

*Labor - Strikes
Oil Industry*

HUMBLE OIL & REFINING COMPANY
HOUSTON 1, TEXAS

October 27, 1945

H. C. WIESS,
PRESIDENT

Mr. Amon G. Carter
The Fort Worth Star-Telegram
Fort Worth, Texas

Dear Amon:

Upon my return from a trip to New York and Washington, I noted with great interest the editorials in the Star-Telegram of October 6 and 18, which you kindly marked and sent to me. The editorials show an excellent grasp of the significance of the strikes in the oil refineries and the threat that they carry to our national security and well-being.

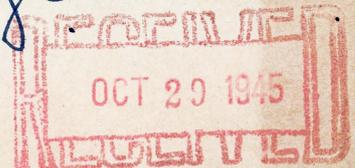
The gravity of the situation is emphasized when we realize that a small group of employees, not over 25,000, in the plants of the Texas Gulf Coast area could cut off about twenty per cent of the supply of refined petroleum products in the United States. Since only part of the employees are represented by the C.I.O. and the C.I.O. unions are dominated by a small group, it is apparent that a very small minority is in a position to exert enormous power over vital supplies of fuel for military and civilian purposes. The intent of the unions was apparent from their desire to negotiate a nation-wide contract for all oil workers. If they had been successful in this effort, they would have occupied the same position that John L. Lewis does with regard to coal and would have exerted greater power than the Government.

One of the very disturbing elements of the situation is that the Government gave in to the attempt of the unions to bring about nation-wide bargaining even though only about one-fourth of the refining capacity was involved in the strikes. Instead of endeavoring to protect the public interest, it appeared that the Government might be contributing to a situation that would place the public at the mercy of a small organized minority. It is essential that the public be made to realize that danger so that it may impose sufficient curbs to protect its welfare and interest. The press has an important responsibility in making this issue clear to the public. The editorials in your paper are a most constructive move in this direction and I hope that the press generally will realize the seriousness of the present labor situation and work aggressively to inform the public of the fundamental issues at stake.

Sincerely yours,

Harry C. Wiess

HCW:mkm



ISSUES INVOLVED IN OIL INDUSTRY STRIKES

The rapid spread of strikes in the petroleum industry has created a vital issue of great public concern. The situation and its implications are complex, requiring careful study for proper evaluation. The public has not been adequately acquainted with the facts to date or the true significance of the situation. Every citizen should acquaint himself with the facts and exert his influence for a prompt and reasonable settlement of the controversy. Failure of the public to appreciate its interest in the settlement will involve most serious consequences in every phase of our economy. The purpose of this memorandum is to present the facts involved.

Extent of the Strikes

1. Between September 16 and September 27, strikes have resulted in the shut down of some twenty-seven refineries which supply more than 1,200,000 barrels daily of refined products. This represents one-fourth of the output of petroleum products.

2. The strikes have affected the Texas Gulf Coast particularly where the refineries shut down were producing about 900,000 barrels daily of products. They have also affected the refineries in the Chicago area and in Michigan, West Virginia and Ohio.

3. The Oil Worker's International Union has voted to call a nation wide strike throughout the petroleum industry if industry does not accede to its demands.

4. Officials of the army, the navy, and the Petroleum Administration for War have pointed out the serious threat that is involved to the military forces by the present strike. The Secretary of Labor has called attention to the fact that the strike is delaying reconversion.

The Union Demands

1. The principal issue that has been publicized is that of 52 hours' pay for 40 hours' work. The demand was made when a number of companies began discussions with the properly accredited bargaining units as to the changes to be made when returning from the wartime schedule of 48 hours a week to a peacetime schedule of 40 hours a week. The demand means a 30% increase in rates of pay.

2. An extremely important issue relates to nation wide negotiation. The OWIU is using this method in an effort to secure control over all workers in the industry. Its aim is to negotiate one national contract for all workers.

3. One of the most important demands is for closed union shop agreements. This would require that every worker become a member of the OWIU leaving no freedom whatever as to union membership.

4. OWIU is also making a number of other demands such as shift differentials providing higher pay for the second and third shift that are required in order to maintain continuous operations at refineries; extra holidays; and longer vacations. In the aggregate these demands would add considerably to the labor cost of industry but they have not been discussed as yet because of the basic differences involved over the questions of pay, nation wide contracts, and closed union shops.

Analysis of Arguments Advanced by the Union

The arguments being advanced by the Oil Workers International Union in support of the recent wave of strikes in the oil industries are analyzed below:

1. Argument - The unions were forced to strike because the companies would not negotiate.

Fact - The companies were engaged in negotiations with representatives of their employees. Several union representatives advised that they were not free to negotiate on the demand of a 30% increase in wage rates, whereas companies had indicated that they were willing to grant a 15% increase and to discuss the matter further.

2. Argument - Hours of work should be shortened to provide more jobs.

Fact - The petroleum industry adopted the 48-hour work week during the war in order to supply the necessary volume of products with the available labor. The oil companies proposed to shorten the length of the work week so that they might provide jobs for returning veterans.

3. Argument - Wages must be increased because of the higher cost of living.

Fact - Oil workers are among the highest paid in the nation. Since 1941 they have received increases of over 20% in base rates of pay, compared with an advance of 28% in the cost of living. The offer of oil companies to raise base rates by 15% would mean a gain of 38% over 1941, or more than the cost of living. The demand for a 30% increase would mean wage rates 56% higher than 1941, or twice the increase in the cost of living.

4. Argument - Wages must be increased in order to maintain the purchasing power of labor.

Fact - The proposed increase of 15% being offered by the oil companies would result in larger purchasing power for the same amount of labor. A return to the 40-hour week will provide more jobs and a larger total payroll. Earnings of individual workers would only be reduced 11.5% under the proposal of the oil companies, whereas hours of work will be reduced 16.7%.

5. Argument - The petroleum industry can afford to pay higher wages without affecting profits or raising prices.

Fact - It is obvious that higher wage payments to labor must result either in higher prices or lower return on invested capital. If the unions wish to imply that workers are prepared to do the equivalent of 48 hours work in 40 hours time, so that the additional productivity would justify the higher wages, then the industry would not be able to provide more employment. Actually, productivity in the petroleum industry has not increased to any great extent for the same volume of operations.

6. Argument - Wages are only a small part of the petroleum industry's costs and the industry could afford to double wages without affecting prices.

Fact - Wages directly and indirectly are a major part of the cost of any industry. Petroleum refining, which is chiefly affected by the strikes, has a direct labor cost of 30 to 40% of total expenses according to figures compiled by the Bureau of Census for the year 1939. In addition, substantial labor costs are involved in the raw materials, chemicals, and other products and materials purchased by refineries. Labor costs for the petroleum industry are generally two or three times the amount of net earnings.

The Economic Issue

The fundamental issue involved in the present strikes by the Oil Workers International Union for 52 hours' pay for 40 hours' work is one of economics. Business is just as much in favor of high wages and large purchasing power as labor, for its earnings depend upon the volume of sales. Unfortunately business cannot escape the fact that costs must be reflected in prices. Over a period of time, as improved machines are invented and the productivity of labor increases, business has been able to increase wages substantially. At any given time, a large wage increase inevitably means higher costs, requiring higher prices for the industry to maintain itself in sound conditions.

Labor will not benefit from higher money wages if the effect of such increase is to raise the cost of living by the same amount. Earnings by industry are not such that labor can expect to secure a permanent advantage by keeping prices unchanged, for in the long run the investment of capital in the industry would be discouraged, with corresponding reduction in employment. Government has recognized the importance of preventing inflation and stated that wage increases shall not be made without authorization unless they do not involve an advance in price. The oil industry could readily agree with labor at the expense of the public to raise wages 30% if prices are increased a corresponding amount. This might be a gain for oil workers and the industry, but it would be a tremendous blow to the consuming public. It would inevitably start a spiral of inflation that would destroy the value of savings and the purchasing power of wages. The major inflationary danger now lies in the possibility of rapid wage advances that would raise costs and prices.

A second economic issue is that of the reasonableness of pay. Refinery workers are among the highest paid in the nation, receiving \$59.80 a week for 47.5 hours of work according to the Bureau of Labor Statistics. This results in earnings higher than the average for all manufacturing industries by 20¢ an hour.

The proposed increase of 15% being offered by the industry would result in an income of \$10.75 for an 8-hour day and \$54 for a 40-hour week. This would mean hourly earnings 38% higher than 1941 and weekly earnings 55% higher. The increase in the cost of living has been 28% since 1941. It is obvious from these facts that the strike is not motivated by low pay. It appears that the petroleum industry was chosen as the first in which to bring about large scale strikes because of the great public need for petroleum products. Union leaders appear more concerned with the possibility of winning their strikes by forcing inconvenience upon the public than they were with improving the condition of underpaid workers.

The third economic issue involved in the present situation is that of employment. Industry faces a staggering job of converting to peacetime production. It must provide jobs within the near future for some 10 to 12 million men to be released from military service and it must find jobs for 8 to 12 million workers now engaged in war production. It can only hope to achieve reconversion and provide full employment if it is able to sell large volumes of goods at reasonable prices. Higher wage rates which are reflected in higher prices will reduce production and employment. The efforts of workers already employed to improve their earnings is made at the expense and sacrifice of employment of veterans and other workers who must find new jobs within the next two years.

Legal Issues In the Oil Strikes

The legal issues involved in the strikes rapidly spreading through the oil industry are rather clear. The strikes definitely violate the Smith-Connally Act, which provides for a cooling-off period of thirty days after notice is given of intention to strike. Furthermore, the strikes violate existing bargaining contracts in that the contracts provide that there shall be no strikes or lockouts.

The only basis of satisfactory working arrangement in collective bargaining, as in any other form of negotiation and contract, is the confidence by each party that the other will keep his word. In this case, the unions have violated their agreement without any reason whatever and have raised a basic question whether they will live up to any agreement they sign now or in the future. They must demonstrate a sense of responsibility and willingness to fulfill their contracts if satisfactory industrial relations are to exist in the future.

The oil companies were willing to negotiate the issues involved, but the unions were determined to force acceptance of all of their demands by the use of force and coercion. There was no immediate problem which would provide any semblance of justification for the strikes, since it will be weeks and probably months before the oil industry generally can return to a 40-hour week. Only a very small number of workers at government owned plants shut down on the instructions of government agencies have been affected by shorter hours or loss of jobs. Almost without exception, the refineries involved in the strikes were continuing a 48-hour week in the course of their negotiations as to changes that would be made in pay when a 40-hour week was adopted.

There is another legal issue involved relating to the efforts of the Oil Workers Union to assert authority over all workers even though it represented only a small minority. The National Labor Relations Act provides that employees shall be free to determine their own bargaining agency. Many bargaining agencies have been designated under this act at individual refineries. It is quite common for a number of different bargaining agencies to have contracts at one refinery for different groups of workers. These workers have expressed a personal preference to join particular unions of their choice. The demands of OWIU amount to an arrogant proposal to cancel the contracts and rights of all existing bargaining agencies and to place itself in control of all workers in the industry. According to the claims of officials, OWIU does not have over 50,000 members, which is not more than 25% of the workers in refineries and less than 10% of all the workers in the oil industry. To grant the demands of the union for a nation wide contract would deprive all employees of freedom of choice as to their bargaining agency.

Collective bargaining is a well established principle in the oil industry, and was used by many companies long before the National Labor Relations Act was passed. Bargaining between the men in each plant or unit and the local management provided a sound basis for agreement, because the men knew and trusted each other. The action of the Oil Workers Union in calling illegal strikes is a blow at the principles of collective bargaining. In this vital industry, the public can see clearly the dangers involved when the great power of labor is used without any sense of moral or public responsibility. It cannot continue to tolerate for long such irresponsible action. If union leadership continues in its present course, public interest will require passage of legislation to control the power of labor and impose definite responsibility on unions.

Public Issues In The Oil Strikes

The widespread strike by oil workers may appear on the surface to involve only industry and labor. Actually the most vital concern in the controversy is that of the public. It would be the path of least resistance for the industry to accept the arrogant demands of labor and pass the cost on to the public. It has a public responsibility however to represent the interest of consumers in this case.

Continuation of the strike will quickly reduce the flow of gasoline and other petroleum products and create grave danger to public health and welfare. The transportation of food and the heating of homes and buildings are dependent upon petroleum supplies. Ships, railroads, airplanes, trucks and public utilities will all be affected within a short time as the strike continues. Domestic users of fuel oil for heating are being made to face the risk of being cold next winter because of the loss of supply during the present strike. In effect, the unions are virtually carrying out a hold-up of the public and demanding that it give in to their display of force and accept all their demands without question. This is an intolerable abuse of the strike weapon and an affront to the public welfare. If the public does not stand firm at this time, it will forever more be at the mercy of irresponsible union force.

The controversy centers chiefly about higher pay (52 hours pay for 40 hours work) and closed union shops. The public is vitally affected by both of these demands. The first means inflation, with all its attendant evils, and the second destroys democratic freedom of choice with regard to union membership. The decision made in the oil industry will set the pattern for all others. Since labor is the major item of cost in all industry, it is inevitable that greatly increased wage rates will start a spiral of higher prices that will destroy the value of savings and wages. It would be tragic to lose the fight against inflation now when we have worked so hard to prevent it during the war.

In the matter of closed union shops, the public has a particularly keen interest, for it affects every one of the ten or twelve million veterans who will soon be looking for jobs. A closed union shop requires that every worker belong to the union. To grant the Oil Workers Union demand would force all workers not now in any union, all workers in other unions, and all employees hired in the future to join the OWIU. Is this the freedom for which we have just fought the greatest war in history?

The Labor Department has entered into the controversy by calling representatives of the unions and some of the oil companies involved to meet with a commission of three members appointed by the conciliation service. Such a procedure was questionable in the first place since only the officials of the OWIU were invited. These officials are not authorized to negotiate for many of the workers affected. There is a place for the conciliation service in the present controversy but its place is in the negotiations between each bargaining agency and in the company with which it has a contract. The public must see to it that conciliation is used to bring about a fair settlement of the differences and in an appeasement of demands backed by a display of force. Appeasement might settle the strike this time, but it would only lead to more and more demands.

The fundamental issue in this case is whether a small minority shall coerce the government and set itself up as being stronger than the public. If the public and the government give way to the present threat of force, there will be no stopping of the inflationary forces that will then be set loose. Furthermore, unions would then use their great power ruthlessly without regard to the public interest. The threat is such a serious one to our democratic processes that the public must stand firm and demand a settlement in the public interest.