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National Steel Corporation

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Comments

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A SUMMARY OF THE

COOPERATIVE PARTNERSHIP

Between National Steel Corporation
and the United Steelworkers of America

An Introduction

The American steel industry was in a period of wrenching change in the early 1980s when National Steel Corporation and the United Steelworkers of America took the first faltering steps that eventually led to their precedent-setting 1986 labor agreement which bonded the two organizations together in a Cooperative Partnership.

Declining demand coupled with rising imports had created chaotic economic conditions for steel producers. By the early 80s the industry was operating at less than one-half of its capacity, employment had shrunk by 50 percent, and there had been a myriad of plant closings, mergers and bankruptcies.

The Search for a New Relationship

The chaotic conditions existing in the industry led to a provision in the 1983 contract between National and the USWA that called for annual meetings between the parties to discuss items of mutual interest. Two significant developments occurred at the first of these meetings, late in1984. First, attendees heard reports from company and union representatives on a joint observation trip to Japanese steel mills earlier in the year. Further, the company and union formally agreed to begin a problem-solving process in advance of the actual contract negotiations in 1986 and hired two consulting organizations to help introduce the concept of pre-negotiation problem-solving.

A Joint Steering Committee and Local Working Committees were formed and began the problem-solving process at the company and plant levels in January, 1985. The Joint Steering Committee chose three issues--employment security, contracting out, and safety and health to be the initial focus of its efforts.

The Joint Steering Committee met monthly throughout 1985. Meetings were intense, and both parties were pressed hard by the consultants to accomplish the goals they had set for themselves. By mid-year, the committee had agreed on joint policies on contracting out and on safety and health. It had identified the key elements of employment security: manning and scheduling, company and union viability, benefits and compensation, work rules, automation and technology, contract language, and attitudes. While no final agreement was reached on this issue, the work was an important prelude to contract negotiations in 1986.

Despite a serious test when fast-worsening economic conditions forced National to announce that it would have to seek substantial concessions in the new contract, the work of the Joint Steering Committee and the Local Working Committees resulted in a number of significant accomplishments. In addition to progress on three specific issues, a clearer image and understanding of the ideal relationship between the two parties began to emerge. Each began to value the other and to understand that both had significant roles to play. Each made a concerted effort to enhance and not undermine the efforts of the other. Each stepped up the flow of information to the other and began to consider the effects of their actions on the other *before* they acted. And both acknowledged their need of each other to effectively pursue their individual goals.

Negotiating the 1986 Contract

Thanks in large part to the pre-bargaining experience in problem solving by company and union negotiators, negotiations for the 1986 contract took on a new and promising tone. Main table and local discussions were basically focused on problems existing between the two parties and on working out solutions to them. In the process of doing this, the negotiators developed a new model of a company union relationship. Having achieved a consensus in a number of problem areas during the pre-negotiation problem-solving process, they were relieved of many of the last-minute pressures inherent in traditional bargaining. Instead, they could concentrate on fashioning a Cooperative Partnership to chart their common destiny.

The 1986 contract between the two parties was termed "one of the most creative labor accords ever" by The Wall Street Journal. It extended employment security to workers with more than one year's seniority, excepting cases of dire economic necessity. It provided for multi-craft training of workers to improve productivity. And it introduced the concept of variable compensation with the establishment of profit-sharing and productivity/gainsharing bonus programs. Most important, it created a formal Cooperative Partnership so that the developing relationship between company and union could be nurtured in the years ahead for the benefit of all concerned. The intent was explained in clarification meetings with union and management representatives at each location:

> "The union and the company jointly recognize that their collective future depends on a strong and economically viable company. To that end the parties have committed themselves to a set of relationships in which the company will share information with the union about the business including, among other things, investment plans, marketing plans, cost performance and financial results. In addition, the union will be allowed input to major decisions before those decisions are made.

"In this effort, the parties also recognize that the employment security, pay and benefits of all employees depend on the ability of the company to be competitive, on a productivity basis, with world-class competition. To achieve this degree of productivity improvement will require the combined efforts of both management and union to identify jobs that can be performed more efficiently, to agree to the combination and elimination of jobs, to identify appropriate reassignments, and to otherwise implement this agreement so that its spirit and intent are fully realized."

In forming the partnership, both parties acknowledged the difficulties in changing deep-rooted attitudes and practices and the realistic, patient attitude which each would need in overcoming those difficulties. And they recognized that for the Cooperative Partnership to work, that neither union nor management could have the luxury of choosing whether or when it wanted to participate. Accordingly, it was made a part of, and given the full force of, the formal contract.

The Strengthening of the Partnership

Despite the anticipated growing pains, the Cooperative Partnership is alive and well seven years after its formation. The partnership was an integral part of a 52-month contract reached in 1989 and the new six-year agreement ratified last month. The benefits, as anticipated, have been mutual.

The partnership has allowed National to approach its economic recovery in a long-term context. The stability offered by a healthy labor climate offered the company greater incentive to invest more than $1.5 billion in new facilities and equipment to improve its competitive position. And the greater flexibility offered by multi-craft training of workers has been instrumental in a gradual improvement in productivity. At the same time, the two performance-related bonus programs instituted in 1986 have put more than $100 million, over and above base pay and overtime, into the paychecks of union members. And the value of employment security became evident in 1991 when the recession resulted in layoffs of thousands of workers at other steel companies...but not at National.

The recession of 1991 gave the Cooperative Partnership a severe test, but it emerged stronger than ever. To keep its workers on the job, the company made an extra effort to replace business lost because of depressed conditions in traditional markets, even though this new business did not provide the desired profit margins. This strategy allowed the company to increase shipments slightly over the previous year and, by spreading costs over a greater volume, kept its per-ton operating loss for the year below those of its principal competitors.

During that difficult year, the benefits of the Cooperative Partnership were evidenced in other ways. Following a huge first-half loss, National appealed to the Joint Labor-Management Cooperation Committee for assistance in reducing operating expenses. The USWA and its membership took the request to heart. Literally hundreds of suggestions from shop floor and office employees were put into effect. They accounted for a significant portion of more than $100 million in savings

National was able to achieve during the second half of the year. Union members also cooperated wholeheartedly in a companion effort to raise product quality and productivity.

Our new contract with the USWA will further strengthen the bonds between the company and union. A union-designated member will soon become a part of National's Board of Directors, making more information on the company's operations accessible to membership and giving them a stronger voice in decision-making. And, workers will be encouraged to own stock in the company, both through a new investment option in their 401(k) plan and an option of receiving two lump-sum bonuses in stock rather than cash.

Conclusion

National Steel and the USWA have now been "partners" in a common cause for more than seven years. Many of the old adversarial barriers to progress have been eliminated, Despite viewpoints that are often of necessity divergent, we have learned that we have much in common and much to be gained by working together.

But while we have made significant progress in this respect, we cannot afford to ignore the realities of the marketplace. National, like other major domestic producers, continues to be plagued by high costs, eroding markets and overseas competition that does not always play by established U.S. rules. As a result, the company has shown a net loss of more than $30 million during the seven-year period in which the Cooperative Partnership has been in effect. Neither the company nor union can afford to ignore the implications of continued poor financial performance. Compounding the situation is the economy's extremely slow recovery from the 1990-91 recession.

However, we're convinced that our best chance of overcoming these adverse factors lies in the team approach that we've pioneered with the Cooperative Partnership between National and the USWA.