other party will participate in a truly co-operative manner. Co-operation is more likely to succeed when there is a high degree of joint interest, and a culture of mutual respect.

The single and most significant explanation for the truly outstanding performance of the Japanese companies is the use of labour-management co-operation and participation programmes. The Japanese steel companies have created an environment in which the
steel worker feels proud of having been given the opportunity to contribute his ideas and proposals to the management in the decision making process. Better labour-management relationships can improve the quality of work life which in turn improves efficiency. Maintaining a harmonious labour-management relationship, as seen in the Japanese steel industry, will pull the worker out of the kind of rat race, usually visible in the U.S. steel industry. This kind of relationship can create an atmosphere in the workplace where the worker can feel the same freedom of expression as he finds in his home.