

Robert Gumpert

In Austin, Minnesota worker from UFCW Local P9 takes note of Hormel's recent "consistent profitability."

Corporate Campaigns:

A Wobbly-Bred Campaign in Minnesota

■ Ken Gagala

In December 1984 Local P-9 of the United Food and Commercial Workers (UFCW) launched a "corporate campaign" to restore wage cuts imposed by the George A. Hormel Company. While the campaign continues today, it has not succeeded in restoring the wage cuts. The origin and strategy of the campaign, the obstacles confronting it, and an assessment of the campaign are contained in this article.

Wobbly Bred

Austin is a town of 23,000 on the southern Minnesota prairie, amid corn and soybean fields. A quarter of Austin's workforce is employed by the George A. Hormel Company. Started in 1891 as a meatpacking house employing six men, the company has grown to be the 240th largest on the Fortune 500. With its corporate headquarters and largest plant in Austin, Hormel is a profitable company in an industry devastated by bankruptcies and plant closings.

George A. Hormel and his son, Jay C., ran the company, both before and after unionization in 1933, as a "benevolent dictatorship!"

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In this environment of enlightened management, an enlightened union movement emerged. An itinerant butcher named Frank Ellis came to Austin in 1929 and got a job as a foreman. In a position to hire, Frank chose like-minded men of similar character—members of the Industrial Workers of the World. Salted throughout the plant, the Wobblies went quietly about the business of organizing workers.

In 1933, the Independent Union of all Workers (IUAW) was formed, with the objective to "enlist all workers and farmers into one great union." The IUAW proceeded to organize other Iowa and Minnesota meatpackers and to assist workers at organizing other businesses in Austin. In May 1937, the IUAW voted to join the newly formed Congress of Industrial Organizations (CIO), and in 1939, became Local 9 of the United Packinghouse Workers of America (UPWA). Today, it is Local P-9 of the United Food and Commercial Workers (UFCW).

In 1940 Hormel and P-9 negotiated a permanent agreement with no expiration date. When UPWA locals around the country went on strike, P-9 and Hormel agreed to continue working and to adopt any improvements gained at other meatpackers. On these occasions, P-9 members assessed themselves 10% of wages to support striking UPWA members. Since 1933, P-9 members have never struck.

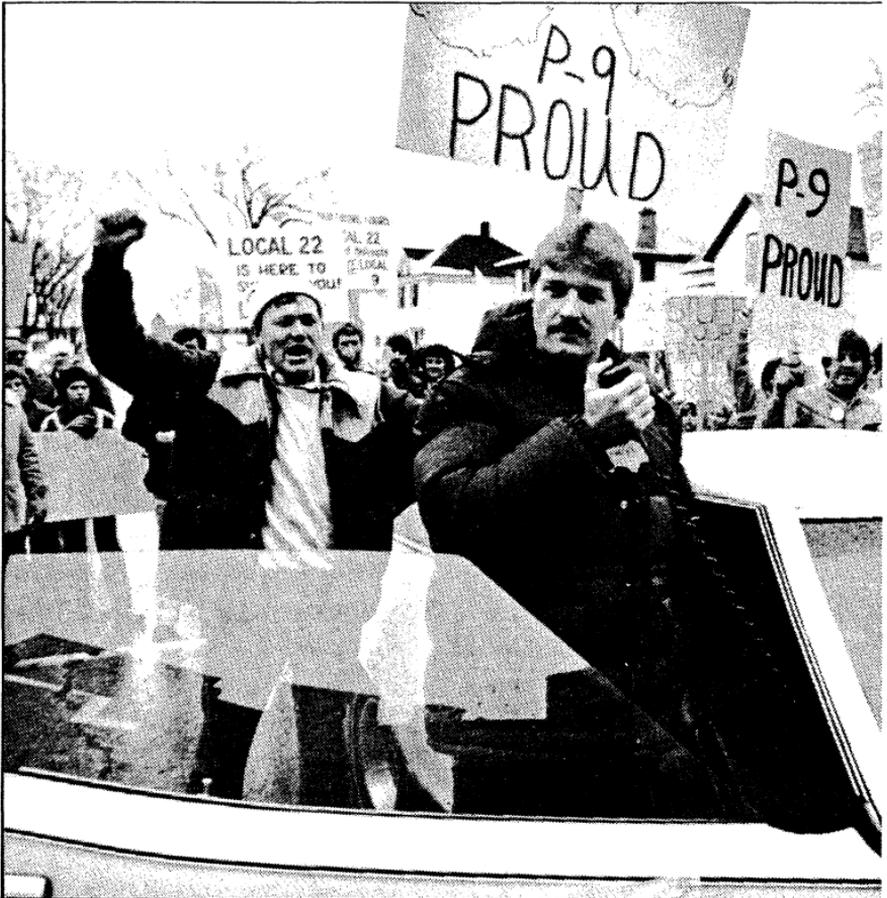
Hard Times for P-9

P-9's membership fell from a peak of 4,000 in the early 1950s to 800 by the mid-1970s. Furthermore, as Hormel expanded its operations elsewhere, the multi-story Austin plant became outmoded. Finally in 1978, Hormel announced it would close its Austin operation unless the local could make conditions right for the company to build a modern facility there.

Concessions were made amidst tremendous pressure from the local community. In return for Hormel's agreement to build a state-of-the-art pork slaughtering and packing plant in Austin, P-9 agreed to an eight-year contract which increased production quotas and established a two-tier wage system. Senior employees were given approximately \$120 per week as compensation for agreeing to relinquish an incentive program, while new hires at the modern plant—the majority of P-9 today—did not receive these payments. But it was the "me too" clause tying the local's wages and benefits to the industry pattern that would later come back to haunt the workers.

In the 1980s, the industry pattern of \$10.69 per hour was broken in a wave of plant closings, bankruptcies, and sales— with many

Robert Gumpert



Jim Guyette, President of Local P-9, speaks to rally in December of 1984.

firms reopening nonunion. In October 1983, Hormel threatened to follow the pattern. After P-9 filed for arbitration, an arbitrator ruled that Hormel could not cut wages until Oscar Mayer and Company reached agreement with the UFCW at two of its plants. Ultimately, in October 1984, Hormel imposed a 25% wage cut on P-9, from \$10.69 to \$8.25.

In September 1984, just prior to the October 1984 cut of P-9's wages, Hormel and the UFCW negotiated a contract covering its six other plants, raising wages to \$9 immediately and to \$10 in September 1985, the highest rates in the industry. Hormel extended the offer to P-9, and the local's executive board accepted, but the offer was rejected overwhelmingly by the membership.

In December, 1984, while workers continued to work under contract, P-9 launched its "corporate campaign" for full restoration of the cut.

P-9's Corporate Campaign

In order to wage struggle against Hormel, P-9 president Jim Guyette invited Corporate Campaign Inc.'s Ray Rogers to come to Austin. Best known for his efforts on behalf of ACTWU's organizing campaign at J.P. Stevens, Rogers came to Austin on December 9, 1984, to unveil a slide show to 2,000 P-9 supporters and a host of news reporters.

Rogers planned to assail the connection between Hormel and First Bank Systems, a Minneapolis-based bank holding company (the U.S.' 17th largest), which owns 16.4% of Hormel's stock, has a director on Hormel's board, and "interlocks" by having Hormel managers on the board of two of the corporation's subsidiaries.

Proposed tactics included conducting mass demonstrations at forthcoming Hormel and First Bank stockholder meetings, picketing and leafletting at First Bank branches, and urging unions to publicize their displeasure with the Hormel-First Bank connection. An outright call for a boycott of First Bank was not and could not be made lest Corporate Campaigns Inc. and P-9 be found guilty of a secondary boycott.

The cost of the campaign was estimated to be \$340,000 for the first six months of 1985. Corporate Campaigns Inc. would receive \$160,000 from P-9 directly and the local would incur costs of \$180,000 for printing, transportation, and other organizing costs. If successful at restoring the wage cut, Corporate Campaigns could earn up to \$200,000 in performance bonuses in addition to the \$160,000 fee. On January 17, 1985, the membership of P-9 voted a dues assessment of \$3 per week to pay for the campaign.

Obstacles

P-9's membership could not have anticipated the obstacles its campaign would encounter. Not only did the UFCW fail to support the campaign, it worked against the effort. UFCW Packinghouse locals, including those at the six other Hormel plants, voted not to support the campaign. AFL-CIO central bodies and locals in Minnesota were informed that P-9's action was unauthorized. In April, UFCW ruled that the vote authorizing P-9's assessment was invalid.

The campaign's greatest support came in Duluth, where the building trade unions informed First Bank of their displeasure over the treatment Hormel had accorded P-9. Support in First Bank's home base, Minneapolis-St. Paul, was negligible, however, and there is little evidence that unions withdrew funds from First Bank because of the corporate campaign.

Hormel went on the offensive to an unanticipated extent. The majority stockholder of Hormel (45.7%), is the non-profit, charitable Hormel Foundation. Its by-laws require the foundation to promote company management interested in the "welfare of this community [Austin]." Nevertheless, Hormel threatened to move its 530-person corporate headquarters from Austin in response to the union's campaign.

Furthermore, for the first time in 93 years, Hormel moved its annual stockholders meeting away from Austin. Hormel's move meant that P-9's plan to demonstrate at the stockholders meeting in Austin had to be cancelled. Instead, 30 P-9 members and supporters had to travel 29 hours by bus to the meeting in Atlanta, Georgia.

Because it operates six plants outside of Austin, Hormel could move production and thereby "whipsaw" P-9. Furthermore, when Hormel announced plans at its stockholders meeting to link with FDL Foods Inc., an Iowa-based packer, it increased its ability to "whipsaw" the embattled local.

While putting pressure on the union, Hormel took care to cultivate community support. The company bought an hour of prime time on the local ABC-TV affiliate a week before the January annual meeting. A question-and-answer format was used to present the company's position that layoffs would occur if the campaign succeeded. By May it was clear that this effort was paying off: the seven-member Austin City Council, which included two members of Local P-9, voted unanimously to call on the union to end its campaign.

When P-9 had voted to begin its campaign, back in December of 1984, it had planned a 5,000-car caravan traveling the 125 miles from Austin to Minneapolis for First Bank's annual stockholders meeting in April—provided that P-9 was by then on strike. But in March, an arbitrator ruled that P-9 could not strike before August 1985. As a result, only 150 P-9 members demonstrated at the First Bank meeting.

The fact that P-9 could not strike until August had important implications, for by then UFCW members at Hormel's six other locals were to receive wage boosts to \$10 per hour—just 69 cents less than what P-9 was demanding. Between Hormel management and the arbitration decision, Local P-9 found itself boxed in.

Nevertheless, on June 2, local members rejected by a 4 to 1 margin a proposal to negotiate an agreement similar to that at other Hormel plants. Eleven days later, the unionists voted 2 to 1 to assess themselves \$3 per week to continue the corporate campaign.

Assessment of the Corporate Campaign

P-9 might have fared better if the UFCW had supported the campaign and Hormel's opposition had been less aggressive. But even in those circumstances, the union's success was not assured.

P-9 had chosen to try to pressure Hormel through its corporate ties, rather than through a primary boycott, because its members were not on strike, and therefore would have hurt themselves by boycotting. But the tactic of attempting to influence the decision of targets by exerting pressure on the corporations with whom targets have interlocking directorships is limited. John Kenneth Galbraith observes:

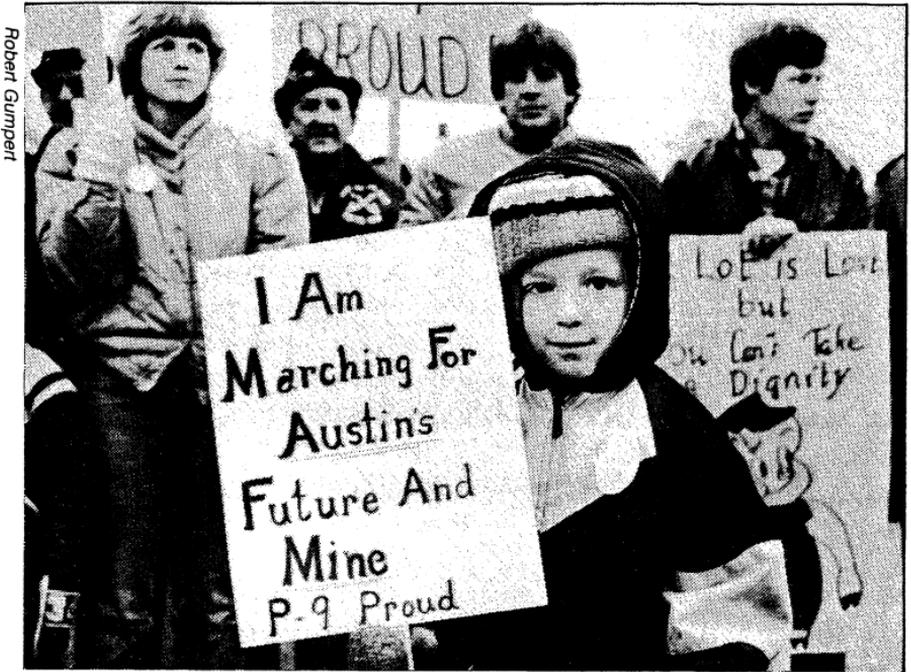
(I)t is fifty years since the pioneering scholars Adolf A. Berle Jr. and Gardner C. Means concluded that in the majority of the largest two hundred corporations in the United States control had passed to the management, which is to say the managers elected the board of directors, which then, in an incestuous way, selected the management that had selected them. (*Anatomy of Power*, 1983, p. 133)

Since seven of the twelve members of Hormel's board of directors are members of the company's management, the board is a rubber stamp for management actions. Moreover, Hormel is more incestuous than most corporations. The non-profit, charitable Hormel Foundation, the majority stockholder, also has a contingent of Hormel managers on its board. Therefore, the foundation's failure to intercede on behalf of the P-9 is not surprising, because following the industry pattern is certainly portrayed and accepted as promoting the "welfare of this community." First Bank, the second largest stockholder, became the alternative secondary target almost by default.

In order to assess the campaign's likelihood of success, let us assume that P-9 had been able to sever the Hormel-First Bank connection. Would the campaign then have succeeded?

Probably not. Hormel, according to First Bank, has no long-term debt outstanding with the bank. Instead, Hormel issues commercial paper. Moreover, even if First Bank did hold long-term debt of Hormel, it could sell its Hormel loans outstanding to a wide variety of financial institutions, thereby diffusing P-9's efforts to single out a secondary target—a "whipsaw" of sorts.

Hormel's checking or "current" account with First Bank might be cancelled. But it is doubtful that the checking account activity



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Young supporter at December '84 parade and rally.

of a customer with \$500 million in assets would have an appreciable effect on a bank with \$21 billion in assets. Even then, it is uncertain as to what proportion of Hormel's checking account activity is in fact conducted through First Bank, because First Bank is concentrated in the Midwest and Hormel operates nationwide.

According to First Bank, the 16.4% of Hormel stock to which it holds title is in pension funds, which it manages for Hormel employees. The bank claims to have a voting interest in 6% of the stock, while Hormel employees vote and control the rest.

If First Bank owned the Hormel stock outright, it could sell that stock at the going market rate. First Bank might lose the opportunity of owning part of a company with a bright future, but it could reinvest the sales proceeds elsewhere in assets with perhaps equally bright futures. While Hormel may be the most profitable firm in the meatpacking industry, its return on stockholder's equity is far from spectacular—about equal to a savings certificate at the local bank. Its return on equity was 10.6% in 1983 and 10.4% in 1984. Median return on equity for the Fortune 500 was 10.7% in 1983 and 13.6% in 1984.

If, in fact, First Bank is merely the administrator of Hormel pension funds, severing the Hormel First Bank connection would cost the bank its administrative fee for performing this function.

But who is the loser in this transaction—First Bank or Hormel? Furthermore, could the lone First Bank representative persuade the seven Hormel managers on the corporate board to rescind the wage cut when the firm's 1984 return on equity was below the median for Fortune 500 firms?

Pressuring or forcing secondary targets to sever their ties with primary targets does not always resolve disputes. Severing the Avon Products and Manufacturers Hanover connections did not resolve the J.P. Stevens dispute. Pressure on Stevens' *primary* financial backer, Metropolitan Life Insurance Company, did. Direct pressure on important funding sources of primary targets seems to be the most successful tactic.

If one looks at the multi-union corporate campaign against Beverly nursing homes, one finds there are other ways to exert financial pressure on target companies. In that instance, the union's ability to keep Beverly from expanding its operations by challenging the quality of its patient care before government regulatory agencies had an impact. Also, Minnesota building trade unions have had success by challenging before government housing agencies the quality of construction by non-union contractors.

Given the fact that Hormel was not dependent on the Austin plant, that the UFCW did not support Local P-9, and that Hormel was not dependent on one source of funding, it is not surprising that the corporate campaign failed to restore the wage cuts. Nevertheless, other unions can learn much from P-9's experience.

The local was correct in planning its actions against Hormel before the company implemented its full attack on the union. It was also right on the mark in keeping the members at work while the campaign took place. One might also argue that the decision to hire a union consultant to conduct the campaign was the right way to go. After all, the \$340,000 P-9 spent on the campaign (assuming no performance bonuses) works out to \$200 per member. Not a bad investment in an effort to reverse a wage cut costing each member \$100 per week.

P-9's strategy does not look bad compared to what other unions have done in similarly dire situations: call a hopeless strike; announce a corporate campaign after a strike is all but lost; or begin a campaign after the employer has reopened a plant nonunion and undercut industry wages (the UFCW was actually forced to do this at Armour).

Corporate campaigns clearly don't work in every situation. But for a strong and militant local, like P-9 in Austin, Minnesota, they may be worth taking a chance on. ■

Editor's Note:

Ken Gagala's article, "A Wobbly-Bred Campaign in Minnesota," covers only the first stage of the corporate campaign UFCW Local P-9 has mounted against the George A. Hormel Company.

In late August, as we were going to press, the membership overwhelmingly voted to strike Hormel. With the strike, P-9 intensified and expanded its campaign, with hundreds of P-9 workers carrying their message directly to sister locals and other unionists in several states. As we go to press, they have deepened their struggle against the wage cut Hormel has imposed on them and have established themselves as a lightning rod in the fight against concessions.