

**INDUSTRIAL RELATIONS  
RESEARCH ASSOCIATION**

Proceedings of the  
1986 Spring Meeting

**April 17-18, 1986**

**Atlanta, Georgia**

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Edited by Barbara D. Dennis

Industrial Relations Research Association  
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**PREFACE**  
**1986 Spring Meeting**  
**Industrial Relations Research Association**

The world is not the same as it was last week, last year, or a decade ago, and our industrial relations system is adapting, as it inevitably must, to the changing environment in which it operates. That was the theme of the IRRA's Spring Meeting in Atlanta. As Bill Usery noted in his remarks that opened the meeting, the challenge is to take seriously where we are, where we are going, and how we can get there.

"We are in many respects analyzing the present in an attempt to forecast the future," said John Stepp in his luncheon address, and he did just that, as did other speakers on the program. Among the "new realities" addressed, in addition to the overriding impact of foreign competition on many union-management relationships, were plant closings and displaced workers, the effects of technology, and developments in compensation.

The 1986 Spring Meeting was a cooperative endeavor of the Atlanta, South Atlantic, Florida, and Alabama local chapters, and the national organization is most grateful to all of them. To be singled out for special commendation are Beverly Schaffer and members of the Arrangements Committee, and Michael Jay Jedel, Chairman, and members of his committee who planned a most interesting and timely program. And we are also grateful to the LABOR LAW JOURNAL for again publishing the Proceedings of our Spring Meeting.

**BARBARA D. DENNIS**

Editor, IRRA

## New Directions in Labor-Management Relations

By John R. Stepp

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Associate Deputy Under Secretary of Labor

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This conference has quite appropriately taken on a futuristic tone in attempting to address the new realities in industrial relations. We are in many respects analyzing the present in an attempt to forecast the future.

Much of the understanding that we have of the field of industrial relations is derived from your efforts. You have the opportunity to thoughtfully observe the parties and the process, and we learn much from your research and scholarly analysis. We rely on you to integrate and make sense of the many disciplines and perspectives that make up the field of industrial relations. This conference makes a very ambitious, and I believe successful, attempt to forge such an integration.

I shall address four matters today: the current environment, some options before us, recent trends, and some of the obstacles that stand in our way.

### The Environment

We are in a period of great turbulence, perhaps the most turbulent time since the 1930s. We are witnessing the transition from a post-New Deal labor-relations system into something quite different. I think this period of transition began somewhere around the early to mid-1970s. It was then that we began to see the end of an era in labor relations and the difficult birth of a new one. I think there were at least four factors that contributed to the demise of the old era and to the turbulence that we are now witnessing.

One factor that I am sure is no stranger to you is foreign competition. Foreign competition has changed the name of the game. It is pervasive, particularly in the goods manufacturing sector of the economy. The Department of Commerce tells us that, of its 450 categories of manufactured goods, the United States faces direct competition from abroad in 341 categories. Most of these are standardized, mass-produced goods of the type over which we had dominance at one time.

Since the end of World War II, the U.S. share of global manufacturing has fallen from 29 percent to 14 percent. Other nations have become increasingly competitive by essentially replicating the proven techniques of scientific management pioneered in the United States almost a century ago. By dividing work into small fractionalized tasks, a well educated or highly skilled labor force is not required. This system can be exported by telephone through the transfer of capital and technology. More than \$23 trillion in capital is transferred across national boundaries annually. Wages in Japan are 50 percent of those in the U.S., those in some third world nations are only one-tenth of ours, and the gap is widening. It should be no surprise that those who can couple 21st century technology with 19th century wages can excel in the manufacture of high-volume standardized products, and we can expect that this type of production will continue to gravitate in their direction.

A second factor which contributed to the demise of our old system of labor relations is deregulation. Witness the topsy-turvy world of labor relations in the



airline industry, the trucking industry, and the telecommunications industry.

Another factor is the rise of domestic nonunion competition. The construction industry, which at one time was about 75 percent unionized, is now only about 30 percent organized. During the period 1980-84, we have created 1.1 million new industrial jobs that remain nonunion.

The fourth factor that contributed to this turbulent period is new technology, especially in the areas of computer-automated design and manufacturing. The rapidity of change involved in the introduction of these new technologies undermines and erodes the "status quo" at the workplace. It demands a fluidity and flexibility in the organization of work and work relationships.

As Harvard's Dick Walton perhaps has stated best, we are no longer bound by the principle of technological determinism in which people must be fitted to the one best and often most expensive technology. Given the flexibility and the inexpensive nature of the software which drives today's technology, we now have choices. We can design technology in such ways as to push decisions up or down the hierarchy so that people have greater or less control over their work. We can design technology to give people greater freedom, or we can design it to provide a greater degree of surveillance. We can use it to tailor the size and composition of bargaining units to be more or less inclusive of newly defined job classifications. We now have choices—important choices.

With respect to new technology, we are seeing something I would characterize as a rapid shift from economies of scale to economies of variety. We can produce one-at-a-time, one-of-a-kind products, and do so with as much economy as when producing in mass. The John Deere Tractor Works in Waterloo, Iowa, for instance, can produce 5000 different versions of a tractor without lost time or retooling.

## Options for Coping

What then are our options for coping with these forces of change? Permit me the luxury of illustrating by considering two extremes, recognizing that at best they represent two ends of a rather lengthy continuum.

The first option is to adopt a business-as-usual attitude and stay with the old management and manufacturing systems. Underlying this option would be a set of assumptions that would view the world as being stable, orderly, and predictable and would dismiss the present turbulence as a mere aberration. Change would come in bite-size, easily digestible pieces, with incremental adjustments in technologies or labor relations to support those systems and accommodate short-term exigencies. Given the aforementioned competitive pressures, the human resource imperatives of this option would be to reduce labor costs.

Take one industry as an example: the automobile industry. The average hourly labor cost in the United States of producing an automobile is roughly \$25, while in Japan it is \$13. Thus, if we were going to be competitive using the old systems—that is, by reducing labor costs—we somehow would have to wring out of the present compensation structure roughly \$12 per hour to be competitive with the Japanese.

Some are predicting that by the end of this decade the Koreans are going to be a major producer and exporter of automobiles. You have already seen the advertisements for what purports to be a well designed and reliable Korean import. I am told that compensation costs in Korea are somewhere around \$2.16 per hour. Thus, to compete with the Koreans, we would need to remove an additional \$10 to \$11 from U.S. labor costs. And some are suggesting that there is a sleeping giant just to the west of Korea, namely China, where hourly labor costs may be less than one dollar per hour. I think you get the

message. As an alternative, the business-as-usual approach certainly has many things going against it. It is not compatible with our cultural values. Certainly there would be real political limits to carrying out this option over any length of time. Yet some are attempting it. And others may. Perhaps some must, at least in the short run, as they gear up for a different kind of future.

The second option I would characterize as staying abreast of the pace of change. This option requires different assumptions. The minimization of labor costs is not in itself an adequate strategy. Success here requires technical superiority, innovation, and product and service quality. Rather than reduce labor costs, we must instead increase labor's value.

The labor relations and workforce implications of this strategy are paramount. To succeed in any competition, be it competition for global market shares or a military or sports competition, three ingredients are necessary. First, you must have a talented team which possesses all the necessary skills. Second, you must have the capacity to deploy these talents so as to meet the exigencies of the situation. This requires a degree of flexibility or versatility, which assures that your resources are not tied down to some modern version of the Maginot Line. Lastly, there must be that intangible something referred to as determination, will, or commitment.

How do we stand with respect to these characteristics? The skill of our labor force vis-à-vis other countries is relatively high. Today some 25 percent of the American labor force has a college degree; another 19 percent has one or more years of college. Yet even with 44 percent of our labor force having some college education, we are only fourth in the world in scientific literacy; that's behind the Soviet Union, West Germany, and Japan. We have fallen from second to seventh among other nations in the percent of the labor force classified as skilled. Twenty-three

million Americans cannot read a help-wanted advertisement. Every year 700,000 Americans drop out of school and an additional 700,000 graduate from high school functionally illiterate.

On flexibility, or our capacity to adjust to change, we have a long way to go. Our workplaces suffer from a number of crippling inhibitions. We are over-layered; we are over-lawyered; and we have in place too many restrictive work practices and policies.

Lastly, with respect to commitment, I would say we face the worst of all. Our system of employment emphasizes compliance, not commitment. Too often individuals are treated as expendable or replaceable parts. Our compensation and reward systems do little to motivate.

As we reflect on our two previously stated options of "business as usual" or "staying abreast of the pace of change," we must ask ourselves if we really have a choice. In our highly decentralized heterogeneous system, the decisions will be made sector by sector and industry by industry, but no sector will be immune from the consequences of making the wrong choice. Not even the public sector is free from the specter of losing its markets through privatization or Proposition 13-type budget cuts.

### **Employee Involvement**

The stakes are high. The impact on the quantity and quality of employment will be profound. Is it not ironic that the Japanese can produce in this country, using American labor, 3.8 million televisions, while U.S. producers using traditional methods find it necessary to send their production offshore?

Permit me to spend a few minutes on the labor relations and collective bargaining implications of "life in the fast lane," with its free-wheeling, innovative organizational arrangements. The centerpiece will be employee involvement, because it is the only system that allows for the exercise of a worker's total capabilities,

minimizes resistance to change, and encourages a higher level of commitment to the employing organization. Fewer layers will be needed, which will result in decisions being made better, quicker, and far less expensively. We will witness, under this much more intensive form of employee involvement, the demise of job-controlled unionism and in its place see employee-controlled jobs. It will be difficult to distinguish between who is managed and who is the manager, thus requiring some alterations in the role of the union as well. Employee involvement means that we must be willing to accept and deal with group differences as well as interpersonal differences. Some old precepts, such as consistency, uniformity, the rigid application of personnel policies, and even labor agreements, are going to have to give way to more flexible arrangements.

There are some things in our present body of labor law that also need to be altered to accommodate these changes. Under the general topic of employee involvement, the *Yeshiva* decision issued by the Supreme Court a few years ago may be totally incongruent with the needs of the parties. That decision concerned a faculty union. The Court held that when a faculty has the power to make decisions about the content of their work and the courses that they teach, and when they have some right to participate in the process of selecting their deans, then they are functioning much like management. And since they are performing management functions, they do not have the right to organize and bargain collectively under the National Labor Relations Act. This decision is not compatible with the needs of today. The role of labor and management is one that will continue to be blurred. The law has to recognize these new realities.

Lastly, the effect of increased employee involvement and broadened, multiskilled jobs will be to make training and retraining a way of life. Statistics show that the

average worker during the course of a lifetime will have seven jobs and 2.2 different occupations. Clearly this calls for a training and retraining effort that must be supported by the parties and government. As Everett Kassalow so succinctly said at last winter's IRRA meeting in New York, industrial unions have to do much more in this area and "government must put its money where its mouth is."

## Employee Security

A second element likely to become a fixture in our emerging system of labor relations is increased employment security. It is a prerequisite for meaningful employee involvement. If we expect workers to engage in creative thinking about productivity and efficiency, they have to be comfortable that those decisions will not have an adverse effect on their employment.

It will be necessary to build commitment toward the organization and, as Dick Walton says, that commitment must be mutual. In order to receive commitment, you first must give it. At a minimum, employees must perceive their place of employment as providing a basic floor of procedural equity and fairness. At no time is this need felt more acutely than when a layoff or plant closing is scheduled to take place. In these instances, equity and fairness suggest advance notice and placement assistance. To further assure commitment, it may be necessary to go beyond the four walls of the workplace and demonstrate interest and genuine concern in integrating the employee's work life with his or her family life. The notion that one's work life and family life are two distinct and mutually exclusive compartments is increasingly out of sync with the changing demographic profile of today's labor force. It is particularly encouraging to see plant closing and work and family issues being discussed at this conference.

In part, increased employment security also is going to come about for economic

reasons. Employers are going to be required to invest so heavily in training that they will be much more reluctant to treat workers as variable costs in the production process. Unions also will need to reexamine their role and their priorities with respect to securing the employment of their members. Perhaps the University of Southern California's Ed Lawler and Sue Mohrman put it best when they said that real and lasting employment security must emanate from two wellsprings: the quality of one's skills and the effectiveness of the employing organization. This means that unions must place a high priority on assuring that members' skills are kept at the highest levels. Furthermore, they must seek to remove all needless restrictions on employee contributions to the productivity and effectiveness of the organization.

### **Decentralized Bargaining**

A third critical ingredient in this emerging system will be a much more decentralized bargaining structure. I will not dwell on it, but you see the signs all around you. While we once had national or pattern bargaining in the "who's who" of American manufacturing, very few visible signs of this now remain. Increasingly, we are seeing more enterprise-oriented bargaining relationships.

Let me say a few words about bargaining processes here, however, because I think we are witnessing some very significant changes. Bargaining will become more of an ongoing and continuing process. When you think about it, we have had batch-processed collective bargaining. Most labor agreements are for either a two-year or three-year period, and we tend to set aside problems and hold them at bay until contracts expire. When technology was changing every few years, that system was satisfactory. But not today. The pace of technological change has exceeded our capacity to cope. During the life of agreements we must find ways, perhaps through some form of labor-man-

agement committees, to deal with problems as they arise. Bargaining must be a continuous process no matter what the duration of the labor agreement. The Saturn-UAW agreement provides no expiration date, but it may be reopened by either party at any time.

This continuous type of bargaining will have to be supported by a constant process of information-sharing. Information about all facets of the business must be shared, during good times and bad. Without sharing all information, and without sharing under all conditions, you are not going to build the trust and credibility required for the high-commitment work organization so necessary to meet the competitive challenge.

Information sharing makes it possible for bargaining to become much more of a problem-solving exercise. But more is needed to assure that it becomes so. The traditional approach to contract negotiations does little to build trust and credibility. In fact, it often leaves a residue of distrust. When we begin the process by accusing the other party of having a mother who chases troop trains, is it any wonder that the outcome might be viewed as less than satisfactory? I think Jack Barbash in his recent call to reevaluate the adversarial principle has characterized the current situation appropriately as follows: "Collective bargaining, especially negotiations, is a game played by professionals for its own sake, according to well-understood rules and roles. The gamesmanship of bargaining makes it more exciting. The theatrics also exaggerate differences, polarize the parties, inject personal tensions, and force confrontations beyond what is necessary to make the best deal.

I have spent my adult life in collective bargaining and there is among us in this community a kind of "macho" feeling that we know more about contract negotiations than anyone. We have put on blinders and failed to look at the process, how others have utilized it, and what can

be done to engage the process in a way that both solves problems and builds trust. There must be a move toward more problem solving and less table thumping.

Lastly, on the bargaining process, we need to reexamine the scope of bargaining. Once again the law is a bit of an anachronism. As a result of the *Borg-Warner* case, there are certain subjects in collective bargaining that are mandatory, certain subjects that are permissible, and certain subjects that are illegal. I think this a lot of hogwash. Anything that concerns either side as an issue should be bargainable. To make artificial distinctions, to pigeon-hole certain items as permissible and others as mandatory, is less and less meaningful.

### Compensation Systems

With respect to bargaining outcomes, we are seeing some major changes, particularly in compensation systems. The essence of the old system was the formula approach based on comparability and cost of living. For an individual employer, the wage levels were virtually fixed. It was the cost of doing business. If the cost became too high, they could not alter the wage level, so they altered the hours worked. Employment fluctuated. If sales rose or dropped, shifts were added or deleted, and people were laid off or brought back. The criteria for determining compensation now is changing from one of comparability and cost of living to one of productivity and ability to pay. Thus, contingent forms of compensation such as various gain-sharing plans, pay-for-knowledge, and employee stock ownership plans are becoming increasingly popular. These changes in the nature of compensation also reinforce worker commitment to product quality and reliability, which will be the hallmark for American goods competing in world markets.

In considering compensation, it is interesting to observe what is happening as a result of concession bargaining. More and

more unions are looking at concessions as a kind of investment or an infusion of cash. As those in the investment community know, an infusion of cash into an enterprise generally is given for some form of equity or control. We are already seeing this happen, as workers express an increased feeling of entitlement to the fruits of corporate success.

Lastly, these new forms of compensation are going to be necessary to provide stable employment. As employment security becomes more fixed, the wage rate or the wage level must to some degree assume the responsibility of being the variable, moving up or down based upon market conditions or the performance of the particular organization.

The final element in this emerging system appears to be the convergence of roles between labor and management, or at least a blurring of roles. There will be more joint governance. Associated with this, and parallel to the demise of job-controlled unionism, will be the demise of management rights. Management rights is a millstone that gets in the way of any company or employer serious about employee involvement. Employee involvement is a dynamic process in which people, through their participation, gain reinforcement and constantly advance the frontiers of their involvement. The minute you bring out management rights and hide behind it, you are going to do much to destroy that process.

If you look at what is going on in Fremont, California, at the joint GM-Toyota venture that is producing the Nova automobile, the New United Motor Manufacturing, Incorporated, you will see that almost all matters are being handled jointly by labor and management. Under this new system, we are witnessing a genuine acceptance and participation at all levels.

It is clear that in situations such as the NUMMI plant, employee involvement is integrated into the warp and woof of the

employment relationship. It is not an appendage. If labor-management cooperation was removed from NUMMI, the entire garment would unravel. To those who might think that the establishment of such relationships is a pipe dream, consider that General Motors and the UAW began in 1972 with a quality-of-worklife clause in their labor agreement and progressed to Tarrytown, to Fiero, to NUMMI, and now to Saturn. All this has been accomplished in the space of 14 years between two very large and very bureaucratic organizations.

### Obstacles

In conclusion, I must mention some of the serious obstacles in our path. One is that we are a victim of our past success. We are like Willie Loman, in *Death of a Salesman*. We go on doing what we always did, carrying that same kit around, calling on the same customers, saying the same thing, telling the same jokes. But things do not seem to work as well anymore. Too often, like Willie, we cling to what was successful for us in the past, not recognizing that our environment has fundamentally changed.

There is nothing—I repeat, nothing—about our present labor relations system that is necessarily the natural order of things. Too often we treat it as if it is a fixed and sacred system. People like you and me, 50 years ago, worked out the arrangements that became the basis of our labor relations system. People like you and me can change it. As Bill Usery indicated this morning, we need to examine our past and determine if it is relevant to the future.

The second major obstacle we face is something that I would label “the acceptance of unions.” You talk to managers in a social setting, and you ask about the legitimacy of unions in our society, and generally you will get a polite, affirmative nod. However, as they walk away, you can almost hear them whisper, “But not on my property.”

Some would deny totally the legitimacy of labor unions. We are told that one in twenty workers involved in a union organizing campaign is illegally discharged. Richard Freeman of Harvard University has characterized this as a “massive crime wave.” We need strong, visible labor unions. It is not my intent to question the sincerity or wisdom of managers, but none of us is entirely capable of making Solomon-like decisions regarding questions of equity and distribution of wealth. There has to be some counterbalance. Unions provide an essential check in our pluralistic democratic society.

Industrial relations abhors a vacuum. If unions cease to be a viable counterweight, a stronger role for government will be assured. This would be disastrous. Government operates on principles of uniformity and consistency, while global competition requires flexibility and versatility. Collective bargaining enables the parties to craft their own arrangements, while the promulgation of rules and regulations discourages initiative and innovation.

Another obstacle to a new production system is our statutory framework. Our present system may have been well suited for a highly insulated, domestic economy, but it seems increasingly inadequate in today's world. Fundamentally, it is a system of governance designed to regulate conflict. It advocates an adversarial role for labor and management while limiting government's role to that of a referee. In brief, it concerns itself only with dividing the proverbial economic pie.

There is nothing about our existing legal framework that encourages the parties to bake a larger pie. In fact, some provisions explicitly discourage joint actions which could enhance the competitive posture of the organization. This does not seem to be serving the public interest, nor the longer term interest of labor and management. It is time to reexamine some of the basic premises of our labor laws.

## Social Revolution

I believe the fifth and final obstacle is the necessity of defining a new role for labor unions. In many respects they are still pushing a product line designed for the 1930s, although the AFL-CIO's report on the changing situation of workers and their unions offers hopeful signs for change in the future. Unions must release their grip on traditional roles and institutional perspectives which are entrenched in the adversarial process. It is ironic, as Ben Fischer has said, that some "traditional labor leaders" have been so unmindful of their origins that they often strive to protect and perpetuate outmoded mechanisms that were originally no more than accommodations to management-imposed systems.

If unions are to represent workers effectively in the new era, they must become more than specialized vehicles for opposing management. They must support employee interests by gaining input into decision-making at all levels of the organization. As MIT's Bob McKersie has said, unionized companies have a unique advantage in that they have an institutionalized mechanism for gaining employee input into strategic planning and for marshalling the support of the rank and file in its implementation.

Unions must find a way to assure procedural fairness and equity without unnecessary reliance on rigidly applied mechanisms such as work rules, wage classification systems, and seniority.

In conclusion, if we are in a period of transition, I do not look for the federal government to point the way. And I suspect that the AFL-CIO is not going to be at the forefront, showing the new direction. Nor do I expect it from the National Association of Manufacturers or the Chamber of Commerce. It seems to me that whatever develops during this period of evolution will be the result of the collective judgments made by individual employers and their unions. I think we have an opportunity to create a joint vision of what our future may be. And we have the capacity to obtain it.

We already have some very good role models in those few unions and employers who have begun what could be called a most promising social revolution, not a revolution based on violence or discord but one that appeals to our best instincts and values and that ennobles us as a people. We have before us an opportunity to help usher in this social revolution. It is a revolution that can redefine for the better the entire employment relationship and elevate the process of collective bargaining to a major economic and social force which will uphold our national values and preserve our economic security.

[The End]

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## Plant Closing and Advance Notice: Another Look at the Numbers

By William D. Torrence

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University of Nebraska-Lincoln

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This paper is an examination of data on the receipt by workers of advance notice of a plant closing or moving. Specifically, it presents information on the proportion

of contracts over time containing clauses requiring advance notice and reexamines, using a less conservative rationale, recently gathered federal data on the number of displaced workers receiving advance notice.

### Negotiated Clauses

To obtain as complete a picture as possible of the presence in negotiated contracts of clauses requiring advance notice of plant closing, two data sets were examined. First, relatively comparable information over time from federally gathered data for 1972 and 1980 contracts covering 1000 or more workers were examined. Second, relatively comparable data over time from a privately gathered sample of 1979, 1983, and 1985 contracts were compared. The privately gathered data are not presented as comparable to the publicly gathered data.

In 1972, the Bureau of Labor Statistics examined 1,300 contracts involving bargaining units of 1,000 or more workers (about two-thirds of all contracts for units of this size then on file with BLS), covering a total of 6.3 million workers. Of these contracts, 9.5 percent (123), covering 12.3 percent (773,650) of all workers, required advance notice in the event of a plant shutdown or relocation. The manufacturing sector had 746 such contracts, covering 3.5 million workers. Of this group, 13.8 percent (103) of the contracts, covering 18.9 percent (669,050) of the workers, required advance notice. There were 554 contracts, covering 2.8 million workers, in the nonmanufacturing sector. Of these, 3.6 percent (20) of the contracts, covering 3.8 percent (104,600) of the workers, required advance notice.<sup>1</sup>

In 1980, the BLS examined 1,550 contracts involving bargaining units of 1,000

or more workers (about four-fifths of all contracts for units of this size then on file with the Bureau), covering 6.6 million workers. Of these contracts, 9.7 percent (150), covering 10.7 percent (709,200) of all workers, required advance notice. The manufacturing sector had 750 such contracts, covering 3.02 million workers. Of this group, 14 percent (108) of the contracts, covering 16.7 percent (504,950) of the workers, required advance notice. In the nonmanufacturing sector, there were 800 contracts, covering 3.6 million workers. Of these, 5.3 percent (42) of the contracts, covering 5.7 percent (204,250) of the workers, required advance notice.<sup>2</sup>

These data indicate that there has been a decline of approximately eight percent, from 1972 to 1980, in the number of workers covered by clauses requiring advance notice of plant closings or relocations. Although these federal data show there was a limited but proportionately larger number of workers covered by an advance notice clause in the nonmanufacturing sector (increase of 95 percent), there has been a decrease of 25 percent over the time period examined in the number of covered workers in the manufacturing sector.

To obtain a more current assessment of the status of plant closing contract provisions for the first half of the 1980s, data were derived from a Bureau of National Affairs sample of 400 contracts.<sup>3</sup> The data for 1979 showed that 52 of the 400 sample contracts (13 percent) had plant shutdown or relocation provisions. Twenty-three of these 52 contracts gave displaced workers transfer rights to a new location. Also, 12 of the 52 required the employer to pay at least a portion of the employee's moving costs. However, only seven of the 52 contracts required advance notice or

<sup>1</sup> *Characteristics of Agreements Covering 1,000 Workers or More, July 1, 1972*, Bull. 1784 (Washington: U.S. Department of Labor, Bureau of Labor Statistics, 1973), p. 62.

<sup>2</sup> *Characteristics of Major Collective Bargaining Agreements, January 1, 1981*, Bull. 2095 (Washington: U.S. Department of Labor, Bureau of Labor Statistics, May 1981), p. 107.

<sup>3</sup> The sample of contracts is maintained with regard to geographical areas, unions, and industry cross-sections. An accurate count of the number of employees covered either by each contract or in the aggregate was not available, however, at the time of writing.



discussion with the union in the event of a plant closing or relocation. This amounted to two percent of the 400-contract sample.

The data for 1983 indicated that 72 (18 percent) of the 400 sample contracts had plant shutdown or relocation provisions. Thirty-five of the 72 contracts gave displaced workers transfer rights to a new location, and 14 of them required the employer to pay at least a part of the worker's moving costs. With regard to advance notice to, or discussion with, the union, 27 of the 72 contracts (seven percent of the sample) contained such a provision.

Recent data for 1985 show that 104 (26 percent) of the 400 sample contracts have plant shutdown or relocation provisions. Forty-seven of the 104 provide transfer rights for displaced employees, and 17 require the company to pay part of all moving costs. Finally, these data indicate that 52 of the 104 contracts require advance notice to or discussion with the union before closing or relocating a plant. This amounts to 13 percent of the 400-contract sample.<sup>4</sup>

Although the BNA data show that there has been some increase in the number of contracts with advance notice and discussion clauses between 1979 and 1985, the percentages remain small. Thus, both public and private data sources indicate that there are only a limited number of advance notice and discussion clauses in collectively negotiated contracts.

### Federal Data on Displaced Workers

How many workers are displaced as a result of plants closing or relocating, and how many workers received advance notice during the recent recessions? We can obtain a partial answer to these ques-

tions by examining an important study of reported federal data from a special household survey, conducted in January of 1984, of workers displaced during the 1979-1983 period.<sup>5</sup>

Using a cutoff point of all persons 20 years of age and over who had at least three years of tenure on the jobs lost, the study indicates that a total of 2,492,000 workers were displaced because of plants being closed or relocated. Of this number, 61 percent (1,525,000) received advance notice and 39 percent (967,000) did not. The proportion of both groups reemployed as of January of 1984 was the same—approximately 62 percent.

However, of those workers who received advance notice and left the firm before their jobs ended (185,000), the reemployment percentage was 82 percent (151,000).<sup>6</sup> This reemployment proportion was substantially larger than that for workers who lost their jobs (2,599,000) for reasons other than plant closing or moving (e.g., slack work, position or shift abolished). In the latter cases the reemployment proportions for workers who did (1,346,000) and did not (1,253,000) receive advance notice were approximately the same, 58 percent.

However, those workers who did receive advance notice and left before their jobs ended (133,000) achieved a higher reemployment rate, 74 percent (99,000). In the federal study, the rationale for concentrating on workers with three years or more of tenure on the job lost was that they had developed a "rather firm attachment to their jobs."<sup>7</sup>

It can be argued that people who have been on the job for lesser time periods have also developed an attachment to their jobs. For example, in private indus-

<sup>4</sup> Data for 1979, 1983, and 1985 calculated from information in requested study, *Plant Closings: Prevalence of Language in Collective Bargaining Agreements and Sample Contract Clauses* (Washington: Bureau of National Affairs, Inc.) in correspondence dated December 5, 1985.

<sup>5</sup> Paul O. Flaim and Ellen Seghal, "Displaced Workers of 1979-83: How Well Have They Fared?" *Monthly Labor Review* (June 1985).

<sup>6</sup> Flaim and Seghal make the general point of a higher reemployment proportion for all displaced workers who receive advance notice and leave the job early, but do not disaggregate the data by cause of job loss.

<sup>7</sup> Flaim and Seghal, p. 5.

try eligibility for at least partially employer-financed benefits such as health and life insurance, accident insurance, and long-term disability insurance becomes effective for most employees by the end of their first year of employment. Also, there are paid holidays and vacations for which short-tenure workers are eligible.

A study of employee benefits in medium and large firms in 1981 indicated the following. Approximately 98 percent of all employees received an average of 8.8 vacation days with one year of service. Approximately 99 percent of all participants received accident and sickness insurance coverage with either no service requirement or no more than one year of service. Approximately 88 percent of all participants received long-term disability coverage with either no service requirement or no more than one year of service. Approximately 99 percent of all participants received health insurance coverage with either no service requirement or no more than one year of service. Approximately 97 percent of all participants received life insurance coverage with either no service requirement or no more than one year of service.

Also, most workers may receive an average of ten paid holidays with no more than one year of service, and the service requirements for participation in private pension plans seldom exceeded one year even when a minimum age was not specified (though the proportions for this latter benefit are not clear).<sup>8</sup> Moreover, these workers are usually beyond the probationary period required in a majority of contracts to attain seniority rights. Finally, by the end of one year, workers may have achieved a level of skill that they valued.

The argument can be made that these and other benefits are of value to workers

with even as little as one year's tenure, and when such benefits are combined with the value of the direct wage, there is a presumption that such workers have developed an attachment to their jobs. If they had been able to stay, they might have been able to demonstrate an even "firmer" attachment, but they were precluded from doing so because they were "displaced." For all of the above reasons, it seems useful to apply a cutoff of one year or more on the jobs lost in order to achieve a more inclusive count of workers displaced due to plant closings or relocations.<sup>9</sup>

Consequently, the less conservative cutoff—workers 20 years of age and over with *one or more years of tenure* on jobs lost—was used to examine the federally gathered data in the special household survey. With this alternative cutoff, the data show there were 4,022,000 workers displaced because of plant closings or relocations. Of this number, 59 percent (2,358,000) received advance notice and 41 percent (1,664,000) did not. The proportion of reemployment in January 1984 for the advance notice group was 65 percent; it was 64 percent for those with no advance notice.

Once again, however, for those workers who received advance notice and left the firm before the job ended (347,000), the reemployment rate was substantially higher at 83 percent (288,000). This reemployment proportion was larger than that for workers who lost their jobs (4,872,000) due to slack work or shift or position abolition. The reemployment proportion for workers in these latter categories who did receive advance notice (2,428,000) was 59 percent. For those not receiving advance notice (2,444,000), it was 61 percent. Of the workers displaced due to slack work or shift or position abolition and who

<sup>8</sup> *Employee Benefits in Medium and Large Firms, 1981*, Bull. 2140 (Washington: U.S. Department of Labor, Bureau of Labor Statistics, August 1982), pp. 10, 13, 14, 37, 38.

<sup>9</sup> It is, of course, possible to make the philosophical case for having no cutoff point and for including all workers

regardless of length of service. However, in order to stay within the spirit of "displaced worker" and "attachment to job," that case is not made here.

received advance notice *and* left before the job ended (243,000), the reemployment proportion was 76 percent (185,000).<sup>10</sup>

### Summary and Conclusions

Between 1972 and 1985, the number of contracts containing advance notice provisions in the event of plants being closed or relocated has ranged between 2 and 14 percent, depending on the data base (or component thereof) being studied. Given the current atmosphere of contract negotiations, there is no strong reason to believe that these percentages will increase substantially unless, perhaps, labor and management negotiate such provisions as the *quid pro quo* for further union concessions.

Although the numbers are relatively small, it is apparent that when the knowledge provided by advance notice is combined with the strategy of leaving before the job ends, the reemployment success is highest for workers displaced by plants closing or moving. When the cutoff of one year or more of tenure is used, the data indicate the reemployment proportion was seven percentage points higher for those workers using the joint strategy and who were displaced due to a plant closing or relocation than for those workers using the joint strategy but displaced for other reasons.

However, the reemployment proportion ranges between 15 and 19 percentage points higher when the joint strategy is used by workers displaced for any reason than the reemployment proportion resulting when there is no advance notice or when there is advance notice but employees do not leave before the job ends. Operational questions now emerge. Is this joint strategy successful regardless of the numbers of workers involved, or would much larger numbers of workers employing it substantially reduce the reemployment

proportions? Is the amount of advance notice received by workers who left their jobs before they ended substantially different from that given to workers who stayed until the jobs ended?

A set of arguments is presented for using a less conservative cutoff point in determining the number of workers displaced because of plant closings or relocations between 1979 and 1984. If the arguments are accepted as having conceptual merit in assessing attachment to a job, then the cutoff point of one year or more on the job lost permits a more comprehensive count of workers displaced due to plants closing.

Finally, although the following departs from the paper's primary concern with workers affected when plants close or move, it is possible to obtain a broader perspective of displaced workers by including *all* those impacted for any but cyclical or hard-to-classify reasons. For comparative purposes, the data using the three-year cutoff are in parentheses in the following summary sentences. The one-year cutoff now shows 8.9 million (5.1 million) workers displaced, of whom 2.2 million (1.3 million) were still unemployed in January 1984. There were 4.8 million (2.9 million) workers who received advance notice, while 4.1 million (2.2 million) did not.

The reemployment proportion for workers in the three-year cutoff group who both received and did not receive advance notice averaged 60 percent, while those in the same categories in the one-year cutoff group averaged 62 percent. Of those 590,000 (318,000) workers who received advance notice and left before the job ended, 473,000 (250,000) were reemployed as of January 1984. The reemployment proportion was 80 percent (79 percent) for those using the joint strategy. The presentation of numbers generated by the less conservative cutoff may be

<sup>10</sup> These calculations were made from data contained in requested computer run of the special household survey of January 1984 which was a supplement to the Current Popu-

lation Survey. Supplied by Data Development and Users' Services, Bureau of Labor Statistics, U.S. Department of Labor, December 17, 1985.

useful for considered discussion and policy-making.

[The End]

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## The Closing of Firestone's Albany Plant: A Case Study

By Jerry Wolf

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Firestone Tire and Rubber Company,  
Plant Manager, Albany, Ga.

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The Firestone Tire and Rubber Company constructed a tire manufacturing facility in Albany, Georgia, in 1968. Job opportunities grow at a steady pace until a peak employment of 2050 was reached in February of 1985.

The tire industry in the U.S. has been in a decline since the late 1970s primarily because radial tires last longer, because approximately 25 percent of new cars sold are imported from overseas and every imported car comes with five tires, and because, most recently, overseas manufacturers have been gaining a significant share of the replacement tire market. The result is tire manufacturing capacity that far exceeds sales demand.

Domestic tire companies have closed more than 25 plants in the U.S. since 1978. In this environment, it is not unusual for plant-closing rumors to run through a given plant, and our facility in Albany was no exception. While employees in a manufacturing facility hear about other plants being closed, most go about their business without thinking seriously that they themselves some day may have to deal with the shock and trauma brought about by their plant being closed.

Unfortunately for Firestone Albany employees, a decision was made to close

the Albany facility. The plant closing announcement was made on September 18, 1985, and, in accordance with the company-union bargaining agreement, six-months notice was given. The official plant closing date was April 18, although the plant could have closed as early as March 18, 1986. Since the plant was being closed due to an over-capacity situation in the company, the decision was irrevocable; there was nothing that could be done that would keep the plant open.

### The Challenge

Therefore, our challenge was clear: design and implement a comprehensive outplacement program that would assist 2000 Firestone employees in making a career change. Our objective was to do the best job that has ever been done for workers displaced as a result of a plant closing. And we found two willing partners with whom this objective was shared: J.T. Hall, President of United Rubber Workers Local 887, and Joe Tanner, Commissioner of Labor for the State of Georgia.

The task facing us was difficult. First, 2000 is a very large number of people; second, these people are accustomed to wages and benefits approaching \$25 an hour, which is significantly higher than the Southwest Georgia average; and third, unemployment in the Albany area, at over ten percent, was already the highest in the state. Our 2000 would lift our area's unemployment to 14 percent or one in every seven workers.

The first activity was research. Firestone had closed other plants in the early 1980s, and we had the benefit of some in-house experience. A call was put in to Bill Batt of the U.S. Department of Labor, and a meeting was held in Akron, Ohio, the week after our plant-closing announcement. During this meeting, Bill offered several suggestions and distributed printed material that described good examples and poor examples of how companies had handled other plant closings.

Equally quick to respond was the State of Georgia. Governor Harris had previously formed an Inter-Agency Task Force whose specific mission is to coordinate the available resources of state government and provide assistance to dislocated workers in an efficient manner. Joe Tanner is Chairman of the Governor's Inter-Agency Task Force on Plant Closings. Within two weeks of the plant closing announcement, Commissioner Tanner had personally made two trips to Albany and pledged state resources to our effort.

Firestone retained the Patrick-Douglas consulting firm to guide us in the development of a comprehensive program and to conduct workshops for all 2000 employees. The following paragraphs briefly describe the Firestone Albany dislocated worker assistance program that evolved after the announcement that the plant would be closed.

### **Worker Assistance Program**

Workshops were conducted on company time and on the employee's shift, in groups of 30 people or less. With 2000 employees to train, Patrick-Douglas was required to hold more than 70 meetings on an around-the-clock basis. Each workshop lasted a full eight hours, and employees were trained in resumé preparation, how to inventory their transferable skills, interviewing techniques, and how to conduct a job search.

A Firestone Albany Career Continuation Center was created and located in the main office of the plant. Six full-time

employees were selected to staff the Center: three manufacturing managers, two from human resources, and one URW representative. Three of the center staff were male and three female. Three were black and three were white. The makeup of center personnel was crucial, so that each employee in the plant would have at least one individual in the Center with whom he or she could relate comfortably.

Center personnel provided counseling on all facets of the employment process, and services available were a library with current job opening listings and maps, secretarial help for typing resumé's, copy duplication equipment, and a bank of free telephones that employees could use to contact prospective employers.

Among the many special projects of the Career Center were the following: 25 employees passed the entrance test for a training program at Lockheed-Marietta; six employees attended a Job Fair in Orlando; several companies from the region conducted on-site interviews; 32 people participated in a stress management seminar conducted by the Georgia Department of Mental Health; a survey was made of the training needs and interests of employees; the Small Business Development Center, a unit of the University System of Georgia, conducted a seminar; the Georgia Department of Labor tested 26 employees on-site for the Fort Howard Paper Company; letters and employee profiles were mailed to over 100 Southwest Georgia employers; and there were one-on-one counseling sessions.

The severance package was tailored to each individual employee, depending on age and length of service. Generally speaking, an employee laid off as a result of a Firestone plant closing is eligible for from one to two weeks of pay for each year of service. In addition, medical insurance (including hospitalization, surgical, and prescription drug) coverage is extended for two years, and life insurance coverage is extended for two and one-half

years, both at no additional cost to the individual.

A commitment was made to the employees that a request for early exit would be honored, if at all possible and consistent with production requirements. This meant that, although the plant was scheduled to manufacture tires through April 18, an employee with a bona fide job offer could take an early exit without forfeiting any of his or her severance benefits.

Under the Trade Adjustment Act, workers who lose their jobs because of imports are eligible for extended unemployment insurance benefits, retraining, and relocation benefits. J.T. Hall and URW Local 887 filed a petition on September 16, 1985, and, although it took five months, a favorable ruling was received on February 28, 1986.

Shortly after the plant closing announcement was made, Commissioner Joe Tanner of the Georgia Department of Labor agreed to establish a full-service State Employment Office at the Firestone facility. Services provided by the Department of Labor included: (1) the taking of unemployment claims; (2) the taking of employment applications, followed by assessment and referral through the statewide job bank; (3) job development and placement assistance; (4) assisting applicants and employers through the federal programs of Work Incentive, the Trade Adjustment Act, Targeted Jobs Tax Credit, and the Jobs Training Partnership Act; and (5) the provision of labor market information, names and addresses of employers and other labor statistics.

Our employees were scheduled into the D.O.L. office by appointment and on their own workshifts. This was convenient for them and spared them the trauma of standing in an unemployment line. With the D.O.L. office in our own facility, our employees undoubtedly received more personal attention.

The Jobs Training Partnership Act provides funds for retraining dislocated workers. The Governor made \$160,000 of discretionary Title 3 money available immediately, and a request for \$1.5 million was submitted to the federal Department of Labor in early October. A grant was finally received in late January, but the amount was reduced to \$1 million.

A key ingredient in coordinating all of this activity and keeping lines of communication open is the Project Manager. We selected one of our best department managers for this role, divorced him from his regular duties, and made him a full-time manager of our out-placement program.

### Rate of Success

Since the announcement of the plant closure, more than 200 employees have been successful in finding employment, some with the aid of the Career Continuation Center, some through the Georgia Department of Labor, and others through networking. For example, before being laid off, a female employee attended one of the out-placement workshops conducted by Patrick-Douglas. The workshop was helpful in that it updated the employee on how to conduct a job search and prepare a resumé. The Career Continuation Center aided by assisting her in preparing the resumé and by setting up practice interviews so that she would be relaxed and aware of questions most frequently asked in interviews. The end result: she was interviewed by Delco Remy and hired. Another employee went through the same process and was hired by Kraft. And yet another employee went through the same process, only the interview he had was conducted in-house. As an end result, this employee was hired by Union Camp.

In closing, allow me to critique our own program. We made it convenient for our employees to sign up for unemployment benefits, and we lobbied Washington for a favorable ruling for Trade Adjustment Assistance, but the weekly benefit of \$135

falls far short of our employees' average weekly earnings of \$500. We petitioned for JTPA funds for retraining, but one million dollars is a mere pittance when there are 2000 employees preparing for a career change.

We'll stack up our out-placement program against any other in the country,

but the jury is still out. We simply don't know how many of our 2000 Firestone Albany employees will be successful in finding meaningful employment.

[The End]

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## New Developments in the Public Sector

By Patricia A. Renovitch

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Chairman, Florida Public Employee  
Relations Commission

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A review of the 1985-86 impasse issues in Florida reveals that wages are still the subject over which labor and management most often disagree. Other issues that appear frequently are merit pay, longevity pay, incentive pay, holiday leave, retroactivity, and health insurance. I suspect that Florida is fairly representative of other public-sector jurisdictions. However, the purpose of this paper is not to focus on those issues that most often go to impasse. Instead, the purpose is to discuss *new* issues in public-sector labor relations. The following five issues are important due to their substantial impact on public-sector employees, employers, and unions. These new issues are drug testing, comparable worth, federal minimum wage and overtime requirements, procedures for the collection and refunding of agency fees, and equitable retirement payouts.

### Drug Testing

That drug testing is a matter of great public interest is evident from the many

recent articles on the subject in national publications.<sup>1</sup> Drug abuse at the workplace is an expensive problem. It is estimated to cost industry upwards of \$100 billion per year.<sup>2</sup>

Drug testing of *public* employees is a controversial issue for two reasons. First, there are questions about its lawfulness. Second, there are concerns about the reliability of the test results. Nevertheless, despite these issues, the increasing problem of drug abuse has caused many employers to develop programs to test employees for the presence of controlled substances.<sup>3</sup>

It appears that blood and urine testing for drugs is lawfully required as a condition of continued employment of a public employee *if* there is at least a "reasonable suspicion" of substance abuse. The "reasonable suspicion" test "requires that to justify this intrusion, officials must point to specific, objective facts and rational inferences that they are entitled to draw from these facts in light of their experi-

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<sup>1</sup> For example, "Drugs on the Job," cover story, *Time*, March 17, 1986; "Drug Testing," *The National Law Journal*, April 7, 1986, at 1.

<sup>2</sup> "Screening for Alcohol and Drugs," 121 *Lab. Rel. Rep.* (BNA) 199 (March 17, 1986).

<sup>3</sup> 72 *ABA Journal* 34-35 (March 1986).

ence." In *City of Palm Bay v. Bauman*,<sup>4</sup> the court found that compelled production and surrender of urine for testing is lawful if there is a "reasonable suspicion" of drug abuse by police officers and fire fighters, and in *McDonnell v. Hunter*<sup>5</sup> the ruling was that an anonymous tip that a guard was dealing drugs was not the kind of specific proof needed to require the guard to submit to urinalysis testing. This particularized suspicion of drug abuse must be related to an employee's fitness for duty.<sup>6</sup>

On the other hand, blanket or random testing of public employees is an unconstitutional "search and seizure" within the meaning of the Fourth Amendment of the United States Constitution. Such searches are unlawful because they invade employees' reasonable expectation of privacy. In *Jones v. McKenzie*,<sup>7</sup> the court ruled that en masse testing of Transportation Department employees, including bus attendants, constituted an unreasonable search. Random or mass searches have been condoned only where critical "public safety" considerations require it. Military employees are subject to mass testing under this "public safety" exception.<sup>8</sup> Mass testing of armed forces personnel began in 1981. However, it has been plagued with problems.<sup>9</sup> Testing samples were mislabeled and tests were bungled

by technicians. Error rates in labs used by the Navy were as high as 97 percent.

The unreliability of drug testing is a serious concern.<sup>10</sup> Most drug testing falls short of 100 percent reliability.<sup>11</sup> For example, due to the unreliability of the EMIT urinalysis test (the most commonly used kit, costing about \$5), numerous federal and state courts have held that an unconfirmed positive urinalysis result cannot be the basis for firing a public employee.<sup>12</sup> The follow-up confirmation test can cost as much as \$80.

Drug tests suffer because they do not measure the level of drug presence. A positive result could simply demonstrate the presence of a trace of a drug. Thus, a test may not reveal anything meaningful about the effect on an employee's work performance. Kurt Dubowski, a professor of forensic toxicology at the University of Oklahoma, states: "No matter how good the analysis, the test cannot tell you the intensity of the exposure, the size of the dose, or the time it was taken. So if you're using the test to measure the effect of the drug on a person, it's essentially useless."<sup>13</sup>

An employer may also need to consider the negotiability of a program before testing employees. For example, if drug testing is a mandatory subject of bargaining, testing procedures must be negotiated before they can be implemented.<sup>14</sup>

<sup>4</sup> 475 So2d 1322 (DC-Fla. DCA, 1985).

<sup>5</sup> 612 FSupp 1122 (DC-Iowa, 1985).

<sup>6</sup> *Turner v. FOP*, 120 LRRM 3294 (CA-D of C, 1985). Urinalysis testing of Washington, D.C., police officers is lawful where suspicion of drug abuse is related to police officers' fitness for duty.

<sup>7</sup> 121 LRRM 2901 (DC-D of C, 1986).

<sup>8</sup> For example, *Committee for G.I. Rights v. Calloway*, 518 F2d 466 (CA-D of C, 1975).

<sup>9</sup> *The National Law Journal*, April 7, 1986, at 2.

<sup>10</sup> The unreliability of test results is also a concern in detecting the disease AIDS. "Recent Developments on AIDS in the Workplace," 121 *Lab. Rel. Rep.* 233 (March 31, 1986). Consequently, many state laws restrict the use of blood tests to detect the presence of AIDS antibodies. Recently, California, Florida, and Wisconsin prohibited the use of such tests as a basis for firing suspected AIDS victims. In Florida, it is a first-degree misdemeanor to use the results of blood tests as a basis for firing employees.

<sup>11</sup> § 381.606(5), Fla. Stat. (1985). Decisional law may further restrict the discharge of suspected AIDS victims if AIDS is determined to be a handicap. *Shuttleworth v. Broward County*, 242 *Daily Lab. Rep.* A-6, E-1, No. 85-0624 (Fla. FCMR 1985); see also 121 *Lab. Rel. Rep.* 236 (March 31, 1986) (U.S. Dept. of Labor investigating complaints of discrimination by federal contractors based on AIDS).

<sup>12</sup> Arnold Leff, M.D., "AIDS, Alcohol and Drug Screening," *EEOP Practice* 1986, Fla. Bar CLE Publ. (February 21, 1986).

<sup>13</sup> *Jones v. McKenzie*, cited at note 7.

<sup>14</sup> *The National Law Journal*, April 7, 1986, at 24.

<sup>15</sup> For example, *FOP Miami Lodge 20 v. City of Miami*, 12 FPER ¶ 170929 (Fla PERC 1985), appeal filed, No. 85-2963 (Fla3d DCA Dec. 23, 1985) (city unlawfully required three police officers to submit to involuntary urinalysis testing before completing negotiations on drug testing); see also *IBEW Local 1900 v. PEPSCO*, 121 LRRM 3071 (DC-D of C, 1986) (company restrained from imple-



## Comparable Worth

The concept of comparable worth is "equal pay for work of comparable value." About 80 percent of working women are employed in 20 of the 427 occupations listed by the Census Bureau. These are our nurses, teachers, librarians, food service workers, secretaries, and welfare case workers. Some public employers, such as the State of Ohio, are rerating job classifications and then bargaining pay adjustments in an effort to eliminate gender bias from these classifications.<sup>15</sup> Ohio's Governor Richard F. Celeste believes that pay equity is "good business" as well as "good government."<sup>16</sup> In a paper presented at the Stetson College of Law Conference on Labor and Employment Law in February of 1986, AFSCME's general counsel, Richard Kirschner, confirmed that the concept is presently a serious subject of many public-sector negotiations. Public employers undoubtedly find it difficult to defend a policy that allows public-sector female employees to earn about 70 cents of the dollar their male counterparts earn.

The two well-known comparable worth cases are *County of Washington v. Gunther*,<sup>17</sup> where female jail matrons, paid less than male guards, were permitted to sue the county under Title VII of the Civil Rights Act of 1964, even though their jobs were not identical, and *AFSCME v. State of Washington*,<sup>18</sup> where the court found that the union did not prove that the state intentionally paid women less for comparable work and that disparate pay due solely to market conditions is not unlawful. The critical event that spurred renewed interest in this issue was the December 31, 1985, settlement of the *State of Washington v. AFSCME*

case.<sup>19</sup> That agreement was approved by a federal judge on April 11, 1986, and it took effect on April 25, 1986. The settlement provides \$482 million over seven years in front pay to 35,000 workers in female-dominated jobs. Although this amount is far less than the original district court award of \$880 million, largely in backpay, it demonstrates that pay equity is still an issue.

In a recent comprehensive article on the subject, third-year law student Sandra Coulter concluded that the resistance to the comparable worth concept focuses around "three common myths." They are: "A. Comparing dissimilar jobs for the purpose of wage-setting is as impossible as comparing apples and oranges. B. The free market system establishes salaries, and any interference could destroy the economic system of the nation. C. You cannot pay female workers what their jobs are worth because it will cost too much."<sup>20</sup> This sensitive issue may remain at the table because of its important inherent policy overtones. It could also have some repercussions on a bargaining agent's duty to fairly represent all unit employees.

## FLSA Requirements

State and local governments have recently become liable for minimum wage, time-and-one-half for overtime, and other requirements of the Fair Labor Standards Act (FLSA). The liability resulted from last year's U.S. Supreme Court decision in *San Antonio Metropolitan Transit Authority v. Garcia*.<sup>21</sup> The minimum wage provisions became effective on April 15, 1985. The 1985 FLSA overtime amendments became effective on April 15, 1986. They permit a public employer to pay time-and-a-half using either comp

(Footnote Continued)

menting a new set of drug-testing rules without having first negotiated them).

<sup>15</sup> "Pay Equity in Ohio's State Jobs," 121 *Lab. Rel. Rep.* 242 (April 7, 1986).

<sup>16</sup> *Id.* at 243.

<sup>17</sup> 26 EPD ¶ 31,877, 452 US 161, 101 SCt 2242 (1981).

<sup>18</sup> 37 EPD ¶ 35,459, 770 F2d 1401 (CA-9, 1985).

<sup>19</sup> "Doing the Comparable Worth Shuffle," 24 *Fla. St. U. College of Law CERL Bulletin* 2 (March 1986).

<sup>20</sup> 16 *Fla. Bar Checkoff* 3, 9 (February 1986).

<sup>21</sup> 36 EPD ¶ 34,995, 105 SCt 1005 (SCt, 1985).

time or cash. However, time-and-a-half comp time payments may be used only where a contract permits it. In the absence of a contract, there must be an understanding between the employer and employee that comp time will be used to pay for overtime.

Most employees earn overtime when they work more than 40 hours a week and can accrue only 240 hours (i.e., 160 hours worked) of comp time. However, public safety officers, including correctional officers, can work more than 160 hours during a 28-day period before they must be paid overtime. Also, firefighting employees can work 228 hours during a 28-day period before the FLSA requires payment of overtime. These public safety and emergency-response employees can "bank" a maximum of 480 hours (320 hours worked). Hours "banked" before April 15, 1986, do not count toward the accrual maximum.

As a result of the *Garcia* decision and 1985 FLSA amendments, more of a public employer's budget must be spent on wages. This budget crunch comes at a time when federal funding has been cut by the Gramm-Rudman-Hollings deficit reduction act passed last year in Congress. The objective of this bill is to have a balanced budget by fiscal year 1991. The first 4.3 percent cuts were made on March 1, 1986. Others will follow in October. It appears that the states will be increasingly unable to absorb federal program cuts. A recent report of the National Governors' Association concludes that 20 states will spend (in "real" or "inflation-adjusted" dollars) less next year than this year.<sup>22</sup> According to the report, "Few major spending initiatives show up in governors' project budgets for fiscal 1987." Thus, the recent changes in federal laws

have had a substantial impact on the public sector.

### Fair Fees and Payouts

On March 4, 1986, a unanimous United States Supreme Court placed new and stringent restrictions on agency shop agreements.<sup>23</sup> The Court found a union-controlled fair share fee to be constitutionally deficient because of the way the union calculated and collected the fee.<sup>24</sup> To pass constitutional muster, the Court required the union's agency fee collection and refund procedure to include: (1) advance and adequate notice of the amount assessed; (2) a prompt opportunity for nonunion employees to challenge the fee before an impartial decision-maker; and (3) an escrow arrangement for potential refunds of overpayments. Failure to meet these new requirements also implicated statutory collective bargaining rights. Public-sector labor relations agencies in Washington, New York, New Jersey, and Wisconsin presently have agency fee cases pending which raise questions about the statutory rights of nonunion unit employees.

Finally, public employers are now facing sizable monetary liabilities for discriminating against women in their retirement programs. The payment of unequal benefits results from the use of sex-distinct mortality tables. Such tables are based upon the belief that women live longer than men and therefore have longer payout periods than men. That theory was first rejected in *City of Los Angeles v. Manhart*,<sup>25</sup> where the Court found that the city unlawfully required female employees to make larger contributions to its pension fund than male employees. On March 29, 1986, it was also rejected as applied to the surviving spouses or other beneficiaries of male

<sup>22</sup> 3 *City and State* 6 (April 1986).

<sup>23</sup> *Chicago Teachers Union Local No. 1 AFT v. Hudson*, 54 USLW 4231, 121 LRRM 2793 (1986) (union unlawfully assessed and collected proportionate share from nonmembers which was 95 percent of union dues).

<sup>24</sup> 227 Pub. Employee Bargaining (CCH) (March 13, 1986); 121 *Lab. Rel. Rep.* (BNA) "Analysis" 41 (March 17, 1986).

<sup>25</sup> 16 EPD ¶ 8250, 435 US 702, 98 SCt 1370 (1978).

employees. In *Long v. State of Florida*,<sup>26</sup> the ruling was that the "open market" exception in *Manhart* does not permit a public employer to provide an optional annuity system that reflects plans offered by insurance companies on the open market. The federal judge in *Long* awarded damages retroactive to 1978 as well as prospective damages.

As a result of the *Manhart* and *Long* decisions, public employers must use unisex tables in calculating primary retirement benefits for employees as well as secondary benefits to surviving spouses. Because of the potentially high damages that courts can award, this is an issue which all public employers must promptly resolve. Resolution may include the reduction of payments in order to

maintain actuarially sound pension programs.

Comparable worth, equitable retirement payouts, and FLSA minimum wage and overtime payments are new public-sector issues that can have a substantial financial impact on public-sector budgets. The agency fee issue, on the other hand, most directly affects public-sector unions. Finally, drug testing carries with it a substantial cost to employers, although this cost may be recovered through the detection and rehabilitation of drug users. Drug testing is also of much concern to public employees, however, because it invades their privacy rights and is not 100 percent reliable.

[The End]

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## Trends in Strikes and Interest Arbitration in the Public Sector

By Robert E. Doherty

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It would take more information than I have been able to gather to do justice to the title given me. A trend, according to my dictionary, is a general course or prevailing tendency. I have detected changes, to be sure, but not enough to qualify as a trend. It crossed my mind that I might be able to conceal the meager amount of data I was able to gather by dazzling the reader with an elegant methodology. But that, too, is wanting. All I have done, frankly, is read a few things, make several phone calls, and write to the several state administrative agencies seeking information. I have put

together the bits and pieces of information picked up and reflected on them. The result, as you might expect, is not the kind of orderly, informative, and perceptive paper IRRA members are accustomed to reading.

### Interest Arbitration

My description of so-called trends in interest arbitration is illustrative of the problem I have had in gathering data. I will therefore dispose of that matter first. The reason for the paucity of data on arbitrations is due in part to the fact that few of the administrative agencies in the 28 states that provide for this method of disputes resolution (mostly for police and fire employees) have sufficient staff to

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<sup>26</sup> No. 82-1056-WS (DC-Fla 1986); contra *Probe v. State Teachers' Retirement System*, Nos. 81-5865 and 81-5866 (CA-9, 1986).

collect and analyze the data. There are also many instances in which the parties have developed their own mechanisms for resolving impasses, and they do not always inform the agency of the results. Another reason for viewing my "findings" with some skepticism is that only about half of the agencies from whom I sought information responded to my queries.

Be all those matters as they may, this is what I discovered. In most states, there has been a decline in the percentage of impasses going to arbitration. In New York, for example, although about 30 percent of all impasses went to arbitration in the late seventies, only 13 percent proceeded to the arbitration step in 1984. In such states as New Jersey, where med-arb is an optional dispute-resolving technique, there has been a substantial decline.

There has been a decline in the time lapsed between the appointment of the arbitration panel and the issuance of the award. In New York, for instance, there was a decline from about six months lapsed time in 1980 to approximately five months in 1985.

During the same period there appears to have been a decline in the number of issues brought to arbitration, although there was an increase in the number of employer-initiated issues. There has been an increase in the number of unanimous awards in those instances where there are tripartite arbitration panels. Sixty percent of New York awards were unanimous in 1984-85.

There have been no significant changes in the past several years in the differential between salary increases awarded through arbitration and salary increases reached voluntarily. In 1984, arbitrated salary awards in New York averaged 7.3 percent; voluntary settlements were approximately seven percent.

The parties continue to stress such criteria as comparability, ability to pay, and cost of living as standards in pleading their cases, although cost of living has been given less emphasis in recent years. The frequent use of these criteria can be attributed to the fact that for the most part these are the criteria contained in the statutes authorizing arbitration.

As in the past, unions and employers tend not to agree entirely on the appropriate areas from which to make comparisons. Nor are they always in agreement as to the employer's ability to fund a substantial increase. As one dissenting employer member of a tripartite panel observed in 1985: "King Midas, in his prime, could not have conferred greater riches on the Police Association than the majority has herein."<sup>1</sup>

Although now over half of the states provide for arbitration of police and fire disputes, few provide for that degree of finality in disputes between other public employees and their employers. It is to me rather striking that a legislature should grant that right to uniformed employees and not to others. Such a distinction is understandable in such states as Pennsylvania and Oregon, where just about every public employee except uniformed employees have the right to strike. It is the quid pro quo of the police and firefighters. It is less understandable that legislatures should grant arbitration rights to police officers and firefighters, the least strike-prone groups among public employees, and at the same time deny the right to strike (or arbitration) to all others.

This is not to argue that the strike right ought to be expanded or that the uniformed services ought not receive special consideration. It does suggest that the several states that provide the right to arbitration to some and deny both arbitration and the strike to others have,

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<sup>1</sup> Dissenting Opinion, *Town of Greenberg and Town of Greenberg Police Association*, Case No. 1A, 85-3 M-84-586, New York State Public Employment Relations Board.

absent any justification I can locate, treated their public servants unequally.

Have we reached the saturation point in interest arbitration? It is not likely that more states will adopt this legislation in the near future. States that do not permit bargaining by any public employees are certainly unlikely candidates. Nor is it probable that states with somewhat less than comprehensive bargaining statutes will adopt such legislation. Many citizens believe that it is not possible to reconcile arbitration with representative government. George Taylor, the chief architect of New York's public-sector bargaining law, thought that such reconciliation was not possible. He observed in 1968 that interest arbitration "would become an arm of government but without the constraints or the checks and balances upon which we have depended as a fashioner of laws."<sup>2</sup>

On the other hand, the data I have been able to gather do not suggest that arbitration has done great mischief to the democratic process or put an undue strain on the public coffers. How great the mischief and the strain must be before this public policy should be questioned is a matter best left to those who fashion policy.

### Strikes

Data on strike activity are only slightly less difficult to come by than information on interest arbitration. This has particularly been the case since 1981, when the Bureau of Labor Statistics began to limit the collection of strike statistics to disputes involving 1,000 or more workers. Most public-sector work stoppages have involved far fewer workers than that number.

Although we lack precise figures on public-sector strikes generally, we do have reliable data on teacher strikes, at least as

to the total number. I will therefore emphasize teacher strikes, not only because reasonably reliable data are available but also because it is in the public schools where most public-sector strikes take place. In 1980, for example, teacher strikes accounted for 57 percent of all public-sector strikes and for 54 percent of all public employees involved in strikes.<sup>3</sup> Moreover, the ratio between teacher strikes and strikes by all other public employees has remained almost constant.

If teacher strikes are an indication of all public-sector strike activity, it is safe to say that strikes have declined substantially. Since the 1979-80 school year, strikes have declined from 235 to only 69 in academic 1983-84. NEA affiliates were involved in the majority of the work stoppages, accounting for over 80 percent in 1983-84.

There seems to be no clear and direct cause-and-effect relationship between strike activity of public employees in states with permissive strike legislation and strike behavior of those employed in states absent such legislation. Thus, in 1979, there were but four public-sector strikes in strike-permissive Oregon and 52 strikes in Ohio where strikes (at that time) were prohibited. During that same year, there were 30 unauthorized strikes in New Jersey and 50 in Illinois, which suggests that strikes can and will take place absent legislative sanction. These figures also illustrate that sanctioning the strike does not necessarily mean that employees will become strike-happy.

But it is also possible, if one looks at strikes in still other states, to see a more direct connection between legislation and strike activity. Thus, when Pennsylvania passed its Act 195 in 1971, authorizing the strike, it soon led all states in the number of strikes (78 in 1973).<sup>4</sup> In New

<sup>2</sup> Remarks by George W. Taylor in *Governor's Conference on Public Employment Relations*, October 14-16, 1968, p. 48.

<sup>3</sup> Tables H and I, *Labor Management Relations in State and Local Government*, 1980, Special Studies No. 102, Bureau of the Census, Department of Labor, 1981.

<sup>4</sup> *Ibid.*

York State, on the other hand, where there are penalties for striking (penalties that are automatically enforceable), there have been relatively few public-sector strikes. Between 1982 and 1985, for example, there were only six strikes.

New York strike figures suggest that Balfour and Holmes may be on to something when they write that there is an optimum penalty for striking that keeps strikes at a minimum. Like an inverse Laffer Curve, states that have no penalties, or have penalties that are so Draconian that public officials decline to enforce them, tend to have considerable strike activity. In states where penalties are not so severe, or where officials have no recourse but to enforce them, there are relatively few strikes.<sup>5</sup> That penalties do not serve as a complete deterrent is obvious. But it is also true that society has not succeeded in fashioning any deterrent that has completely discouraged behavior it deems inappropriate, from murder and kidnapping to overparking. The point here is that it is possible for a state legislature to devise a statute that will allow for meaningful bargaining and at the same time minimize the coercive power of the strike.

As of this date, legislatures in only ten states have granted a limited right to strike for most public employees.<sup>6</sup> The reasons most Americans oppose the public-sector strike are well known to members of this organization. But let me summarize.

First, unlike the private sector, most public services are monopolistically supplied. There are few alternative sources of public transportation, public welfare, public education, etc. In the private sector, alternative products and services are usually available in the event of a strike.

Second, to the extent public services are tax-supported, the public has already paid for the service that is not being delivered. If the lost service (and the lost working time) is made up, then it is possible for the union to run a cost-free strike. Strikes by public school teachers are a case in point. In most states permitting teacher strikes, there is also a provision in the education law that there must be a certain number of days of instruction before the school district can receive full state aid. Thus, if teachers strike for 10 days, say in September, these days can be made up during the Christmas recess or later in the summer, after the schools are customarily closed. Since employees cannot be made to work without being paid, the salary received for work done during Christmas vacation and early summer is merely delayed compensation. Employees suffer no loss of annual income.

This is probably the reason Pennsylvania had so many teacher strikes following passage of Act 195. If, on the other hand, the schools are kept open during the strike by using substitute teachers, there would be no loss of state aid and no need to extend the school year. In such a case there is loss of income to the strikers. But there is also a loss of educational opportunity for students, an opportunity that usually cannot be delivered at a later date.

A third reason most Americans do not favor granting the strike right to public employees stems from the difference between strikes in the public and private sectors. The purpose of the strike in the private sector is to bring pressure on the employers, that is, those who bear the cost of the strike. In most instances, since the public has available alternative services and products from which to choose, the private employer is the chief cost-bearer.

<sup>5</sup> Alan Balfour and Alexander B. Holmes, "The Effectiveness of the No Strike Laws for Public School Teachers," *Journal of Collective Negotiations in the Public Sector*, 10, No. 2 (1981), pp. 135-43.

<sup>6</sup> These are Alaska, Hawaii, Illinois, Minnesota, Montana, Oregon, Ohio, Pennsylvania, Vermont, and Wisconsin.

Michigan has not granted the strike right, but there the courts seldom enjoin a public-sector work stoppage. No state has authorized strikes of police or fire personnel.

There are, to be sure, many instances when citizens not a party to the dispute bear much of the cost, but the strike is not aimed at them.

The chief cost-bearers in public-sector strikes are school children, workers who must rely on public transportation to get to work, patients in public hospitals, welfare recipients, etc. In short, the cost falls on those who are frequently among the poorest in our society, who rely more than most citizens on public institutions for support, and who have very little influence on government or union decision makers.

The fourth reason I believe the public feels uneasy about granting the strike right to public employees is the possible effect the strike may have on representative government and on the method and quality of public decision-making. If the primary purpose of the strike is to get the employers to change their minds, to do something in the employment arrangement they would rather not do, then the public-sector strike can have rather profound implications.

This is not to invoke the sovereignty argument, since we now know the "king can do no wrong." Nor is representative government quite the idealized process described in civics books. Governments have always been subjected to pressure emanating from outside the conventional political process. What we have with the strike, however, is a new and possibly potent form of pressure that is difficult for government to accommodate. As George Taylor observed when he and other members of the Taylor Committee were establishing the main contours of New York's public-sector bargaining law: an industrial relations system "must be responsive to the process of political democracy."<sup>7</sup>

## Right to Strike Upheld

A plurality of the California Supreme Court decided in *County Sanitation v. Los Angeles County Employees Association Local 660*<sup>8</sup> that there was no common law bar to the strike in the public sector. Chief Justice Bird went on to opine that the public-sector strike was protected by the California and U.S. Constitutions.

This decision deserves our attention, since it might turn out to be a more important predictor of trends in strike activity than all the statistics one can muster. Many of our laws in recent years, after all, have been judge-made law, and to the extent the California decision influences courts in other states, we may see the public-sector strike legalized, in spite of the wishes of citizens and state legislatures.

The case was brought to the court on appeal when Local 660 of the Service Employees International Union was fined \$250,000 for engaging in an "illegal" eleven-day strike. A plurality of the court found that public-sector strikes were not in violation of the common law, and the union therefore was not subject to tort liability.

The court reasoned, first of all, that the legality of the strike was an open question, since there was not an explicit strike prohibition under the statute. Although the legislature had made firefighters' strikes illegal, "the absence of any such limitation on other public employees covered by the Meyers-Milias-Brown Act at the very least implies a lack of legislative intent to use the MMBA to enact a general strike prohibition."

The court was now free to make its own interpretations. But it first felt obliged to demonstrate that there was as strong a justification for authorizing the public-sector strike as there was for permitting strikes in the private sector: "... the right to strike, in the public sector as well as in

<sup>7</sup> Memorandum from George Taylor to Taylor Committee members, January 28, 1966. Cole Papers, Box 15.

<sup>8</sup> 38 Cal 3d 564, 214 Cal Rptr 424, 669 P2d 835, 119 LRRM 2433 (1985).

the private sector, represents a basic *civil liberty*.”<sup>9</sup>

Indeed, the union would have virtually no bargaining power absent the right to launch a meaningful strike threat. This “important symbol of a free society”<sup>10</sup> would be without meaning or force. Along the line, the plurality makes what it believes a telling argument when it quotes with approval an opinion of Chief Justice Reynolds of the Rhode Island Supreme Court that “the collective bargaining process, if it does not include the constitutionally protected right to strike, would be little more than a sterile ritual.”<sup>11</sup>

Now whether collective bargaining absent the right to strike is, in fact, a “sterile ritual” is a matter about which honest and intelligent men and women can differ. It is instructive to me, however, that wage settlements in the private sector, where the strike right is well established, averaged 3.7 percent in 1985,<sup>12</sup> while negotiated wage settlements in public-sector contracts in New York State during the same period ranged from seven to nine percent.<sup>13</sup> As has already been reported, public-sector strikes in New York State are prohibited, and there are rather harsh penalties meted out to employees who strike.

There were, of course, substantial differences between public and private employers’ ability to provide wage increases in 1985, and there were no doubt other factors at work that account for some of the disparities in settlements. But surely the evidence does not support entirely the notion that unions are powerless unless they have the right to strike. Indeed, as Bacharach and Lawler point out, bargaining power (that is to say, the

power to influence one’s adversary) does not rely entirely on the ability to do mischief to the other side.<sup>14</sup> As Walter Reuther once observed, “There is persuasion in power, but there is also power in persuasion.”

The plurality also quotes with approval from the 1968 report of the Pennsylvania commission appointed to make recommendations on that state’s public-sector bargaining law. “In short,” the commission concluded, “we look upon the limited and carefully defined right to strike as a safety valve that will, in fact, prevent strikes.”<sup>15</sup> It is surprising that the plurality should use this quotation to bolster its argument. For soon after the Pennsylvania legislature passed that state’s strike-permissive legislation, Pennsylvania became by far the most strike-prone state in the nation. Be that as it may, the plurality “recognized the need to redefine, modify, or even abolish a common law rule when reason or equity demand it and when its underlying principles are no longer justifiable in light of modern society.”<sup>16</sup>

Chief Justice Bird concurred with the plurality, but she goes well beyond the view that there is no common law bar to public employee strikes. She felt obliged to write a separate opinion because she believed it was “only fair to give the Legislature some guidance in an area filled with constitutional problems.”<sup>17</sup> The Chief Justice’s reasoning is puzzling. First of all, she devotes all but a few paragraphs of her 32-page opinion to arguments defending private-sector strikes. Every book, article, and decision cited bears directly on strikes in the private sector. The notion one gets reading her opinion is that the lower court had

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> *Collective Bargaining Negotiations and Contracts* (Washington: Bureau of National Affairs, January 16, 1986), p. 23.

<sup>13</sup> Information supplied by the New York State Public Employment Relations Board, March 1986.

<sup>14</sup> Samuel B. Bacharach and Edward P. Lawler, *Power and Politics in Organizations* (San Francisco: Jossey-Bass, 1980), pp. 27-44.

<sup>15</sup> Quoted in *County Sanitation*.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*



declared the Wagner Act unconstitutional.

The Constitutional issue the Chief Justice invokes is the prohibition of involuntary servitude contained in the Thirteenth Amendment. "The employer," she writes, "obtains not only the product of the employee's labor, but also considerable power to dictate when and how the work will be performed . . . [T]his feature of wages and benefits explains why the 13th Amendment, a guarantee of personal liberty, is concerned with the defense against oppressive hours, pay [and] work conditions . . . accordingly, a restraint on the right to strike should be upheld under the California Constitution only if it serves a compelling state interest by the least restrictive means."<sup>18</sup>

Although *County Sanitation* says that there can be no strike ban absent explicit statutory language, a reasonable interpretation of both the plurality's and the Chief Justice's opinion is that, should the legislature explicitly outlaw the strike, the legislation would not pass muster with the California Supreme Court.

### Conclusion

I pointed out earlier that *County Sanitation* might be a more important development than all the evidence one can muster on recent strike activity. The decision offers a basis for challenging the strike ban in other states, even though the prohibition against the strike might be supported by the legislature and the voters. It is instructive that legislatures in 40 states have not seen fit to authorize the strike, several relying on the common law as justification for the prohibition. It is also instructive that public opinion, at least as reflected in the public opinion

polls I have seen, do not favor permitting public-sector strikes. Of course, popular opinion ought not be the sole public policy guide if the issue is fundamental to the preservation of personal liberty. I am not all that certain that the Bill of Rights would pass muster if all the usual provisions were put to the public in an opinion poll.

Still, there is, in the opinion of many, mischief in the strike. Those who have the most mischief done to them tend to be the groups who depend most heavily on public services, services that would be temporarily lost to them should a strike occur. These are, at the same time, the very people least able to bring pressure on the disputing parties.

It is, of course, arguable that we make too much of the strike and, since this is also supposed to be a paper on interest arbitration, of arbitration as well. Those of us who have trouble reconciling the democratic process with strikes and interest arbitration can take some comfort in the knowledge that there has been a substantial decline in the use of both in recent years. If that is a trend, we can look forward to a more tranquil future.

I personally do not take much comfort in the California court's decision in *County Sanitation*, particularly if that decision should influence judicial thinking in other jurisdictions. But there are those who rejoice at the decision, and I suspect that those who do have no less concern about the commonweal than I. It is this difference of perspective that invigorates our field, even though it lessens our claim to being at all times scientific.

[The End]

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<sup>18</sup> *Ibid.*

# Business Programs for Work-Family Problems\*

By Stanley D. Nollen

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The relationship between work life and family life is an issue that now commands growing attention in both the public and private sectors. What exactly is the work-family issue all about? What is the problem, and what can business do about it?

Work life and family life are two domains of human activity in which fully-employed people spend about two-thirds of their time: one-third in each. Work to most people is the job they do for money. (Of course we should also include housework, child care, and volunteer work as well.) Family traditionally means the spouse and kids they live with and care for. A modern definition would also include households of unrelated adults who live together.

The essence of the relationship between work life and family life today is that the two domains overlap and interact. What happens in one domain affects what happens in the other. The interactions are increasing, mainly because the workforce is changing and the family is changing.

The most notable change in the workforce is that it is now 45 percent female. Over half of all married women with children under age six are working outside the home. And they are professionals and managers as well as secretaries, teachers, and nurses. While large numbers of women are joining the labor force, only small numbers of men are leav-

ing it. Men continue to work in the same occupations as before.

The most notable change is that the classic nuclear family of Dick and Jane is a vanishing species. Over half of all families have two income earners; nearly ten percent are single parents with dependent children. Family "work" (cooking, cleaning, child care, property maintenance, financial management) still needs to be done. If men do not take up family work as women take up labor market work, or only one adult is present in a family, what will happen to family life?

The overlap between work and family domains means that conflict often results. One of the conflicts concerns time, the only absolutely fixed resource. Workers and family members cannot be in both domains at once. More than one-third of all workers who have a spouse or children say that their job and their family life interfere with each other somewhat or a lot.<sup>1</sup>

The second conflict is over roles. The workplace and the family have opposite functions, requiring opposite roles and behaviors. Workers must be objective and reliable; family members must be nurturing and compassionate. Switching back and forth from one to the other set of behaviors is hard to do.

Conflict generates stress and impaired performance both at work and at home, and that is a problem for both employers and families. These results have been

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\* Information in this paper is drawn from the author's research previously published: Stanley Nollen, "The Work-Family Nexus: Issues for Business," Research Note, Work and Family Information Center (New York: The Conference Board, 1986); and Stanley Nollen, "Roles for Business, Labor, and Government in the Work-Family Relationship," *Work and Family: A Changing Dynamic*, BNA Special Report (Washington, Bureau of National Affairs, Inc., 1986). It is also drawn from: Helen Axel, *Corporations and Families: Changing Practices and Perspectives*, Research

Report No. 608 (New York: The Conference Board, 1985) and Dana E. Friedman, *Families and Work: Managing Related Issues* (New York: The Conference Board, 1986). I am indebted to Helen Axel, Dana Friedman, and members of the Work and Family Research Council of The Conference Board.

<sup>1</sup> Joseph Pleck et al., "Conflicts Between Work and Family Life," *Monthly Labor Review* 103 (March 1980), pp. 29-32.

empirically documented in some cases.<sup>2</sup> If labor performance is damaged by work-family conflict, employers have sufficient reason to take action, no matter what the cause of the conflict.

### What Can Business Do?

Whether an economic self-interest rationale is used or a social "right thing to do" argument is made, a range of business options to deal with work-family problems can be considered. They range from specific business-provided services to arm's-length influence on external agencies. The business options that are discussed here are: (1) conducive corporate culture; (2) family-supportive human resource management; (3) work and family programs, including child care, employee assistance, fringe benefits, work schedules, training, and employment security; and (4) contributions to community agencies and influence on public policy. We begin with the environment inside the company itself.

Business help with work-family problems starts with conducive corporate culture. This means a recognition by the firm that its economic role interfaces with its social role and that its self-interest is modified by its social responsibility. It also means that managers see work and family as an interactive system in which workplace events affect family life just as family health affects work life. And it means that diversity is tolerated; the culture is not one of a stifling conformity of dress, speech, and behavior.

### Human Resource Policy

To move from corporate culture to policy, businesses adopt family-supportive human resource management. The hallmark of family-supportive human resource management is that it empowers employees. It calls forth their self-reliance and gives them a measure of control. It is flexible and facilitating. It is permissive rather than prescriptive. This is a case in

which less policy is more policy. Because some of the causes of work-family conflict stem from choices made by employees and are beyond the control of employers, the first step to conflict resolution is to equip employees with the knowledge and decision-making authority that enables them to work out their own solutions unhindered by constraining business policy. Sensitive and capable supervisors are the linchpins of this approach.

But conducive culture and empowering policy may not be enough. Specific and targeted work-family programs can be implemented. Some work-family programs deliver services, cost money, and are best suited to big companies. Other programs save money and can be used by any company. Here we describe a range of work-family programs.

### Work and Family Programs

In families where both parents or a single parent work outside the home, child care is probably the most immediate and critical concern. Company assistance with child care can take any one of three forms: on-site day care centers, subsidies to employees for child-care costs, and information and referral services.

On-site day-care centers (or near-site centers) can be operated by companies in the office or plant (or subcontracted to a child-care agency) when the supply of child-care services is inadequate. A consortium of nearby employers may join to create a child-care center. About 630 employers are known to operate child-care centers, usually charging employees a below-cost weekly fee in the \$40-70 range. Examples of these employers include Campbell Soup, Corning Glass, and Richardson-Vicks. Day-care for school children during vacations is a special child-care need for which Wang Laboratories has made special provision. Despite some evidence that labor productivity does increase because of on-site child care, it

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<sup>2</sup> Patricia Voydanoff, "The Implication of Work-Family Relationships for Productivity," *Studies in Productivity*:

*Highlights of the Literature*, No. 13 (Scarsdale, N.Y.: Work in America Institute, 1980).

can be a high-cost option for companies and does not meet the needs of some employees for whom neighborhood-located child care is better.

Subsidies for family day care (usually provided by a neighbor for a few children in her home), discounts for company employees at commercial day-care centers, and vouchers for employees to use for child care of their choosing are all alternative ways that companies can use to support employees' child-care needs flexibly. These options can be low in cost and are also low in company control. Southland Corporation supports family day care, Honeywell obtains discounts at commercial day-care centers, and Polaroid uses vouchers. Sick child care is a special child-care problem for which 3M makes special payments. About 375 employers are known to participate in these forms of child-care services.

Information and referral services, provided in-house or by contract with a community-based organization, are often a child-care starting point for companies and are used by about 500 companies. These services save employees' time and are usable by everyone at low cost. IBM and General Foods are two large corporations that provide these services.

Employee assistance and counseling programs (EAPs or ECPs) can include a range of services for work-family problems, such as physical and mental health care, financial planning, legal advice, and interpersonal relationship counseling for marital and parent-child problems as well as supervisor problems. The objective is to improve employees' well-being and overall competence. Some EAPs are merely referral services, while others provide limited counseling and treatment in-house. About ten percent of all employees are covered by EAPs. Among the 6000 companies with such pro-

grams are Control Data, General Motors, Marriott, and the U.S. Navy.

Two alterations in fringe benefit packages can be made to reduce work-family problems at little or no cost to companies: flexible benefits and parental leaves of absence. Flexible or "cafeteria" benefit plans allow employees to choose benefits from a "menu" that best suits their individual needs, subject to maximum cost limits and minimum coverage in core benefits (medical, insurance, vacation, and retirement). Child care can be one of the optional benefits; yet all employees (including those without children) get equitable benefit treatment. Benefit costs can be contained with flexible benefit plans while delivering more utility to employees. One-time implementation costs are substantial, however. An estimated 2200 companies, including American Can, Chemical Bank, Procter and Gamble, and TRW, have flexible benefit plans.

Parental leaves of absence can be as simple as including absence for care of a sick child under parent's sick leave or combining sick leave and vacation leave in a single personal leave category, as Hewlett-Packard has done. Longer term maternity and paternity leaves can be offered, going beyond the minimum legal requirement that pregnancy be treated as any other temporary disability.<sup>3</sup> Parental leaves can be partly paid and partly unpaid. AT&T, New York Telephone, and Time, Inc., have such benefits. European companies are required, by government statutes, to provide parental leaves.

Work-family conflicts can be eased by workers themselves, if they are given a measure of control over their work schedules, or if they can work fewer hours but retain career-oriented employment. Flexitime and telecommuting do the former; various forms of part-time employment do the latter.

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<sup>3</sup> If an employer has a disability plan, pregnancy must be included in it. Forty percent of all women employees are covered by such provisions.

Flexitime permits employees to establish their own work starting and quitting times within constraints set by management. This latitude enables employees to adjust their work schedules to family needs. Productivity gains from flexitime have been documented by several companies. More than 12 percent of all employees and a third of all companies have flexitime.

Telecommuting (or flexiplace or home work) means that some employees work at home, usually communicating with their office by computer terminal. While this practice can never become widespread, some 350 companies are now believed to use it, including J.C. Penney and New York Life Insurance Co.

Part-time employment that is regular and chosen by workers (not casual or temporary) gives them time to meet family needs while retaining permanent attachment to the labor force. Employers are able to better fit the size of the workforce to the work load, although fixed labor costs may make part-timers slightly more costly per hour than full-timers. About 15 percent of all employees are regular, voluntary part-timers, and a majority of companies use this work schedule.

Job-sharing is a special form of part-time employment in which two part-timers share one full-time job, thus providing continuous job coverage. The number of job-sharers is probably less than one percent of all employment; Steelcase is one example of a company with job-sharing.

Voluntary reduced work time refers to temporary five to fifty percent reductions in working time (and salary) for durations of six months to one year to enable employees to cope with temporary family and other needs while retaining their jobs. This work schedule is new and uncommon; Shaklee Corporation and Santa Clara County government are two examples of users.

Phased retirement means gradual transition from full-time employment to

retirement; this can ease the adjustment and strain for aging workers. Bankers Life Insurance Co. is a leading example of a company with phased retirement.

Courses and seminars on work-family issues can be offered along with the usual array of technical and management training courses or as part of an employee assistance program. More than 1,000 companies, including Honeywell and Wells Fargo Bank, are known to do this. The training topics can include parenting skills, stress management, time management, and work-family balance. These courses are low in cost to the company if offered by community experts during lunch breaks.

Job loss and job relocation are transition times that often provoke family crises. The effects of plant closings, cyclical layoffs, and permanent reductions of workforces can be ameliorated by employee participation in these decisions, advance notice, retraining, outplacement, and relocation assistance. Diamond Shamrock and Baxter Travenol have family-supportive relocation policies, and the General Motors and Ford contracts with the UAW provide some protections against layoffs. Many California employers use work-sharing rather than layoffs, aided by state law that permits payment of partial unemployment compensation. Relaxation of antinepotism rules facilitates spousal employment in new locations.

### **Influence on Public Policy**

Employees are also citizens and can be reached by community sources away from the workplace. Cash contributions by companies to community and civic causes that include family-related concerns plus in-kind contributions (such as equipment and volunteer time) total \$5.5 billion annually. An external focus by employers, perhaps by working through public-private partnerships, may be an especially effective strategy. John Hancock Mutual Life Insurance Co. and Bank America

Foundation have supported community child care, and General Mills has sponsored surveys of work and family issues.

Public policies, legislation and regulation by governments, affect families who work via both the tax system and budget policies.<sup>4</sup> Some public policy effects on the

work-family nexus are intentional and adverse, just as some are explicit and favorable. Employers see many of these effects and have concentrated ability to influence public policy for the better.

[The End]

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## Family and Work

By Joyce D. Miller

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### Amalgamated Clothing and Textile Workers Union

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It is both encouraging and heartwarming to see the widespread interest in what is happening with the new model American family and how workplace practices are shaping and impacting on the family. In fact, I had at least one family and work-related conference per week this spring.

Most parents are in the workforce today, with the newest group being women. Nearly half of all women with children under age 18 are in the labor force. A new Labor Department study claims that 48 percent of all mothers with children under the age of one worked in 1984: double the number who were working in 1970.

Why this sudden "explosion?" While the numbers of working families in general, and working mothers in particular, seem unprecedented, the fact is that women have always worked. Daughters were the first factory-hands in New England, sent to the big towns to earn

extra money to support family farms. Women work for the same reason that men work. They need the money!

Today, while the "normal" family is a working family, employers continue to operate on the assumption that there is a working father, a care-giver mother, and children. I was a member of the Committee on Family and Work of the Economic Planning Council of the United Nations Association of USA, whose charge was to examine employer and government practices. We found that parents are torn between competing family and job responsibilities, and this conflict contributes to lower productivity and the neglect of children as well as hurting the careers of many primary care-givers.

We must address these issues now. Otherwise, this country is going to pay the price of the failure of business and government to recognize the dramatic social changes brought by the influx of women into the workforce.

Before we look at specifics, I want to define family and work issues. It is a simple definition: anything that affects the ability of workers to care for their

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<sup>4</sup> For example, consider the tax treatment of single vs. married people and large vs. small families, and social welfare eligibility rules.

Other References: Halycone H. Bohen, *Corporate Employment Policies Affecting Families and Children: The United States and Europe* (New York: The Aspen Institute, 1983); John P. Fernandez, *Child Care and Corporate Pro-*

*ductivity* (Lexington, Mass.: Lexington Books, 1985); Sheila Kamerman and Alfred Kahn, *Work and Family Life: Employees and a Changing Work Force* (New York: Columbia University Press, forthcoming); Rosabeth Moss Kanter, *Work and Family in the United States: A Critical Review and Agenda for Research and Policy* (New York: Russell Sage Foundation, 1977).

families. This includes abolition of sex- and race-based wage discrimination, maintenance of safe and healthy work environments, attainment of universal medical coverage for all Americans, control over mandatory overtime, quality and affordable housing, etc. I have been asked to focus on child care and parental leave, but I must reiterate that the bottom line for a healthy and secure family is economic security.

At the outset, let me say this: No matter what has been done by trade unions and employers, it is not enough. It does not meet workers' needs. The federal government must embrace its responsibility to provide for the next generation. We must restore funding to Title XX. We must develop a strong, cohesive, national policy for dependent care. Perhaps I am old-fashioned, but I believe we get a better return for our money from investing in children rather than in military hardware.

The labor movement has always been the pro-family movement. We fought for child labor laws, public education, the minimum wage, and social security. We continue that fine tradition by addressing the family-related needs of workers through collective bargaining and legislative action.

The Coalition of Labor Union Women published a book entitled *Bargaining for Child Care: Contract Language for Union Parents*. The book contains model and actual contract clauses on a variety of workplace issues that affect families. It is one of a kind in the United States, and, if you have an interest in addressing these issues, I encourage you to purchase it.

### Child Care

Let us look at child care first. Through collective bargaining, unions have negotiated for child-care referral services, on-site day care, and subsidies to parents for child-care costs. Other options that unions are exploring are the employer purchase of slots in existing community facilities

for use by employees, the joint (with other employers) development of and/or operation of child-care facilities for employees of the cooperating companies, and vacation, holiday, and summer-camp programs for school-age children.

Negotiating for these benefits has been difficult during an era of givebacks. Nonetheless, because of the critical need of our members, we continue to press on. As some employers see retrenchment on employee gains as the only way to maintain high profits, we must have an alternative. That alternative is government funding. We came close, in 1971, as part of a broad-based coalition that supported the Mondale-Brademas bill. It was vetoed by President Nixon. The time to renew the fight is here.

Employers and unions have cooperated on child-care issues. The International Ladies' Garment Workers' Union and the Greater Blouse, Skirt and Undergarment Association set up a child-care center in New York City's Chinatown. Unions have, where possible, set up their own centers for members. The pattern, I fear, is a little here and a little there.

I take this opportunity to stress that child care is more than plunking 30 children in front of a television set. It requires a qualified, well-trained staff. The only way to ensure that these personnel are available is to pay child-care workers what they are worth. Of the five million child-care providers, 96 percent are women. They earn between \$2200 and \$12,500 per year. Center directors earn from \$14,000 to \$18,000. According to the Bureau of Labor Statistics, 42 percent of all child-care workers in centers left their jobs in 1980-1981.

We trust our children's lives to these people. We must do something to upgrade the quality of care the children are getting, and one way is to increase the salaries and status of child-care workers. Unionization of these workers has helped and will continue.

Before embarking on the uncertain road of finding affordable, quality child care, a worker must have negotiated time off for delivery and for care following delivery. More than 100 countries (almost every industrial country except the United States) have laws that protect pregnant workers and allow new mothers a job-protected leave with full or partial wages. There is no such policy in this country. U.S. unions are raising the issue, and we have succeeded in securing unpaid leave time with job-protected clauses. But this is only a beginning.

In the legislative arena, we are vigorously supporting HR 4300, the Parental and Medical Leave Act, introduced by Representatives William Clay and Patricia Schroeder. The act would mandate unpaid, job-protected leave for parents to care for their babies. Once again, this is a good beginning. However, the vast majority of working women need their paychecks to survive. We must begin looking towards either paid leave, partially paid leave, or government programs that will allow women and men to care for their children without worrying about making ends meet.

Children are not alone in needing care. The United States population is growing older, and women are the primary caregivers to aging spouses or parents. We must recognize this new need and address

ourselves to quality dependent care for older adults as well as for children. Parental leaves should be allowed, within reason, for serious family illness as well as for birth of a child. Leave time must be available to the worker who must care for a 12-year-old child, a 55-year-old spouse, or an 83-year-old parent.

I am quite sure that a number of you are shaking your heads. To solve the problems we are discussing requires great involvement at the federal level: involvement in an era of cutting back. But there is no other way to do it. Ensuring a quality life for our children is not an individual responsibility. It is a social responsibility. It belongs to all of us. The mechanism for expressing this responsibility is governmental programs, and a major stumbling block to these programs is the refusal of the government, the community, and business to recognize the gravity of the problem and the importance of the solution.

If the current system continues, countless future leaders will be lost. We owe it to them and to ourselves to provide adequate care for all Americans. Our children are our future. They will grow up and assume power. Do you think they will forget their treatment?

[The End]



# Union Organizing Success in New Manufacturing Plants in Three Southern States

By Bruce E. Kaufman, Robert C. Eisenstadt, and Madelyn V. Young

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Georgia State University

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One of the main challenges facing the American trade union movement is organizing the South. Despite several concerted organizing campaigns, such as the AF of L textile drives in the 1930s, "Operation Dixie" in the 1940s, and the recent organizing efforts of a number of AFL-CIO affiliated unions in the Atlanta and Houston areas, unions so far have made relatively little headway in penetrating the largely nonunion industries in the southern part of the country. Most southern states remain far below their northern counterparts in terms of the percentage of the workforce that is unionized, and the bulwark of antiunionism in the South, the textile industry, remains largely unorganized.

While the union movement always has recognized the importance of organizing the South, recent economic trends have given this task an added sense of significance. One of the most widely publicized developments of recent years has been the shift in the regional location of manufacturing plants and employment from the northeast and north central parts of the United States to the so-called "Sunbelt" states. As is documented below, over the past 15 years manufacturing employment in a number of the more heavily unionized states in the North has either stagnated or declined, while the less unionized states in the South and Southwest have all enjoyed sizable percentage increases. This rapid growth in the number of manufacturing plants located in these states has only accentuated what had been a long-

standing problem for the union movement. The existence of a sizable unorganized section of the country serves as a significant threat to both the bargaining power and organizational strength of unions that deal with firms operating in national product markets. The ability of these unions, for example, to raise wages and benefits in organized plants in the North is restricted because of the competitive disadvantage that higher labor costs impose on those plants relative to lower wage, nonunion plants in the South. An additional threat to both the bargaining position and level of union membership is the possibility that, in response to their demands, employers may simply close their plants and transfer production to new, nonunion plants in the Sunbelt.

Even though these developments have received a good deal of public attention, there remains a surprising lack of research on the entire issue of southern economic growth, its implications for unionism, and the progress of unions in organizing the South. This paper attempts to shed additional light on these subjects. The paper is divided into two parts. The first section presents a quantitative outline of the pattern of manufacturing growth and union organizing activity among the nine census regions of the country. The second section then takes a more in-depth look at the success of unions in organizing new manufacturing plants in three states: Alabama, Georgia, and North Carolina.

## Regional Patterns

Over the past 30 years, the rate of unionization in the nonagricultural econ-

omy has dropped from more than one-third to less than one-fifth. A number of factors have been cited as causes of this trend. Among them are the greater proportion of women and teenagers in the labor force, the relative growth in white-collar employment, the rise of the service economy, a greater degree of management resistance to unionization, and the regional shift in employment to the less unionized states of the South and Southwest. We wish to focus on this last factor.

One of the major economic developments of the past 15 years has been the relative economic decline of the industrial states of the North and the contrasting gains of the Sunbelt states.<sup>1</sup> While the levels of population, employment, and per capita income have increased in all the major regions of the United States, their rate of growth has been significantly higher in the states of the South and the Southwest. One facet of this pattern of economic growth that is quite important with respect to unionism is the regional shift in manufacturing employment.

Historically, the heartland of unionism in the United States has been the tier of industrial states stretching along the Great Lakes from Wisconsin to New York. In 1970, for example, the seven states of New York, Pennsylvania, Ohio, Indiana, Michigan, Illinois, and Wisconsin contained 48 percent of all union members. The heavy concentration of union members in these states, in turn, largely reflected the fact that they were also the center of American manufacturing. In 1970, 43 percent of all manufacturing jobs were in these seven states.

One reason for the decline in union membership in the United States is that over the past 15 years there has been a significant decline in manufacturing employment in the highly unionized states of the industrial North and a considerable gain in employment in the less

unionized states of the South and Southwest. These trends are documented in columns (a) and (b) of Table 1. Column (a) shows the percentage change in manufacturing employment between 1970 and 1984 for the nine census regions and the economy as a whole. Column (b) shows the percent of nonfarm workers who were union members in 1982.

Between 1970 and 1984, manufacturing employment in the U.S. economy grew only one percent. Among regions, however, the change was much more dramatic. In the Middle Atlantic and East North Central regions, which had the highest rates of unionization, manufacturing employment declined by 23.6 percent and 16.8 percent, respectively. In terms of absolute numbers, the eight states in these two regions lost two million manufacturing jobs. Even as the heavily unionized northern industrial states were losing manufacturing jobs, the lightly unionized states of the South and Southwest experienced a sizable increase in manufacturing activity. The percentage growth in manufacturing was greatest (65.5 percent) in the Mountain region, followed by the West South Central region (28.5 percent). The other two census regions spanning the South also saw significant increases in manufacturing employment, ranging from 14.7 percent in the South Atlantic region to 8.9 percent in the East South Central region.

The regional change in manufacturing employment is itself a function of the capital investment decision of American companies as they decide where to build, expand, contract, and close manufacturing facilities. As discussed in studies by Birch and Schmenner, the changes in manufacturing employment shown for each region in column (b) of Table 1 can arise from one or a combination of six events: the construction or "birth" of a new plant, the expansion of an existing

<sup>1</sup> See Philip Rones, "Moving to the Sun: Regional Job Growth, 1968-79," *Monthly Labor Review* (March 1980), pp. 12-19; and Bernard Weinstein and Robert Finestine,

*Regional Growth and Decline in the United States: The Rise of the Sunbelt and the Decline of the Northeast* (New York: Praeger, 1978).

plant, the in-migration of an existing plant from another region, the closure or "death" of a plant, the construction of a plant, or, finally, the out-migration of an existing plant to another region.<sup>2</sup> Both studies reached several interesting conclusions.

First, contrary to press reports and popular impression, very little of the employment gain of the Sunbelt states was due to the migration of existing plants or "runaway shops" from the North to the South. A second important finding was that the relative employment problems of the northern industrial states were due only in small part to a higher rate of plant closings. In Schmenner's study of the Fortune 500 companies, for example, the Pacific region had the highest incidence of plant closings, followed by the Middle Atlantic region and the New England region. In quantitative terms, however, the difference in the rate of plant closings among regions was not large.<sup>3</sup> Finally, the factor that did explain most of the relative variation in employment growth across regions was the rate of new plant openings and expansions. During the 1970s, for example, the Fortune 500 companies located only ten percent additional new plants in the Middle Atlantic region (relative to the number of existing plants there), but 20 percent more new plants in the South Atlantic region and 29 percent more in the West South Central region.

The implications of these trends for the labor movement is clear. Many high-wage, unionized manufacturing jobs in the northern industrial states have disappeared, while hundreds of new manufacturing facilities have been opened in the lightly unionized states of the South and the Southwest. To what degree this move-

ment of manufacturing to the Sunbelt is a consequence of unionism (or, put another way, the desire to avoid unionism) is a difficult question to answer.<sup>4</sup> What is clear, however, is that, if American unions are to reverse the decline in union membership, one thing they must do is organize the new plants being built in the South and Southwest.

Are unions successfully doing so? Table 1 presents some aggregate data on this question. Column (c) shows for each region the average number of workers eligible to vote in NLRB representation elections in 1981-82 expressed as a percent of the number of nonunion production workers in the private nonagricultural economy. This statistic provides a measure of union organizing activity among the nonunion workforce. In the U.S. in 1981-82, only .7 percent of nonunion production workers outside of government had the opportunity to vote in an NLRB election for union representation. If unions are to reverse the decline in unionization in the country, one task clearly is to increase the extent of organization in the lightly unionized states of the South and Southwest. The data in column (c) reveal, however, that at least in 1981-82 unions were not successful in this endeavor. The highest levels of organizing involvement were in the Pacific and Middle Atlantic regions, while the lowest levels were in the West South Central, South Atlantic, Mountain, and West North Central regions. The implication is that unions were least successful in organizing in precisely those states where much of the new manufacturing activity is.

A second measure of union organizing success is shown in column (d) of Table 1. It is the union win rate in NLRB representation elections. Nationally, unions

<sup>2</sup> David Birch, *The Job Creation Process* (Cambridge, Mass.: MIT Program on Neighborhood and Regional Change, 1979); and Roger Schmenner, *Making Business Location Decisions* (Englewood Cliffs, N.J.: Prentice-Hall, 1982).

<sup>3</sup> It should be noted, however, that Schmenner's study covered only the 1970s. Had it been extended to include the

1981-82 recession, the reported incidence of plant closings well might have been much higher.

<sup>4</sup> The relative importance of unionization in the plant location decision is discussed in Schmenner, cited at note 2. He concludes that unionization is an important factor for firms where labor cost comprises a significant share of total production cost.

won 42 percent of all NLRB elections. Across the nine census regions, the win rate varied from a high of 46.1 percent in the Middle Atlantic to 39.0 percent in the South Atlantic and East South Central regions. Thus, not only were unions able to gain fewer elections in the Sunbelt and Mountain states, they also were able to win fewer of them.

### Organizing Success

The data on NLRB election outcomes in Table 1 provide circumstantial evidence that unions so far have been unsuccessful in organizing many of the new manufacturing plants being located in the Sunbelt. In this section, we present more specific data on this issue for three states: Alabama, Georgia, and North Carolina.

Between 1972 and 1982, these three states experienced a net increase, respectively, of 21, 18, and 15 percent of manufacturing plants employing 20 or more workers. These new plants obviously represent a significant opportunity for unions in their drive to organize the South. How successful have they been? To shed light on this subject, we analyzed union organizing success in new manufacturing plants built in these states between January of 1975 and December of 1980. Data on the geographic location, corporate ownership, and total employment of individual manufacturing facilities are unavailable from any federal government statistical source such as the Census Bureau or the Department of Labor. We were able to obtain the data by employing a two-step process. First, we compiled a list of announced new plant openings in Alabama, Georgia, and North Carolina from *Industrial Development*, a bi-monthly magazine devoted to issues pertaining to industrial site selection, facilities planning, and related topics. As part of their activities, the *Industrial Development* staff attempts to identify from press clippings, state development reports, and other sources all "significant" (over \$.5 million of capital investment) new plant

openings and expansions in each of the 50 states.

The information in *Industrial Development* is on announced plant openings, and it is possible that some of these plants never were built or since have been closed. To guard against these possibilities, as a second step we checked the latest *Directory of Manufacturing* for each state and included in our sample only those plants that were referenced therein. This source also provided us with information on the plant's SIC code, geographic location, and employment size.

The resulting sample sizes, shown in column (a) of Table 2, were 166 new plants in Alabama, 80 in Georgia, and 158 in North Carolina. Shown in column (b) is the proportion of these plants that were in durable manufacturing: 58 percent for Alabama, 53 percent for Georgia, and 67 percent for North Carolina. Finally, column (c) shows the percentage of the new plants that were located outside an SMSA: Alabama, 55 percent; Georgia, 60 percent; and North Carolina, 67 percent.

Having derived a sample of new manufacturing plants for each state, the next step was to determine if there had ever been a representation election in these individual plants and, if so, whether the union had been successful. To ascertain this, we compiled, from a computer tape and the NLRB's *Monthly Election Report*, a list of all representation elections held in the three states between January of 1975 and March of 1985. These data were then cross-checked with the sample list of new manufacturing plants.

The results from the investigation are shown in columns (d) and (e) of Table 2. Column (d) shows the percentage of new plants in each state in which there was an NLRB representation election: 14 percent for Alabama, 28 percent for Georgia, and 9 percent for North Carolina. Column (e) shows the percentage of new plants in the sample where the union won representa-

tion rights: six percent in Alabama, 15 percent in Georgia, and three percent in North Carolina.<sup>5</sup> For unions, these figures represent win rates (successful elections as a proportion of all elections) of 42 percent for Alabama, 54 percent for Georgia, and 33 percent for North Carolina.<sup>6</sup>

The figures from Table 2 reinforce the conclusions drawn from Table 1. A significant number of new manufacturing plants opened in each of the three states, but the unions were successful in organizing only a small minority of them. Unions were

most successful in Georgia where 15 percent of the new plants were organized and were least successful in North Carolina where only three percent were organized. If these figures are representative of other states in the South and Southwest, they certainly suggest that the rate of unionization in both the manufacturing sector and the national economy will continue to fall.

[The End]

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<sup>5</sup> Schmenner, cited at note 2, found that, in the 1970s, 22 percent of the new plants built by the Fortune 500 companies in the South Atlantic region were unionized. Two possible explanations for why the union success rates reported here are lower than he found in his study are that our sample of plants includes relatively small establishments, and union win rates in NLRB elections declined significantly between the time of his study and ours.

<sup>6</sup> The statistics reported here on the percent of new plants successfully organized may be understated to the extent that some companies voluntarily recognize a union without a representation election. It is likely that this source of error is relatively small, however.

Table 1

Regional Patterns in Manufacturing Employment Growth,  
Unionization, and Union Organizing Success

Region <sup>7</sup>	% change manufacturing employment 1970-1984 (a)	% unionized of nonagricultural employment 1982 (b)	% nonunion workforce voting in NLRB election 1981-1982 (c)	% union success NLRB elections 1981-1982 (d)
New England	3.4	16.8	.7	41.2
Middle Atlantic	-23.6	27.6	.8	46.1
East North Central	-16.8	27.5	.7	40.3
West North Central	8.4	17.8	.5	43.2
South Atlantic	14.7	14.5	.5	39.0
East South Central	8.9	16.3	.8	39.0
West South Central	28.5	13.1	.4	39.9
Mountain	65.5	17.0	.5	42.8
Pacific	27.2	29.5	.9	41.2
United States	1.2	21.9	.7	42.0

<sup>7</sup>The nine regions are composed of the following states: New England - Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut; Middle Atlantic - New York, New Jersey, and Pennsylvania; East North Central - Ohio, Indiana, Illinois, Michigan, and Wisconsin; West North Central - Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas; South Atlantic - Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia and Florida; East South Central - Kentucky, Tennessee, Alabama, and Mississippi; West South Central - Arkansas, Louisiana, Oklahoma, and Texas; Mountain - Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada; Pacific - Washington, Oregon, California, Alaska, and Hawaii.

Sources: Bureau of Labor Statistics, Employment and Earnings (1971, 1985); National Labor Relations Board, Annual Report (1981, 1982); Leo Troy and Neil Sheflin, Union Sourcebook (1985).

Table 2

Union Organizing Success in New Manufacturing Plants  
in Alabama, Georgia and North Carolina<sup>8</sup>

State	Number of new plants (a)	% durable manufacturing (b)	% outside SMSA (c)	% plants having NLRB election (d)	% plants having union NLRB victory (e)
Alabama	166	58.0	55.0	14.0	6.0
Georgia	86	53.0	60.0	28.0	15.0
North Carolina	158	67.0	67.0	9.0	3.0

<sup>8</sup>Sources: See text.

# Technological Change and Its Effects on Labor Markets\*

By Richard S. Belous

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If no one knows what will happen,  
who can tell him when it will happen?

Ecclesiastes 8:7

Having botched predictions of the next calendar quarter, the science of economics moves on to predictions of the next quarter century. Ironically, this shift may bolster the dismal science's standing in the intellectual market place, since both Keynes and Ecclesiastes tell us that, in the long run, we are all dead.

Creators of long-term forecasts and models emphasize that we are better off by doing these long-term exercises, despite predictions that are often wide of the mark. However, measured by the rigors of cost/benefit analysis, the above view is in reality an act of "faith . . . [or] assurance of things hoped for, [and] the conviction of things not seen."<sup>1</sup> In general, I believe that such faith is warranted and that economic and human resource policies can be improved as a result of these efforts. Yet, this requires that analysis follow the two commandments of long-term forecasts and model-building: (1) Thou shall not take thy models or estimates too seriously. (2) Thou shall forecast early and often.

With the above in mind, in this paper I first present long-term estimates of the effects of technological change on American labor markets. Then, I ask a series of policy questions and suggest answers based on these estimates.

## The Landscape

Table 1 shows the general estimated landscape of American occupational employment through the year 2000. Before presenting an analysis of the specific numbers, let me explain the methodology behind the madness. Estimates of the relative occupational composition of the American labor force are based on coefficients derived from a dynamic input/output (I/O) model constructed by Wassily Leontief, Faye Duchin, and their associates at New York University's Institute for Economic Analysis. This model divides the U.S. economy into 89 individual industries and 53 different occupations. Besides shifts in such factors as consumer demand or net exports, the Leontief-Duchin model is also dynamic in the sense that the relationships between "inputs" and "outputs" change over time. These I/O shifts are due to changes in technology as it filters through the entire economy.<sup>2</sup>

The Bureau of Labor Statistics (BLS) also has constructed an I/O model of the U.S. economy. The estimated level of

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<sup>1</sup> Hebrews 11:1.

<sup>2</sup> For background on this model see Wassily Leontief and Faye Duchin, *Automation: The Changing Pattern of U.S. Exports and Imports, and Their Implications for Employment* (New York: Institute for Economic Analysis, New York University, 1985); Faye Duchin and Daniel A. Szyld, *A Dynamic Input-Output Model with Assured Positive Output* (New York: Institute for Economic Analysis, New York University, 1984).



future employment is somewhat more conservative in the BLS I/O model than it is in the Leontief-Duchin model. The major difference between the two appears to be that the BLS has made more conservative estimates of the future growth of the American labor force than Leontief and Duchin. Table 1 uses BLS's conservative labor supply growth estimates through 1995 and then assumes that total civilian employment will increase by roughly 7.5 percent between 1995 and 2000.<sup>3</sup> Thus, both the Leontief-Duchin model I/O coefficients and BLS's labor supply estimates are used in forming Table 1 estimates.

If the estimates in Table 1 are correct, then, between 1978 and the year 2000, net employment will increase by 37.5 percent. In the preceding period of similar length (i.e., 1956 to 1978), net employment increased by 50.5 percent. While a slower pace of net job growth may be experienced in the 1978-2000 period than was experienced in the 1956-1978 period, the net supply of labor is not expected to be increasing at as rapid a pace in the 1978-2000 period as it was in the 1956-1978 period. Thus, a somewhat smaller level of net American job growth in the coming years does not have to result in higher levels of unemployment.

But the distribution of net job growth could be quite uneven within the American labor force. The estimates shown in Table 1 indicate that, through the year 2000, the largest relative job growth could be in the employment of professionals and service workers. Employment of crafts people, operatives, and laborers could also experience both relative and absolute growth. Meanwhile, the relative employment of salesworkers could be about the same in the year 2000 as it was in 1978. The relative employment level of manag-

ers could decline in this period (from 9.5 percent in 1978 to 7.2 percent in the year 2000). And the hardest hit occupational group could be clerical workers who may experience both a relative and absolute employment decline in this period. The estimates covering clerical workers may be rejected by some, while others may be only willing to believe a "relative" decline in clerical employment (i.e., not an absolute decline). Nevertheless, these estimates could be a "red flag" that this occupational segment of the labor force may face the most serious difficulties in adjusting to the so-called "information age."

### Policy Questions

The effects of technological change on American labor markets raise numerous policy questions. Some of the key questions are examined in this section.

The concern expressed by some is that computers and other new technologies will increase the number of people who are unemployed. Millions of Americans will find that their jobs have been automated and they will no longer be needed for any job, some have warned.<sup>4</sup>

In the past, new technology has had two general effects on employment levels. First, a "demand side" effect has worked to increase employment levels. New technology has generated a higher standard of living, and more jobs have been created to meet the added demands (for products and services) made by consumers, business, and government. Second, a "supply side" effect has worked to decrease employment levels. New technology has helped employers produce a given level of output with fewer workers due to increased productivity. In the past, the "demand side" effect has been larger than the "supply side" effect, and employment

<sup>3</sup> For more background on BLS's I/O estimates, see George T. Silverstri and John M. Lukasiewicz, "Occupational Employment Projections: The 1984-95 Outlook," *Monthly Labor Review* (November 1985), pp. 42-57.

<sup>4</sup> For more analysis, see Office of Technology Assessment, *Automation of America's Offices* (Washington: U.S. Govern-

ment Printing Office, 1985), pp. 33-71; Office of Technology Assessment, *Technology and Structural Unemployment: Reemploying Displaced Adults* (Washington: U.S. Government Printing Office, 1986), pp. 105-32, 321-67.

has tended to show net increases due to technological change.

Yet the current fears are that computer and related technologies might be quite different from previous technological shifts. Such advances as artificial intelligence might alter the employment equation, and the "supply side" effect might be larger than the "demand side" effect, it is warned. If this were the case, then the new technology would be a net destroyer of jobs. However, the estimates contained in Table 1 and Figure 1 provide reasons for being somewhat optimistic about the ability of the economy to generate enough new jobs, even with the introduction of new computer technology.

The estimates in Figure 1 are the results of a "thought experiment." First, examine the labor required to produce a given level of output in the year 2000 if there is a "rapid adoption" of new technology. Second, examine the labor required to produce the same level of output using the technology that was in place in, say, 1980. As shown in Figure 1, it would require about 11.4 percent less labor to produce a given level of output under the first condition compared to the second. If this difference was, say, 75 percent less labor, then one might have reasons to expect that the "supply side" effect might be larger than the "demand side" effect this time. However, given the magnitude of the estimates presented in Figure 1, it is reasonable to expect that, at least through this century, the new technology will generate more jobs than it destroys.

Also, it takes time for a new technology to filter through an economy, and it also costs a good deal of money to replace workers with, say, robots. Even a massive investment in robotics may not be large

enough to automate and replace five percent of the U.S. blue-collar labor force by the year 2000.<sup>5</sup> It is reasonable (but lamentable) to expect that continued macroeconomic problems will create unemployment. Yet, indications are that we will *not* face a "brave new world" by the year 2000 in which massive technological unemployment exists.

Even if the total quantity of jobs proves to be adequate, there is still a question about the quality of jobs created in the economy. Some have warned that we will be producing a so-called "chips economy" (i.e., an economy in which workers either design silicon chips, process wood chips, or serve fish and chips at fast food outlets). Working I/O models to date are not able to help one do a full "economic" analysis of income distribution issues. But they can help one do a more sociological analysis of these problems. Table 2 divides the economy into upper, middle, and lower echelon jobs. When the Leontief-Duchin model is used, it appears that, between 1978 and 2000, there may be a decline in the relative number of so-called middle echelon occupations and an increase in the relative number of upper and lower echelon occupations.

Analysis by the Congressional Research Service indicates that, in recent years, there has been some increase in income inequality and some erosion of the middle class. However, the shift in employment from goods-producing jobs to service-sector jobs so far has *not* been a primary factor behind the above changes.<sup>6</sup> Nevertheless, policy-makers would be well advised to consider the wage and income distribution effects (and potential shifts in occupational job ladders) due to the increased use of the new technologies.

<sup>5</sup> Richard S. Belous, *The Computer Revolution and the U.S. Labor Force* (Washington: Library of Congress, Congressional Research Service, 1985), pp. 24-29.

<sup>6</sup> Richard S. Belous, Linda H. LeGrande, and Brian Cashell, *Middle Class Erosion and Growing Income Inequal-*

*ity* (Washington, D.C.: Library of Congress, Congressional Research Service, 1985), pp. 25-37.

## Occupational Transition

Besides the quantity and quality of the jobs created, there is also a question of whether there will be a mismatch between people seeking employment and the type of employment opportunities that will exist. It is reasonable to expect that market forces will provide strong incentives in U.S. labor markets that will eliminate a major portion of the excess supply of (or excess demand for) different occupational labor groups. Yet indications are that millions of workers will need to make transitions from different occupations, industries, and regions of the country to new areas. This transition process could be eased and improved by public- and private-sector policies that help U.S. workers obtain skill and training levels required by potential employers.

Some groups within the U.S. labor force could be harder hit than others by the transition process. For example, as noted, clerical workers could experience the largest relative decline in employment in the last years of this century. Over 30 percent of the U.S. female workforce is employed in clerical occupations. Women may be a very "vulnerable group" in the advance of new technology.<sup>7</sup> Also, while the employment levels of crafts people and operatives should continue to grow, it could be that blue-collar work in, say, the robotics industry will be quite different from blue-collar work in the older metal assembly industries. This may mean that one will require more and different types of training to be employed in "similar sounding" occupational jobs within expanding industries compared to stable or contracting industries. Lastly, there will be segments of the labor force (e.g., minorities, the poor, and local areas with numerous displaced workers) that will continue to fail

in, or be failed by, American labor markets and educational institutions.

Recent evidence indicates that most Americans, if given a basic foundation in terms of education and job market skills, are able to make needed transitions when technology alters labor markets.<sup>8</sup> However, there are millions of Americans who do not have this basic foundation. When considering technological change, policy-makers and various human resource planners often think in terms of exotic "computer technology" courses. If young workers, for example, have a basic foundation, they often seem to be able to pick up the job-specific skills required by employers. Lacking this foundation, they often seem not to be able to pick up the required job-specific skills.<sup>9</sup> Thus, the recent renewed interest in technological change has not altered what I believe has always been the most pressing problem facing human resource practitioners (i.e., how can one teach basic reading, writing, arithmetic, and job market skills to those at the lower end of the labor market queue?).

For the vast majority of American workers, the types of "new technology" they will be using will have already gone through several stages in the process of becoming "user friendly." Thus, it is possible (and even viewed as desirable by many employers and employees) to use a word processor without having the slightest knowledge of how to program a computer. The "automotive age" did not require that most of the labor force become versatile in auto mechanics. At best, the "automotive age" required that many Americans take a semester of "driver education."

But didn't somebody have to design the autos and do the research and develop-

<sup>7</sup> Diane Werneke, "Women: The Vulnerable Group," in *The Information Technology Revolution*, ed. Tom Forester (Cambridge, MA: MIT Press, 1985).

<sup>8</sup> Sue Berryman, "Educational Requirements for Employment in an Increasingly International Trade Environment," paper presented at the Winter 1986 meeting of the National

Council on Employment Policy; Robert Taggart, *A Fisherman's Guide: An Assessment of Training and Remediation Strategies* (Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 1981), pp. 278-349.

<sup>9</sup> Taggart, cited at note 8, pp. 85-131.

## Privatization

ment? What about engineers, scientists, and other highly skilled workers required to expand our high tech industries? Often we are told that Japan produces more engineers than the United States. Is this not a sign of a mismatch between skills, training, and employer needs? The evidence from several I/O models and other sources does *not* show a major mismatch between the total demand and supply of engineers and scientists. Except in a few cases (e.g., some types of computer specialists), a general scarcity of scientists and engineers does not exist.<sup>10</sup> The United States does not seem to need a new large-scale program to vastly increase the size of its science and engineering workforce.

Some analysts have hoped that American high technology industries would act as "an engine of growth" and vastly increase the total number of U.S. jobs. The added hope has been that high technology industries will employ many types of specific workers ranging from scientists to assembly people. However, even when one uses a very liberal definition of high tech industries, only about 17 percent of the new jobs created in the 1982-1995 period will be in the high tech sector.<sup>11</sup> By 1990, more than one-quarter of American assembly workers could be employed by high tech industries, but strong international competition could reduce the power of any high tech "engine." For example, high tech's share of total U.S. imports may increase to 6.4 percent.<sup>12</sup> Thus, faith that high tech can, by itself, solve the mismatch problems does not appear to be warranted.

The most serious difficulty we may face, in dealing with the effects of technological change on American labor markets, could be "ideological constraints." The ideology of "privatization" is currently quite fashionable.<sup>13</sup> However, many of the labor market difficulties due to technological change may be "externalities" and "free riders" (to use the language of economics). Yet, as any standard microeconomic textbook "proves" (or "asserts"), it is these types of problems (plus equity issues) that the private market often does the poorest job in solving. The drive toward "privatization," combined with rapid technological change, could be asking the private sector to rest most of its weight on its weakest links.

For example, consider bioscience. The National Science Foundation estimates that the "total" supply of bioscientists is not of line with the "total out" demand.<sup>14</sup> However, as one National Academy of Science panel has warned: "Bioscience Ph.D. production has been essentially level since 1972 and can be expected to start dropping . . . Young researchers will find it difficult in these circumstances to begin their careers as independent investigators. Without adequate numbers of young investigators, who typically are highly innovative and creative, where will the new ideas for advance in basic research come from? . . . How can this country's competitive advantage in technical areas, such as the new biotechnology, be maintained?"<sup>15</sup>

<sup>10</sup> Richard Belous, "High Technology Labor Markets: Projections and Policy Implications," paper presented at a 1985 conference sponsored by the UCLA Institute of Industrial Relations.

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*, p. 23. For details on the methodology used, see Wassily Leontief and Faye Duchin, *Automation: The Changing Pattern of U.S. Exports and Imports, and Their Implications for Employment* (New York: Institute for Economic Analysis, New York University, 1985).

<sup>13</sup> For example, see Gary S. Becker, "Why Public Enterprises Belong in Private Hands," *Business Week*, February 24, 1986, p. 20.

<sup>14</sup> See Robert C. Dauffenback and Jack Fiorito, *Projections of Supply of Scientists and Engineers to Meet Defense and Nondefense Requirements, 1981-1987*, a report to the National Science Foundation (Stillwater: Oklahoma State University, 1983); National Science Foundation, *Projected Response to the Science, Engineering, and Technical Labor Markets to Defense and Nondefense Needs, 1982-87* (Washington, 1984).

<sup>15</sup> National Academy of Sciences, *Personnel Needs and Training for Biomedical and Behavioral Research* (Washington: National Academy Press, 1983), pp. 6, 50.

The case of bioscience is an example of where externalities, free riders, and equity problems may produce labor market results that are far less than optimal. Privatization, by itself, may *not* prove to be a good solution in the case of bioscience. Instead, there may be a warranted role (even based upon standard neoclassical economic theory) for expanded public efforts in this and other areas where new technology impacts labor markets.

The bottom line is that there are reasons for being quite optimistic about net

effects of technological change on American labor markets. A rapid pace of technological change does *not* have to result in increasing structural unemployment. It appears that we will have the time required to ease the transition process for many workers who will face difficulties. Whether or not this time is used wisely, by both the public and private sectors, remains to be seen.

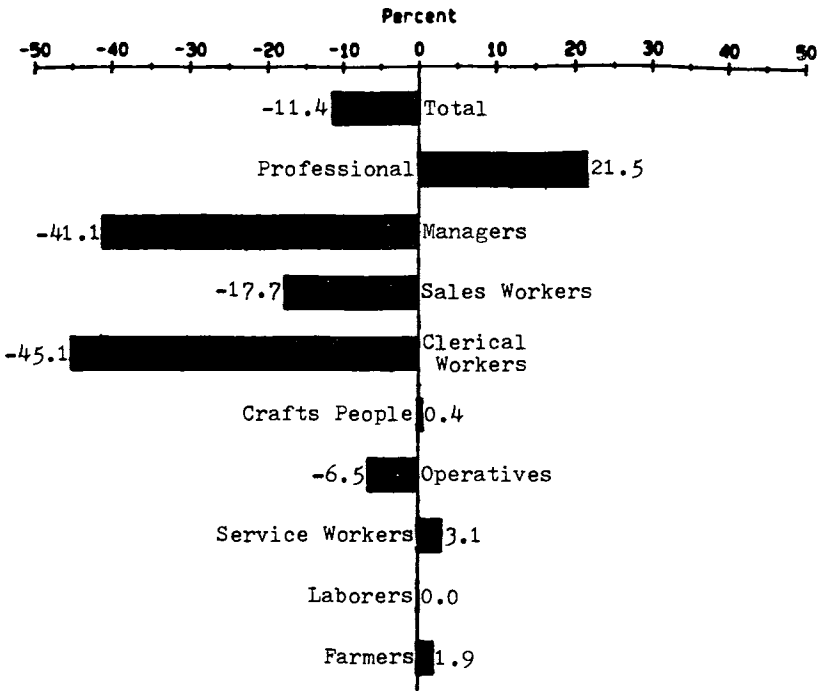
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Table 1. Estimated Level and Composition of U.S. Occupational Employment, 1978 and 2000<sup>16</sup>  
(millions and percent)

	1978		2000		Percent Change In Employment Levels Between 1978 and 2000
	Level (millions)	Distribution (percent)	Level (millions)	Distribution (percent)	
<b>Total Civilian Employment</b>	96.0	100.0%	132.0	100.0%	+37.5%
Professionals	15.0	15.6%	26.1	19.8%	+74.0%
Managers	9.1	9.5%	9.5	7.2%	+4.4%
Sales workers	6.3	6.6%	8.6	6.5%	+36.5%
Clerical workers	17.1	17.8%	15.0	11.4%	-12.3%
Crafts people	12.8	13.3%	19.8	15.0%	+54.7%
Operatives	15.1	15.7%	21.8	16.5%	+44.4%
Service workers	11.9	12.4%	19.4	14.7%	+63.0%
Laborers	4.7	4.9%	7.3	5.5%	+55.3%
Farmers	3.1	3.2%	4.5	3.4%	+45.2%

<sup>16</sup> The estimates made in this table are based on the following methodology: (1) The relative allocation, or employment distribution, estimates were derived from a dynamic input/output model constructed by Wassily Leontief and Faye Duchin (see footnote 2 for details). (2) The level of employment for 1978 was based on U.S. Bureau of Labor Statistics (BLS) data. (3) The level of employment for the year 2000 was based on BLS employment estimates through 1995. Between 1995 and the year 2000, it was assumed that total civilian employment will increase by roughly 7.5 percent (see footnote 3 for details on BLS 1995 estimates).

FIGURE 1. The Estimated Change in the Labor Required to Produce a Given Level of Goods and Services Between 1980 and 2000 if There Is a Rapid Adoption of New Technology<sup>17</sup>



<sup>17</sup> These estimates compare two scenarios. The first scenario, in effect, assumes that technology is "frozen" at 1980 conditions. The second scenario assumes that there is a "rapid adoption" of new technology. Source: Wassily Leontief and Faye Duchin, *The Impact of Automation on Employment, 1963-2000* (New York, Institute for Economic Analysis, New York University, 1984), p. 1.6.

Table 2. Distribution of Jobs by Occupational Class<sup>18</sup>

	1978	2000	Change between 1978 and 2000 (percentage points)
Upper echelon occupations	25.1%	27.0%	+1.9
Middle echelon occupations	37.7%	32.9%	-4.8
Lower echelon occupations	36.2%	40.1%	+3.9

<sup>18</sup> Upper echelon occupations include professional and technical workers, managers, officials, and proprietors. Middle echelon occupations include sales workers, clerical workers, and craft workers. Lower echelon occupations include operatives, service workers, laborers, farmers, and farm workers. Source: Author's calculations based on the Leontief-Duchin model.

# New Technology—The Challenge to Unions:

## A Comparative View\*

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In spite of all the speculation about current technological changes heralding a new industrial and social revolution, many of the industrial relations issues are not new; essentially they are those of the first industrial revolution. This paper aims to dispel the misconceptions that unions always oppose new technology and to explain typical union policies on technological change by drawing on the experiences of several Western countries. It goes on to analyze different patterns of union behavior.

There is a widely held view that unions always obstruct technological change. Yet when Weikle and Wheeler<sup>1</sup> surveyed the attitudes of local union leaders to technological change in the U.S., the average response was "a rather mild form of encouragement;" these labor unionists wanted to influence the kind of changes that take place. A European study found that opposition from the shop floor or unions was not seen as a major problem. It was identified by only 16 percent of manufacturing establishments in France, 14 percent in Germany, and only seven

percent in Britain. In these countries, the establishments saw new union opposition as a much less important obstacle than such other issues as the general economic situation, lack of people with microelectronic skills, and high costs of development.<sup>2</sup>

It is important to distinguish the position of individuals or groups from that of unions as collective organizations. Most union leaders publicly welcome involvement in new technologies. From the vantage point of a national union head office, it may be relatively easy for a union leader to adopt such a view, in contrast with a worker or workgroup liable to be directly displaced by a particular change. As negotiators, however, union leaders aim to influence *how* technological change is introduced. They do not want to stop it but rather to control it, whether unilaterally, bilaterally, trilaterally. There is much more scope for choice about the use of microelectronic technologies than with the earlier mechanical technologies. (The former are smaller, less dependent on energy, more easily transported, and more flexible.) Contemporary unions have more professional expertise than their predecessors. Nevertheless, the role of unions is

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\* This paper draws on a survey of the main national union confederations and international trade associations based in Western Europe. It also draws on research on technological change, particularly in Australia, Britain, and West Germany. The author is grateful to all who have helped in these endeavors. A more detailed version of this paper will be presented to the Seventh World Congress, International Industrial Relations Association, September, 1986, in Hamburg.

<sup>1</sup> R.D. Weikle and H.N. Wheeler, "Unions and Technological Change: Attitudes of Local Union Leaders," *Proceedings of the 36th Annual Meeting*, Industrial Relations Research Association (Madison, Wis.: IRRRA, 1984).

<sup>2</sup> The respondent was typically a chief engineer in larger establishments or a managing director in smaller ones. In Britain, opposition from top management was seen as a problem "by five percent of the establishments, slightly less often than trade unions, but the figure may under-represent the extent of the difficulty since a proportion of the respondents would probably regard themselves as top management and would be unlikely to see themselves as a major obstacle." Northcott et al., *Microelectronics in Industry: An International Comparison* (London: Policy Studies Institute, 1985).



constrained insofar as they are in a generally unfavorable economic and political context in the 1980s, and unions rarely initiate the introduction of new technologies but generally react to employer-inspired initiatives.

Since the late 1970s, many unions have reconsidered their policies in relation to the increasingly widespread use of microelectronic technology. Such policies have often been published or codified by national unions and centers as well as by various international union organizations.<sup>3</sup> Although their objectives differ, one way of explaining them is to construct a typical union policy.<sup>4</sup> This includes a series of procedural and substantive objectives.

### Unions' Procedural Objectives

*Consultation:* Consultation should begin by employers disclosing full information about the proposed change, at the contemplative stage of the decision-making process, so that unions can genuinely influence the choice of technologies and how they are used, rather than merely influencing the details of implementation.

*Union Expertise:* Unions should retain their own independent technical specialists who can appraise employers' proposals. These may be external consultants and/or internal "technology stewards," who should have access to the relevant

technical specifications and to training about technical and social issues.

*Data Protection:* Information technology should not be used to invade workers' privacy. Employers should not use it to control an individual worker's performance, unless jointly agreed to in advance. Unions should have joint control of any data that are collected, how they are used, and who can have access to them. (Individuals should have access to any data that relate to them.)

*Joint Reviews:* Unions should be involved in regular reviews of any technological change, to ensure that the agreed policies are being followed and so that any unanticipated consequences can be dealt with.

### Unions' Substantive Objectives

*Job Security:* Technological change should not cause any loss of jobs. If it is used to increase productivity, the output or service should be increased rather than the volume of labor decreased. If such a decrease is unavoidable, people should be redeployed, with no loss of pay or conditions. Failing that, there should be early retirement or layoffs, but voluntarily. Such "natural wastage" is not welcomed, but it is preferable to compulsory dismissals.

*Dismissals:* If compulsory dismissals are unavoidable, the selection criteria,

<sup>3</sup> For details of union policies in various countries, see: on Australia, R. Markey, *The Trade Union Response to Technological Change in Australia* (Sydney: Industrial Relations Research Center, University of New South Wales, 1983); on Britain, R. Williams and F. Steward, "New Technology Agreements: An Assessment," *Industrial Relations Journal* 16(3) (1985); on Sweden, L.O. *Computers on Human Terms* (Stockholm: Landsorganisationen i Sverige, 1983); on Norway, V. Keul, "The Trade Union Movement, Research and Data Technology: An Account of Three Research Assignments for Trade Unions," in *Computerization of Working Life*, ed. E. Possum (Chichester: Ellis Horwood, 1983); and on various countries, G.J. Bamber and R.D. Lansbury, eds., "Technological Change and Industrial Relations: An International Symposium," Special Issue of the *Bulletin of Comparative Labour Relations* 12 (1983) and ILO, *Technological Change: The Tripartite Response, 1982-85* (Geneva: International Labour Organization, 1985). For examples of some international union policies, see FIET, *Model Technology Agreement* (Geneva: International Federation of Commercial, Clerical, Professional and Technical

Employees, 1983), ICFTU, "Technology, Growth and Development," in *ICFTU 1984 World Economic Review: The Reality of Interdependence* (Brussels: International Confederation of Free Trade Unions, 1984) and EMF, *EMF Basic Demands with Regard to Technological Change and a Changing Society* (Brussels: European Metalworkers' Federation, 1985).

<sup>4</sup> This typical policy is used here as an "ideal type" concept in the sense of a simplified yet exaggerated abstraction, to illustrate current union thinking, but the various items are "more or less present and occasionally absent" in particular cases. Actual policies and practices can be better understood by comparing them with such an ideal type. This does not imply a moral value of "the ideal"; see M. Weber, *The Methodology of the Social Sciences* (Glencoe, Ill.: Free Press, 1949). In view of space constraints, this discussion focuses on unions vis à vis employers. Of course, political action is also a crucial component of union policies on technological change.

compensation, and length of notice should be negotiated in advance. Those affected should be counseled and helped to find alternative employment.

*Working Hours:* Technological change should be used to offer workers more choice about when they work and a reduction in their total working hours, for example, by introducing longer holidays, a shorter working week, sabbatical leave, and the elimination of systematic overtime.

*Pay:* Employers should pay extra money to the people who learn new skills. Even if no new skills are required, technological change should be accompanied by a pay increase rather than a reduction.

*Job Design:* The opportunity also should be taken to improve the working environment. For example, workers should be able to control their own pace and quality of work, which should not be too repetitive or fragmented.

*Health and Safety:* Similarly, workplace health and safety should be enhanced rather than the converse. New hazards and stresses, which may be associated with new technology, should be eliminated before innovations are commissioned.

*Retraining and Reskilling:* Whenever possible, those people displaced should be retrained to work with new technologies or elsewhere. Thus, technological change should not lead to deskilling; it should be used to create opportunities for reskilling. Employers should invest in training their employees (preferably during working hours).

*Equal Opportunities:* Technological change should not precipitate increased polarization between a highly skilled, well paid minority and a deskilled, low paid

majority. People should have equal opportunities to be appointed to the best jobs, irrespective of their gender, race, religion, or family background.

This typical policy represents a broad generalization and is not always applicable. There has been a growing union concern with such issues as health and safety, equal opportunities, and job design, but few of those policies were designed specifically to confront current technological changes; most are adaptations of earlier policies. Perceived threats associated with microelectronic innovations have provided predominantly manual/craft unions with opportunities to consolidate their existing strategies and tactics. Coping with technological change has generally been a newer experience, however, for predominantly nonmanual unions, which more often have devised new policies. The formulation of strategies and tactics in any particular case involves all of the usual internal debates and negotiation processes among union members and officials.<sup>5</sup> The outcome reflects the relative power of different factions or interest groups and their particular priorities.

### Union Response

In exchange for a high level of pay, for example, some workers may be willing to tolerate a repetitive job design or unsafe working conditions. Hence, it is important to distinguish between union policies and union responses in practice. Policies may reflect long-held ideological orientations. Responses are influenced by such policies but also by the immediate context, over which employers (and governments) may have more influence than union leaders. We can begin to classify union responses into five categories:<sup>6</sup>

*Participative involvement* exists when unions positively welcome technological

<sup>5</sup> Cf. the "attitudinal structuring" and "intraorganizational bargaining" analyzed by R.E. Walton and R.B. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965).

<sup>6</sup> For other approaches to classifying union behavior, see S.H. Slichter et al., *The Impact of Collective Bargaining on*

*Management* (Washington: Brookings Institution, 1960) and A. Francis and P. Willman, "Microprocessors: Impact and Response," *Personnel Review* 9 (Spring 1980).

change and have a real input into the fundamental decisions about choices at the design stage. Such behavior would seem to follow if the typical policy were fully implemented by all concerned in the change: managers, union representatives, and individual employees. This rarely happens. In practice, as in the following four categories, there is little or no union or workgroup involvement in making the formative decisions, which are made unilaterally by the employers' engineers and managers.

*Negotiated tradeoffs* occur when unions accept a technological change in exchange for "concessions" which usually relate to how the change is implemented.

*Unconditional acceptance* occurs when employers make the decisions unilaterally but then successfully "sell" the change directly to employees and their unions. In spite of their leaders' policies, some workgroups may not want to participate in decision-making but accept that "employers should manage." This position may be found with unskilled workers and at new sites where there is no union with which to bargain or consult.

*Reluctant acquiescence* is when employers make the decision but present it to unions on a "take it or leave it" basis, implying that the stark alternative is dismissal. This has increasingly been the case, against the background of economic recession, when unions may not have enough power to oppose the decisions successfully.

*Complete resistance* results when the union leaders and members believe that the change will have unmitigated deleterious consequences for them and that these cannot be sufficiently ameliorated by negotiating or consulting with management. Unless unions can exert considera-

ble power in relation to the employers, such resistance is usually short-lived.

### International Differences

Each country has its own national context for regulating the use of new technology at the workplace. It can be argued<sup>7</sup> that in countries with adversarial traditions of industrial relations (most English-speaking countries) unions are less likely to cooperate with technological change than their counterparts in countries with recent traditions of social partnership (West Germany and the Scandinavian countries). To a considerable extent, current differences in union behavior reflect contrasting legacies of employers' attitudes.<sup>8</sup> For example, American and British unions have traditionally placed more emphasis on bargaining after decisions have been made rather than on participation in making decisions, in contrast with many of their German and Scandinavian counterparts, which face more paternalistic employers.

However, even in countries with adversarial traditions, in the context of heightened international competition and the introduction of new technologies, managers increasingly aim to introduce quasi-paternalistic programs: for instance, employee involvement and quality circles. With their tradition of "business unionism," American labor unionists more often have been persuaded to accept such innovations in human resource management than their British counterparts, most of whom have a stronger ideological orientation. Nevertheless, at greenfield sites in particular, some unions in Britain are making controversial new forms of collective agreements, which welcome new technology, establish flexible working practices, and often include types of employee involvement and final-offer interest arbitration (known in Britain as

<sup>7</sup> G. J. Bamber and R.D. Lansbury, *International and Comparative Industrial Relations* (Sydney: Allen and Unwin, in press 1986).

<sup>8</sup> A. Fox, "Corporatism and Industrial Democracy: The Social Origins of Present Forms and Methods in Britain and

Germany," in *Industrial Democracy: International Views* (Coventry: Industrial Relations Research Unit, University of Warwick, 1978).

pendulum arbitration). Some such agreements have been called "no strike deals," especially those between multinationals (mostly Japanese) and an ex-craft union. But, in their concern to reverse declines in membership, several other unions also are making such agreements.

Thus, some British unions are reconsidering their traditions and concluding that collective bargaining has not always proved an effective means of regulating technological change. Perhaps this conclusion is less surprising, as most British unions are currently weak and Britain now has fully accepted membership in the European Communities. Union policymakers are seeking to supplement collective bargaining by legal enactment and government action: for instance, to stimulate economic growth, foster some forms of industrial democracy, and limit overtime work. Moreover, at the company level there have been some interesting workers' plans to initiate alternative technologies.<sup>9</sup>

By contrast with the U.S., in Australia and Western Europe the unions have generally aimed to win early retirement as a way of coping with the displacement of their members. Scandinavian unions have tended to put more emphasis on job design than have unions in most other countries. However, international differences in union strategies are probably less significant than other differences: for example, between different types of unions and sectors.

### Differences Between Unions and Sectors

In many countries, printing workers' unions have tended to resist technological change, while unions in new industries have tended to cooperate with it. How can

we explain such differences? Following Slichter et al.,<sup>10</sup> we can begin to predict union responses by answering four questions. First, is it a craft or industrial union? (The former generally oppose change which destroys the basis of their craft.) Second, what is the state of the product market? (Unions are more likely to accept change where there is a high degree of competition and an expanding market.) Third, what is the type of technological change, in terms of the number of jobs affected, the effect on the degree of skills required, and the effect on the kind of skills required? Fourth, at what stage is the innovation? (Union opposition is most likely at an early stage when there is still considerable uncertainty about the change.)

The economic environment shapes unions' responses but can have two contradictory influences. On the one hand, unions generally have more power with which to oppose change where there is a tight labor market than where there is a slack one.<sup>11</sup> Yet, on the other hand, where the labor market is tight, perhaps there is less motive for unions to resist change, given that it should be easier for displaced workers to find alternative employment. Where the labor market is slack, there is likely to be more motive for union resistance, but it is generally less effective.

A study of the transport industry suggests that the following factors incline a union to accept a change: (a) a broad membership base, (b) large size, (c) political security of the union and leadership, (d) absence of interunion rivalry, (e) a concentration of power within the union, (f) employer unity, and (g) incentive payments that reward workers for achieving higher productivity following technological change.<sup>12</sup> Another American study

<sup>9</sup> H. Wainright and D. Elliott, *The Lucas Plan: A New Trade Unionism in the Making?* (London: Allison and Busby, 1982).

<sup>10</sup> Cited at note 6.

<sup>11</sup> L.C. Hunter et al., *Labour Problems of Technological Change* (London: Allen and Unwin, 1970).

<sup>12</sup> H.M. Levinson et al., *Collective Bargaining and Technological Change in American Transportation* (Evanston, Ill.: Northwestern University, 1971).

finds that union leaders are most likely to accept change if they perceive that: (a) only a small proportion of the jobs in an affected unit would be lost, (b) the change is inevitable, (c) there could be a quid pro quo for the lost jobs.<sup>13</sup> Such factors would seem to be generalizable to other countries.

### Further Challenges

Union boundaries are usually defined in either industrial or occupational terms. With new technology, certain industries and occupations are declining or even becoming obsolete. In other cases, former distinctions between industries and occupations are diminishing and sometimes disappearing. These changes pose great challenges for unions, especially for those whose boundaries are defined in terms of a declining occupation. Many such unions have looked to broaden their coverage and for "appropriate" partners to merge with. The criteria of appropriateness may be defined with regard to technology. In practice, most unions are more concerned to look for a partner that has compatible forms of government and collective bargaining and will strengthen their power.<sup>14</sup>

Unions generally find that it is easier to recruit a high density of membership in the public sector and the older heavy industries, especially in the larger establishments where there is a high concentration of potential members. Partly as a reflection of technological change, however, a declining percentage of the workforce is employed in heavy industry. Most establishments are becoming more capital-intensive. There are relatively more "knowledge" workers and fewer manual workers. Moreover, the number of people employed in the service sector is growing, relative to manufacturing. Toffler<sup>15</sup> calls this a shift from the Second to

the Third Wave. He foresees a continuing move away from mass production toward a "de-massified" economy. Corporations are increasingly using sophisticated information technologies to decentralize and even to fragment the organization of work. People are employed in smaller units rather than in large factories and offices. There is also a revival of home-working, by subcontractors, who may communicate by computer technology, but home-workers are difficult for unions to recruit and hence to mobilize.

The use of new technology is determined by broader management strategies. Therefore, if unions want to influence technological change, they must be able to influence the management strategies. Although corporations may be decentralizing the organization of work and the implementation of human resourcing practices, they mostly continue to determine management strategies and major investments in new technology at a central level. In Britain, Canada, and the U.S., for instance, where there is a considerable devolution of private-sector collective bargaining, unions experience great difficulty in influencing management strategies and technological change. There is often a mismatch between the most important level of company decision-making and the level at which unions bargain.

Nonetheless, even in West Germany and other countries where unions have boardroom representation, they still complain that they are unable to exert much real influence over technological change. This complaint is not only in relation to foreign-owned multinationals. Even in locally-owned companies, unions are concerned that they have little access to the committees that shape management strategies and that design criteria may be

<sup>13</sup> D.B. McLaughlin, *The Impact of Labor Unions on the Rate and Direction of Technological Innovation* (Washington: National Technical Information Service, PB-295 084, 1979).

<sup>14</sup> Also, union officials often have their own reasons for seeking mergers, which may be motivated by political, per-

sonal, and parochial interests; see G.J. Bamber, *Militant Managers?* (Aldershot: Gower, 1986).

<sup>15</sup> A. Toffler, *Previews and Premises* (London: Pan, 1983).

established by technical experts or in other companies to which they have even less access. If we accept that employee participation in decision-making seems likely to facilitate better decisions and to increase employee commitment, there is a considerable challenge for managers, too: to try to increase the opportunities for employees and their unions to be involved in a genuine way.

In conclusion, technological change is not a discrete issue that can be dealt with separately from most other issues associated with the employment relationship. Most elements of our typical union policy were on union agendas long before microelectronics. However, the rapidity

and extent of current changes add up to a great challenge for unions because there are potential choices about how these technologies are used. The challenge is heightened by the background of high unemployment and the changing international division of labor. This challenge relates to and further complicates most of the existing union priorities. Hence, discussion of these issues should not try to focus on new technology and unions in a vacuum but should recognize the historical, economic, political, and social context of management strategy and industrial relations.\*

[The End]

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## Management of Creative Professionals in High Technology Firms

By Archie Kleingartner and R. Hal Mason

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We have under way a longer-term study of the methods used by high technology firms to develop and protect intellectual property where that property consists largely of the talents of scientists, engineers, and other highly trained people. One of the questions we address is: How do firms in high technology industries recruit and retain creative people and maintain their productivity in the face of continuing product innovation and technical change? The study represents an effort to bring together concern with development and management of high technology industry in the United States

and the human resource strategies used to maintain the productivity of professionals. In this preliminary paper we will report on some of the issues involved and the results of initial interviews with selected high technology firms.<sup>1</sup>

First, we will discuss how firms manage the innovative process and will describe some of the different styles or models of innovative behavior that appear in high technology firms. This will be followed by a sketch of a human resource management framework for consideration of innovative behavior. In the third section, we will explore several human resource approaches that appear to be important as firms seek to enhance the productivity of their creative personnel.

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\* Additional Reference: M. Wooden and R. Kreigler, *Technological Change and Its Implications for Industrial Relations* (Adelaide: National Institute of Labour Studies Working Paper No. 78, 1985).

<sup>1</sup> Much of the analysis in this paper is based on interviews at the following firms: TRW, Hewlett-Packard, Wang, Digital Equipment, Data General, Concord Data Systems, and Analog Devices. Our research design calls for follow-up interviews at four types of firms: newly established

entrepreneurial firms; firms that are growing rapidly based on initial innovation; firms that are developing or have recently developed a follow-on innovation; and more mature firms that have achieved multiproduct, multidivisional status and where innovation has become an institutionalized activity. In this context, we are developing structured questionnaires which will be administered to various groups within the total sample of firms.

## The Innovative Process

Whenever high technology is discussed, questions arise about what industries and firms are included. Important work on this subject has been done by the Bureau of Labor Statistics.<sup>2</sup> For present purposes, it is sufficient to note that we consider high technology industries to be those that share the following attributes: (1) They employ a higher proportion of engineers, scientists, and technicians than do other manufacturing industries. (2) They are science-based in that their new products and production methods result directly from the application of science. (3) They depend heavily on research and development for their successful operation. (4) The markets for their products are both national and international. (5) The life of their products tends to be short, with products often becoming obsolete before mass production can be undertaken.<sup>3</sup>

Evidence on how firms actually manage the innovative process is sparse at best. The literature takes a rather mechanistic approach to this aspect of innovative behavior. Much of what is said deals with how products are chosen and pursued rather than how ideas are brought to the surface and accepted. The actual management of a project is quite different from the process of deciding what to work on in the first place. There does not seem to be a good understanding of how technology-driven opportunities differ from market-driven opportunities. It is one thing to generate an idea for a new device by talking to one's customers. It is quite another to take an entirely new technology and bring from it a new product for which there is no immediate market. It is our opinion that the processes involved in these two different situations require different types of talents and management approaches. One is basically an extension

of what exists. The other may be largely an act of faith. The former has received considerable attention in the literature, the latter very little.

How the innovative process is managed seems to depend on both the tasks to be performed and the personalities of the key actors. The meshing of these two elements will lead to different approaches. Thus, not only do enterprises differ from each other, but even within a single enterprise different models of behavior may be required if the idiosyncrasies of individuals and the task requirements are to be accommodated and taken advantage of. Behavioral models that we have identified so far include: (1) the "queen bee"; (2) discipleship; (3) small teams; (4) large teams; (5) ad hoc arrangements.

The "queen bee" model typically consists of a senior, highly creative individual who generates far more excellent ideas than he or she can possibly pursue. While this person may work as a member of a team, his role is that of providing ideas and acting as a catalyst to others. He may also act as a consultant to a variety of research projects. His role often becomes that of being a resource person to the total organization. Ideas are spun off for other researchers to pursue. The object is to multiply the effectiveness of this individual. Several such senior scientists may work in a large research laboratory. Not many are needed. While they may be prolific in their own right as scientists, their greatest value to the company is their ability to stimulate innovative work on the part of others.

The "discipleship" model resembles the "queen bee" model, but there is more of a teaching role involved, whereby a senior scientist works with one or more junior people, supervises their work, and instructs them on specific aspects of research technique in subspecialties. The

<sup>2</sup> Richard Riche, Daniel Hecker, and John Burgan, "High Technology Today and Tomorrow: A Small Slice of the Employment Pie," *Monthly Labor Review* (Bureau of Labor Statistics, November 1983), pp. 50-58.

<sup>3</sup> *High Technology Manpower in the West: Strategies for Action* (Boulder, Colo.: Western Technical Manpower Council of the Western Interstate Commission for Higher Education, January 1983).

mentor may supervise part of a laboratory or an entire laboratory dealing with a particular specialty. Younger scientists may rotate through the laboratory to acquire the specialized skills involved, or they may remain resident in the laboratory for extended periods, depending on the nature of the work being done.

"Small teams" may or may not involve discipleship and may be temporary or more permanent, depending on the task. Some tasks are relatively short-term in nature. An example would be that of making changes in an existing product to make it more suitable to a particular customer's needs. When the task is completed, the team disbands, and any follow-up required would be undertaken by customer service.

So-called "permanent teams," of course, are not really permanent. With the passage of time, even when the task does not change appreciably, it is likely that the composition of the team changes because of turnover. Many highly innovative people may not wish to remain in the same research environment for lengthy periods; they wish to acquire new skills or to find new applications for existing skills.

By a permanent team we have in mind a time span of more than just a few months but not an indefinite period. An important issue in the study of teams is the extent to which teams remain intact after the project that brought them together has been completed. If the members of the team work very well together, stimulate one another's thinking and productivity, enjoy one another's company, and generally prove a highly innovative unit, do firms attempt to keep such aggregations of individuals together? This is a question that has not been examined in a systematic way. From what we have learned so far, firms do not seem to keep small teams alive beyond a single successful innovation.

The "large team" differs from the "small team" in important particulars. As

in cases of small teams, large teams may be either temporary or relatively permanent. An example of the large temporary team is the "skunkworks" type of project. The skunkworks approach was used by both IBM and Hewlett-Packard in the development of their respective personal computers. Apple also used a skunkworks type of team in the design of the Macintosh computer.

A skunkworks essentially is a team that is separated from the day-to-day activities of the rest of the organization. It is given a relatively well-defined task but with broad parameters regarding how the project is to be pursued and conducted. The skunkworks is designed to break down bureaucratic barriers and to provide great freedom from interference from the larger organization. When the project is completed, the team is disbanded except perhaps for a smaller trouble-shooting group that provides follow-up services.

The large permanent team could include an entire research laboratory or some major part of such a laboratory. Examples of the large permanent team project are the design of complex systems such as mainframe computer systems, the NASA shuttle program, the development of a jetliner and its follow-on variations, and the like.

There are a number of questions about teams for which there are no ready answers. How do teams interact? When is a small team merely part of a larger team and when is it more independent? What circumstances tend to dictate the choice of large teams rather than an agglomeration of small teams? Or is the concept of the large team merely that of being a coordinating mechanism for a number of small teams?

Finally, there are "ad hoc" arrangements which do not seem to fall into any of the categories above. For example, all large engineering-based firms seem to have what is called an "engineering pool." Pool engineers are those that join other



groups on demand and work in temporary assignments on short-term projects. The object of the pool is to have selected engineers and technical people fill in and augment permanent task groups. They alleviate bottlenecks in the system and allow the firm flexibility in meeting staffing needs. As yet, we do not have a very good understanding of how pools function and what methods are effective in managing them.

### **Professional Employees and Human Resource Management**

A popular mystique has developed around work in high technology industries and the creative geniuses who make the initial technical breakthroughs. It is held that new corporate philosophies lead to work organizations without the usual bureaucracy and hierarchical structure, that decisions are made collegially, and that the open-door policy ensures that grievances are not allowed to fester. Workers, too, are portrayed in the media as different, consisting mainly of highly trained and motivated engineers who are workaholics and have little loyalty to the firm that employs them.

Relations between these employees and management are similarly thought to have unique qualities. According to many of the media reports, this is due to the fact that enlightened personnel management techniques have finally carried the day. What has occurred, it is argued, is nothing less than a merging of ownership and employee interests through such things as stock ownership, bonus plans, and other personnel practices which, collectively, have removed the underlying impulses that in other industries and other times prompted employees to look to trade union representation.

This popular perception can be contrasted with several studies that suggest that there is little difference in the human resource strategies of high technology firms when their stage in the business life cycle is taken into account. That is, the

current media interest in these firms derives almost entirely from the remarkable technical and product achievements of start-up companies. The critics contend that as these firms expand, or when they encounter economic setbacks, they approach management of human resources in much the same way as any other firm would, resorting to layoffs, withdrawal of benefits, and close employee supervision.

We believe that a useful theoretical underpinning for our examination of innovative behavior is the substantial literature on professionalism and the management of salaried professionals. The theory of professionalism holds that the world of professionals is much more difficult to track, evaluate, and thus to "manage" than are the activities of other workers. This is especially true of work that involves the production and development of ideas. Success is not automatic—sometimes not even probable.

The work autonomy and independence that professional workers seem to enjoy, and that is touted as an integral aspect of how things are done in high tech, can thus be linked to the nature of the work done. This literature suggests that scientists and engineers need sufficient autonomy to respond to the uncertain or changing situations that confront them in the course of their work, to follow out trains of thought and methodologies that may be productive, and to exclude others that are not. Such work, it is suggested, is most efficiently accomplished under a management system that allows considerable autonomy, few rules, little specialization, and benign management.

Among our interviewees, an "open" environment was generally considered to be the most conducive to professional productivity. Openness seems to be used in at least two major senses. First, the origin of ideas that may lead to an innovation is not always clear. It is thought that ideas develop best from the interaction of professionals with their peers. Thus, within

the firm, ample opportunity must be provided for frequent and easy interaction. Great pride is taken in an open-space environment, ample coffee, and other facilities intended to make interaction easy. This kind of cross-fertilization may also occur outside the firm. For this reason, firms encourage participation in colloquiums, meetings, publications, and other activities which create opportunities for contact with the larger profession.

Second, it is held that openness fosters trust. This does not mean that everyone must know everything. Rather, what is meant is that the ideas of professionals will be given a fair hearing by their peers and by key managerial people. Ideas may not always be accepted, and indeed many are not. There are always more ideas available than the enterprise can pursue. The potential for feelings of rejection on the part of professionals when their ideas are not accepted is always present. But in an open system, the reasons for lack of acceptance are more likely to be clear and understood. By the same token, when an idea or project is accepted, the reasons for acceptance will be understood too.

### **Human Resource Strategies for Fostering Productivity**

It is clear from our interviews that high technology executives devote substantial time and energy to the problem of how to maintain high levels of productivity and creativity among their professional personnel. Frequent reference was made to "managing by walking around." Interestingly, the interviews coincided with the peak popularity of *In Search of Excellence*. Yet, most of what they had to say was very general in nature, concerned more with creating a certain culture and ambience than with specific management strategies and practices.

So far as we could discern, firms have not attempted to measure the productivity of the methods used to motivate and encourage the development of innovative behavior. Many of the specific induc-

ments that are mentioned, such as stock option and bonus plans, educational opportunities, and the like, seem to be common across firms, and these human resource practices are viewed as being essential. On the other hand, executives do not seem to know whether these approaches work and, if they do, why.

High technology executives appear to have a strong desire to turn to their human resource specialists for guidance. But at the same time they worry that the human resource department might turn into a communications barrier between professionals and line management. Put differently, high technology executives recognize the importance of the human resources function and seek the expertise of human resource specialists, but they do not want the human resources department to become a power center.

In a survey we conducted in 1985 of 33 executives from high technology firms in the Silicon Valley, we asked them to rank the following issues in terms of their importance to the firm: compensation/benefits, recruiting good people, training and development, unionization, and productivity. Recruiting was ranked first or second in importance by 75 percent of the respondents. It was followed by training and development (50 percent), compensation and benefits (47 percent), productivity (26 percent), and unionization (7 percent). It is of interest to note that almost no one considered unionization an important issue. The qualitative comments emphasized the great importance placed on "good" recruitment, by which they meant finding the professional employees who will, in large measure, determine the ultimate survival of the firm in a highly competitive and cyclical business environment.

We will consider three of the various human resource strategies and measures firms take to foster productivity and innovation: recruiting, training and development, and incentives. We recognize that these aspects of the employment relation-

ship do not exhaust the possibilities, nor are they independent of one another.

### Recruiting

There appears to be considerable commonality across firms in the methods they use to recruit professional personnel. When asked about their methods and the objectives of their recruiting efforts, firms suggest that "we try to hire the best and the brightest people available." Firms see themselves as competing within a peer group of other firms.

Various techniques are used to attract professionals. However, human resource specialists seem to play a relatively minor role in the actual recruiting process. One common practice is for firms to support research programs at key universities. Through these efforts, they become knowledgeable about the research work being undertaken by individual professors. The hope is that by supporting these research programs the firms will have an "inside track" in identifying promising students working with well-known and highly productive research professors. This type of involvement frequently leads to summer internships for such students and perhaps a long-term employment relationship if the student proves to be a good fit with the organization.

Another technique is the use of professional research staff members to assist with recruiting. Staff members visit their alma maters periodically and maintain a continuing relationship with former professors. This approach is looked upon as a form of pipeline that keeps the firm visible within the engineering schools and science departments of key universities. Each of the firms appeared to have a list of "preferred universities" that are more heavily solicited for recruits than are other universities. These lists differ among firms, which suggests that there are differences in the perceived advantages of various universities. These preferences may, in turn, grow out of the alumni pipeline.

Another method of recruiting is "proselytizing" professionals in other firms. Most of the firms we visited aver that they do not engage in this activity: they do not actively attempt to attract employees away from other firms. However, they do indicate that there is an active network within high technology fields that does identify and follow the careers of certain individuals. They also indicate that some of their own employees have been attracted away by other firms. However, they do not seem to be overly concerned by this activity. One response is: "If we cannot make it sufficiently attractive to the employee to stay with us, then it is our fault if he or she chooses to leave."

Proselytizing can lead to undesirable results. The first is the bidding up of salaries for a small, select group of highly visible and perhaps highly desirable individuals. But if these people are willing to move from one employer, they may be just as likely to leave the new employer when a seemingly more attractive offer comes along. Another aspect of the "footloose" employee is that one can never be certain about the reasons for his or her being footloose. It may be a matter of being dissatisfied with the employment relationship. If this is the case, the dissatisfied person may become a problem in the new situation as well.

A second major problem with proselytizing is that a two-tier salary structure sometimes emerges whereby the loyal employee who has been with the firm all along ends up being paid considerably less than the newly hired individual brought in from the competitor. Although the newly hired individual may have useful knowledge about the competition, that person may not be any more productive than other employees. Two-tier wage systems can be destructive to morale and a sense of fair play among employees. This appears to be one reason why firms tend not to engage in proselytizing.

## Training and Development

When firms are asked how they keep their highly creative people productive, the concept of "freedom" often emerges. "We give them lots of freedom" is the way one respondent put it. Many of the measures taken are quite similar to those used in academic institutions. But one could argue that these measures are somewhat out of place in a private enterprise where the objective often is to internalize ideas rather than to disseminate them broadly to others. The role of academic institutions usually is the latter. In either case, there may be only a loose link between outcomes and inducements where the object is to foster inquiry and the development and application of new knowledge. The measures firms take tend to focus on the development of skills and professional development. The following list is indicative.

- (1) Allow employees to use work time to take formal course work at institutions of higher learning and reimburse their expenses for doing so. Such courses usually must be justified on the basis of career development.
- (2) Encourage employees to pursue advance degrees. Sometimes this activity is done during work time at full pay; sometimes it is not.
- (3) Award sabbatic leave to key employees so they can develop new skills or work on projects of interest to the individual and the firm.
- (4) Encourage employees to report research findings at professional meetings by preparing and delivering papers and publishing in professional journals.
- (5) Provide employees free time to work on "pet" projects. Provide small expense grants or supplies and other support to these projects.
- (6) Allow employees to check out tools and instruments to be used during spare time at home.
- (7) Offer in-house seminars on subjects of special interest to employees.
- (8) Encourage innovativeness by providing a share of

royalties to employees who develop patentable and/or licensable inventions. (9) Provide an open and nonthreatening environment in which employees can ask questions and challenge existing policy, have access not only to their immediate supervisors but to top management as well, and interact across and up and down the hierarchy on problems of interest.

Some of the actions and policies may look more like "rewards," but there is a fine line between what interviewees mean by rewards, development, and freedom. The latter term suggests that employees, in fact, have a great deal of scope to pursue their own interests, even when it is not always clear that their doing so will have a positive outcome for the employer. Freedom suggests an act of faith—faith that the employee will develop in directions that are in the long-run interests of the firm. The term "rewards" suggests a more formal link between actions and outcomes, that there are specific expectations regarding rewards and performance.

## Compensation and Incentives

These are boom times for advice on compensation and incentives to obtain desired conduct among creative professionals. Although no one denies that compensation is an important element in fostering innovative behavior, the precise relationship is not well understood.

There is some research evidence to indicate that high technology firms compensate their professional employees somewhat differently than traditional firms. In a survey of 105 high technology firms, Balkin and Gomez-Mejia<sup>4</sup> report that high technology firms are more likely to offer stock ownership plans and are more likely to emphasize special incentives and rewards for key contributors. Use of these approaches seems to rest more on faith that desired behavior will

<sup>4</sup> David Balkin and Luis Gomez-Mejia, "Compensation Practices in High Technology Industries," *Personnel Administration* (June 1985), pp. 111-23.

result than it does on a demonstrated impact on performance.

Our interviews provided little evidence that high technology firms have considered carefully the relationship between particular incentive systems and creative behavior. To the extent a specific relationship exists, it seems to have more to do with successful recruitment than with subsequent performance. The impression we obtained from our interviews is that offering specific compensation rewards, such as bonuses, for creative behavior can be counterproductive. That is, although creative people need to feel that they are well compensated and that their contributions are valued, if bonuses and such are allowed to become the goal, it will stifle the intrinsic satisfaction associated with the knowledge of having done good work.

## Summary

Our research project is concerned with how high technology firms foster innovative and creative behavior among professional employees and the human resource strategies they pursue to maintain productivity over time in the face of market and organizational change. In this paper, we have tried to outline some of the issues involved in this topic and have presented some evidence from preliminary interviews with high tech firms. The project is still at an early stage. Our view is that high technology industries will play a major role in developing the innovations needed to create many of the new jobs in various sectors of the economy in the years ahead. We expect that this project will help clarify some of the issues involved in sustaining the human resource component of the high tech explosion.

[The End]

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# New Concepts in Dispute Resolution

By Earle D. Schwieger

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## Federal Mediation and Conciliation Service

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There seems to be three basic methods or systems for mankind to resolve disputes. There is the direct method, which is one-on-one, or even army vs. army, but with each party relying principally on its own resources to reach a resolution. This could range all the way from one party killing the other, through capitulation, to amicable agreement. Logic, reason, negotiating skills, and sheer force or power are typical methods or processes.

As a system of laws evolved, the human race began to resolve its differences through formal litigation before a neutral third party who rendered a final and

binding decision. Today, this is principally represented in our court systems or by arbitration processes.

A third resolution method has gained prominence in recent history, which embodies the best features of both direct and litigation forms, and we call this mediation. It continues the element of "hands-on" management of the resolution process by both parties and the peace-making, helpful suggestions, and improved communication techniques of a neutral third party. Mediation reduces the abrasive force that can develop in a direct relationship and also avoids the possible impact of a burdensome third-party *decision*, which may be less acceptable than the parties could develop by themselves. It also is usually less expen-

sive than litigation and avoids the delays of the more formal court system or even arbitration.

I was asked to comment on current developments or new concepts in dispute resolution. The term "new concepts" could cover a wide range of meaning and understanding. Perhaps some definition of the term would be in order as a starting point. Let us accept new concepts to mean, for this discussion, either a change in approach and emphasis or an application in a new or different arena. We also need to specify that we are discussing peaceful nonlitigated resolutions, specifically mediated solutions.

### Changes in Approach

First, we will talk about changes in approach or emphasis. In very recent history and current events, the very definition of a dispute has changed and continues to change. The industrial relations community accepts "dispute" as any unresolved negotiation. The parties may be on good terms, making progress toward settlement with no thought of impasse, but since the issue(s) are unresolved, they remain in dispute. By only slight extension then, differences of opinion, viewpoint, or interpretation (even attitude) can be termed disputes. Since in any relationship between human beings all of the above situations are certain to arise, there is then some need for a process to minimize, eliminate, or prevent the conflict that can generate out of dispute.

The words "minimize" and "eliminate" suggest that conflict is already present. We have finally come to recognize that it is not necessary to allow a simple dispute to develop into a full-blown conflict. That emotional state of development can be avoided by prudent action of the parties during the stages of discussion where amicable resolution does not appear likely, or even possible, without the development of tension and strife. An increasing number of people, even nonprofessionals outside

the industrial relations arena, are coming to realize that collective bargaining is not limited to contract renewal every one, two, or three years. Collective bargaining is a continuum, which begins with a certification or recognition and remains for the duration of that relationship. The principal vehicles for this continuum are all of the administrative procedures of the agreement and principally the grievance procedure, which is a prominent feature of most bargaining agreements.

It then appears obvious that, in terms of the numbers of people involved and the time expended, the major functions of the collective bargaining process are carried on during the term of the agreement rather than at renewal time. The entire collective bargaining system is designed to be a dispute resolution system. Its purpose has been to develop and provide problem-solving processes and methods to resolve the inevitable differences of opinion between the parties. In the past, this generally has been viewed as a strictly adversarial procedure, and much of the legislation that regulates the process anticipates, accepts, and provides for the adversarial condition as one of its elements.

During my lifetime in the work world, which goes back to 1935, the year the National Labor Relations Act was legislated, we have seen continuous changes in attitude toward the process. We now see that the collective bargaining relationship can be a cooperative one. Differences continue (and will continue) to exist; however, their resolution can be a joint venture. A problem is really an opportunity for a solution. It is not necessarily a demand or an imposition placed by one party on the other. Problems usually affect both parties in some way: at a minimum, as cause and effect. Since both parties are involved in the problem, they should be (and inevitably are) also involved with the solution. In most instances, a solution that is reached by and between the parties is more accept-

able than one imposed by an outside third party. It is also more flexible if the need for a fine-tuning adjustment should develop. Parties can usually agree to modify their own joint decision more readily than one presented to them by an arbitrator.

The mediatory process is a free one: free in the sense that both parties to a dispute remain free to make their own decisions, which become part of a solution. It is an instrument to utilize when the parties sense that a neutral third party may be able to assist in bringing about or hastening a solution to their dispute. The mediator has no authority to impose his will or make a decision. The parties continue their hands-on participation through every step of the development yet have the benefit of an outsider's viewpoint, perceptions, experience, candor, and reasoning, with the complete absence of personal commitment or emotional involvement in the problem. The mediatory process has several major advantages by reason of its broad scope. An arbitration or court proceeding requires very specific definition of problem and therefore has a limitation of decision. In mediation, the parties are free to discuss and expand on an issue and therefore open new avenues to solution. As a result, mediation continues to become more acceptable and widely used by parties in need of solutions.

In our agency, we long have had available a range of problem-solving techniques that extend far beyond the specific dispute resolution process. We call it Preventive Mediation. Under Preventive Mediation we provide joint or separate training on subjects that relate to the relationship, such as: understanding the collective bargaining process, communications, handling the grievance procedure, etc. We also can, and do, consult and discuss with the parties any aspect of their relationship on an informal basis.

In a different configuration, we can assist in organizing a labor-management

committee as a forum for exchanging information, ideas, and viewpoints on noncontract subjects. Labor-management committees have several structures. Some are internal within a company, some cross company lines to encompass a particular type of industry where there is a commonality of interests, and others function on an area-wide base, crossing both company and industry lines. We also work with all manner of trade and professional organizations, such as IRRA, to promote programs, conferences, and seminars, which present opportunities to exchange viewpoints and ideas.

For relationships that are in serious trouble or seem to be headed for conflict of a serious nature, we can assist the parties with an in-depth introspective examination of themselves and their relationship. We call this activity Relationship by Objectives (RBO), which requires a two- or three-day intensive joint activity with a real commitment or desire to turn things around and generate a more cooperative atmosphere.

More detailed information on any or all of these processes is available through any federal mediator of your acquaintance. We view of these processes as a continuation of our dispute mediation activity that parallels the cycle of continuum that prevails with the parties' contract term.

Other new concepts are the expansion of mediation into nontraditional areas of our society. As a formal practice, mediation has long been used at the international level to reduce differences between nations and in the industrial relations field, but with little application in between.

In recent years, FMCS has accepted responsibility for mediating problems arising under the Age Discrimination Act. Success in this area has been remarkable, even though the mediator assigned is usually confronted by a single-issue dispute, generally conceded to be a difficult task.

## Expansion of Mediation

With the exception just noted, FMCS activity is rather closely restricted to relationships that include a collective bargaining responsibility. Outside the collective bargaining arena, and apart from Federal Mediation participation, the practice of mediation has literally burgeoned. On an increasing scale, courts have been referring civil litigants to mediators to give the parties an opportunity to work out their differences without the expense and delay of full-blown litigation. This also has reduced the strain on court calendar time.

In some states, parties to a divorce proceeding are first referred to a mediator to attempt reconciliation. Where that is not possible, the mediator then clears away property settlements, child custody, visitation rights, alimony, and other elements of the proceeding outside the court room and subject to court approval. This practice also has extended to many other aspects of family life.

The construction industry has been using the mediation process on an increasing scale to resolve disputes over building contract compliance and all of its ramifications. This, too, has been very successful and also reduced the cost and time for litigation.

Local and state governments have established Consumer Complaint agencies whose assignment is to deal with problems arising out of everyday consumer transactions. Many of these agencies have the power to file charges through city or district attorney's offices where there is evidence of fraud or outright misrepresentation. However, most of the complaints they receive are resolved through the mediation process as a separate function from any legal proceedings. Some of these cases are disposed of by using only the telephone in lieu of separate caucus, without the parties ever meeting in joint session.

Some communities have found that the establishment of a Housing Mediation Board has been more desirable than a rent control law. Such boards deal with disputes over maintenance and property usage, disputes between tenants or neighbors, as well as the rent issue. I have observed from personal experience that these programs have reduced litigation, while personal satisfaction of the parties has increased. Some property owners' associations were reluctant to participate at the outset but, with experience in the process and recognition of the benefits, have become enthusiastic supporters.

On a broader scale, some communities have established Dispute Resolution Boards to handle a wide range of civil disputes. They usually handle consumer and landlord-tenant problems but also deal with neighborhood arguments, easement and trespassing problems, minor auto accidents, and a wide range of controversies that develop within the community. Some of their work approaches resolution of criminal activity as well as civil disputes. Cases may be referred to these agencies by the local police department, and many of these groups operate under the guidance or auspices of a local bar association. Prisons, colleges and universities, churches, and many other organizations that encounter internal stresses and friction have found mediation to be a useful alternative to litigation, unrest, or just plain "living with the problem."

Unfortunately, this increased activity has attracted some practitioners lacking skills or experience in the mediation process who may perform some mediation functions without being qualified to do so. An analogy might be that a person who can boil water and poach an egg does not necessarily qualify as a cook. The mediation process is a complicated one. Professional mediators sometimes find themselves aiding the parties in actually restructuring their relationship within the settlement process. This responsibility should not be taken lightly. Perhaps this



condition is typical of new ventures and will disappear with the future development of standards and ethics at the professional level of the field.

Dispute avoidance is the other side of the dispute settlement coin. FMCS sees dispute avoidance as one more facet of the mediation process. It is still mediation: it simply functions in a slightly different way because it takes place at a different stage of development of the dispute. Some examples:

(1) In Ulster County, New York, the Civil Service Commission Employees Association and the State Personnel Employee Relations Board are cooperating in a joint venture to improve relations and communications between management and the represented employees. They have a joint labor-management committee with a salaried coordinator, and the objectives of the committee are to create better communications on a day-to-day basis to improve working conditions and help reduce absenteeism to about the three percent level.

(2) A school district in Pleasant Valley, California, had serious difficulty reaching agreement with the Teachers Association every year since they were organized in 1975 or 1976. In school year 1984-1985 they negotiated the entire year without reaching agreement or suffering a work stoppage. In the Spring of 1985, the lack of progress and the threat of a work stoppage caused this small community much concern. The Teachers Association, the morale committee, and the Board of Trustees joined together and decided to bring in an outside consultant. This professional worked with the parties in a manner similar to the FMCS RBO approach and helped them develop a win-win attitude. He then continued to mediate their negotiations, which resulted in a new 18-month agreement. As a result, they now can negotiate future annual agreements in an atmosphere free from immediate budgetary concerns, due to the

changed date, and with mutual respect and integrity.

In the private sector, one company reports a productivity increase in excess of \$1.6 million as a result of joint cooperative efforts through their labor-management committee. Contributing to this dramatic increase are such factors as a 42 percent decrease in absenteeism, a 40 percent decrease in quality-related mistakes, a 72 percent decrease in grievances filed, a 48 percent decrease in disciplinary actions, and a 43.7 percent drop in lost time because of accidents, with a drop of more than \$35,000 in workers' compensation costs. These seem to be worthwhile results from a very modest behavioral modification on the part of disputants.

This agency shares with you an interest in assisting parties to a relationship who are seriously desirous of taking steps toward a more successful alliance. We see it as a shift from an adversarial win-lose attitude to a concert with a win-win theme.

The UAW-Saturn project in Tennessee will be an interesting development to watch. The GM-UAW revival of the Richmond, California, plant seems to be advancing toward success. General Foods and the Teamsters are moving into a cooperative training and development program.

QWL and all of the related employee involvement programs that are tailored to fit individual needs are being credited with saving companies, keeping industries within a community, turning losses into profits, saving jobs and bargaining units, and many other spectacular accomplishments. I feel it necessary to conclude with a simple word of caution. The processes and activities we are talking about here are not "quick fixes" or "90-day wonders." They are not fraudulent ruses to enable one party to gain an advantage over another. For success to occur, both parties must be willing to make a real and sincere commitment and to reexamine

their ways of looking at each other and the workplace. It is a long-term process,

moving toward a new way of life.

[The End]

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## Employee Involvement Programs As Alternative Dispute Resolution Strategies

By David Pincus

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### Arbitrator

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Shrinking product markets, increasing employee alienation, and turbulent organizational environments are some of the forces that have recently impacted many work settings in our country. For the most part, organizations have responded to economic structural changes by reallocating their capital and labor resources.<sup>1</sup> Some of these strategies include the automation of manufacturing facilities, outsourcing of component parts, and the relocation of plants in union-free regions of the country. These strategies fail to utilize alternative methods, which may protect the job security of employees and which may result in outcomes that are equally beneficial to the employer.

A potential alternative method of the reallocation strategies involves the implementation of employee involvement programs. These programs reflect a managerial orientation that emphasizes a human resource form of management rather than a human relations orientation.<sup>2</sup> They also reflect a particular philosophy, which underscores the integration of union, employee, and organizational

goals. Moreover, employee participation rather than co-optation is the primary vehicle used to accomplish this outcome.

The major objective of this paper is to analyze critically employee involvement programs as alternative dispute resolution strategies. The paper is composed of three related sections. The first section briefly defines the employee involvement and alternative dispute resolution approaches. The second section reviews the general similarities underlying these approaches. Finally, differences between the two approaches are emphasized by focusing on a number of implementation issues surrounding employee involvement interventions.

### Definitions

Alternative dispute resolution strategies have been defined as mechanisms that employ third-party neutrals in an attempt to resolve disputes that might otherwise be resolved through litigation or might not be resolved at all.<sup>3</sup> In terms of objectives, these approaches have been established in an attempt to divert cases from litigation. Also, mutually negotiated settlements are assumed to foster acceptance by the parties, and the forums have the potential of being more cost effective

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<sup>1</sup> R. N. Block and K. McLennan, "Structural Economic Change and Industrial Relations in the United States' Manufacturing and Transportation Sectors Since 1973," *Industrial Relations in a Decade of Economic Change*, H. Juris, M. Thompson, and W. Daniels, Eds. (Madison, Wisc.: Industrial Relations Research Association, 1985), pp. 337-82.

<sup>2</sup> R. E. Miles, "Human Relations or Human Resources?" *Harvard Business Review*, Vol. 43 (1965), pp. 148-63.

<sup>3</sup> R.A. Salem, "The Alternative Dispute Resolution Movement: An Overview," *Arbitration Journal*, Volume 40 (1985), pp. 3-11.

and less time consuming than traditional mechanisms.<sup>4</sup>

Alternative dispute resolution programs have been implemented in an attempt to resolve a variety of issues. For example, binding arbitration has been utilized as an alternative forum in misdemeanor disputes.<sup>5</sup> Also, mediation has been used to resolve minor criminal and civil disputes<sup>6</sup> and disputes dealing with interpersonal conflicts between parties involved in interpersonal relationships.<sup>7</sup> Employee involvement programs have been defined as long-term comprehensive processes that are developed to enable workers to participate more fully and effectively in problem-solving and decision-making through structured and institutional changes in many aspects of the work environment.<sup>8</sup>

### Common Objectives

These programs have a number of common objectives. First, a felt need by the parties is an essential ingredient of any employee involvement effort. This need may be either economically induced or engendered by a common philosophy dealing with the utilization of human resources.

Second, full communication is essential throughout the entire union and organizational hierarchies. This condition typically involves relevant dialogue between the management and union leadership, first-line supervisors and their employees, and middle management and professional personnel.

Third, purposeful communication should lead to an escalating level of trust and cooperation between management, employees, and their unions.

Finally, the previous goals can be realized only if a formal employee involvement structure is established and maintained. Oftentimes this requires the promulgation of ground rules that insulate the employee involvement process from the formal collective bargaining structure.

These conditions ensure the integrity of each process. Also, the above-mentioned distinction may be necessary to preclude potential legal obstacles in terms of implementation and process.<sup>9</sup>

### Similarities

The traditional alternative dispute resolution programs (divorce mediation, neighborhood justice centers, environmental mediation) and their employee involvement counterparts have a number of similarities. More specifically, both types of programs use variations of the collective bargaining models of mediation and arbitration. Also, neutrals are employed as facilitators or conciliators to ensure the integrity of the processes. Another similarity has to do with the philosophical underpinnings of the two approaches. In circumstances involving certain subject matters, both of these intervention strategies are thought to be more responsive and sensitive to the underlying problems confronting the parties. Both approaches use problem-solving and consensus-building methodologies to accomplish their goals.

### Organizational Culture

Employee involvement programs differ significantly from other dispute resolution approaches in terms of process and structure. A major distinction concerns the notion of organizational, or institutional,

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<sup>4</sup> *Ibid.*; R. B. McKay, "The Many Uses of Alternative Dispute Resolution," *Arbitration Journal*, Volume 40 (1985), pp. 12-16.

<sup>5</sup> D. McGillis, "Minor Dispute Processing, A Review of Recent Developments," *Neighborhood Justice*, R. Tomasaic, Ed. (New York: Longman Press, 1982).

<sup>6</sup> J. Roehl and R. A. Cook, "The Neighborhood Justice Centers Field Test," *Ibid.*

<sup>7</sup> McGillis, cited at note 5.

<sup>8</sup> "Quality of Work Life/The QWL Process," Unpublished Paper, Michigan Quality of Work Life Council, Detroit, 1982.

<sup>9</sup> J. Schmidman and K. Keller, "Employee Participation Plans as Section 8(a)(2) Violations," *LABOR LAW JOURNAL*, Volume 35, No. 12 (December, 1984), pp. 772-80.

culture. Culture has been defined as shared beliefs that form an informal set of ground rules about what is expected and what will be rewarded.<sup>10</sup> It is assumed that shared beliefs and values strengthen the culture of the organization. Also, as a unified organizational culture evolves, it tends to influence individual and group behavior.

In unionized settings, organizational cultural change is difficult to achieve because two competing institutions, with competing norms and values, are vying for the allegiance of the employees. Specifically, organizations are typically driven by a profit motive, while unions are concerned with the political characteristics of unionism and the job security of the membership. Traditionally, these divergent goals have led to antagonistic attitudes on the part of each party. In order to change both cultures and fuse them into one cooperative organization, both union and management must understand and respect these divergent goals. Moreover, these goals must be reflected in the structure and process that is ultimately established. The traditional alternative resolution approaches do not have to deal with these cultural concerns. The hearings are typically issue-specific and have short-run rather than long-run characteristics.

### Types of Disputes

There are also differences in the kinds of disputes that are discussed in the various forums. For the most part, alternative dispute resolution programs have been employed to divert cases from litigation.<sup>11</sup> Thus, the issues being resolved tend to have a legal flavor. Employee involvement programs, however, do not deal with disputes per se but attempt to incorporate

multiple inputs into the corporate decision-making process. These inputs may deal with matters such as quality improvements, potential process changes, and modifications of working conditions. Moreover, enhanced communication between the parties may prevent the elevation of complaints into formal grievances. In a like fashion, purposeful dialogue in the form of information-sharing may reduce much of the posturing that takes place during traditional contract negotiations.

### Structural Issues

A number of structural issues distinguish employee involvement programs from other dispute resolution methodologies. The potential structural characteristics of these programs may vary depending on the parties' wishes and the nature of the employee-employer relationship existing at the time of implementation. The structural forms may range from the basic quality circles<sup>12</sup> and labor-management committees<sup>13</sup> to more extensive participative approaches with multi-tiered components.<sup>14</sup> Each of the above variations contains a common central theme: they are designed so that employees can influence their work life. This influence can impact a number of subjects from working conditions to productivity, quality, and process concerns.

All employee involvement programs, regardless of their form, must integrate both process and structure. If a formal structure is not established, the cooperative philosophy that is necessary for any positive intervention will never be nurtured. Although this condition is necessary, it is often difficult to achieve in a unionized setting because the employee involvement apparatus serves as a paral-

<sup>10</sup> W. Bennis, *Organization Development: Its Nature, Origin, and Prospects* (Reading, Mass.: Addison-Wesley, 1969).

<sup>11</sup> Salem, cited at note 3.

<sup>12</sup> P. Gibson, "Short-Term Fad or Long-Term Fundamentals? The Need for Research Into the Quality Circles Process," *The Journal of the International Association of Quality Circles*, Volume 6 (1981), pp. 25-26.

<sup>13</sup> J. C. Anderson and P. Feuille, "The Existence and Effectiveness of Labor-Management Committees," Paper presented at the 34th Annual Meeting of the Industrial Relations Research Association, 1981, Washington, D. C.

<sup>14</sup> D. M. Pincus and D. F. Power, "Cultural and Structural Issues Surrounding Employee Involvement Programs," Unpublished Paper, Lansing, Mich., 1984.

lel organization situated between two formal institutional structures.

The interface between formal institutional structures and the informal structure tends to engender a number of ambiguities as to roles, power, and loyalties. Both management and union leaders typically fear that cooperative programs could be a threat to their power to control events and to accomplish their responsibilities. The "not invented here" syndrome is quite prevalent in most organizations because managers are afraid that multiple inputs might lessen their traditional prerogatives. This jurisdictional mentality is unfortunate because it exposes a managerial philosophy that deemphasizes the ingenuity of the total human resources of the enterprise.

### Union Concerns

The union leadership is faced with similar role and power concerns. The union is a political institution, and union officials are elected to office and can be removed if they lose the support of the bargaining unit members. Thus, cooperative efforts may be viewed as potential threats because traditional support has been based upon an adversarial relationship between management and labor. Such a condition requires a realization by union leaders that power and support may be attained via cooperation.

The discussion above is limited because it has focused on the leadership positions in each institution. Employee involvement programs stress all levels within the union and organizational hierarchies because cooperation is not a traditional norm. Moreover, constructive participation heightens the accountability of professional and support personnel as well as the stewards on the factory floor.

### Implementation

A number of additional structural concerns need to be considered when implementing employee involvement programs. These issues are not normally emphasized when traditional alternative dispute resolution approaches are implemented. First, the program should not be implemented unilaterally by management. Such a condition would threaten the union leadership and the integrity of the collective bargaining process. Second, the union leadership should be directly involved in the process, and, if possible, some memorandum of understanding should be developed evidencing the parties' mutual agreement. Third, the union should select its participants in the employee involvement process. Such a policy bolsters the union's exclusive representation function and reduces certain co-optation perceptions that surround these programs.

Finally, certain topics should be excluded from the process, such as pending grievances and other contractual terms and conditions of employment. The exclusion of terms and conditions is often difficult because the legal definition of these items, in an employee involvement context, is quite murky. For example, should recommended process changes that improve quality and productivity be excluded because they are potential terms and conditions of employment?

### Legality

The discussion of process and structure considerations has alluded to a major distinction between employee involvement and alternative dispute resolution approaches. This distinction involves the legality of employee participation programs in organized settings. There is some disagreement in the literature concerning this issue.<sup>15</sup>

<sup>15</sup> D. Sockell, "The Legality of Employee Participation Programs in Unionized Firms," *Industrial and Labor Relations Review*, Volume 37 (1984), pp. 541-56; W. E. Fulmer and J. J. Coleman, "Do Quality of Work Life Programs

Violate Section 8(a)(2)?" *LABOR LAW JOURNAL*, Volume 35, No. 11 (November, 1984), pp. 675-84; Schmidman, cited at note 9.

Some of this confusion has resulted because the National Labor Relations Board has not heard any cases dealing with union claims that these programs threaten their exclusive representation status. Moreover, the Board has not reviewed any cases initiated by an employer because it objects to the manner in which the program is being run.<sup>16</sup> Thus, at the present time, most of the literature is based on hypothetical analyses, which fail to recognize that these programs are usually jointly administered. Moreover, those programs that are unilaterally imposed typically fail after a brief gestation period because the union views them as a threat and withdraws its support. If the parties establish programs that structurally reinforce the integrity of the col-

lective bargaining process, it is likely that they will not be violating Section 8(a)(2) of the National Labor Relations Act, which deals with employer-dominated unions.<sup>17</sup>

Employee involvement programs are valuable as dispute resolutions strategies that provide an alternative to the traditional adversarial relationship in which union and management groups have typically engaged. If they are structured properly, they should not be viewed as a threat but as an opportunity to enrich the lives of the total human resources of the firm and to improve the efficiency of organizational operations.

[The End]

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## Targeting a New Dimension to Dispute Resolution

By Donald F. Power

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### Federal Mediation and Conciliation Service

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It has become very apparent that the collective bargaining process and the results delivered by that process have been substantially altered within the past five years. A number of factors have created pressure on the system and have contributed substantially to its alteration, among them: a world market, a shift in the balance of power from labor to management, high unemployment, a poor public image of labor, a shift in political support from labor to management, and a collapsing industrial base.

A three-tier process has evolved: Tier I being nonproductive bargaining; Tier II, target specific bargaining; and Tier III, old style bargaining. In the following sec-

tions we will analyze each bargaining tier and its resulting effects on the process and its outcomes.

### Nonproductive Bargaining

The nonproductive bargaining tier, which represents approximately 80 percent of the collective bargaining in Northeast Michigan<sup>1</sup> is further subdivided into: (1) total process destruction, (2) high levels of internal problems for unions and managements, and (3) increased employee involvement. The relationships in this tier present the greatest challenge not only to the advocates but to neutrals in general in restructuring the bargaining process so that it will be mutually productive.

The first subdivision, total process destruction, is characterized by the fol-

<sup>16</sup> Sockell, *Ibid.*

<sup>17</sup> Fulmer, *Ibid.*

<sup>1</sup> Review of FMCS Saginaw Field Office Dispute Records from October 1, 1984, to March 1, 1986.

lowing results: Where strikes occur, members are replaced, plants are closed immediately or over a period of time, and plants are moved. In some cases, there is outright plant closure or a rapid decline of the company with resulting high union membership loss. Approximately 18 percent of the nonproductive bargaining tier is represented by this subtier.<sup>2</sup>

Within the second subtier, high levels of internal problems for unions and managements, the bargaining has been inconclusive for both parties and has generated much anger and resentment between them; thus, there is pent-up pressure in the union-management relationship. This subtier is characterized by high grievance and arbitration levels, higher levels of discipline, lower productivity, a high manufacturing cost structure, poor product quality, and unilateral contract implementation. This subtier represents approximately 60 percent of the relationships in the nonproductive bargaining tier.<sup>3</sup>

The third subtier is identified by increased employee involvement and an altered bargaining process. A logical question is why this apparently positive subtier is placed under the negative nonproductive bargaining tier. Part of the answer is that a move toward employee involvement has a negative origin, i.e., a nonfunctional bargaining system, and the employee involvement may never reach the stage of reshaping the bargaining process in a totally positive way. Employee involvement, as defined herein, is some kind of employee participation, either formal or informal, in the daily and long-term decision-making process of the organization that employs them. The scope of involvement and the types of decisions handled vary greatly from organization to organization. The involvement of employees to the degree allowed evolved from a recognition that the two parties have a mutual bottom line: sur-

vival. This involvement process, to help insure survival, must be long-term and cannot be based on fear.

The employee involvement subtier has two major impact areas: the bargaining process and the creation of upward pressure on the management structure to perform. From an analysis of each of these impact areas, it has been determined that employee involvement first affects the bargaining process by increasing the information flow between management and labor, which can lead to a better understanding of areas of mutual concern and can have the added effect of cutting down on proposal inflation and making the proposals more target-specific.

The openness that comes from an increased sharing of information affects the leadership, strategy, and techniques at the table. Bargaining team members tend to participate more fully in the process. Strategies and tactics are altered in the sense that, with more openness, the centers of authority of the respective teams, which traditionally were vested in the chief spokespersons, are redistributed among various team members. This altered bargaining process also holds some possible serious perils for the union movement in that, as the parties concentrate on mutual internal goals, the local union may tend to make "local" choices at the expense of international union solidarity. This can cause friction between local unions and the international organizations, which are looking at a broader picture. The UFCW Local P-9 dispute with Hormel is an example of this type of conflict between local and international needs.

The employee involvement subtier can create substantial pressure on the management to improve its performance to meet mutually defined goals. This pressure takes the form of union demands that management do a better job of designing the product, purchasing quality raw

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

materials, designing more efficient production processes, providing adequate working training, and purchasing high quality machinery and tooling. This sub-tier represents approximately 22 percent of the nonproductive bargaining tier.<sup>4</sup>

### Target Specific Bargaining

Approximately 15 percent of the union-management negotiations in Northeast Michigan are target specific bargaining.<sup>5</sup> It has its origins in concession bargaining that occurred in early 1980-81 when many companies, in an attempt to save themselves from financial collapse, demanded that the unions give back some of the substantial gains they had achieved over a number of years. Unfortunately for the parties, some concession areas were selected on the basis of how easy they were to define or achieve and not on where the real needs of the parties were located. This lack of problem-targeting led to many companies having to return to the bargaining table prematurely to ask for further concessions from the union. At this juncture, bargaining either proceeded to the nonproductive bargaining tier or evolved into the target specific bargaining tier.

In target specific bargaining, the parties have reached the conclusion that, if the process is to be mutually productive and the relationship maintained, the true problems must be addressed. A first step for them is to identify the targets by a new and more comprehensive sharing of information. The information must be trustworthy and presented in a format that is understandable.

The bargaining now will take the form of a modified traditional process. It is modified in the sense that it is only marginally adversarial, is target-specific and mutually productive, and reduces proposal inflation. It must be noted at this point that if the employee involvement sub-tier is expanded to its maximum, it

will merge and become part of the target specific bargaining tier.

### Old Style Bargaining

Typical traits of the third tier, old style bargaining, are an adversarial relationship, limited sharing of information, go-ahead contracts, and limited productive strike action on the part of the unions. Only approximately .05 percent of the bargaining in Northeast Michigan is of this type,<sup>6</sup> and as a form it is rapidly disappearing.

### The Mediator's Role

As the bargaining model evolves, it will force a change on both advocates and neutrals. Part of that change involves the development of a targeting or identification procedure by mediators, such that the Federal Mediation and Conciliation Service resources can be applied in new ways to help foster a renewed, altered, and effective collective bargaining system. The targeting process developed for use in Northeast Michigan is divided into three stages.

Stage 1 involves a close analysis of past agency records to determine possible future trouble spots by identifying relationships that have been troublesome and are very likely to fall within the framework of the nonproductive bargaining tier. Stage 2 requires that the mediator be able to identify and maintain a clear understanding of the adverse economic and noneconomic factors facing the various unionized firms that make up the the Northeast Michigan industrial base, which will alter their bargaining patterns from the old style bargaining tier to the nonproductive bargaining tier. Stage 3 requires the mediator to assess the direction of the bargaining relationships and to identify possible corrective needs during this involvement in mediation.

This targeting process will identify firms and their unions that are in trouble

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*



or headed for trouble and possible inclusion in the nonproductive bargaining tier. With the data from the targeting process in hand, the mediator is now in a position to suggest action steps to those firms and unions who are in the subtier, higher levels of internal problems for unions and managements, in an attempt to move them to the subtier of employment involvement, where, it is hoped, their bargaining process can again become productive and meaningful by being target specific over time.

Action steps suggested by the mediator will have the overall goal of promoting a better understanding on the part of the parties of their mutual needs and goals through a better information flow and some form of joint decision-making. These action steps can take the form of complete structural changes (a fully developed employee involvement program and a restructuring of the bargaining process) to more remedial action steps involving training in such areas as group problem-solving techniques, team-building fundamentals, and effective feedback methods or to a very simple exposure process where the parties are encouraged to participate as members of local QWL centers and/or area labor-management committees.

A support structure is very important in the process of moving parties from a nonproductive bargaining tier to one that is productive. The support structure used in Northeast Michigan consisted of a QWL Center and two area Labor-Management Committees in the industrial centers of Midland-Bay City-Saginaw and Lansing. These centers served as technical resource centers for the parties and as a forum for the exchange of ideas in developing new working relationships. In addition, when establishing employee involvement programs, careful consideration was given to the geographical location and the product or service mix, so

that when these projects reached a successful stage, they could also serve as a support system for local firms and unions in their area who were seeking a change. In addition, extensive use was made of graduate students from local universities to gather data on the results of the program; they were also used as instructors-in-training, teaching problem-solving techniques.

As the bargaining process has been altered, the role of the mediator in Northeast Michigan has also changed dramatically. First, the percent of mediator time spent on traditional mediation vs. technical assistance shifted from an 80-20 split to a 55-45 split between October 1, 1984, and March 1, 1985.<sup>7</sup> Second, the type of technical assistance provided has shifted from the more traditional training formats, such as contract administration, leadership skills, and basics of the business-like steward, to a format that is designed to improve and foster a constructive adversarial relationship, such as group problem-solving techniques, team-building fundamentals, and group dynamics. The mediator has also moved from designing and implementing in-plant labor-management committees to designing, advising, and implementing complex employee involvement programs. In addition, the mediator is now involved in bargaining in situations where the crisis of contract deadline has shifted to the crisis inside the plant. This change requires the mediator to have much better problem-assessment skills and a broader range of problem-solving techniques and programs at his disposal.

This targeting process has had a number of positive results over the past three and one-half years in Northeast Michigan. Four manufacturing firms, with a total of 850 employees, have been moved from the high level of internal problems subtier to the employee involvement subtier, with

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<sup>7</sup> Review of FMCS Saginaw Field Office Caseload Records for Commissioner Donald F. Power from October 1, 1984, to March 1, 1986.

direct improvements made in the bargaining process. Two manufacturing firms, with a total of 600 employees, have been moved from the total process destruction subtier, through employee involvement, and to a target specific bargaining tier. Seven manufacturing firms, having a total of 4100 employees, have been moved from the old style bargaining tier to a target specific bargaining tier.<sup>8</sup>

### Summary

We find that, as the bargaining model changes under today's conditions, the mediator must be in a position to accom-

plish a number of tasks in order for mediation and the mediator to remain viable factors in moving the process to more constructive bargaining tiers. The mediator must be able to establish that a model for bargaining exists and to have at his or her disposal a means of identifying those companies and unions that are in the troubled areas of the model. With this assessment in hand, the mediator must develop a consistent strategy to assist the parties in moving to a more constructive bargaining tier or subtier if they so desire.

[The End]

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## The New Industrial Relations

By Jack Barbash

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The convergence of three upheavals—the Great Recession, severe market instabilities, and a new political order—set the stage for the reversal of the power field from unions to management. The new industrial relations (NIR) is the strategy of management on the offensive and the union's defensive response. The "old" industrial relations was the strategy of unions on the offensive and management's defensive response.

NIR addresses itself to four propositions which, management argues, go to the heart of its predicament: (1) labor costs too much; (2) in particular, unions have priced American goods out of domestic and world markets; (3) unions have too much power in management affairs; (4)

union political power brought into being an overbearing and costly welfare state.

The old industrial relations rested on the maxim, as Wight Bakke put it, of mutual survival and the parties' respect for each other's "survival needs."<sup>1</sup> By contrast, the new industrial relations looks toward a union-free environment, as R. Heath Larry has put it. NIR did not, I believe, spring initially from an antiunion animus. But the antiunion animus of American management has aided, abetted, and sharpened NIR beyond the point warranted by economic calculations alone.

The wellsprings of NIR are to be found in the economics of the 1980s—specifically, the globalization, deregulation, and, to coin a phrase, "deunionization" of markets. The textbook case of globalization is Japanese penetration of American auto and steel markets. Deregulation's textbook case is the airlines, with many elements also present in telephones and

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<sup>8</sup> Review of Internal Working Document of Commissioner Donald F. Power, FMCS, from October 1, 1984, to March 1, 1986.

<sup>1</sup> E.W. Bakke, *Mutual Survival, The Goal of Unions and Management* (New Haven, Conn.: Yale University Press, 1946) p. 81.

motor transport. Deunionization's "ideal type" is probably meatpacking, with elements also present in construction, coal mining, and supermarkets.

All of the NIR cases have this common scenario: declining markets force unemployment, plant closings, relocation to nonunion territories, weakened unions, and, at the end of the process, attrition of union standards. These effects give management the courage to confront the unions and, thereby, to evolve a new industrial relations.

To put the causes in context, labor costs have not been the only villain in business misfortune. Equal or even greater importance is commonly ascribed to flagging entrepreneurship, insufficient investment, and obsessive preoccupation with the quarterly financial report.

The object of this paper is to blueprint NIR as a strategy contrived by management to capitalize on its new bargaining advantage. This is, therefore, an exercise in synthesis. As with any synthesis, I omit detail to allow the larger unity to stand out. My impression is that the facts are well known to everybody who follows these matters.

### NIR's Strategy

Immediately, NIR's purpose is to cut costs by slashing wages and jobs. Over the longer term, NIR is trying to remake the structures that escalate labor costs. NIR carries enough economic wallop with it to force unions to retreat from several basic principles, even to the point where the union itself is at risk.

NIR's prime structural target is the transformation of compensation from a fixed to a variable cost. The union aim to "immunize employees . . . against fluctuations in the volume of business"<sup>2</sup> by wage guarantees of various sorts is said to cause rigidities in wage-market relationships. The management counterstrategy under

NIR replaces fixed wages with variable, performance-related compensation like merit pay, profit sharing, employee stock ownership, employee buyouts, and one-time, lump-sum payments, which are better tuned to market fluctuations.

Unions have traditionally sought to broaden the effective bargaining unit in order to maintain union standards over as wide a market territory as possible. In the good times, high-cost managements favored larger units, finding it also in their interest to insulate themselves against lower wage competition. But in the new, more competitive environment, the NIR counterstrategy breaks away from multiemployer ties to keep the bargaining unit close to the individual plant and enterprise.

After years of indifference, management is cutting health care costs, but it is also "disciplin[ing] the health care market."<sup>3</sup> To get at the virtual monopoly in the supply of health care, management and unions are replacing single-option plans with multiple options including health maintenance organization plans. On the demand side, managements (now with unions resisting) are pressing for lower utilization and joint financing with employees; the unions thought they had relegated the latter to their past.

Also in the nature of structural change are two-tier or dual wage systems that establish separate wage paths for incumbent employees and for new employees, which may or may not converge in the future. Two-tier wages breach the hallowed union principle of equal pay for equal work.

Unions, in the management view, not only cost too much, they meddle too much. American management is, therefore, trying to cut union power down to size. The intent is to restore management flexibility to allow it to react more quickly to change. Accordingly, a handbook of

<sup>2</sup> Walter Reuther, *United Auto Workers Special Convention 1976*, p. 10.

<sup>3</sup> Joseph Califano, "U.S. Must Discipline Health Care Market," *The New York Times*, May 6, 1984, p. 23.

management tactics under NIR might instruct managements as follows.

(1) Dilute union job control. Managements are demanding the enlargement of specific job classifications and reduction in their number. Management is also insisting on more flexible work schedules and greater freedom to subcontract.

(2) Weaken the union's adversarial thrust. Employee stock ownership, employee buyouts (usually of ailing companies) and profit-sharing give employees financial stakes in the enterprise. Participating incentives like quality circles and quality of worklife programs, and union representation on corporate boards of directors are supposed to make managerial decisions more palatable because employees and unions helped shape them. (Whether these incentives actually work is uncertain.)

(3) Fragment union power. The smaller bargaining unit constricts union leverage from a national base to a local base and from many employers to one employer. Quality of work/quality circle programs reorient employees toward production problem-solving and the in-house work group and away from union-wide solidarity and militancy.

(4) Systematize and strengthen employee communication, participation, and motivation, especially outside of the union-management relationship. Management human resource policy replaces functions formerly exercised through unions, without having to suffer an active union presence.

(5) At the farthest end of the strategic spectrum is union avoidance and union expulsion. The reigning business ideology holds that employees will not want a union if management manages properly. In the spirit of the time, most managements are now against unions, whether or not they themselves are unionized, because unions are uneconomical and intrusive.

To oust a union, management marshals its will and resources "to take a long strike," hire replacements, and stand up to union retaliation. Management no longer simply reacts to a strike. Taking a strike is now not only a union sanction, it is also a calculated management sanction to drive home to the union forces that resistance to management cost-cutting demands is fraught with peril.

The management economic advantage has been reenforced by accession to office of government as ally. This government appoints personnel who, by common consent, tilt the labor law in favor of management; which is not too bad, it is said, since previous administrations had tilted the law in favor of the unions. This new bias, therefore, only redresses earlier wrongs. It is not yet clear as to how much of a midcourse correction, if any, is represented by the appointment of a new Secretary of Labor.

### Union Response to NIR

Acquiescence has been the dominant theme of the union response to the new industrial relations, as the record low level of strikes suggests. Undoubtedly, the willingness of the union movement wedded to a militant tradition to acquiesce in drastic wage and job cuts played a major part in bringing a measure of stability to the unionized sector. The question is how long the union can sustain their acquiescing posture without sacrificing credibility with friend and foe alike. Already there are signs of rank-and-file restlessness with low rations in a booming economy. The public media like nothing better than weak unions at the same time that they deride the unions for being weak.

When able, the unions have demanded quid pro quos for acquiescence. Unions have variously negotiated: (1) job and income security and access to transition training; (2) relocation allowances or broadened seniority rights to other company plants; (3) stock ownership and contingent profit-sharing to compensate for

wage losses; (4) collaborative decision-making, union representation on the board of directors, consultation rights in plant closings, and a look at the company books; (5) collaborative "problem-solving" as in quality circles. But in some instances (meatpacking, supermarkets, for example) the unions have just had to settle without compensatory offsets because the ability to pay was not there and unions lacked the leverage to strike.

The union counterpart to management's "new industrial relations" is a "new realism." The new realism faces up positively (i.e., not only viewing with alarm, but also doing something about it), perhaps for the first time, to the need for a working compromise between increased management efficiency and flexibility and employee/union security. Persisting in demands as usual, the unions have begun to understand, gives management cause to close down, to relocate in a more hospitable national or international environment, or to take on the union in a long and brutal strike. Unions are learning the hard way that the ability to achieve their security objectives is a function of enterprise efficiency and that it is no "sellout" for the union to concern itself with efficiency.

As the unions analyzed their total situation, the defeat of Ronald Reagan in 1984 became central to all else needed to turn the tide. Their assessment was probably right, but they miscalculated in their choice of an opponent, as they and we now know from hindsight. The notion that the union was a "special interest" also came as a shock. The consensus is that probably nobody could have beaten Reagan in a time of economic expansion.

With political action and collective bargaining now closed to them for all practical purposes, unions are concentrating on legislation to shore up vulnerabilities. The AFL-CIO is going after an "industrial pol-

icy" to arrest "deindustrialization" and its destructive effects on the American economy and the union heartland. Unions want quotas on low-wage imports to slow down foreign penetration of their markets. The unions lead the procession against Reaganomics, which Lane Kirkland denounces as "class warfare against the disadvantaged, the poor, and the working people of America."<sup>4</sup>

Unions are organizing on virtually all of the important fronts. But none of the campaigns has yet yielded signal successes except to give visibility to the union presence. The Federation and individual unions are organizing in the "sun-belt," among women employees of hospitals and nursing homes, and in Japanese-owned auto plants in the United States.

The "corporate campaign" has emerged as the new method directed against otherwise intractable organizing situations. The prime target becomes the financial institutions that do business with the corporation directly involved, on pain of losing the business of unions and allies.

The AFL-CIO has undertaken "a searching self-examination" of why "unions find themselves behind the pace of change." In this assessment, the decline of union membership is not due to rank-and-file discontent but to economic recession and related influences.

The AFL-CIO report questions the adversarial relationship and "rigid and narrow formulas" of collective bargaining. It argues for "multiple models for representing workers tailored to the needs and concerns of different groups" including "new categories of membership for workers not employed in an organized bargaining unit." Recommended also is more efficient administration of organizing, communication, and membership participation, as well as internal structural change to facilitate union mergers, settle-

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<sup>4</sup> Lane Kirkland, "Reagan Class Warfare," *AFL-CIO News*, June 27, 1983, p. 7.

ment of interunion organizing disputes, and funding of state and local bodies. In general, the report urges a stronger role for the Federation.<sup>5</sup> Perhaps just as important as the substance of change is the fact that the Federation is facing up to the need for change.

### NIR's Consequences

I speculate here about the risks to management and, beyond that, the risks to the social equilibrium which inhere in NIR's subtle and not so subtle antiunionism. The newness of NIR consists of a strategic conception that unions are expendable, to the point of avoidance or expulsion. Previously, management's resistance to union demands was ad hoc and improvised for the occasion. It was not a prefabricated game plan with tactical modules accessible to union and nonunion businesses alike, as NIR is now. In this respect, NIR is on the same plane of conception as the American Plan, although of a different era. It is not altogether out of the question that NIR could succeed in striking a lethal blow against unions only to find that it has cost more than expected.

The choice management faces is not between a perfect and an imperfect solution. Management can not deal with the problem as if it were a simple question of unionism vs. pure efficiency. In reality, the management choice is among lesser forms of employee protectivism. Somebody will perform the function of protecting employees from undiluted management efficiency. It is unlikely that "pure" management efficiency will go very far in a modern mass democracy without one or more protective institutions intervening to deflect and moderate efficiency's alienating effects on employees.

There is a dialectical relationship between efficiency and its mitigation that, if one thinks about it, has probably

saved western capitalism from Marx's catastrophe. The intervening forces acting individually and in concert include: (1) the state's protective labor legislation; (2) the informal work society; (3) the union and collective bargaining; (4) "human relations" or "human resource management;" (5) the most costly of all, social upheaval and class conflict, which we came pretty close to in the 1930s.

Industrial relations in a democracy abhors a power vacuum. The protective void created by the weakening of union power will be filled somehow. The state will step in and legislate protective functions by statute, which it already does to a large extent. It is instructive, in this connection, to observe how the courts are presently changing the law of employment-at-will to fill a protective void for nonunion white-collar and professional employees.

Management employs human relations and human resource management as an alternate response to the union security response: meaning that, when the union is barred or ousted, management finds that it has to create its own "union" effect to fill the vacuum, or else the informal work society will perform the union-like function by the "conscientious withdrawal of efficiency," which is what happens in the socialist systems where adversarial unions have no standing.

The union could very well be the least costly to management of the security responses that invariably accompany efficiency because: (1) Unions are easier to deal with than are state bureaucracies and the informal or underground shop society. (2) The union appreciates that its security objectives cannot be attained without an efficient enterprise, now more so than ever before. (3) Management tends to lean over backward (that is, to pay more than it has to) in bargaining with itself, as it does in effect in human

<sup>5</sup> *The Changing Situation of Workers and Their Unions*, A Report by the AFL-CIO Special Committee on the Evolution of Work, Feb. 1985, pp. 2-28.

resource management. (4) The degree of employee involvement is nowhere else as great or as systematic as in the union. (5) Although unions are more disagreeable for management, they nonetheless provide the toughest "coercive evidence" to force improvements in labor utilization. (6) The union does not really want to run the company. It wants management to direct the labor force but with accountability for its actions. (7) Social upheaval is too inchoate and too much dominated by sheer outrage to yield constructive results in and of itself. (8) The necessary conditions of workable industrial relations are structures for dissent and due process to travel through. Unions and collective bargaining, if I am not mistaken, best fulfill this condition.

It is no part of this argument that management has to give the store away. Management can protect its legitimate interests short of undermining the union. Bakke's "mutual survival" by negotiation may be less injurious to management and the general interest.

The union serves an essential function for management, just as an independent, autonomous management serves an essential function for the union. Reciprocity in constraints makes possible necessary inhibition of each other's actions, which the sides are incapable of exercising on their own.

The union effect disciplines management to treat its employees like human beings, which, it turns out, is also a neces-

sary condition of optimal efficiency. Collective bargaining reviews the efficacy of management labor policy, which it cannot normally get out of its own internal processes. Management constrains the union from making onerous claims that could bring down the enterprise and cost the members their jobs. Such reciprocal constraints and countervailing power are undoubtedly what are lacking in the labor process under socialism and other state-dominated systems and account for the rampant labor inefficiency that pervades these systems.

If the unions or their kind do not exist, we have learned, they have to be invented, as in management human relations, the informal employee work society, the social policy function of the modern welfare state; all of which probably cost the employer more than a real union. The principle is that management efficiency invariably oversteps itself and it has to be checked and balanced in management's own interest, as well as the employees'.

Weakening the union in any large measure could also be more costly to the balance of social forces essential to a democratic order. At least this is the way I interpret the fact that nowhere else in the democratic industrial world (which is the same as saying Western-type capitalism) are managers seriously debating the expendability of unionism.

[The End]

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# Coping with the New Realities in Industrial Relations

By Howard D. Samuel

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President, Industrial Union Department  
AFL-CIO

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The most pressing new reality in industrial relations has been the internationalization of the American economy. The facts of the situation face us every day. In the past five years, in the manufacturing sector, we have lost two million jobs, probably permanently, mostly to foreign competition. Thousands of plants have closed their doors forever, and many of these plants were modern facilities, boasting state-of-the-art technology.

You do not have to tell the average manufacturing worker what international competition has done to American industry. He has been on the front line of the changes, and he carries the heaviest burden. Unlike managers and professionals and entrepreneurs, the factory worker cannot meet the competition by shifting production overseas or by merging with another company or by closing plants and concentrating on more profitable lines. He has only his skills, his family, and his home, and that is where he has to make his stand. If his skills do not suffice, he has a brief interval of income support, without health or hospital benefits, a one in twenty chance for some retraining, and an 80 percent likelihood of finding either no job or one that pays substantially less than what he was previously earning.

Yes, the American industrial worker and American industrial unions know there is a new industrial reality, composed of an international competitive challenge,

and we know there is no choice but to meet it. But what have we found on the other side of the table?

For American labor unions, this has been an unusually difficult period. We have gone through years when the tide was running against us, such as the 1920s when unions were under universal assault. We have also experienced years of growth, such as during and after World War II, when collective bargaining was the talk of the town. But the past few years have been a time of sham and hypocrisy when nonunion employers croon about collaboration, when giant corporations with union relationships illegally fire union supporters in their nonunion plants, when big business demands worker concessions to meet international competition and then gives second helpings to their top executives.

What do we tell our members? Should we stir them to new heights of militancy, to resist the onslaught of the antiunion and concession-hungry corporate lions? Or should we lead them gently along the path of collaboration and quality circles to a new day when labor and management dance together to the tune of cooperation?

Most responsible union leaders have found it necessary to adopt elements of both courses. We do welcome genuine efforts to involve us in collaborative activity, but we are keeping our powder dry. American workers, we are convinced, can play a more active role in the drive to improve competitiveness and to meet the challenge facing us all. Workers are far more creative than they are given credit



for; given half a chance to participate in the decision-making process, they could make a major contribution to improving quality and productivity. But management must provide the leadership, the example, the tools—and the integrity—to assure the support of their workers. Has American management fulfilled this responsibility? Let us look at the record.

### Quality of Work Life

In recent years, unions have been urged to join management in cooperative efforts to improve the quality of work life, and business columnists and journalists sing the praises of QWL as the herald of future collaboration. But when labor looks over its shoulder, it sees some companies, like Johnson & Johnson, busily establishing a QWL program in a plant in New Mexico specifically designed to abort a union organizing drive and others, like Allis Chalmers, using QWL to try to destroy an existing union relationship.

For some of us, quality of work life programs have proved to be two-edged swords. The Communications Workers have been pleased with their earlier experiences with AT&T; the Machinists' experience has led them to advise their lodges to keep their distance. QWL programs that put their entire stress on productivity, rather than work life quality, or that fail to share the gains with the workers who make them possible or that try to institute speedups under the guise of productivity improvements or that do not bring in the union leadership as full partners are going to have a brief life, as, indeed, most of them do.

We can all learn a lesson from a recent poll quoted in the report of the President's Commission on Industrial Competitiveness: only nine percent of American workers felt they would benefit directly from increased productivity. A similar survey showed that 93 percent of Japanese workers felt they would benefit. All too often, QWL programs are only a surface effort, sometimes merely masking a corporate

plan to minimize collective bargaining obligations or dump them altogether.

What is needed is a much more deep-seated change in labor-management relationships in which workers, through their unions, are kept informed of pending major decisions affecting production and employment and have the means of influencing those decisions to protect the best interests of workers and company. It is not as revolutionary as it sounds. In some sectors this kind of relationship has been a standard practice for decades. In my own industry, men's apparel, the union and companies have worked together since the second decade of this century to solve problems of common concern. The same pattern is found in other industries: women's apparel, maritime, construction, to name a few. And there are innumerable individual firms that have grown accustomed to sharing management decision-making with their unions.

I am not describing shop-floor QWL programs. I am referring to contract provisions giving labor a share of the action on key business decisions: not only to consult, but to participate in the decision-making. Much more than QWL programs, they represent a change in management attitudes that gives some of us hope for the future.

The President's Commission on Industrial Competitiveness, among other recommendations, urged greater cooperation between labor and management. This was not a mere bow to quality of life programs at the shop-floor level. The Commission was talking about "worker participation in the decision-making process" and urged the President to support such collaborative relationships. The President, whose chief contribution to improved labor-management relationships in five years in office has been to fire the air traffic controllers, has not yet indicated his support.

### Employment Security

Employment security, given the times we are passing through, will obviously

play a larger role in labor-management relations in the years ahead, and, again, here is an area where we are dealing with a two-edged sword. On the one hand, workers have never been more alive to the issue, particularly in the manufacturing sector where plant closings, acquisitions and mergers, technological change, and international competition have put every worker's job at risk.

Last year, the Industrial Union Department issued its ninth biennial analysis of 100 key contracts spanning American industry. One of the areas in which labor's negotiators have been making significant gains is in employment security, responding to what the survey identifies as "major technological change, work transfer, or closing." Seventy-five percent of the agreements contain some provision in this area. Advance notice of plant closings, protection of job rights through preferential transfers or hiring, protection of seniority rights, even moving expenses are becoming more common.

Some union contracts go far beyond these clauses. The CWA, the UAW, and several other unions have contracts providing for company funding of retraining of displaced workers. ACTWU has a "no layoff" provision with Xerox and with the clothing industry. As is well known, many of these contractual improvements have been won at the expense of, or in place of, economic benefits. In the long run, workers and unions may be better off for the emphasis we have been obliged to place on employment security at a time when economic benefits were difficult to win.

But I am not naive about the issue of employment security. Some of our best-known corporations have instituted policies (a few of many years' standing) of maintaining their labor force regardless of economic circumstances. When a list of these companies is examined, it is not surprising to find that few of them are seasonal and few are ever vulnerable to cyclical trends. Even more interesting is that the overwhelming majority are non-

union. The question naturally occurs: Are employment security policies, leading to a steady-state labor force, merely a sophisticated way of deterring union organization and avoiding collective bargaining? Next time you see the folks at People Express, or IBM, or Motorola, why don't you ask?

### Concession Bargaining

During the past few years, to meet the challenge of international competition, unions were pressed to accept concessions to preserve job opportunities in companies under siege. A lot of unions did so. It might have come as a shock to learn from a *Business Week* poll, taken in 1982, that 20 percent of the corporate respondents admitted that they didn't need the concessions but were merely taking advantage of a bargaining climate unfavorable to unions.

I can add from personal experience that, in the Industrial Union Department's coordinated bargaining committees, we often found perfectly healthy companies shopping around among their locals for a weak link, from which they could extract a few concessions they could then try to impose on other workers through pattern bargaining.

Were concessions always needed to meet the pressure of international competition? We have been told for several years that U.S. manufacturing wages are too high and are crippling our efforts to compete. Does this mean we have to get down to the level of South Korea or Colombia or Taiwan? It sounds too incredible to warrant a response: except that is exactly what we have been doing. Manufacturing wages, in real dollars, have been going down for more than a decade. American workers today, in 1986, are earning in real dollars about what they did in the mid-1960s. Has it helped our competitive position? Not much. In 1985 we had the largest trade deficit of any nation in the history of the world.

Let me add just a few words about employee ownership plans. There once

was a time when ESOPs were being peddled as a celebration of economic justice, an immaculate extension of democracy from the polling booth to the workplace. Times have changed, and despite a success story or two, like Weirton Steel, the leopard has changed his spots. Now we know that ESOPs are more likely to originate as a way for corporate management to acquire the assets of a pension plan or to exploit some carefully contrived tax benefits to fend off an unwanted merger or to finance one. The average employee usually has no voting rights over his stock, cannot select the plan's trustees, or will not even be assured of a fair price for his stock if he leaves the company. We are all in favor of success stories and hope there will be more of them. But today, when we hear of a possible ESOP in one of our union plants, we call our lawyer.

If I sound discouraged or cynical, perhaps it is because many of us in the labor movement have reconciled ourselves to the fact that, under the pressures of the competitive challenge, a substantial segment of American business has jettisoned its allegiance to trade unions or collective bargaining. A recent report by two university professors, based on data compiled by The Conference Board, demonstrated what is happening. In 1977, companies said by a two to one margin that their top priority was in achieving a favorable outcome in collective bargaining rather than to avoid unionization entirely. By 1983, the response was substantially changed; about half were more interested in getting away from or avoiding collective bargaining.

Do you want more evidence of the aversion of American management to trade unionism and collective bargaining? The latest figures date back to 1980: one worker in every 20 involved in an organizing campaign is fired illegally for supporting the union. That is an average of between one and two workers in every organizing drive. We do not yet have comparable figures for the Reagan years, but

anyone with a little imagination could probably make a reasonably accurate guess. The number assuredly has not gone down.

In its early years, as collective bargaining was winning acceptance, there were always some exceptions to the rule. Such firms as Colorado Iron and Steel and Weirton Steel and J.P. Stevens earned a brief place in the sun as their names were inscribed in the pantheon of union-busters. In recent years, we have had an outpouring of new candidates for enshrinement: Continental Airlines, Magic Chef, Kawasaki, Phelps Dodge, Greyhound, BASF. If American workers and American unions are to be expected to play a full role in the battle to meet our competitive challenge, business leaders should close the door of the pantheon once and for all and make it plain that new candidates are not welcome.

### The Role of Government

In the United States, the national labor law, which was designed to protect the worker's right to choose collective bargaining, has become a sieve—and collective bargaining is on the defensive. Earlier, I referred to the fact that one in 20 workers who supported the union in organizing campaigns was found by the NLRB to have been fired illegally. Today, because of the backlog of cases before the Board, such workers often must wait three years for a ruling. Through such cases as *Milwaukee Spring* and *Otis Elevator*, the Reagan Board has made it much easier for employers to move their factories to another location, leaving their union contracts and union workers behind. Through the *Gourmet Foods* case, the Reagan Board ruled that an employer found guilty of unfair labor practices during an organizing drive, making a fair election impossible, cannot be ordered to bargain in good faith, unless the union had gained majority support despite the illegal tactics. In other words, the more effective

the illegality, the less likely that management will find itself obliged to bargain.

It should not be surprising, therefore, that most labor leaders are somewhat cynical and that a few are even talking seriously of trying to avoid the procedures established by the labor law by returning to the confrontational tactics of the past, when there was no law. We are also developing tougher organizing tactics, a more effective use of the media, modern polling methods, and various elements of the coordinated corporate campaign, where we seek out corporate vulnerabilities in areas far removed from employee relations.

Labor's enemies have cured us of any tendency toward sloth or carelessness. One of the by-products of the political and corporate attack on organized labor is a new sense of determination and a new commitment to effective action to protect our hard-won gains. It is obvious to me that forcing labor to avoid the NLRB and return to the chaos of the 1930s, or to develop destructive tactics more effectively in the 1980s, is not necessarily going to take this country down the path of more peaceful or productive labor relations. It will not lead to better quality, less waste, and more productivity in our manufacturing facilities. It will not push us along the path of competitiveness, at a time when half the world has the will and the capability of stealing away our markets. But the actions of labor's enemies have called for this kind of response—tragically, it seems to me—at exactly the time when we need less of an adversarial climate, not more.

### How We Are Coping

Amid the discouraging signs, the corporate union-busters, the government officials turning our labor laws upside down, there are a few signals of hope: the recent agreement between the UAW and General Motors for the new Saturn plant; the long-standing company-union relationships, such as those between Xerox and the

Amalgamated Clothing and Textile Workers and between Corning Glass and the Flint Glass Workers and many more; and the efforts of the United Steelworkers and at least some elements of the steel industry to meet a totally new set of competitive conditions. There are 200,000 labor contracts in the United States today, and an overwhelming percentage of them are negotiated and renegotiated without a ripple of conflict or even noteworthiness. Millions of workers and their employers are in reasonable harmony as they seek to overcome the challenges of our new age. But we could do much better.

I do not suggest that labor is perfect, that we are without blemishes. But I suggest that we are more sinned against than sinning. For every local leader whose militancy has gotten out of hand, there have been ten or a dozen chief executives who have decided to meet the competitive challenge on the backs of their workers and their unions. Labor did not try to distort the purposes of the law; we were the victims of government ideologues who did. In recent years, we did not try to boost our wages to impossible levels; we have been trying to save the key elements of what we had achieved the years before.

Today I speak in both sorrow and anger, fully aware, like virtually all of my associates, that, in order to meet the challenge of international competition, we must promote closer and more responsible relationships between management and labor but seeing all around me industrial leaders and government officials who have not yet accepted the workers' right to collective bargaining. But that has been the story of labor in America. The pendulum has never stilled, starting with those early showmaker unions in Philadelphia two centuries ago, and continuing through the conspiracy cases and the railroad strikes and the massacres, the growth and splendor of the New Deal, and the decline of the 1980s.

I am hopeful that some day we will look back on this period from a different, more

enlightened, vantage, when collective bargaining is accepted wholeheartedly and workers are seen as an integral part of the corporate decision-making process, when the lion can lie down with the lamb and the lamb with the lion, and both will

prosper. And who knows but that there will even come a day when no one will know which is which.

[The End]

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## The New Industrial Relations in a Global Economy

By Randolph M. Hale

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Vice President, Industrial Relations,  
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During the past decade, labor-management relations in the United States have been changing, and that change is going to be permanent. To what it is changing is a far different question. It is a fair assumption, of course, that both labor and management want to survive and prosper and so must search for viable options. That is the basic new reality.

### Post-World War II Environment

Unions prospered mightily during the two decades after World War II, years in which more than a third of the gross product of the world was represented by American dominance of the world's economy. The U.S. was the unchallenged technological leader. International growth provided a hungry market for products labeled "Made in U.S.A."<sup>1</sup>

The unions prospered. Contract settlements were generous because the cost could be passed on to the consumer. Contracts came to include COLAs, inflexible work rules, overmanning, and other restrictive provisions favorable to labor.

Why not? Production had to keep up with demand.

Three characteristics were at the heart of our labor-management system in the early 1970s.<sup>2</sup> First, union membership and strength had been maintained in the then-dominant sectors of the economy such as manufacturing, construction, extractive industries, printing, and transportation, and such status was accepted as a given by many of the employers in those industries.

Second, there was widespread acceptance of the formula approach to compensation. Wage increases were linked to macroeconomic factors rather than to company or industry-specific performance. Wage components included an "annual improvement factor," or AIF, or some variation thereof with a different name. The AIF was first adopted in the 1948 GM-UAW contract and was based on national productivity increases: three percent then. There was no explicit linkage to individual corporate or industry performance. Another component was a cost-of-living adjustment whose purpose was to protect the increase achieved by the AIF by ensuring it was not eroded by inflation. The final component was the fringe benefit package that was negoti-

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<sup>1</sup> *Global Competition: The New Reality*, Vol. 2, Report of the President's Commission on Industrial Competitiveness (Washington: U.S. Government Printing Office, January 1985), pp. 12-16.

<sup>2</sup> Arnold Weber, "Lifeboat Labor Relations," in *Across the Board* (New York: The Conference Board, May 1984), pp. 29-35.

ated on a benefit level and not on a cost basis.

The third and final characteristic was the development and maintenance of two highly consolidated bargaining structures. One was multiemployer in nature. All parties agreed to the same contract. The other structure was pattern bargaining, which occurred in rubber, retail food, auto, and other industries. Some deviations for individual company problems were permitted in this arrangement, but wage and benefit levels were generally the same.<sup>3</sup>

### The New Realities

That reality changed dramatically by the late 1970s and early 1980s. Why? Markets have changed. Global competition is the new reality. With some exceptions, American manufacturers are not competing successfully in today's world economy. Even in domestic markets, some unionized companies are unable to compete with nonunion competitors. There are new realities now. Some of them are as follows.

Our average annual rate of productivity, as measured by real gross domestic product per employed person, was one-seventh that of most of our major trading partners in the 1973-83 period.

Our trade balance in manufacturing has declined from a surplus of \$3.4 billion in 1970 to a deficit of \$113 billion in 1985. Furthermore, the U.S. share of high technology exports declined precipitously between 1960 and 1985. A Department of Commerce study on high technology exports concluded that, between 1965 and 1980, U.S. export shares had declined in eight of the ten high technology sectors remaining. These trends, when viewed in their totality, indicate a weakening in the ability of U.S. corporations to produce

products that meet the test of international markets.

From 1963 to 1973, the real wages paid to American workers increased at an annual rate of 2.6 percent, but, since then, real wages have stagnated. While real wages are still high compared to our major trading partners, the fact is the economy is not supporting an increasing standard of living for our workers equal to the rate the United States was able to achieve historically.<sup>4</sup>

### Impact on Collective Bargaining

In recent years, collective bargaining, in many instances characterized as "concession bargaining," was a realization by both labor and management of marketplace realities. It would be more appropriate to call it "competitive," "survival," or "reality" bargaining.

Most of these settlements have incorporated many of the following: two-tier wage systems; lump-sum payments in lieu of, or combined with, modest wage increases; back-loading, where most of the wage and benefit increases are in the final year of a three-year contract; elimination of restrictive work or plant rules and reduction in the number of job classifications; and increased control over health and other benefit cost increases.<sup>5</sup>

### Declining Union Membership

Global competition also contributed to the steady decline in union membership, though other factors contributed to that membership loss. Professor Leo Troy has put it succinctly: "Membership at the beginning of 1985 is the same as it was 20 years ago, about 18 million; the proportion of workers employed in non-farm industries, including government, who were members of unions had fallen to fewer than one in five, a proportion first attained in 1937-38, and that at a time

<sup>3</sup> *Ibid.*, p. 12.

<sup>4</sup> *Global Competition*, pp. 12-16.

<sup>5</sup> Richard Bellous, "Labor and Management: The Situation in 1986," *Issue Brief* (Washington: Economics Division,

Congressional Research Service, Library of Congress, updated January 21, 1986), pp. 1-11.

when the union movement was growing rapidly; the percentage of the total labor market organized had declined to rates far below the peak rates of penetration of 1953; the number of union mergers is unparalleled in union history: what exhortation by leaders could not achieve is being forced upon many unions by their dwindling strength; throughout 1984 unions failed to participate in the most vigorous economic recovery since 1951."<sup>6</sup> This is not an American phenomenon. It is also occurring, according to Troy, in Britain, France, West Germany, Italy, and Japan.<sup>7</sup>

Other factors have caused this decline, including modest employment opportunities in manufacturing, significant growth in service industries, the fact that most job creation is occurring in small business, the composition of today's workforce including more female workers, young workers, part-time workers, and deregulation. Finally, Troy, Freeman, and Medoff agree that unions simply are not devoting enough financial and other resources to their organizing efforts. Expenditures for organizing have declined sharply during the 1950s, 1960s, and 1970s.<sup>8</sup>

Troy, Audrey Freedman, and others contend that union membership is in a permanent state of decline and will not recover.<sup>9</sup> I question the accuracy of that prediction as it assumes that unions will not act in their own self-interest. The recent searching self-analysis of the trade union movement as well as the adoption of a number of its recommendations, contained in the February 1985 report by the AFL-CIO on the Evolution of Work, indicates that unions are looking for new approaches to organizing.<sup>10</sup> Recent public relations and advertising campaigns by a

number of unions, including the United Food and Commercial Workers, reflect an innovative approach to organizing.

### Maturation of the Human Resource Function and Its Relation to Union Free Trends

During the mid-sixties, the first priority for many senior labor relations professionals was the maintenance and stability of their collective bargaining relationships, and union officials were similarly concerned with that priority. The enactment of laws and government regulations mandating nondiscrimination and affirmative action in employment shifted that priority for management and forced many managers to institute rational personnel policies and practices and devote their full attention to every aspect of the employment relation. Similar developments in occupational safety, pension planning, and health-care cost containment gave increased responsibility and importance to the personnel department.

Additionally, as businesses expanded into high technologies, needs developed for employing and developing people with unique skills. Performance was judged on attracting, holding, and motivating individual workers. Managers with a personnel psychology and business background began to supplant the labor relations manager.<sup>11</sup>

The Conference Board survey on labor-management relations in 1979 indicated that preventing the spread of unionism had become more important to managers than achieving stable collective bargaining relationships. The possibility of union-free operations based on employee-oriented policies gave management an alternative to the adversarial labor relations

<sup>6</sup> Leo Troy, "The Rise and Fall of American Trade Unions: The Labor Movement from FDR to RR," forthcoming in a publication of the Institute of Contemporary Studies, San Francisco.

<sup>7</sup> Troy; see also Richard B. Freeman and James L. Medoff, *What Do Unions Do?* (New York: Basic Books, 1984), p. 222.

<sup>8</sup> Troy and Freeman and Medoff, pp. 228-30.

<sup>9</sup> Troy; see also Audrey Freedman, "What Has Happened to Unions?," *Bell Atlantic Quarterly* 2 (Autumn 1985).

<sup>10</sup> "The Changing Situation of Workers and Their Unions," A Report by the AFL-CIO Committee on the Evolution of Work, February 1985.

<sup>11</sup> Alexander B. Trowbridge, "Labor-Management Relations in a Changing Economy," forthcoming in a publication of the Institute of Contemporary Studies, San Francisco.

system. This new human resource system was expected to bypass the union and deal directly with the worker and his needs. In addition to competing with the compensation and benefits existing in collective bargaining, the human resource executive was interested in the design of the organization and the workplace, the leadership performance of supervisors, and the involvement of individuals and small groups of workers in workplace problems and decisions. Senior executives began to rely on the human resource function, giving it the same importance that the labor relations function once had. This type of program, as Kochan and Cappelli have observed, contributed to the decline of the traditional industrial relations unit.<sup>12</sup>

Is the union-free trend permanent? The answer to that question is contained in the old maxim: "Unions don't organize employees, managers do" through mistakes, neglect, and, unfortunately, a total lack of sensitivity.

### The Future Options in Industrial Relations

Our options are limited, as industrial relations do not operate in a vacuum. Tax, fiscal, trade, education, research and development, and other policies affect what the realities are and what the options will be. Recent new approaches by management and labor promising the opportunity of stability and growth include the following.

1. Gainsharing, including bonuses, profit-sharing, and a variety of other productivity gainsharing techniques, is attracting new attention.

2. Employee participation units in various forms began to receive attention by companies in the 1970s. They represented new ways to make effective communications with employees work in tandem with productivity. These have taken such

forms as quality circles, QWL, joint labor-management teams, and a host of other collaborative and participative techniques.

3. A concomitant to employee participation plans is employment security: a concept that there really is no job security if the firm is not successful.

4. Efforts have been made to achieve union and employee identification with profits and productivity.

5. Many corporations involved with the above programs are also emphasizing that the union is a joint partner in these efforts, and thus there is sincere acceptance of the union as a full, legal, and legitimate representative of the employees.<sup>13</sup>

Many of these joint programs had their origin in the "survival" contracts that were negotiated in the early 1980s. Some examples of these innovative approaches in collective bargaining and employee security include Saturn, New United Motor Manufacturing, Inc. (NUMMI), and Xerox. Assuming the aforementioned responses are the prevailing trend in the future, a number of public policy changes will be needed. The President's Commission on Industrial Competitiveness summarized such changes:<sup>14</sup>

New forms of labor-management cooperation must be created. Different cooperative relationships must be established between labor and management that will maximize productivity by involving employees and their elected representatives in the decision-making process in the workplace as well as encouraging participative management throughout the organization. If the National Labor Relations Board and the courts agree that such changes are prohibited by the Act, some changes in the basic labor laws may well be necessary to ensure that these innova-

<sup>12</sup> Thomas Kochan and Peter Cappelli, "The Transformation of the Industrial Relations Function," in *Employment Policies of Large Firms*, ed. Paul Osterman (Cambridge, Mass.: MIT Press, 1983).

<sup>13</sup> Randolph M. Hale, "Managing Human Resources—A Challenge for the Future," *Enterprise* (Washington: National Association of Manufacturers, June 1985), pp. 6-9.

<sup>14</sup> *Global Competition*, pp. 139-60.



tions are not in violation of the National Labor Relations Act.

Employee incentives must be strengthened so as to reward the efforts of individual employees and to highlight the linkages between pay and performance. Particular emphasis should be placed on incentive stock options and employee stock ownership plans. This will require changes in the Internal Revenue Code.

Work skills must be improved. Employer investment in employee training should be encouraged through macroeconomic strategies designed to maintain economic expansion and reduce unemployment; balanced tax treatment of employer investments in human and physical capital should be considered; the capacity of vocational education institutions and community colleges to provide customized training should be strength-

ened; and tax disincentives for individuals being trained through employer-financed education programs should be removed. Employers should also be encouraged to take a more systematic approach in their training activities.

Additionally, we still have much to learn from Japan. Japanese manufacturing techniques such as "just in time," "total quality," plant configurations, production line management, and other processes have been significant factors in their success as competitors.<sup>15</sup> Our industrial relations system must respond to global competition with innovative and thoughtful responses, which it is capable of doing. Neither management nor labor can afford the luxuries and excesses of the past.

[The End]

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<sup>15</sup> Richard J. Schonberger, *Japanese Manufacturing Techniques: 9 Hidden Lessons in Simplicity* (New York: Free Press, 1982), passim.

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# Industrial Relations from a Natural Science Perspective

By Hoyt N. Wheeler

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Industrial relations is a field that could use some new ideas. For years industrial relations scholars have struggled with the precise, but implausible, tenets of economic utility theory and the dry mechanics of behavioral psychology without achieving much understanding of the basic problems of our field. In quiet times this is not a problem. Practitioners go happily about their business, working out practical solutions by trial and error, and muddle through just fine. However, in a time like the present, when the basic institutions are in disarray, we tend to notice that we do not really understand the basic phenomena with which we are concerned. Yet, without such understanding, we are without any firm basis upon which practice and policy can be reformulated. What is proposed in this paper is that we look for a new direction for such a basis, to the area of the natural sciences, and experiment with a different framework for industrial relations analysis.

## The Subject Matter of Industrial Relations

Before proposing a framework for its analysis, it may be useful to consider briefly the nature of the subject matter with which we are dealing. In this writer's

view, the core of the field of industrial relations is human beings in the employment relationship. This relationship has both an individual and an institutional component. The individual component is the human person who is in the relationship and who brings along all the complex attributes of the animal homo sapiens. The institutional component is "employment," which, by both law and tradition, is an exchange of an employee's promise to obey for an employer's promise to pay.<sup>1</sup> Under a regime of modern industrialism, specialized employees called "managers" function both to give the orders that are to be obeyed and to distribute the promised rewards. Furthermore, the employer organizes employees into social groups for the purposes of work.

## A Natural Science Perspective

What is a natural science perspective? It is a point of view, deriving from the work of sociobiologists and ethologists,<sup>2</sup> that adopts a distinctive model of humankind. This model includes a "human nature" based on genetically rooted predispositions which influence, although they do not mechanically determine, human behavior.<sup>3</sup> Relatively recent work by sociobiologists and ethologists has identified a set of these predispositions that can be said with a reasonable degree of certainty to be an innate part of what it

<sup>1</sup> John R. Commons, *Legal Foundations of Capitalism* (Madison: University of Wisconsin Press, 1968), p. 284.

<sup>2</sup> "Sociobiology" has been defined as the "systematic study of the biological basis of all social behavior." See Edward O. Wilson, *Sociobiology*, abgd. ed. (Cambridge, Mass.: Belknap Press, 1980). "Ethology" has been defined as that branch of the natural sciences that engages in

comparative studies of behavior. See Irenaus Eibl-Eibesfeldt, *Ethology: The Biology of Behavior*, trans. by Erich Klinghammer (New York: Holt, Rinehart and Winston, 1970), p. 8.

<sup>3</sup> Mary Midgley, *Beast and Man* (New York: New American Library, 1978), pp. 51-57.

means to be human. The evidence gathered on the innateness of some behaviors is truly impressive.<sup>4</sup>

The usefulness of this perspective stems from its potential for improving both our predictions and our understandings of human behaviors. As to prediction, we would expect to find human beings engaging in behaviors that are aggressive, loving, dominant, and social, because this is part of the nature of human beings. From observation of the operation of these behaviors in human groups, and in groups of our closest animal relatives, we can predict the patterns and operations of those behaviors in a group of employees in a work organization. Also, we might expect these fundamental behaviors to be at least somewhat resistant to being repressed.

Understanding these behaviors comes from grasping the "whyness" of the behaviors in a different way. For example, humans build hierarchies because it is our nature to do so. It is our nature because it served the purpose of survival at a crucial juncture in our evolutionary history. That is, humans with this inclination were more likely to survive and produce offspring than those without it. Furthermore, certain things tend to happen in human hierarchies in work organizations because it is inherent in the nature of hierarchies of social animals that these things are likely to occur. Certain behaviors tend to moderate others because they provide cues to which humans are innately likely to respond in particular ways. Because of our inclination to protect and nurture the young, for example, it is difficult for us to behave aggressively toward a person who gives cues of "infantile" behavior.

What are the particular attributes of human nature that might be of interest in analyzing industrial relations problems? A reading of the sociobiological and ethological literature suggests a number of behavioral predispositions. They are: (1) aggressiveness, (2) formation of hierarchies and exercise of social dominance within them, (3) pursuit of material resources, (4) nurturing and loving, and (5) bonding with others in social groups. It also appears that there are innate inclinations to interrelate these tendencies in specific ways.

Aggression can be defined, for our purposes, as action intentionally contrary to the interests and goals of others.<sup>5</sup> To say that human beings are aggressive is to say that such actions are within their "repertory of natural tendencies."<sup>6</sup>

The human social dominance tendency involves construction of "so-called ranking order(s)."<sup>7</sup> This includes control of the behavior of others of lower rank, acceptance of this control by subordinates, and the contrary tendencies of subordinates to climb the hierarchy and to seek freedom from dominance. This predisposition, along with the related tendency for aggressive action, has been classified among those traits most clearly linked to genetic origins.<sup>8</sup> Social dominance hierarchies include, as a common feature, the intervention of dominants to resolve disputes between lower dominants and subordinates. Because they are innate, they are relatively enduring and may be erected for their own sake as well as for instrumental purposes. These hierarchies are maintained by aggressive action or its threat.

Although it is little discussed in the ethological and sociobiological literatures, there is also a tendency to pursue mate-

<sup>4</sup> See Midgley, cited at note 3; and Wilson and Eibl-Eibesfeldt, cited at note 2. See also Irenaus Eibl-Eibesfeldt, *Love and Hate*, trans. by Geoffrey Strachan (New York: Schocken Books, 1972).

<sup>5</sup> Hoyt N. Wheeler, *Industrial Conflict: An Integrative Theory* (Columbia: University of South Carolina Press, 1985), p. 172.

<sup>6</sup> Midgley, cited at note 3, p. 59.

<sup>7</sup> Konrad Lorenz, *On Aggression*, trans. by Marjorie Kerr Wilson (New York: Harcourt, Brace and World, 1966), p. 70.

<sup>8</sup> Wilson, cited at note 2, p. 276.

rial resources.<sup>9</sup> Another innate tendency is the nurturing of the young, which involves not only their feeding and care but also the "cherishing" that is necessary for the offspring of human beings to develop and survive.<sup>10</sup> Humans also have innate tendencies to bond together in social groups in which ties of affection and solidarity are formed through a number of mechanisms.<sup>11</sup>

### Application of the Natural Science Perspective

The proof of a perspective is in its application. What follows is a brief consideration of some possible applications of this view to the prediction and understanding of the situations and behaviors of employees and managers and to some of the basic processes of industrial relations.

**Employees and Their Organizations:** What does it mean to be an "employee" when viewed from a natural science perspective? First, it means that the human being in this role is nested within a social dominance hierarchy in a work organization. From the characteristic features of hierarchies, several things can be predicted about the situations and behaviors of employees. We would predict that hierarchical forms of organization would be often adopted, whether economically rational or not, and that they would be somewhat resistant to dissolution. We would predict that at any given time there would exist within the work organization, as a "natural" state, the acceptance of subordinate status by some employees (in varying degrees) and discontent with the pressures of subordinate status, stemming from both a desire for freedom and a wish to occupy a higher rung on the status ladder. This would indicate that hierarchies cannot be easily dispensed with, nor can they exist without

the presence of tensions between occupants of different levels. Ethological research suggests that we should expect more tension between members of adjoining positions in the hierarchy, e.g., operative and foreman, than between members in distant positions, e.g., operative and plant manager. The hierarchical practice of a higher dominant resolving disputes between subdominants and subordinates is preserved in multistep grievance procedures.

Given that social dominance hierarchies are commonly maintained by aggression or its threat, we would predict that a system of punishment would be used to maintain the authority of higher-ups. This is true in the modern industrial organization, even though both moral and economic arguments might be made for utilizing other means to insure behavior in patterns favorable to efficiency. Aggressive resistance to social dominance pressures, such as sabotage, physical attacks on a supervisor, or collective aggressive actions, such as strikes, is also what one would predict to occur in a work organization.

A second main set of implications, which arises from viewing employees from a natural science perspective, relates to the human propensity to pursue material resources. Placing a human being with such an inclination into a role where there is an exchange between what, for the lowest level employee at least, causes some tensions and the promise of material rewards, guarantees that pay will be a central concern in the relationship. Contrary to the views of some behavioral scientists, this would argue for the high importance of compensation in the employment relationship. It also calls attention to the terms of the exchange: the quantity and quality of labor required for pay.

<sup>9</sup> Wheeler, cited at note 5, pp. 104-113; Wilson, cited at note 2, p. 275.

<sup>10</sup> Wilson, cited at note 2, p. 276; Midgley, cited at note 3, pp. 339-342.

<sup>11</sup> Midgley, cited at note 3, p. 338; Eibl-Eibesfeldt, cited at note 4, pp. 128-224; Desmond Morris, *The Human Zoo* (New York: McGraw-Hill, 1969), p. 129.

The third set of implications comes from the social nature of homo sapiens. Humans placed together tend to engage in certain standardized behaviors which bond them together into a social group whose members have some affection for one another. As Marx once noted, employees are formed in a social group by their employer for purposes of production. We would predict, therefore, that they would engage in a range of behavior including friendly physical contact (a pat on the back, a handshake), feeding (eating together, sharing food), other gestures of friendship (such as smiling or a kindly look or even team sports). If one wished to encourage intensive group behavior, such as organizing for collective action, it would be well to attempt to stimulate these behaviors. The ease of so organizing a group of employees might be estimated by the degree to which these kinds of behaviors are already engaged in by its members.

Organizations of employees, labor unions, are susceptible to such analysis. Problems of internal union governance are perhaps better understood when the union itself is seen as a hierarchy of human beings. Indeed, the enduring anomaly of unions is the contrast between their anti-hierarchical action in the work organization and their sometimes highly hierarchical nature internally. Yet it is probably the case that unions do in fact forward the basic predispositions of their members for status, material goods, love, and sociality. It is also the case that classic forms of behaviors expected in a cohesive, tightly bonded, social group often occur in unions.

**Managers:** From a natural science perspective, the distinctive thing about managers is that their role requires them to act as social dominants toward other members of their organization. We would, therefore, predict that they would engage in typical dominant behavior. We should

understand their behavior, at least in part, in these terms.

The ethologist Desmond Morris has stated the "ten commandments of dominance," which, he claims, apply to prime ministers as well as prime baboons.<sup>12</sup> The first of these is the clear display of the "trappings, postures, and gestures of dominance." A manager's trappings of dominance include more formal clothing, an office and parking place as personal territory, executive dining room, high pay, and perhaps personal control over a secretary. The postures and gestures of dominance include "executive bearing," staring down subordinates, sitting while a subordinate is standing, self-assurance, and a generally relaxed and assured manner. The second, third, and fourth rules have to do with aggressive action, either physical or mental, to hold subordinates in line. Passing down punishment or showing superior mental abilities are behaviors of this type engaged in by managers. Morris's fifth and seventh rules relate to a dominant resolving squabbles between subordinates and protecting lower ranking members from abuse by other dominants. These functions are a usual part of the control activities of managers. The sixth rule is that dominants must reward their subdominants so that they will enjoy the fruits of their rank. Managerial concerns for the dignity of lower level managers by refusing to overrule their decisions and assuring that they have the symbols of rank, sometimes in precisely defined gradations, fit this rule. The eighth rule, that of the leader controlling the social activities of the group, is the management control function of furnishing social leadership in activities outside of work. The ninth rule is the reassurance of extreme subordinates from time to time. Certainly this is attempted in some organizations. The failure to do it may be one of the reasons for the breakdown of the relationship in large organizations. The tenth, and last, rule is that the dominant must

<sup>12</sup> Morris, cited at note 11, p. 42.

protect the group from outside threats. Managers at various levels of organizations can be observed doing this, relative to both other units of the organization and organizational outsiders.

One can read Morris's ten commandments in two ways. They can be understood as describing what one should expect to find in managerial behavior. They can also be taken as a prescription to managers on how to maintain status as a dominant.

**Industrial Relations Processes:** There are numerous processes in industrial relations. This writer has spoken elsewhere to the application of a natural science perspective to industrial conflict.<sup>13</sup> Here, we will consider briefly its application to two other processes, the negotiation of collective bargaining agreements and their administration.

A dynamic of the negotiation of collective bargaining agreements that becomes understandable from a natural science perspective is the high degree of emotion commonly involved. A mere market transaction between a buyer and seller would not be expected to call forth such emotion. A confrontation between a group of subordinates engaging in a struggle against dominants would be and does. Collective action by a group of subordinates, like "mobbing" behavior in some other species, is the ultimate nightmare of the dominant. Dealings of managers with individual applicants for employment can be understood as being relatively free of these tensions.

The strike is an especially powerful assertion of autonomy and powerfulness by rank-and-file employees. It also attacks the very foundations of a social dominance hierarchy. Both radical trade unionists and old-style management autocrats read the strike correctly in this respect. It is a tribute to the ability of the parties to act rationally in the face of high emotions that it has served as well as it

has as an instrument in a bargaining system. It may be, however, that managerial tolerance for this is declining as managerial power rises. As an alternative dispute-resolving mechanism, arbitration may be less threatening to managers and is even consistent with hierarchical practice as an intervention by a higher dominant in a lower level dispute.

Collective bargaining can be seen as being valuable to employees for its own sake. Having a representative confront management as an equal is probably especially satisfying. It is a clear expression of resistance to dominance. Verbal aggression by employee representatives has significant potential for satisfying this propensity of employees. Yet experienced management negotiators are not particularly threatened by what they may view as only a ritual assertion of equality.

The American system of contract administration is a clear, but bounded, challenge to management dominance. As it provides an enforceable right to fair treatment, it deprives managers of a usual prerogative of dominants, that of imposing punishment arbitrarily. From the employees' standpoint, this may remove the clearest and least desirable sign of subordinate status, being at the whim of the dominant. This interference with the powers of dominant managers is mainly through the intervention of higher dominants, however, and is therefore less of a threat to the dominance structure than a strike would be. Furthermore, the manager still retains the right to impose punishment in the first instance, and punishment is an approved part of the system.

Perhaps the seriousness of the industrial offense of insubordination can be best understood through the lens of a natural science perspective. This type of misconduct is a hanging offense in American industrial jurisprudence. Yet, it does not always have the immediate impact on the

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<sup>13</sup> Wheeler, cited at note 5.

employer's interests as do other major offenses such as theft and destruction of property. It may be that the severity of treatment of insubordination is a measure of the degree to which our industrial culture is dominated by hierarchy.

### Conclusions

A natural science perspective is a new way of looking at old questions. This

writer believes that it is a useful one and hopes that this necessarily brief exposition will lead to its consideration by both scholars and practitioners. Who knows? If we adopt a fresh approach, we might even be able to create work organizations in which the full expression of our humanity can co-exist with efficiency.

[The End]

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## A Typology of Employer Counter-Organizing Tactics

By John J. Lawler

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The continuing decline of the American labor movement is perhaps most evident in the substantial erosion of union membership over the past quarter century. Adams<sup>1</sup> estimates that only about 19 percent of the labor force is now represented by trade unions, the lowest level in over 45 years. Adams's data also suggest a new and disturbing aspect in this trend: it now appears that the absolute as well as the relative level of unionization is dropping. Consequently, research on the causes of the decline is of critical importance if a basic policy of the National Labor Relations Act, the resolution of industrial conflict through free collective bargaining, is to have any meaning in coming years. While exogenous shifts in the structure of the American economy are responsible for much of the loss in union membership, diminished union success in the organization of new units appears to be the pri-

mary cause<sup>2</sup> and, therefore, should be studied most closely.

Freeman and Medoff<sup>3</sup> focus on three key factors in an effort to explain diminished union organizing success: structural and demographic changes in the labor force which may make unions less appealing to workers; the nature and intensity of union organizing tactics; the nature and intensity of employer counter-organizing tactics. If unionization is now inherently less appealing to workers than it was 20 or 30 years ago, then perhaps we should not be particularly concerned about the demise of the labor movement from a policy perspective. Why attempt to perpetuate an institution no longer seen to be of much use to those it is intended to assist? Yet Freeman and Medoff found that little of the decline in organizing success is attributable to structural and demographic shifts. On the other hand, their review of the literature led them to conclude that changes in union and employer

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<sup>1</sup> L. Adams, "Changing Employment Patterns of Organized Workers," *Monthly Labor Review* (February 1985), pp. 25-31.

<sup>2</sup> W. Dickens and J. Leonard, "Accounting for the Decline in Union Membership, 1950-1980," *Industrial Relations Review*, Volume 38 (April 1985), pp. 323-34.

<sup>3</sup> R. Freeman and J. Medoff, *What Do Unions Do?* (New York: Basic Books, 1984).

tactics, particularly the latter, are of considerable importance.

Unfortunately, much of the research on the impact of union and employer tactics on organizing outcomes is rather ad hoc. Most studies tend to focus on only a relative handful of tactics (e.g., campaign delays, type of election, unfair labor practice charges, written/oral communications, consultant involvement). Both employer and union campaigns typically involve multifaceted strategies which are implemented through a variety of specific tactics.<sup>4</sup> The evaluation of the effects of only a limited set of tactics (usually only those of one side), without controlling for the effects of other tactics, is bound to lead to biased results and inappropriate policy implications.

For example, several studies report that election delays greatly diminish union chances of victory in representation elections,<sup>5</sup> suggesting that the NLRA ought to be amended so as to require expedited elections.<sup>6</sup> However, when controls are included for other employer campaign tactics, the length of the period between the filing of an election petition and the actual election is found to have little effect on election outcomes.<sup>7</sup> By failing to assess the election delay impact within the context of the overall employer campaign, prior estimates of this variable's effect may well have been largely spurious, obscuring the very real effects of less visible employer tactics. Moreover, policy initiatives directed simply at reducing the

period between petition filing and the holding of an election would probably increase union victory rates only marginally.

It is evident, then, that the proper assessment of the impact of union and employer tactics on organizing outcomes requires the development of an appropriately specified model. The author has explored this issue in some detail elsewhere.<sup>8</sup> An important aspect of this effort must be the identification of a typology of tactics to be imbedded within the broader model; estimation of the model would require generating operational measures of all relevant tactical categories. This paper is limited to a conceptual discussion of a typology of employer tactics. It would be necessary, of course, to develop a corresponding typology of union tactics to complete the model.

### The Phases of the Organizing Process

Most research to date has been concerned with the impact of employer campaign activities on representation election outcomes.<sup>9</sup> This is to be expected, as the changing nature of employer tactics during election campaigns has been the subject of the greatest controversy. Yet, the organizing success of unions depends not only upon the outcome of an election but also on the outcomes of critical pre and postelection phases. Employer tactics may differ across the phases of the organizing process to reflect the employer's principal strategic objectives in each particular phase.

<sup>4</sup> J. Lawler and R. West, "Impact of Union-Avoidance Strategy in Representation Elections," *Industrial Relations*, Volume 24 (1985), pp. 406-20.

<sup>5</sup> W. Cooke, "Determinants of the Outcomes of Union Certification Elections," *Industrial and Labor Relations Review*, Volume 36 (April 1983), pp. 402-14; R. Prosten, "The Longest Season: Union Organizing in the Last Decade," *Proceedings of the 31st Annual Meeting of the Industrial Relations Research Association* (Madison, Wisc.: IRRRA, 1978).

<sup>6</sup> P. Weiler, "Promises to Keep: Securing Workers' Rights to Self-Organization under the NLRA," *Harvard Law Review*, Volume 96 (1983), pp. 1769-1827.

<sup>7</sup> Lawler and West, cited at note 4.

<sup>8</sup> J. Lawler, "The Psychology of Union Organizing," *Journal of Occupational Psychology* (forthcoming 1986); Lawler and West, cited at note 4.

<sup>9</sup> J. Getman, S. Goldberg, and J. Herman, *Union Representation Elections: Law and Reality* (New York: Russell Sage Foundation, 1976); Cooke, cited at note 5; Cooke, "The Rising Toll of Discrimination Against Union Activities: Evidence and Public Policy," *Industrial Relations*, Volume 24 (1985), pp. 421-42; Lawler and West, cited at note 4; K. Murrman and A. Porter, "Employer Tactics and NLRB Election Outcomes: Some Preliminary Evidence," *Proceedings of the 35th Annual Meeting of the Industrial Relations Research Association* (Madison, Wisc.: IRRRA, 1983); M. Roomkin and R. Block, "Case Processing Time and the Outcome of Representative Elections: Some Empirical Evidence," *University of Illinois Law Review* (1981), pp. 75-97.



There would appear to be five significant phases of the organizing process, each of which can be associated with principal strategic objectives for management in firms committed to operating on a non-union basis. In the *nonunion phase*, no union is present, and there is little or no active effort to organize. The management objective is to prevent translation of any latent interest in unionization into a viable organizing drive.

During the *petition phase*, active efforts are made to gain recognition by securing employee signatures on authorization cards. Management objectives are to deflect the petition drive or to obtain a favorable election context if the drive is successful.

The *election phase* involves a formal campaign, culminating in a representation election. The management objectives are to deny the union a majority in the election or, if that is not possible, reduce union support to the extent possible.

The *certification phase*, following the election, culminates in the certification of results by NLRB. Management objectives include: reversing the election through NLRB administrative procedures, if the union wins the election; delaying initiation of bargaining, if reversal is not possible; deflecting union efforts to reverse the election outcome or obtain a new election through NLRB procedures, if election outcome is favorable to management.

The *deunionization phase* follows certification of a union as bargaining agent by NLRB. Management objectives are to limit union gains, weaken the union organizationally through aggressive collective bargaining, and create an environment conducive to decertification or union withdrawal.

Although little hard data exist, case studies suggest that aggressive "preventive labor relations" programs implemented by employers in the nonunion phase have substantially reduced worker interest in unionization.<sup>10</sup> In addition, a number of union representatives have indicated to the author that a significant proportion of petition drives fail because of employer opposition. Consequently, if we are interested in understanding the determinants of union organizing success, it would seem that we must pay more attention to the pre-election phases of the organizing process.

Employer and union tactics in the pre-election phases have implications for election outcomes, should the union succeed in obtaining a new election. That is, employees exposed to strong management opposition to unionization during the non-union and petition phases may be less inclined to vote in favor of unionization when an election does occur, as commitment to unionism is softened by earlier management tactics.

Postelection activities are also significant in influencing union organizing success, as procedural maneuvering by employer attorneys can reverse election results and delay the initiation of bargaining. As Cooke<sup>11</sup> notes, these actions may preclude successful negotiation of an initial contract. In addition, the substantial increase in successful decertification elections in recent years has been tied to employer actions. Indeed, consultants have published guidebooks for employers which provide guidance on securing decertification.<sup>12</sup>

### A Typology of Employer Tactics

A fully developed typology of employer counter-organizing tactics must have two principal dimensions. First, various tacti-

<sup>10</sup> F. Foulkes, "Large Nonunion Employers," *U.S. Industrial Relations: 1950-1980: A Critical Assessment*, J. Stieber, R. McKersie, and D. Q. Mills, Eds. (Madison, Wisc.: IRRA, 1981).

<sup>11</sup> W. Cooke, "Failure To Negotiate First Contracts," *Industrial and Labor Relations Review*, Volume 38 (April 1985), pp. 163-79.

<sup>12</sup> A. DiMaria, *The Process of Deunionization* (New York: Executive Enterprises, 1982).

cal categories need to be identified and the elements within each delineated. Second, variations in the nature of tactics across the phases of the organizing process have to be characterized. Strategic objectives differ across organizing phases, requiring changes in employer reliance on basic tactical groups and the manner in which particular tactics are implemented. While employers are likely to use influence tactics in both the nonunion and election phases, the content of messages and the way in which they are presented are apt to be considerably different in each phase.

The firm's commitment to operating union-free may be openly expressed during the nonunion phase, but perhaps in a relatively subtle fashion and against the background of a positive personnel program. During the election phase, management is more likely to rely on a hard sell, focusing on the disadvantages of the particular union attempting to organize the firm and perhaps engaging in actions that are, or border on being, unfair labor practices (e.g., threats, inducements). As space limitations preclude the complete development of this typology, I shall concentrate on identifying the major tactical categories of the typology.

There would seem to be five basic categories of tactics used by employers: influence tactics, buffering tactics, monitoring tactics, contextual control tactics, and direct action tactics. The first four involve efforts to anticipate, change, and/or control the beliefs and behaviors of others, particularly employees and union representatives, thus impacting on organizing outcomes indirectly. Indirect action tactics may result in changing employee sentiments toward unionization or discouraging a union from pursuing an organizing campaign. Direct action tactics, on the other hand, are intended to impact on organizing phase outcomes independently of the beliefs or behaviors

of either employees or union representatives. For example, a plant closing or relocation may be a direct action response to a successful union organizing campaign. We shall consider each tactical category in turn.

### Influence Tactics

Influence tactics are common through all phases of the organizing process. The principal purpose is to change employee perceptions of existing conditions by means of rational persuasion, manipulation, and/or coercion. A second and probably less immediate objective is to change the perceptions of union representatives, perhaps by convincing them that efforts to organize a firm will be costly relative to expected gain. Specific actions, such as captive audience speeches, small group meetings, individual contacts, and written communications, vary in their persuasive, manipulative, and coercive content depending on the themes of the messages delivered and the techniques employed by the presenter. Of course, undue interference and unfair labor practice cases often turn on those aspects of the influence effort.

Coercive statements by employers, while certainly not uncommon, are generally rather blatant and often reflect lack of sophistication, perhaps coupled with considerable frustration, on the part of the employer. Consultants involved in union resistance activities normally caution against coercion as a means of influence. A consideration of programs often advocated by consultants<sup>13</sup> suggests influence efforts rich in persuasion and manipulation. Examples of actions which influence employees through manipulation are programs such as a management "open door" policy, the establishment of grievance systems (in nonunion settings), and certain participative management programs (e.g., QWL programs). These efforts may be used to build support for

<sup>13</sup> A. DiMaria, *How Management Wins Union Organizing Campaigns* (New York: Executive Enterprises, 1980); J.

Kilgour, *Preventive Labor Relations* (New York: ANACOM, 1981).

management's position through cooptation (though this not always their purpose), since the illusion of affecting a decision tends to make individuals more committed to the outcome of the decision process.

Manipulation and co-optation, of course, were the basis of what we now call the "human relations" approach to management. Many aspects of "preventive labor relations" programs are drawn heavily from that school. Persuasive influence efforts include formal and informal meetings and speeches. Yet somewhat more subtle approaches are common in sophisticated union-avoidance efforts. There is clearly increased interest in organizational culture-building, which is intended to generate commitment to and compliance with organizational objectives with minimal reliance on traditional methods of bureaucratic control.<sup>14</sup> Culture-building involves reinforcing certain organizational values through a variety of persuasive (and manipulative) techniques. Foulkes's work indicates that such culture-building activities are an integral aspect of highly successful preventive labor relations programs.

### Contextual Control Tactics

While influence tactics are designed to change perceptions of existing conditions, employers may also seek to change the objective conditions that shape employee sentiments. The influence route is apt to be less costly in the short run; however, it is unlikely that employees will be dissuaded in the long run solely by management's persuasive, manipulative, or coercive capabilities. The Golden Rule of management consultants seems to be: "Any company that gets a union deserves one." That is, influence efforts are stop-gap and supplementary measures; the long-term avoidance of unionization

requires elimination of conditions which generate grievances.

Indeed, one reason that employers often seek lengthy delays in representation elections is to provide time to remedy personnel policies (even though unilateral action may constitute an unfair labor practice). Typical contextual control measures of this sort include changes in wages, hours, working conditions, and other sources of discontent. A number of relatively large and prosperous firms follow what Kochan<sup>15</sup> terms a "union substitution" policy, in which employment conditions equal or exceed those in comparable union settings. Although this may be a decidedly costly approach, it allows management to avoid power-sharing with a union.

Altering employment conditions is one means of contextual control. It is also possible to reshape the labor force so as to make workers relatively immune to unionization efforts. Long-term selection and staffing policies may be designed to attract and retain groups of workers with a low propensity to unionize. Some of these discriminatory practices may violate the NLRA or other laws (e.g., not hiring workers based on prior union membership), but it does not appear that many cases of this sort are ever litigated. Major corporate strategic decisions relating to product line and technological change may be conditioned by union-avoidance considerations. Of course, plant location decisions often reflect this concern. Finally, the use of NLRB procedures to secure election units favorable to employer victory in representation elections is another clear example of contextual control tactics in action.

### Monitoring Tactics

Employers engage in a variety of activities that are intended to secure informa-

<sup>14</sup> D. Q. Mills and M. Balbaky, "Planning for Morale and Culture," *HRM: Trends and Challenges*, R. Walton and R. Lawrence, Eds. (Boston: Harvard Business School Press, 1985).

<sup>15</sup> T. Kochan, *Collective Bargaining and Industrial Relations* (Homewood, Ill.: Richard D. Irwin, 1980).

tion regarding actual or potential unionization efforts. Periodic surveys of employee attitudes, particularly job satisfaction, are often used to identify potential trouble spots. Grievance programs (in nonunion firms) and participative management techniques may also serve as early warning devices by allowing management to discern increased employee discontent.

Many consultants believe that first-line supervisors, who are in closest proximity to the workplace, are the firm's best line of defense. One important aspect of the supervisor's role in a union-avoidance program is tapping the employee grapevine and keeping watch for possible organizing activity. Consequently, supervisor training which focuses on identifying and responding to possible organizing efforts is common. At the extreme, monitoring tactics include the interrogation of employees regarding union activity and surveillance of employee and union activities.

### **Buffering Tactics**

Pressures for unionization may be minimized through influence and contextual control tactics. These efforts are designed to eliminate or reduce sources of employee dissatisfaction and agitation to which employees are apt to be exposed. Yet it is also possible to create organizational barriers which reduce or eliminate the actual exposure of employees to these influences. A prime example of buffering tactics is the establishment of rules prohibiting the distribution of union literature and solicitation of union support during working hours, as well as the restriction of access of union organizers to company grounds. Supervisor training is also important in implementing these policies, since supervisors are the most likely enforcers of these rules. Inappropriate enforcement procedures may result in unfair labor practice charges, so proper training is necessary. Another common buffering tactic, which is clearly illegal, is discrimination

against union supporters (e.g., discharge of an employee for union activity).

### **Direct Action Tactics**

These tactics have already been discussed to some extent above. In addition to plant closings and relocations, subcontracting and automation of operations (to reduce the firm's reliance on unionized workers) are obvious examples of direct action tactics. In unionized firms, "hard bargaining" and maintaining operations during a strike, both of which may ultimately lead to deunionization, represent direct action tactics. Of course, the use of NLRB procedures to reverse election results is another direct action device.

### **Conclusions**

This paper is intended as a kind of "think piece" to explore various dimensions of employer conduct during critical phases of the organizing process. The typology developed above is far from complete. I have provided only limited examples of employer actions to illustrate important tactical categories. Further work is needed to differentiate among various tactical forms and functions across the organizing phases I have identified.

More attention should probably be given to identifying the primary actors in different tactical exchanges. For example, employer tactics may be effected by higher level management, labor relations specialists, first-line supervisors, attorneys, consultants, and even employees (as when employees opposed to unionization collude with management).

Of course, a similar typology needs to be developed on the union side. This taxonomic approach is necessary in order to develop better specified models of organizing outcomes. This is especially important, since results of studies of these are often the basis for policy recommendations.

[The End]

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# The Three Faces of Unionism: Managerial Opposition to Labor Unions, An Empirical and Theoretical Analysis\*

By John Betton

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A number of recent studies in the industrial relations area have focused on what appears to be an increasing level of opposition, particularly illegal opposition, to labor unions. Freeman and Medoff have referred to "the slow strangulation of private sector unions" and pointed to the declining rate of union success in National Labor Relations Board (NLRB) representation elections. They have analyzed the decrease and have a number of explanations for it, some derived from broad economic changes and others from the decline of union organizing efforts and the growth of managerial opposition to labor unions, which they claim has "increased by leaps and bounds".<sup>1</sup>

They also attribute illegal activities by managements as a major factor in the decline of union success, reporting that "from 1960 to 1980 the number of charges of all employer unfair labor practices rose fourfold; the number of charges involving a firing for union activity rose threefold; and the number of workers awarded backpay or reinstated to their jobs rose fivefold." Recent papers by Lawler and West and by Cooke seem to support Freeman and Medoff's general conclusions. Cooke refers to "a rapidly growing unlawful activity that seriously impairs the opportunity of work groups to make

unfettered decisions about the costs and benefits of union representation."<sup>2</sup> Lawler and West's empirical study leads them to conclude that "employer campaign strategies impact strongly on the probability of employees voting in favor of unionization, and for the most part these activities decrease that probability."<sup>3</sup>

Explanations offered for managerial opposition to labor unions appear to draw from two dominant traditions in the industrial relations field. First, there is what I will loosely refer to as the neoclassical economic perspective. According to this perspective, a general explanation of the opposition phenomenon may be sought in terms of the union effects. If one accepts the proposition that unions have wage effects resulting from monopoly power and that these effects are related to economic efficiency, it would seem to follow that employers would resist unions on the basis of economic inefficiencies resulting from collective bargaining. This seems to be a much too general explanation that is undermined by a lack of clear empirical support for such wage effects and is inadequate as well in explaining why some managers and organizations oppose unions to a greater extent than do others (or why some managers do not oppose unions at all). Indeed, if one were to accept Freeman and Medoff's argument that union productivity effects are in the

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\* This paper is a preliminary report of research that formed a part of the author's dissertation and should not be cited without permission.

<sup>1</sup> Richard B. Freeman and James L. Medoff, *What Do Unions Do?* (New York: Basic Books, 1984), p. 230.

<sup>2</sup> W.N. Cooke, "The Rising Toll of Discrimination Against Union Activities," *Industrial Relations* 24 (1985), p. 440.

<sup>3</sup> John J. Lawler and Robin West, "The Impact of Union Avoidance Strategy in Representation Elections," *Industrial Relations* 24 (1985), p. 419.

economic interests of managers, would it not follow that managers would not oppose unions if they were perceived as beneficial to the economic interests of the firm? I suggest not. The literature produced by organizations opposed to labor unions suggests that managers perceive unions as a threat to the "right to manage" rather than to economic efficiency.

This introduces another explanation of opposition, an ideological one. Harris has referred to managers as having "a large stake in a system of power and status which was under serious threat and which they have been brought up to consider natural and almost God-ordained."<sup>4</sup> This perspective is clearly in accord with the conflict perspective pursued by institutionalists in the U.S. and by European sociological approaches to industrial relations conflicts. The weakness in an "ideological" explanation of opposition to labor unions would seem to be that, unlike approaches by economists, the investigation of ideology has been primarily conceptual rather than empirical. The research reported here is empirical and primarily concerned with some apparently simple questions such as how individuals perceive labor unions, what relationship these perceptions have to behavior in the context of industrial relations, and what kind of theories can be developed that might provide support for an investigation of beliefs about labor unions.

There is also a political psychology approach that is relevant to the theoretical structure I want to propose. The idea that individuals have views on labor unions is not a novel one. Fox has referred to unitary and pluralistic "frames of ref-

erence" and Poole has also discussed "ideological considerations in which concern for industrial efficiency is of a lower order than the maintenance of a particular pattern of domination."<sup>5</sup> Such studies have been largely conjectural and lacking in empirical support. The important question is whether or not individuals do actually hold sets of beliefs about labor unions.

The next concern is how to measure such a theoretical structure. The methodology of this study incorporates a number of assumptions: first, that sets of beliefs will be logically related and are probably of social origin; second, that these hypothesized sets of beliefs are grounded in identifiable social ideologies; and third, that these beliefs will be shared among groups of individuals. This last assumption dictates a particular analytical method, cluster analysis, which enables clusters of beliefs to be identified in a way that cannot be captured by normal attitudinal measures. To ground the responses used to measure beliefs about labor unions, items were drawn from identifiable pro- and anti-union sources.<sup>6</sup>

In order to place this cognitive approach to beliefs about unions in a political setting, it is helpful to refer to some of the political science that has been concerned with ideology or, in Converse's terms, the linkage or constraints between different values and beliefs. Some specific studies are particularly relevant. One by Nie et al.<sup>7</sup> concluded that there was evidence that a major proportion of American citizens possessed coherent sets of ideological political beliefs. A major study by Butler and Stokes in Britain found that "People who opposed the recent level of immigration were more likely to be for the

<sup>4</sup> H.J. Harris, *The Right to Manage* (Madison: University of Wisconsin Press, 1982), p.27. Harris argues that a major determinant of the course of action any particular firm pursues in response to the "challenge of labor" is the basic outlook on industrial relations that derives from the controlling executive or group.

<sup>5</sup> A. Fox, "Management's Frame of Reference," *Collective Bargaining*, ed. A. Flanders (London: Penguin, 1966); M. Poole, *Worker's Participation in Industry* (London: Routledge and Kegan Paul, 1978), p. 59.

<sup>6</sup> For example, publications of the AFL-CIO, the National Right to Work Committee, and the South Carolina Chamber of Commerce. All publications used were published by organizations actively involved in disseminating views classifiable as pro- or anti-union.

<sup>7</sup> N.H. Nie, S. Verber, and J.R. Petrocik, *The Changing American Voter* (Cambridge, Mass.: Harvard University Press, 1976).

death penalty and against the power of trade unions. Those who discounted the importance of the monarchy were likely to accept nationalization, oppose the bomb, accept recent immigration, condemn hanging and the power of big business, and be tolerant towards trade unions.”<sup>8</sup>

This cognitive interpretation of beliefs about unions is one important aspect of the research results. Before turning to these results, it is necessary to discuss authoritarianism, a construct that has been investigated in a large number of studies since the seminal work by Theodore Adorno and his associates. That study, published as *The Authoritarian Personality*,<sup>9</sup> has implications for the study of labor relations, which seem to have been unexplored by researchers despite frequent references in the industrial relations literature to authoritarian ideologies.

Adorno et al. pursued the notion of ethnocentric beliefs and outgroup hostility. They refer to ingroup-outgroup distinctions as forming the basis for social thinking and for categorizing people according to the groups to which they belong. In their formulation, “outgroups are usually entirely subordinate or groups with relatively low status and power who are struggling to better their position in society.” In their study, hostility toward outgroups was found to be highly correlated with opposition to labor unions, a correlation explained by “a desire to maintain a balance of power in which business is dominant, labor subordinate.” Unions were regarded by individuals scoring high on authoritarianism as “threatening, power-seeking, interfering with the traditional

functions of management and promoting radical changes.”

### Cluster Analysis of Beliefs

Having briefly described two major components of the research I report, I want to turn now to some of the propositions tested. The major propositions concerned the relationships between these two components and the relationship of these components to measures of behavioral intent. The behavioral intent measures used in this study were a necessary proxy for behavior that would not normally be observable, and they specifically concerned agreement or disagreement by individuals with certain items representing managerial response to unionization demands.<sup>10</sup> A number of samples were used in this study: students in their final year in business administration at a southern university, business students at a British university, and managers at the South Carolina State Development Board and at a large restaurant corporation that is not unionized.

The cluster analysis of beliefs about unions produced some interesting and robust structures or profiles of beliefs shared by groups of individuals. Three major profiles were identified, two of which apparently represented structures of pronoun beliefs and one which appeared to clearly identify a set of antiunion beliefs. The structure of antiunion beliefs was comprised of four factors, which I have termed “violence,” “victimization,” “individualism,” and “outgroup perceptions.” The “violence” factor included items referring to perceptions of labor unions as causing bloodshed, broken homes, and property damage, and as being “thugs” protected by the courts.

<sup>8</sup> David Butler and Donald Stokes, *Political Change in Britain* (London: Macmillan, 1974), p. 320.

<sup>9</sup> T.W. Adorno, E. Frankel-Brunswick, D.J. Levenson, and R. N. Sanford, *The Authoritarian Personality* (New York: Harper & Row, 1950), pp. 147, 156.

<sup>10</sup> Six items were used in this study: 1. Make it clear that employees who vote for a union should not expect to keep their jobs or be promoted. 2. Inform employees of known racketeering, communist or other undesirable elements in

the unions. 3. Campaign against the union seeking representation. 4. Tell employees that unionization will mean the company will have to lay off employees. 5. Make it clear that I don't intend to deal with a union. 6. Inform employees that I prefer to deal with them rather than have the union or an outsider settle employee grievances. Items 1, 4, and 5 may be interpreted as representing illegal intent in many circumstances.

The "victimization" factor incorporated items referring to unions as creating conflict, stirring up trouble, and victimizing employees. The "individualism" factor comprised items relating to the loss of individualism by employees after they joined unions. The "outgroup" factor is perhaps the most interesting. This factor is comprised of two items, both drawn from South Carolina Chamber of Commerce literature. One item states: "[U]nion organizers are rough types and may want to visit employee's homes when their wives and daughters are alone." The other reads: "[U]nion members are dirty, lower class people." This factor explains a substantial proportion of the variance in the "illegal" intent items.

The other two profiles that were identified both included a factor, which I have labeled "democratic." This factor comprised perceptions of unions as democratic institutions with regard to internal procedures and as pursuing democratic policies. The two prounion profiles were distinguished by another factor that included items measuring a specific aspect of collective bargaining. These items, drawn primarily from AFL-CIO literature, referred to unions as the *only* way of negotiating with employers. One group, characterized by low scores on the authoritarianism measure, disagreed with these items; the other group agreed. What is particularly interesting is that the group characterized by individuals scoring low on authoritarianism and that perceived unions as democratic scored lowest on the antiunion items and was less likely to agree with the items measuring an intent to commit illegal practices in the context of unionization demands. One major conclusion that can be drawn from these results is that prounion beliefs cannot be described by a simple or unidimensional construct. One of the groups identified in the cluster analysis seems to agree in large part with the prounion items but, in addition, perceived unions as violent and corrupt. Does this represent

prounion beliefs? In part this may be so, but the results also suggest a group of individuals comprising a substantial number of high authoritarians who indeed may be prounion in the sense that they are antimanagement or feel helpless in their relationship with employers.

The other group identified in the analysis is characterized by low scores on the authoritarianism measure, less agreement with the collective bargaining items, but also less agreement with the antiunion items. Individuals in this group do not see unions as violent and are less likely to oppose unionization demands. The third group is clearly antiunion. Individuals in this group are high authoritarians; perceive unions as violent, as victimizing employees, and as outgroups; and do not see unions as democratic (and are more likely than individuals in the other two groups to agree with items representing a hostile intent to unionization demands).

### Impact of Results

What do these results mean for the various parties involved in the collective bargaining process or in studying unions? From the perspective of union organizers and unions concerned with organizing employees, the results suggest that there are two prounion groups with distinctly different beliefs that may respond in different ways to unionization campaigns. One group appears not to perceive unions as violent and corrupt and may possibly be more sympathetic to the social and democratic goals of unions than to the "antiemployer" rhetoric. The other group apparently sees unions as the *only* way employees can manipulate their working environment and, to some extent, sees unions as authoritarian and violent institutions. One is tempted to characterize this group as individuals who would be attracted to the popular image of the Teamsters. The antiunion group is probably very unlikely to be sympathetic to any aspect of unions. The perceptions of individuals in this group seem to be domi-



nated by beliefs that unions are violent and "lower class" outgroups.

From a managerial perspective, the results of this study strongly suggest that opposition to unions is, in part, ideological and is associated with authoritarianism. Given the increasing interest in union-management cooperation and constructive relationships, it would seem that the hostility involved with the antiunion belief system is probably counterproductive, may lead to the commission of unfair labor practices, and, given the nature of authoritarianism, is an undesirable aspect of employer-employee relations.

A final consideration is that of research direction. The complexity of beliefs about unions appears to be relatively unexplored in the industrial relations literature. The type of attitudinal measures often used by researchers in this field appears inadequate in capturing the cognitive structure of union ideology. The Uphoff-Dunnette measure of general atti-

tudes to unions was tested in this study and predicted *none* of the variance in the intent items. The use of multidimensional measures, representing grounded belief systems and incorporating a structure of related perceptions of unions, appears much more successful in predicting behavioral intent toward unions. The empirical study of managerial ideologies and beliefs about unions would, it would seem, provide some useful information for anyone attempting an explanation of managerial opposition to labor unions. Labor relations is a political and an ideological arena and to assume rational economic behavior by the parties involved is a somewhat shaky assumption on which to build theory. As Harris has commented, "[I]n no area is the character and personality of the controlling executive or group more clearly reflected than in policies dealing with labor relations."<sup>11</sup>

[The End]

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## AIDS: An Emerging Crisis

By William Harness

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National Counsel,  
National Treasury Employees Union

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Acquired immune deficiency syndrome, or AIDS, may be the most complex medical dilemma in the United States today. According to Dr. Ward Cates of the Centers for Disease Control, "looking ahead anyone can see the potential for this disease being much worse than anything mankind has seen before." It not only remains a mystery in terms of a cure, but its growth is rapid, its mortality staggering, and its costs enormous. It addition-

ally presents a host of sociological and legal questions that have a direct impact on the workplace. There is a need to develop answers that not only meet employers' and society's needs, but also recognize and protect the rights of victims and employees.

AIDS was first diagnosed in this country in 1981. Dr. Michael S. Gottlieb of UCLA identified several men with pneumocystis carinii pneumonia (PCP), a rare type of pneumonia usually only seen in people, such as kidney-transplant recipients, whose immune systems have become depressed as the result of taking

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<sup>11</sup> Harris, cited at note 4, p. 27.

heavy doses of drugs to combat rejection of the transplanted organ. PCP is caused by parasites that grow in the lungs, making breathing difficult, and is very rare in this country. In the same year, several previously healthy homosexual men in California and New York were found to have Kaposi's sarcoma, an uncommon slow-growing cancer normally seen among elderly men of Mediterranean extraction, and in these cases the disease took a deadly form prevalent in equatorial Africa. The findings were reported to the Centers for Disease Control (CDC), and it recognized that a new and deadly disease, which attacks the body's immune system, had been identified.

By 1985, 12,067 cases were recorded in the United States alone, and over 6,000 of the victims died. No one who has ever been infected has been known to recover. According to William A. Haseltine of Boston's Dana-Farber Cancer Institute, "once infected, a person is infected for the rest of his life." Also, according to Haseltine, "once infected, a person is infectious." By 1986, the Centers for Disease Control was reporting nearly 1,000 new cases a month, and 16,458 cases had been reported with 8,361 deaths. The latest CDC figures are 17,871 cases.

In her first few months in office as Secretary of Health and Human Services, Margaret Heckler declared AIDS to be the nation's number one health priority. Not only has the mortality of the disease been high, but the medical costs have been enormous. The *Wall Street Journal*, on January 10, 1986, reported the cost of hospital care for AIDS patients in the United States at more than \$1.4 billion since the disease was first diagnosed in 1981. This is more than \$147,000 per patient. In terms of lost income, NBC News reported it exceeded \$4.6 billion for a total estimated cost in excess of \$6 billion. There presently is no cure for the disease; however, research has made progress. In the Spring of 1984, Dr. Robert C. Gallo, of the U.S. National Cancer Insti-

tute, and Dr. Luc Montagnier, at the Pasteur Institute in Paris, reported isolating viruses that cause AIDS. They were labeled lymphadenopathy-associated virus (LAV) by Dr. Montagnier and human T-cell lymphotropic virus III (HTLV-III) by Dr. Gallo. The viruses attack those white cells in the body, T-4 lymphocytes, that defend the body against infections like PCP. As a result, the AIDS virus is not so much the killer as is the body's inability to fight off infection.

While progress has been made, the disease remains an enigma. On Friday, January 17, 1986, Dr. J. Steven McDougal of a CDC research team announced they had found the "homing mechanism" used by the AIDS virus to infect white blood cells. He reported that the discovery improved chances of developing a vaccine against the disease. The same day, CDC announced the rate at which AIDS was spreading was declining. The "doubling time" for total cases had declined, and instead of 100,000 cases as anticipated, the number was 16,438. And finally, during the week of March 10, 1986, the *British Journal of Medicine* reported that a new drug called AZT had been developed, which appears to control AIDS symptoms. It is promising enough to warrant nationwide testing.

In spite of these gains, new setbacks continue to appear. On March 6, 1986, the Associated Press reported that the AIDS virus had been discovered for the first time in women's genital secretions. This would seem to be evidence that the virus can be spread sexually from women to men. Researchers in Boston and San Francisco published separate reports in the latest issue of the British journal *Lancet* describing the findings. "They would certainly support the belief that female-to-male transmission of the virus can occur," said Dr. Harold Jaffe of the CDC. Finally, perhaps most alarming is the first community-wide study of AIDS in this country in rural Belle Glade, Florida. The

incidence of AIDS in this town of 16,535 is 46 confirmed cases, giving it a rate surpassed only by Central Africa. Dr. Mark Whiteside of the Tropical Disease Institute of Miami has a theory that exposure to repeated mosquito bites may expose a person to insect-borne viruses that trigger AIDS in people already infected with the AIDS virus. A large number of Belle Glade residents who were exposed to the AIDS virus had also been exposed to the mosquito-borne maguari virus. Whiteside says that the maguari virus originated in Africa and then may have been spread through sexual contact or contaminated needles.

Because of the elusiveness of a cure, the fear of transmission, and the costs of the disease in lives and dollars, those who deal with it in the work environment are presented with many complex questions. Can employers insist that current employees be tested for AIDS? What are employees' rights concerning testing? Can employers require that job applicants be tested for AIDS? Can an employer refuse to hire someone who tests positive for AIDS? Should particular businesses or industries be more conscious of AIDS and AIDS testing? What are the legal and privacy rights of employees? Is termination of an AIDS victim "wrongful discharge?" Can an employee with AIDS be sent home on temporary disability? What position will unions take on the issue of AIDS? What requirements are there to bargain these issues with unions? What is the impact on health and disability costs, and what can be done to control them? Is AIDS a handicapping condition under antidiscrimination laws? Is AIDS a disability that is covered by worker compensation laws? What are the rights of co-workers relative to an AIDS victim? What are an employer's responsibilities and liabilities to non-AIDS employees? In addressing these questions, the practitioner should be mindful of three points.

## Who Is at Risk?

A top health official said the other name for AIDS is "fear." Fear of transmission is undoubtedly the greatest concern of employers, employees, and the population in general. It is fear of transmission that has caused cases such as that of Ryan White, a seventh grader and hemophiliac, who contracted AIDS through a blood transfusion. The local school board of Kokomo, Indiana, barred him from class for over a year because of fear of transmission. In February of 1986, a county health official ruled that Ryan posed no threat to classmates and should be allowed to return to school. Upon his return, 43 percent of his classmates were absent from class, and a local judge issued a temporary restraining order preventing his attendance once again.

The fear experienced in the Ryan White case exists in the population at large and within the workplace setting. To deal with this apprehension, it is necessary to understand who is at risk of acquiring the disease. The CDC reports that persons at increased risk of acquiring the virus (HTLV-III/LAV) that causes AIDS include homosexual and bisexual men, intravenous drug abusers, persons transfused with contaminated blood or blood product, heterosexual contact of persons with the virus infection, and children born to infected mothers.

Perhaps even more germane to questions of how to deal with AIDS in the workplace is how the disease is passed from carrier to victim. Can the disease be transmitted by casual contact, by touching a victim, by being close to a victim, or by eating food that has been handled by a victim? Currently, the evidence accumulated and analyzed by the CDC says no.

According to the CDC, HTLV-III/LAV is transmitted through sexual contact, parenteral exposure to infected blood or blood components, and perinatal transmission from mothers to neonate. Because the epidemiology of HTLV-III/LAV

infection is similar to that of hepatitis B virus (HBV), the CDC determined the risk of acquiring HBV in the workplace can be applied to understanding the risk of HTLV-III/LAV in occupational settings. Both are transmitted basically the same way, i.e., sexual contact, parenteral exposure to contaminated blood or blood products, and perinatal transmission from infected mothers to their offspring, and the same groups are at high risk.

The CDC has concluded that the virus has not been shown to be transmitted by casual contact in the workplace, by contaminated food or water, or by airborne or fecal-oral routes. "AIDS is a bloodborne, sexually transmitted disease that is not spread by casual contact." There is no known risk of transmission to co-workers, clients, or consumers from HTLV-III/LAV-infected workers in settings such as offices, schools, factories, or construction sites. Workers in these groups, recommends the CDC, should not be restricted from work solely because they have AIDS. Moreover, they should not be restricted from using telephones, office equipment, toilets, showers, eating facilities, or water fountains.

The CDC does not recommend routine screening or testing for the virus and even states, "[B]ecause AIDS is not transmitted through preparation or serving of food and beverages, food service workers with AIDS should not be restricted from work, unless they have another infection or illness for which such restriction would be warranted."

### **Groups Requiring Precautions**

So are there any groups of workers or industries that should exercise particular caution concerning AIDS? The answer is yes. Because AIDS is bloodborne disease, the CDC recommends precautions for health care workers (HCW) who work with blood, blood products, and needles. Groups included within HCW are nurses, physicians, dentists, dental workers, dialysis personnel, medical examiners, morticians,

and others whose work involves contact with patients, their blood, body fluids, or corpses. The primary precaution is against needle stick injuries, which would provide a portal of entry for the virus into the blood of the victim.

The CDC precautions for HCWs are: (1) Sharp items (needles, scalpel blades, and other sharp items) should be considered as potentially infective and should be handled with extraordinary care. (2) Disposable syringes and needles, scalpel blades, and other sharp items should be placed in puncture-resistant containers. (3) To prevent needlestick injuries, needles should not be recapped, purposefully bent, broken, or removed from disposable syringes. (4) When exposure to blood or body fluids exists, routine precautions against exposure are advised, such as gloves, gowns, masks, and eye coverings.

Another group where precautions are in order are personal service workers (PSW) whose occupations involve close personal contact with clients. Examples are hairdressers, barbers, cosmetologists, manicurists, pedicurists, and also PSWs whose services (tattooing, ear piercing, acupuncture) require needles or instruments that penetrate the skin. There is no evidence of transmission from PSWs to clients or vice versa, but a risk of transmission would exist where: (1) trauma to one of the individuals would provide a portal of entry for the virus; (2) access of blood or serous fluid from an infected person to the tissue of another could occur, if either sustained a cut; and (3) a risk of transmission occurs if instruments are not sterilized and disinfected between clients. PSWs, recommends the CDC, should be educated about transmission as set out above and the need for good hygiene, antiseptics, and disinfection.

### **Legislative/Judicial Actions**

Any employer considering screening or testing must also be aware of local laws and ordinances. For example, the State of California has banned the use of AIDS

testing by employers and insurance carriers and has imposed a fine of at least \$1000 on anyone convicted of disclosing AIDS test results without authorization. Wisconsin allows insurance carriers access to test results, but under the supervision of the State Health Department and when acting on applications for insurance policies. Employers may test for AIDS, but only with the State's approval.

There are additional legal risks to the employer who acts against an employee/AIDS victim. In one case, *Shuttleworth v. Broward County et al.*,<sup>1</sup> the court found that Broward County had unlawfully terminated its employee, Shuttleworth,

because he had contracted AIDS, and further that the dismissal constituted discrimination because of a handicapping condition. The significance of this decision is that it was by a federal court under the Rehabilitation Act of 1973<sup>2</sup> and may well have wide application.

Until a cure is found for AIDS, the fears and suspicions that are associated with it will continue. However, by referring to the three points discussed, most questions on testing, transmission, and the impact of the disease in the workplace can be addressed.

[The End]

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## Bargaining in a Restructured Environment in Telecommunications

By Charles Craypo\*

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Labor relations in telecommunications is experiencing considerable structural change as a result of industrial reorganization. Government deregulation, microelectronic technology, and disintegration of traditional market boundaries have destabilized established bargaining relationships. While fundamental change is occurring on a number of fronts, the impact on unions and bargaining is essentially a structural matter. A comparison of the historic and current bargaining relationships between American Telephone and Telegraph (AT&T) and the Communications Workers of America (CWA) shows the effect.

The story of bargaining structures in telecommunications is one in which CWA gradually consolidated segmented bargaining units in order to match the integrated structure of the Bell System, only to see the company divested in 1984 and bargaining structures fragmented once again. What had become a reasonably stable system of labor relations was suddenly disrupted. It is still too early to know what the eventual result will be.

### Consolidation of Bargaining: 1947-1974

During the 1920s, AT&T established company unions throughout its manufacturing and operating divisions. By the 1930s, some 180 such unions existed. The large number was due to Bell's numerous operating and geographic divisions and

<sup>1</sup> No. 85-6623 (DC-Fla., 1985).

<sup>2</sup> 29 USC 794.

\*The author wishes to thank Ruth Bandzak for her research assistance and Manley Irwin and Teresa Ghilarducci for their helpful comments.

multiple departments in each division: traffic, plant, commercial, accounting.

These company unions later became the basis for fragmented but independent labor unions that won recognition without benefit of either CIO or craft union assistance. Bell union leaders soon learned that they were negotiating with paternalistic branch and division managers who simply followed the directives and policies of AT&T headquarters. Countervailing union power was possible only through consolidation of the various unions, which occurred in 1939 with the formation of a loose amalgamation called the National Federation of Telephone Workers (NFTW).

NFTW leaders daringly threatened a systemwide strike in 1946 unless AT&T matched the prevailing wage pattern in that year's round of bargaining. Unprepared for a national strike and surprised by NFTW's aggressiveness, corporate management capitulated on the wage issue and signed a systemwide settlement on behalf of division management.

Heartened by the almost effortless victory, NFTW officials met in constitutional convention to form the CWA, a genuinely industrial, national union. Before the new union could be organized, however, NFTW got into a dispute with AT&T over company refusal to increase wages despite substantial wage hikes being negotiated elsewhere in the 1947 bargaining round. This time, AT&T adamantly refused to negotiate nationally, instead referring all NFTW demands and communications to its operating divisions. NFTW's systemwide weakness was revealed during a lengthy strike that followed. Federation affiliates settled separately and under different terms; some disaffiliated altogether.

The result was NFTW's dissolution and the immediate formation of CWA. In his

history of the union during this period, Schacht concludes that "it was the centralized character of the Bell System, along with the telephone unionists' rational perception of and response to that characteristic, that was the primary cause of telephone union centralization."<sup>1</sup>

Decentralized bargaining in a centralized industry put the union at a disadvantage. AT&T had the ability to pay negotiated increases. State and federal rate-setting resulted in an almost automatic cost pass-through to the customer, and sizable productivity gains from new technology offset rising direct labor costs. But CWA did not have the ability to make AT&T pay. Although the dominant union, it did not have the company fully organized: tens of thousands of Bell employees remained in independent unions or were in a rival AFL organization, the International Brotherhood of Electrical Workers (IBEW). Nor did CWA have a centralized bargaining structure with which it could confront and, if necessary, strike the corporation.

Failing to get a federally mandated systemwide structure on grounds it would reduce telephone labor conflict, CWA developed a strategy of pattern bargaining based on target settlements in Bell divisions where it was strongest. But with more than 20 regional and divisional contracts and supplemental area agreements for local operating departments, the union enjoyed none of the countervailing power exhibited by other industrial unions. To breach the system, CWA tried coordinating its efforts among the divisions, engaging in hit-and-run job tactics, timing contract expiration dates and wage reopeners, and exploiting "wildcat" walk-outs, but with limited success.

True, by the 1960s AT&T no longer sought to oust the union from certain divisions, and wage settlements approximated industry averages, but CWA had yet to

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<sup>1</sup> John N. Schacht, *The Making of Telephone Unionism, 1920-1947* (New Brunswick, N.J.: Rutgers University Press, 1985), p. 187.

negotiate the union shop, compress AT&T's exceedingly lengthy wage progression schedules, or narrow sizable geographic wage differentials for comparable work. It still had difficulty representing members in grievance procedures and had not moderated AT&T's tough supervisory practices. Pay differentials between Bell plant employees in Atlanta and New York, for example, were wider in 1970 than in 1950, while unsettled surveillance and production grievances soared and the number of unauthorized walkouts per year tripled.<sup>2</sup>

CWA could not strike AT&T very effectively. Even where it was able to coordinate job actions involving staggered contracts, it was impossible to stop production. Automated switching and transmission technology and an increasing ratio of supervisory to bargaining-unit employees prevented CWA from significantly curtailing regional or long-distance telephone service. "Striking [the Bell System] was like throwing a rock at the Queen Mary as she sailed down the harbor," CWA president Joe Beirne once observed.<sup>3</sup>

By the 1970s, however, CWA was getting better at establishing patterns and de facto national settlements. Then, in 1971, militant New York locals stayed out for an additional seven months following a round of pattern bargaining and forced company concessions on union security and pay issues. For the first time, AT&T settled a strike in one division by giving more than it had in the pattern settlement. Growing labor militancy also was evident in other divisions. It was doubtful, therefore, whether AT&T could continue fragmented bargaining without inviting disruptive regional job actions which neither the company nor the union could contain.

## Industry Deregulation

By itself, this trend might not have convinced AT&T that it was time to accept systemwide bargaining. But the company now faced a more threatening situation: its protective regulatory system was being undone. In 1968 the Federal Communications Commission (FCC) and the federal courts began eroding Bell's exclusive control over domestic telecommunications. A series of legal judgments allowed users to interconnect non-Bell equipment and services with the Bell system. Japanese and then domestic equipment producers like Rolm soon displaced Western Electric from traditional markets, while MCI and Sprint began offering competitive long distance services. All were nonunion suppliers. Present interconnect competition is intense, nonunion, and both domestic and offshore in origin.

AT&T's historic strategy had been to establish and maintain vertically integrated equipment, service, and research operations under the holding company umbrella, while government regulation barred competitive interlopers. Conceived shortly after the turn of the century, the system was fully operational before the onset of World War II and legally sanctioned in the Federal Consent Decree of 1956. The latter permitted vertical integration provided AT&T confined itself to regulated businesses. Now it was being eroded in the first step of what would become a national deregulation trend.

If deregulation was both imminent and threatening, was it not best to give CWA the bargaining structure it wanted and in that way enlist the union as an ally in AT&T's coming battles in the rapidly changing telecommunications industry? American unions normally oppose product monopolies until they get them under contract. CWA was no exception. Indeed, AT&T's product market strength also could be its labor relations weakness

<sup>2</sup> Bureau of Labor Statistics, "Collective Bargaining in the Telephone Industry," Report 502, July 1977.

<sup>3</sup> Thomas R. Brooks, *Communication Workers of America: The Story of a Union* (New York: Mason/Charter, 1977), p. 199.

because it depended on government regulation, which ultimately is a political matter. Joe Beirne understood this and recognized its tactical significance for the union. In 1971 he attributed the union's successful systemwide settlement in 1946 to the direct intervention of Lewis Schwellenbach, Secretary of Labor in the Truman Administration, who was convinced there should be systemwide bargaining in AT&T: "And [AT&T vice president Cleo] Craig, in reporting that fact to the chairman of the board of AT&T, stirred up the pot which still can be stirred up today. When the big federals come in and they take a look at AT&T, everybody in AT&T gets scared. And if you can get an agreement out of them while they're still scared, you're ahead of the game."<sup>4</sup>

In any event, AT&T suddenly reversed its historic policy in 1974 and notified CWA, IBEW, and the independents that it would negotiate systemwide contracts with each of them. Later that year the U.S. Justice Department filed suit to break up AT&T. CWA duly announced its opposition. "It took us 35 years to get to the point of national bargaining with AT&T," CWA president Glenn Watts said at a press conference the following day. "We frankly don't want to bargain with pieces of any system as it exists today or tomorrow."<sup>5</sup>

CWA had been handed a consolidated bargaining structure that matched AT&T's vertical integration. It understandably perceived any threat to that system as an institutional threat to itself. Regardless of deep, ongoing differences in the labor market, the union and the company had common interests in the product market. CWA had helped AT&T in past lobbying efforts to obtain or hold product markets. Now it would have happily watched AT&T's tariffed business

expand to include the rapidly growing business information industry, in which case its own representational status would grow accordingly.

But this was not to be. Instead, the regulatory agencies and courts refused to give AT&T exclusive access to new microelectronic industries. That left both AT&T and CWA in danger of being relegated to obsolete electromechanical technologies and markets. "The technology of telecommunications has so merged with the technology of data processing," said an AT&T official, "that if we end up with the 1956 Consent Decree we are a withering corporation waiting for its demise and nothing more."<sup>6</sup> In 1982, therefore, AT&T negotiated a court-ordered plan to divest itself of the 22 Bell operating companies (BOCs), effective January, 1984, in return for nullification of the 1956 restrictions. The BOCs would become subsidiaries of seven regional holding companies (RHCs), which were still subject to federal regulation but subsequently were allowed to diversify their operations into unregulated businesses including on-line information services and equipment.

As Watts had feared in 1974, divestiture necessarily fragmented bargaining structures. If CWA leaders had wanted to see the likely effects of deregulation, they only had to look at recent events in the telegraph industry. Western Union Telegraph Corporation (WUTC) had reorganized itself in 1970 as a holding company under the name Western Union Corporation (WUC). WUC promptly began phasing out of telegraphy, which was no longer a profitable line of business, and diversifying into business data-processing through creation of nonregulated subsidiaries. In doing so, it used WUTC bargaining unit employees to perform essential work for the new companies but then refused to recognize the United Telegraph Workers

<sup>4</sup> Schacht, cited at note 1, p. 152.

<sup>5</sup> "Watts Makes Strong Defense of AT&T Against U.S. Suit to Break It Up," *BNA Daily Labor Report*, November 25, 1974, p. A-4.

<sup>6</sup> Manley Rutherford Irwin, *Telecommunications America: Markets Without Boundaries* (Westport, Conn.: Greenwood Press, 1984), p. 85.



(UTC) as bargaining agent, thus excluding UTW from the expanding parts of the holding company. Diversification proved to be no panacea for what ailed the company, but it permanently damaged the UTW. Over the next five years, the union saw about half of its bargaining unit eroded away as a result of (1) WUC's shift from tariffed to nontariffed businesses, (2) technological displacement of union labor, and (3) WUTC's loss of traditional markets.<sup>7</sup>

### Impact on Bargaining

Something similar is occurring in AT&T and the seven RHCs. These companies knew from the outset that they had to compete in the "information society" if they were to avoid becoming the railroads of tomorrow. AT&T knew this at the same time CWA was taking comfort in the advent of systemwide bargaining. "We've known where we're going since 1975," an official said following the 1982 divestiture settlement.<sup>8</sup> Like Western Union, AT&T and the RHCs now also appear determined to minimize union participation in the expansion process or to avoid union representation altogether.

Things nevertheless began on an optimistic note for the CWA. Watts voiced disappointment over the 1982 reorganization mandate but said he thought the BOCs would "retain the same personality" they had as Bell companies. Indeed, AT&T readily agreed to extend the existing contract to the new companies. The union also thought it had a guarantee that the job classifications, pay and benefits, and seniority rights of bargaining unit members transferred to new units would be protected for seven years. In 1983, CWA and AT&T negotiated another systemwide contract extending through the scheduled 1984 reorganization and

remaining in effect in the divested companies until 1986.

Immediately following the reorganization, however, CWA had trouble in both representation and job security matters. Some BOCs began hiring temporary, part-time workers, often under two-tier wage conditions, and balked at rehiring displaced AT&T employees. But the major disputes occurred in the new companies of both AT&T and the RHCs.

AT&T Information Systems (ATTIS), which consists of former Western Electric plants and consolidated Bell technical and service units, announced large-scale job reductions at the same time it was working other employees overtime and subcontracting union work in equipment manufacturing, marketing, installation, and maintenance. CWA filed unfair labor practice charges and scheduled a strike vote against ATTIS on grounds the company was violating the 1982 agreement. ATTIS argued that it was not a labor contract but a letter-of-agreement, which guaranteed only preferential transfer and hiring rights for surplus workers not protection against layoff. The company would, however, arbitrate job reductions on a case-by-case basis under the 1983 contract. That might not help the union, however, because the contract language pertains to new technology not to employment effects of structural reorganization and increased competition. A possible strike was averted when ATTIS voluntarily restricted its current subcontracting activities, agreed to supply information to the union on future subcontracting plans, and stated its intent to absorb additional job reductions through normal attrition. The contract requires that management consult with the union, said ATTIS, not surrender its rights. ATTIS insisted it still

<sup>7</sup> Charles Craypo, "The Impact of Changing Corporate Structure and Technology on Telegraph Labor, 1870-1978," *Labor Studies Journal* (Winter 1979).

<sup>8</sup> Marilyn Harris, "McGill Charts American Bell's Strategy," *Electronics*, April 21, 1983, cited in Irwin, cited at note 6, p. 81.

had to eliminate thousands of jobs to be competitive.<sup>9</sup>

While CWA's problems with AT&T center on job and representation issues, its difficulties with the RHCs concern the creation of nonunion subsidiaries. The disputes have been controversial and disruptive, as at Bell Atlantic Enterprises. BAE established Bell AtlanticCom (BAC) in order to market, install, and maintain terminal equipment for business and residential customers. It refused to use union members or contractors to do the work or to recognize union grievances. The union, an independent organization that subsequently affiliated with CWA, partly in response to these structural changes, recognized the importance of keeping BAC's work in the contract because it was in direct competition with ATTIS, whose workers it also represented.<sup>10</sup>

The latest effect of changing environments in telecommunications is a bargaining unit dispute in the 1986 contract negotiations. AT&T will negotiate systemwide contracts as in the past, but three of the seven RHCs told CWA they will bargain separate agreements for each subsidiary. Reminiscent of Beirne and Watts describing AT&T before 1974, Bahr says this approach is "dishonest because it creates the charade that each of these companies is totally autonomous from the parent regional company which has no control." Therefore, the union's negotiating objectives with the RHCs are a "hands-off neutrality by management" in CWA organizing drives in their subsidiaries and guaranteed transfer rights for bargaining unit employees displaced from the BOCs. Claiming that the holding compa-

nies have used revenues from their telephone operations to establish nonunion businesses which now employ more than 90,000 workers, Bahr warned that the RHCs "cannot have a love-in with the union on the regulated side and fight us in the unregulated areas."<sup>11</sup>

Bargaining structures therefore have come full circle, from decentralization after World War II to consolidation in 1974 and back again to fragmentation. But now the environment is more threatening to the union than in the past because the industry itself is destabilized and competitive. This time it is not just a matter of centralizing bargaining units within a regulated monopoly; now the union confronts a high tech industry whose widening boundaries include IBM and Nippon and Siemens as well as AT&T and the RHCs. Bahr summed it up well in 1984: "Prior to deregulation, we were in something called the telecommunications industry. It was virtually 100 percent organized, and the CWA was the dominant force. Now we're in the information industry, which we estimate is only 35 percent organized. We're no longer dominant. That is the long-term threat to our ability to represent our members."<sup>12</sup>

## Conclusion

Pattern and systemwide bargaining during the 1960s and 1970s enabled CWA to negotiate comparably adequate wage, benefit, and income standards at AT&T.<sup>13</sup> In no way, however, did it result in union expropriation of managerial control over the work process. Now corporate reorganization and unstable product markets have fragmented and dismantled union repre-

<sup>9</sup> "CWA Threatens to Strike AT&T Information Systems," *BNA White Collar Report*, October 23, 1985, p. 405; "CWA Strike Against ATTIS Averted With Agreement on Sub-Contracting," *BNA White Collar Report*, October 30, 1985, p. 435; and Victor Block and Carol Wilson, "CWA Seeks NLRB Injunction to Halt Layoffs at AT&T-IS," *Telephony*, November 4, 1985, p. 13.

<sup>10</sup> Vincent Miasano, "Dealing With the New Companies," *FTWP News*, May 1984, p. 15.

<sup>11</sup> Victor Block, "CWA Ends AT&T Contract Early, RHCs to Negotiate Separately," *Telephony*, January 20, 1986, p. 16.

<sup>12</sup> Bill Keller, "A Union Copes With Deregulation," *The New York Times*, November 18, 1984.

<sup>13</sup> Some evidence indicates that output expanding faster than rising employment during 1949-1959 resulted in constant unit production costs despite negotiated increases in direct labor costs. Laurence S. Knappen, "Wage Rate Increases Versus Telephone Rate Increases," *Land Economics* 37 (February 1961), pp. 59-67.

sentation. Earnings of unionized employees no longer are administered through national contracts, and employer authority in the workplace grows. What had been generally regarded as primary jobs may become more like secondary labor market employment.

The union now must choose among a variety of policy options that are not always mutually exclusive. The first and easiest response is to go on as if nothing had happened. But it would be folly to do so with continuing industrial diversification and entry, product competition and innovation, and offshore and nonunion production. To its credit, current CWA leadership rejects this option. A second strategy is to try to organize the newly created companies at AT&T and the RHCs as well as their nonunion domestic competitors, admittedly a formidable task. The union has moved in that direc-

tion, but simultaneously is organizing in unrelated sectors such as public employment and health care, both to offset membership losses in telephones and to hedge against possible inability to organize the telecommunications-information firms.

Finally, CWA could become partners with AT&T and the RHCs in *both* labor and product markets. It could identify company interests with union and worker needs: retention of future job classifications through constant recycling of bargaining unit members to match changing production processes. This gives the companies total operating freedom in return for union representational security in a turbulent period. In 1984 CWA signaled its willingness to explore this option.<sup>14</sup> The response has been mixed. Do the companies instead want to operate union-free?

[The End]

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## Impact of Transition on Steel's Labor Relations

By Ben Fischer

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Unions in major industries traditionally sought to remove wages and benefits as competitive factors. The considerable success achieved preceding the 1980s helped stabilize labor relations and long-range planning in a number of key industries. The existence of an affluent, insulated economy aided the union's objective. However, the recent increases in globalization and deregulation of the economy challenge the way in which the labor management community has been functioning.

The steel industry is a dramatic case in point. Domestic steel firms now must contend with the invasion of foreign steel, especially since this is occurring in the face of a static or shrinking world market. Inevitably, domestic firms must not only compete internationally but must also seek new and better ways to compete with each other for whatever market share is available.

The struggle for survival in steel confronts the United Steelworkers of America with a new and challenging agenda. Its traditional policies and the bargaining structures and procedures developed over the years are necessarily being revamped.

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<sup>14</sup> Keller, cited at note 12. Also see Ronnie J. Straw, "The Effect of Divestiture on Collective Bargaining," *Proceedings*

*of the 37th Annual Meeting*, Industrial Relations Research Association (Madison, Wis.: IRRRA, 1985), pp. 447-54.

A brief look at its history will help place the current trends in perspective.

The USW, in its pursuit of patterns, worker unity, and removal of wages from competition, encouraged coordination among the various metal-producing companies. Unlike the auto workers, the steel union shunned divisive tactics. Any effort to play off consumer loyalty as a bargaining ploy would have been futile. A strike against one company would provide little or no advantage, since steel and aluminum are not purchased by the man down the street but rather by corporations that are disinterested in the labels on the steel and other metals they purchase. This fact gave selective strikes in steel dubious value.

Furthermore, the steel union leadership came from coal where the purpose was always to achieve stability and industry-wide bargaining. Step by step, the history of the USW was marked by increased progress toward industry-wide bargaining, so much so that at one time I. W. Abel even expressed hopes of a bargaining forum made up of all metal-producing industries.

### **Economic Forces**

Despite steel's history, economic forces have undermined what leaders of both parties developed. Firm after firm has departed from the pattern. Even plants within firms depart from the company pattern. Hence, the dissolution of formal industry-wide bargaining announced by the industry in the Spring of 1985 became a case of decision-making catching up with reality.

With the collapse of industry-wide bargaining, the union could have relaxed and let local and company negotiations go their own way, something many unions do. Or it could have sought to reinstate industry bargaining, possible only if the union were willing to agree that all the companies could adopt the lower wage levels in place at those firms already covered by special concession arrangements.

It appears that the union is choosing a third route, trying to serve as the coordinating or rationalizing force in the industry. This difficult role is likely to demonstrate whether a large, strong union can police an industry on some type of selective, discreet, rational basis.

There is nothing sacred and eternal about the notion that every company and plant must operate under the same or comparable contractual arrangements. Over the long run, companies will insist strongly that their basic wage and benefit structures must be competitive with each other, but this does not suggest that uniformity is essential. The bottom line could become whether unit labor costs rather than nominal costs per employee hour are reasonably comparable. However these issues develop, the details of the bargaining structures cannot fail to reflect both the environment and the dominant policies. Bearing this in mind, a brief review of the history of bargaining structures in the steel industry is appropriate.

### **Historical Review**

In 1937, U.S. Steel stunned America by voluntarily recognizing the union and negotiating the first rudimentary contract. Not until the 1940s did the other major producers, known as "little steel," recognize the union and then only after bitter strikes and an NLRB election.

During the war years, bargaining impasses were brought before the War Labor Board. Joint arrangements among the companies helped the Board avoid the prohibitive task of dealing with the 80 plus companies separately. This marked the beginning of the joint labor relations structure in the industry, and it persisted through the war period.

The first postwar negotiation without government wage or price restraint took place in 1947 and produced the landmark U.S. Steel agreement. The union succeeded in extending its main features to more than 100 steel and related compa-

nies and set the stage for U.S. Steel domination. The union served as enforcer.

Not until 1956 did a formal multicompany bargaining structure begin to take shape. In that year, the companies decided to act jointly. They settled the major issues involved in the 1956 strike jointly but did not require a return to work until each individual company contract was negotiated on top of the settlement terms already in hand.

This approach was an unhappy experience for the industry. Having the major money items in hand, the union proceeded to insist on wholesale revisions of a long list of U.S. Steel contract clauses not covered in the industry-wide money settlement. After a hectic several days of bargaining, the U.S. Steel agreement was finalized but not signed. Then the union proceeded to resolve long-pending problems with the other companies, seeking to bring their contracts up to U.S. Steel standards. With the strike taking a large toll, the pressure was on for its termination.

Hence, for the first time, a top level "summit" committee came into being; U.S. Steel and the union created a four-man group to formally intervene and virtually arbitrate disputes at the other companies. The U.S. Steel position of authority in the industry thereby became structured and continued in substance until 1985, a period of nearly 30 years.

Industry coordination was institutionalized in 1959. The major companies (varying from 10 to 12) created a formal organization. Daily review meetings of the industry top negotiators were held during negotiating time, each company participating fully with voting privileges. Even between negotiations, this industry committee functioned in a variety of activities involving labor matters. The companies other than U.S. Steel now had some say, but U.S. Steel chaired and largely dominated the committee.

Over the years, increased competitive pressures with declining profit margins caused severe strains on the industry's unity. As a result, deals were being made by the union to facilitate the survival of a number of companies outside the coordinated group.

A major fiasco in the summer of 1982 hastened the disassembling of the industry's organization. The top industry negotiating group, dominated by U.S. Steel, failed to achieve agreement to defer the package of scheduled wage increases due August 1, costing about 75 cents an hour. The failure came about despite an apparent union willingness to waive the increase. Some of the companies became restive, anxious for an early agreement, one which would include downward cost adjustments to compensate for the burdensome summer raises.

The negotiators did reach an agreement in November of 1982. However, the union's steel industry policy committee, consisting of all the steel local union presidents, rejected this negotiated agreement (the first time ever that ratification of a proposed settlement was denied the union's officialdom). Immediately, the media and financial observers engaged in widespread prediction of a strike. The companies came under intense pressure from major customers. The same pressure was felt by union members fearing diversion of orders to offshore firms. The parties sought and achieved an early settlement. It became effective on March 1, 1983, fully five months before the existing contract was due to expire.

Meanwhile, the cracks in the industry front were growing; the industry group was losing members; smaller companies were departing from the pattern; at some larger companies and plants, wage and benefit patterns were being bent, ignored, and circumvented. One company was expelled from the industry group and another left in a huff because a competitor had made a below-par deal with the union at one of its plants. The industry's

formal termination of industry bargaining in the Spring of 1985 was largely anticlimactic.

This recital helps to document through history what argument might fail to prove. Bargaining structures are expedients. However parties proceed, and no matter what their expectations, events exert potent influence.

Now, in 1986, new bargaining structures and new bargaining policies are emerging in the steel industry. The actual negotiations are taking place on a company-by-company basis with separate union negotiations for each firm but with some degree of oversight by the international officers of the union. Unlike prior periods of company-by-company negotiations, no one is setting a pattern that is likely to dictate or dominate the other settlements.

### **A New Alliance**

A new element has entered the picture. While steel companies have joined with the union from time to time in various political and related types of activity on an ad hoc and informal basis, this year the union has forged a formal alliance with five of the six major companies. This resulted from a desire of these companies to have early negotiations for several urgent reasons. The union conditioned its agreement to set early targets for settlement on the companies' joining this alliance. Five of the six firms that made up the final coordinating industry committee prior to its demise last year have joined in this new alliance.

Its purpose is "implementation of the 'Steel Crisis Action Agreements'" aimed at "congressional legislation, public awareness, and a national 'Support American Industry Day.'" It will include state and local committees around the country wherever the firms have facilities.

While the alliance currently deals with primarily political objectives, it potentially could extend into other areas. Its spokesmen already speak of the alliance's

interest in issues concerning displaced steel workers. It could easily extend its scope, since it will react to whatever the member companies and the union wish to do together. The natural agenda item would be some more ambitious efforts to help reestablish such dislocated people into new careers outside the industry.

This alliance and the decentralization of bargaining pose several significant questions. Is the economic environment such that the labor-management focus in steel will change? Will the traditional bargaining agenda tend to move toward the individual company and even the local plant sites and assume an increasingly flexible character? Will arrangements vary plant by plant and company by company to suit product, market, and other variables? Following up on the alliance, will top level players in the steel labor-management world center on issues of public policy, industrial strategy, problems associated with transitional shock, and the challenges of rapidly changing technology and market behavior rather than the traditional workplace-related contract issues? Some trends would point this way.

The early returns from the current round of steel contract negotiations would indicate that a wide variety of markedly different contracts can be expected this year. Just how they will differ and what their separate terms will be is not yet certain. What is already assured is that the array of variations will be wide and impressive, involving different wage scales, different gain-sharing arrangements, diverse ways of approaching the means of offsetting wage reductions, varied fringe benefit combinations, and a variety of approaches to productivity, job security, and employee participation.

Rarely, if ever, has an industry so dominated by virtually identical and uniform patterns developed wide and profound diversity so rapidly and so substantially. It is too early to predict whether trends toward reestablishing uniformity will set

in during the next few years if the industry settles into a more stable mode, a return to profitable operations, and a greater assurance of improved markets and price margins. Of course, it is far from certain that such a new plateau of stability will develop. The increasing number of steel-making countries and the complexity of the attendant economic pressures make any assumption about markets or prices rash.

One disturbing note is being sounded by a number of companies. There are indications that the union is agreeing to more favorable terms for companies whose circumstances are the worst. The complaint is heard that, in order to negotiate terms with the union that make competitive costs possible, a company must first achieve poverty.

This clear signal from the union raises serious policy issues. Is poverty to be rewarded and success penalized through the medium of collective bargaining? At some point, the union will have to confront this issue even if it manages to muddle through the 1986 round pursuing such a course. As an on-going policy, it will prove unworkable.

### **Bargaining's Role**

When we look more broadly at steel bargaining, it is reasonable to divide the years following 1937 into, first, an era of unionization, then an extended period of shaping relationships and policies in a rapidly growing and substantially insulated economy, and now the time of drastic adaptations of labor relations to suit this new global steel environment. Does this usher in a changing role for so-called "bargaining"? Perhaps unions are becoming the vehicle for worker participation in many phases of management, more closely linking the workforce to the technical and managerial leadership of the enterprise. Compensation systems are moving toward greater sensitivity to the status of the business; work rules are being adjusted to enable workers to

enlarge their contributions to the input and to the outcome. Even basic business strategy issues are being opened up for input from employees on a broader base than has been traditional. We are witnessing a decline from the assumption of inherent conflict and a trend toward a collaborative effort to enhance the business.

If this type of labor relations environment does take root, it need not follow that the union role will lessen, but it will surely change dramatically. The sense of worker unity could erode as units seek competitive advantage rather than common cause.

However, worker unity may emerge around other issues and may be shared with portions of the management community. After all, companies, industries, unions, political units all relate to broader issues as a result of irresistible forces. Trade policy, tax policy, planning systems, resource allocation, training and educational requirements: these are but a few of the matters on which various groups have separate but not necessarily adversarial interests. Perhaps the union members and the managers of steel have common interests so strong that accommodating differences to maximize influence is the logical way to go.

Fundamental to this discussion is the recognition that, in an intensely competitive general environment, differences between labor and management in a firm pale when compared with differences between companies, industries, and national economies. The steel consumer is not dependent on the domestic steel industry; he can turn to other sources, including those offshore. But the people who make steel are dependent on the domestic industry and their own plants; they have little in common with foreign workers. Conflicts between worker and consumer and American and foreigner are inevitable in our complex modern society. Even conflict between plants is unavoidable.

Labor-management structures and agendas necessarily reflect the relative weight of varied pressures. Over time, many labor-management relationships could well become dominated by matters of common interest between workers and management, expressed at lower levels by localized opportunistic arrangements to obtain competitive advantage and at higher levels by activities addressing the broad concerns germane to the union and the industry. Workers can be comrades and also competitors. The nostalgia associated with historical labor culture cannot overcome harsh reality.

The confusion and difficulties associated with profound change seem to be dominating the steel union's extensive negotiations this year. The USW strike of a few months ago in the can industry, the first ever involving all four major producers, is hard to explain in the light of the sophisticated relations that prevail in that industry. Clearly, the adjustment period we are in is likely to run into snags hard to predict or explain.

In the aluminum industry, despite a record of constructive labor relations even preceding the Wagner Labor Act, severe difficulties have developed as a result of depressed prices and a sharp wage reduction agreed to by the steel union with the Kaiser management in the middle of the first industry-wide contract ever negotiated in that industry. Kaiser's competitors, in talks with the same union, are now seeking to overcome the substantial cost disadvantage that resulted from that deal. The aluminum scenario gives us a peak at how the future is shaping up. When Kaiser's existence was at stake, the union sharply departed from the traditional policy of keeping compensation rates out of the field of competition.

The issue is then posed sharply. Do unions cooperate in giving a troubled firm or plant or operation favored treatment? If so, what standard can possibly be used to choose between degrees of trouble, degrees of need, degrees of justifiable

advantage? Can unions assume such a role? Will managements resist union efforts to play economic godsmanship? Will workers agree to have their labor contracts used as pawns in competitive maneuvers? If such strategies are pursued, will national bargaining, cracked and bent, finally crumble and plant union roles gain dominance?

One possible alternative in the steel industry would be a system of controlled prices and wages. Given the current environment, this is an unlikely course. However, if market pressures and economic difficulties create an unacceptable degree of chaos and suffering, it is possible that advocates of so-called "industrial policy" could succeed, at least in steel, in which event wages and prices could be subjected to some degree of control or coordination. Before one dismisses such a prospect, it is well to look at the oil industry and its political spokesmen seeking protectionism at home and inflationary cartel arrangements abroad, trends unthinkable only a few short months ago.

It is still possible that a way will be found, perhaps under the leadership of the steel union, to rationalize the overall labor relations policies among the companies in a manner that assures both equity for employees and a far more effective economic outcome for the industry. There are too many variable, unknown, and unpredictable factors to justify dismissal of the possibility of a steel industry once again successful and effective, though inevitably manned by far fewer people than in the pre-1980 years.

The 1986 experience in the United Steelworkers' negotiations in steel, can, and aluminum, and in the crucial CWA talks with the new regional phone companies will give us a better view of the direction of labor relations. The auto experiences, very valuable indeed, are adding to the understanding of the wide variables in even the major labor-management relationships. The society is faced with the gut issues growing out of the new



global and nonregulated environment. What happens will be complex and invite close study.

Some things are certain. Labor relations cannot be divorced from the problems of firms and industries. Nor can labor relations alone resolve the challenging economic problems faced by our economy. It can only be one part of a multifaceted political, social, and eco-

nomic agenda. While this year will help us see the direction of change, it is well to bear in mind that history does not develop in smooth and consistent steps. The events are likely to include conflicting patterns, but, even so, some ideas about the shape of things to come could surface more clearly.

[The End]

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## The Effects on Union Constituencies of New Bargaining Structures and Processes

By Herbert H. Mabry and John Schmidman

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In *Of Wolves and Men*, Barry Holstun Lopez contends that we can learn a great deal about humans as social animals by examining the social structure of the wolf pack. "This is especially true," he writes, "at a time when our brutal nature is cause for concern and when the wolf, who we have historically accused of craven savagery, has begun to emerge as a benign creature." Lopez is typical of those who have come to think of themselves as ethologists, studying whole patterns of animal behavior. This new approach to the study of social and physical science seeks to analyze the adaptation and evolution of these patterns of behavior based on the fact that social animals evolve. Ethologists contend that, in attempting to create a static analysis, we lose the realities of social, group, and individual change and evolution. This ethological approach to the study of industrial relations is well represented by Hoyt N. Wheeler's innovative *Industrial Conflict: An Integrative Theory*.

Twenty years ago, Everett M. Kassalow suggested that there are two levels at which trade unions operate. The first is, by definition, conflict-oriented and involves the constant struggle for job rights at the work site. The second level is less conflict-oriented and is best represented by the political role that organized labor plays in a pluralistic society in which it operates as one of many minority interest groups. At this second level, trade unions make use of the coactive model of behavior, seeking to establish either ephemeral or lasting coalitions when their interests overlap with those of one or more other organized groups. The major difference between today and the time when Kassalow first put forth this idea is that both have evolved into combat zones in which the fight is for survival. The modern-day ethologist studying the effects of new bargaining structures and processes on trade union constituencies would create an unrealistic analysis if he were not cognizant of this fact. Today's trade unionists find it difficult to heed the words of the prophet Isaiah and reason together with those who have consciously created an environment in which workers and their unions see employers and the

polity as jointly conspiring against them. Unionists today increasingly see themselves not as being in a struggle for "more" but in a struggle for existence.

Our discussion of the effects on union members of new collective bargaining structures and procedures will focus on: (1) bargaining priorities, (2) organized labor's political role in an atmosphere of new political realities, and (3) the educational needs and societal perceptions of trade union members.

### **Qui Bono?**

Qui bono? Who profits? Who has benefitted from changed bargaining structures and processes? These changes have been to the benefit of employers, both private and public. Unions do not opt for two-tiered or three-tiered wage structures because it represents the best bargaining alternative. They do it because it represents the least-worst alternative. Union negotiators are aware of the negative repercussions that will arise from multi-tiered wage structures. They are aware of the dissension that disgruntled new hires will create as union members, but they agree to such contracts because of the economic blackmail with which they are blatantly threatened. Agreement is perceived as the only alternative to shutdown, Chapter 11 bankruptcy proceedings, or the employer's moving to a different city, state, or country. The changed bargaining structures and processes in telecommunications and steel production, which have been discussed in this session, have created a staggering degree of insecurity among rank-and-file union members. The top priority among union members we work with has become job security.

Changes in structures and procedures that have existed for more than 50 years have created a defensive attitude in arranging bargaining priorities. These changes also have resulted in an atmosphere of mistrust and suspicion of management motives. Trendy ideas having to

do with employee participation plans, cooperative efforts, and devices and issues that go beyond traditional bargaining structures are approached with an increasing degree of caution. A trade union member only need follow the news to discover instance after instance in which unions have become involved in these various schemes only to discover that they are playing with something sharp and deadly. The creation of a welfare state in labor relations by employers and their representatives has created a siege mentality on the part of union constituencies, and this loss of employer ethos is reflected in the changed importance of bargaining issues to workers and their unions. This change has been dramatic. Regardless of age, experience, skill, or seniority, union members are increasingly concerned with keeping what they have rather than gaining more. The resulting charges of trade union particularism will fall on trade union ears that have become hard of hearing and trade union mentalities that have become more than a little jaded. The changed bargaining relationships in telecommunications, construction, steel production, transportation, and public employment at the local, state, and federal levels have served to magnify the distinction between "them" and "us" among trade union constituencies, and this distinction is reflected in the reprioritization of bargaining issues.

### **Labor's Political Role**

The ease with which employers have avoided, evaded, and destroyed existing bargaining relationships has intensified organized labor's awareness of the fact that everything that has been gained through collective bargaining can be lost by methods and devices extraneous to the bargaining process. Unionists increasingly find themselves feeling like Alice gazing through the looking glass, and their existence is becoming "curiouser and curiouser."

Examples abound. In the building and construction industry, few, if any, unionized employers have failed to go double-breasted. That is, they have formed non-union construction companies that coexist with and bid against their unionized alter egos. Companies have voided existing collective bargaining agreements, with the approval of the courts, by initiating Chapter 11 bankruptcy proceedings. Unions find it increasingly difficult to have unfair labor practice charges evolve into complaints because of the National Labor Relations Board's dilatory tactics and its policy of deferring charges to arbitration. In this city, the Metropolitan Atlanta Rapid Transit Authority voluntarily agreed to binding interest arbitration with Local 732 of the Amalgamated Transit Union, was displeased with the resulting arbitration award, and has successfully used the courts and the state legislature to keep this award from being implemented, thus destroying the interest arbitration procedure to which it had voluntarily agreed. Qui bono indeed?

Situations such as these can be rectified only by unions and their members becoming increasingly active, effective, and vigilant in politics at the local, state, and national levels. The tragedy of union and nonunion employees losing everything they have through actions of government agencies, the courts at various levels, legislative bodies, and elected officials has created a heightened political awareness among workers and their unions. The message that effective political involvement and watchfulness is necessary has reached union members, and such political awareness may evolve from protecting what has been gained to making positive achievements through political processes.

### **Membership Perceptions and Educational Needs**

When facing a life-threatening situation, both human and nonhuman animals

experience the "fight or flight" syndrome. The alternative is either death by stress or submission. After several years of viewing the future with some degree of certainty and hope, trade unionists find themselves in the midst of a struggle for survival. This perception of reality is reflected in the increased turmoil of internal union politics, the loss of employer credibility, and the expressions, by union members themselves, of the need for continuing education.

Today's union members have come more and more to resemble soldiers either awaiting or in the process of combat. They combine the characteristics and virtues of fear and bravery. They have come to realize, if they had not done so before, that the reality of modern society is conflict and flux. The security and certainty they enjoyed in the past are viewed as anachronistic. This has resulted in a commitment to learning as a lifelong process and a concomitant commitment to learning or relearning how to learn. The education of union members by their organizations or universities still revolves around programs designed to equip them with the skills and information necessary to carry out their organizational duties and responsibilities, but these educational efforts also provide opportunities for personal growth and development. It is this latter type of program that is helping to equip union members with the mentality necessary to survive and thrive in this new environment of constant change and challenge.

**[The End]**

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# Recent Innovations in Negotiated Compensation

By John Zalusky

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There are welcome indications of movement toward "new horizons" in collective bargaining, but the issues and patterns that have prevailed for 50 years will continue to dominate settlements for a long time to come. Pay for union workers has risen slowly in recent years, but at the current rate of change it would take the nonunion worker until the year 2000 to catch up. And there is no reason to think that the low current rates of increase will continue.

Figures for 1985 show union workers earning \$423 per week, \$108 more than nonunion workers at \$315. That is a difference of 34 percent. The Bureau of Labor Statistics reports in 1985 Major Collective Bargaining Settlements that private-sector first-year wages increased at 2.3 percent in the first-year wage and 2.7 percent annually over the contract term, with total compensation up 2.6 percent in the first year and 2.7 percent over the contract term. Those increases came against a backdrop of a 3.5 percent increase in the Consumer Price Index (CPI-W).

Workers who negotiated increases did reasonably well. During the first year, 65 percent got wage increases of 4.7 percent, and 85 percent negotiated increases of 3.5 percent over the contract term. Some increases in compensation are not included in these figures: profit-sharing, stock ownership, and lump sum payments for nearly a third. Others had deferred income plans, and education and retrain-

ing funds were also negotiated but are not included in the above statistics.

Clauses providing cost-of-living increases now cover 49 percent of the workers covered by the above agreements, down from 59 percent in 1980 but higher than the 20 to 30 percent coverage of the late 1960s, when the rate of change in the CPI was also at three to four percent.

With the exception of lump sum settlements, new compensation innovations are a small percentage of the total. But collective bargaining has produced distinctive changes in the compensation systems, produced new forms of compensation, and changed existing systems. In all, recent events can be judged as moving away from such dogma as no contract/no work, carefully defined bargaining units, and management insistence on its rights and prerogatives. Major changes include a movement to "pay for knowledge," use by workers of corporate financial leverage, and the AFL-CIO experimentation with the "union associate."

## Pay for Knowledge

"Pay for knowledge" has prime examples in the auto industry. A mature collective bargaining relationship is displayed in two United Auto Workers' agreements, with General Motors at its future Saturn plant in Tennessee and with GM-Toyota at the joint venture called NUMMI in California. The NUMMI/UAW agreement preceded the Saturn "working document."

The NUMMI agreement uses "pay for knowledge" and cuts the job classifications to one in assembly and three in craft: a major change since auto plants

have had as many as 25 classifications. The basic wage and benefit package averages the same as the basic auto industry wage, but seniority pay, worth as much as five dollars per hour, was replaced by "pay for knowledge." The workers form teams of five to twelve members, and each team member is expected to be able to perform any task within the team's area, with pay increased as knowledge and skills are acquired. The first line of supervision is a union member known as "team leader," a fairly common practice some years ago. These leaders assign work, train workers, and deal with production problems. Management's symbolic perks have been eliminated or shared with the workforce, and the agreement calls for management salary and benefit cuts before there is a reduction in force.

The new Saturn "working document" incorporates elements of existing GM agreements and some NUMMI features. Job security is provided for GM workers from existing plants, reconciling management's need for skilled workers at a new plant with the UAW's quest for employment security for current members. As the workforce expands, 80 percent of the employees will be assured no layoffs except for "situations arising from unforeseen or catastrophic events or severe economic conditions." The remaining workers are also assured employment but at the traditional level of employment security.

The job classification and compensation plan will be like NUMMI's. From the start to a year after the first car is produced, the rate will be \$13.45 per hour for operating technicians and \$15.49 for skilled technicians. The value of the national GM agreement's profit-sharing, COLA, general increases, and other economics will be summed and shared by the teams on a quarterly basis.

After this start, compensation will be semi-monthly salaries, based on 80 percent of the industry competitive rate plus

COLA and other compensation factors, plus a new bonus system. The broad-based bonus systems are new to the auto industry but are included in a number of auto parts agreements. This incentive system will be of particular interest to compensation specialists, as it will stress quality as well as other production goals. Thereafter, wages will be adjusted by approval of the two plant-wide committees.

There are other examples of movement to "pay for knowledge," replacing the rigidity of the traditional "scientific management" wage and salary administration that became popular with job evaluation in the 1930s. The agreements on "pay for knowledge" will have to face the inevitable adjusting of how much for what skills, and other contract features indicate that the bargaining issues are: agreement on how pay thresholds are reached, seniority, and appropriate rates of pay.

### **Corporate Financial Leverage**

Corporate financial leverage has been used by workers in railway, airline, retail food, and the building trades. They have used corporate stock, stock voting rights, leveraged buyouts, and the value of wages and benefits in the financial markets to affect management decisions or even change managements.

Four unions at Frontier Airlines, the Airline Pilots, Machinists, Flight Attendants, and Transport Workers, used employee-owned stock and their influence in corporate finance markets to buy the airline, then used their leverage to influence the merger with People Express. The unions supported the merger with People Express to avoid being managed by Frank Lorenzo of Texas International, Inc., best noted for trying to destroy the unions at Continental Airlines.

At TWA, the unions used wages and benefits in the equity markets to select a different management. The Machinists negotiated two dollars per hour and two percent of benefits for new management and a real share of the business. The

levered employee stock ownership trustees, who vote the stock as it is released by the holding bank, are appointed by the national union president.

### Union Associate

The "union associate" is potentially the largest step outside the traditional framework since these associates may be retirees, employees of nonunion employers, or the unemployed, and they may even hold management positions. They will be eligible to purchase from a new AFL-CIO benefit list, which includes credit cards, home, auto, and legal insurance, as well as the more traditional health and life insurance. The American Federation of Teachers now is using the concept in organizing teachers in Texas where the law forbids collective bargaining for public employees.

Some of today's strongest unions began as beneficial organizations that benefited workers before the union could win full collective bargaining rights for them. So this form of representation is, in a sense, a return to those norms.

A property right in the job has been developing in a number of ways and forthrightly through challenges to the "employment at will" doctrine in a number of states. The California labor movement is supporting state legislation creating an "implied contract of fair dealing in employment" similar to the idea that produced the implied warrant laws covering consumer products.

Cash profit-sharing continues to be an element in recent negotiations, too often when the firm has little or no profits. But some of the mature plans are beginning to pay benefits. Acceptance of profit-sharing is mixed among unions, but few have taken official positions against it. In the UAW, for example, profit-sharing fits the 27-year-old union attempt to stabilize industry wage and benefit standards.

Stock ownership and profit-sharing are becoming a part of a new pattern in the steel industry, an industry with a history

of varied collective bargaining patterns. The new mode is likely to be based on individual firm compensation cost levels, with equity entitlement used to share the advantages of the profitable firms with their workers. The new LTV and National Steel agreements provide for profit-sharing and preferred stock ownership. The preferred stock is convertible to common on a share-for-share basis. Trustees, who are jointly appointed, vote the stock at the direction of the employees.

Lump sum payments constituted a full one-third of first-year settlements in 1985, but it is unlikely that this device will continue to be used extensively. Lump sum payments are appearing less attractive because of the uncertainty of backpay obligations under the Fair Labor Standard Act's overtime provisions. Lump sum payments other than profit-sharing distributions have been a part of the base for overtime computations since the 1940s. The Wage and Hour Division of the U.S. Department of Labor is reconsidering the issue, and one of the test cases is a Paperworker request submitted more than a year ago. This ambiguity, and the fact that a number of national unions strongly oppose lump sum payments, should reduce their frequency below the one-third level in 1986.

Interest in gain-sharing plans seems to have fallen off. Fewer new plans have been negotiated in the past few years, and three major plans have been dropped: the Rubber Workers' plan at Parker Pen in Wisconsin, the International Union of Electrical Workers' plan at Ingersoll-Rand, and the International Brotherhood of Electrical Workers' plan at Gould Battery.

"Two-tier" wage and/or benefit agreements, never a large percentage of settlements, are declining. Some of what were called "two-tier" wage and benefit packages really were not in the first place. Since recovery or "swapback" was built in, they were really just an extended progression of the wage schedule. Two-tier

contracts did continue to grow in airlines and wholesale food during 1985, while retail food and aerospace moved away from two-tier, with management saying it causes more trouble than it is worth. Employer problems and union resistance indicate further decline in 1986.

In summary, the vast majority of recent agreements contain none of the compensation innovations mentioned above. Furthermore, few are new ideas; profit-sharing and stock ownership were debated in the *AFL Federationist* in 1910,

and lump sum payments were used in the 1930s and since; pay for knowledge predates the 1930s and continues in many collective bargaining agreements; gain-sharing has been coming and going since the 1890s. The real change in compensation seems to be in labor's participation in their adoption, long-term participation in the decision-making process, and the movement outside the traditional bargaining relationship.

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## Labor Issues and Skill-Based Compensation Systems

By William P. Curington, Nina Gupta, and G. Douglas Jenkins, Jr.

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Skill-based compensation systems, commonly known as pay-for-knowledge systems, are a workplace innovation hypothesized to offer many benefits to management and employees. Unfortunately, much of our current information on these plans is based on anecdotes and speculation. It is not surprising, then, that many myths prevail about the dynamics and effectiveness of these innovative compensation systems. A major contention frequently found is that pay-for-knowledge plans cannot work in unionized settings. This paper uses data from a systematic investigation of pay-for-knowledge plans to explore this contention in some detail. It delves into whether pay-for-knowledge plans exist in unionized settings and, if so, whether unique problems are encountered in using these plans in organizations that have collective bargaining agreements with organized labor.

Before we go into these issues, however, some background about the study is in order.

### Background

Pay-for-knowledge compensation plans base employees' pay on the number of jobs in the organization they *can* do rather than on the specific jobs they may be doing at a particular time. Typically, new employees are hired at a base rate, and, as they learn different jobs and skills in the company, their pay rates go up correspondingly. Thus, pay raises are attached to each additional skill that employees learn, encouraging them to become multiskilled. Hypothesized benefits of this approach include a more flexible workforce, leaner staffing, higher quality output, lower absenteeism and turnover, better employee attitudes, and greater long-term productivity.<sup>1</sup>

To assess the empirical validity of various assertions about pay-for-knowledge systems, we undertook a national study of

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<sup>1</sup> G. Douglas Jenkins, Jr., and Nina Gupta, "The Payoffs of Paying for Knowledge," *National Productivity Review* 4 (Spring 1985), pp. 121-30; Edward E. Lawler, III, and

Gerald E. Ledford, Jr., "Skilled-based Pay: A Concept That's Catching On," *Personnel* (September 1985), pp. 30-37.

these systems, under contract with the U.S. Department of Labor. During the investigation, data were obtained from two sources that are relevant here. First, telephone interviews were conducted with *corporate* personnel from a probability sample of 154 corporations listed in the New York and American stock exchanges. Second, data were obtained through mail surveys from personnel directors of 20 *plants* using pay-for-knowledge plans.<sup>2</sup>

These data sources provided tentative answers on several issues of interest in this paper, including: How prevalent are pay-for-knowledge systems in unionized settings? What potential problems do pay-for-knowledge plans pose for labor-management relationships? What are the attitudes of organized labor toward pay-for-knowledge plans? Can pay-for-knowledge plans succeed in unionized settings? Information from the two data sources relevant to each of these issues is discussed below.

### Prevalence of Pay-for-Knowledge Plans in Unionized Settings

It is generally argued that pay-for-knowledge plans will not be found in unionized settings. One exception to this is the work of Tosi and Tosi.<sup>3</sup> Our first purpose, then, was to determine the frequency with which pay-for-knowledge plans exist in unionized plants. Of the 154 corporations in the corporate data, 12 (eight percent) were using pay-for-knowledge plans. Of the employees of these corporations who were under pay-for-knowledge plans, about seven percent were also covered by collective bargaining agreements. Of the 20 plants in the plant data source, two had pay-for-knowledge employees who were covered by union contracts. Both production and clerical employees were included in these contracts. These data show that pay-for-

knowledge plans in unionized settings are rare, but they are by no means nonexistent. Of greater interest, however, is *how well* these plans work in an organized plant. The remainder of the paper addresses this issue.

### Problems with Labor-Management Relationships

Several potential problems with labor-management relationships can be identified intuitively. These include resolving the mechanics of compensation patterns, work assignments, jurisdictional disputes, and clouding of distinctions between labor and management.

Compensation patterns tend to be more difficult to specify through contract negotiations in pay-for-knowledge plants than in plants with "traditional" compensation systems. In the latter case, the structure of wages across jobs is typically determined by the firm, and the rate of increase in wages is negotiated through collective bargaining. In pay-for-knowledge plants, however, the pattern of compensation within the firm is determined by voluntary choices of individuals to learn a skill, and pay increases are associated with these choices. To remain an effective determinant of compensation patterns, the collective bargaining process must therefore focus on pay increments associated with *different skills*, rather than on the overall level of compensation. This requires considerably more detailed negotiations than is usually present in the collective bargaining process.

Another problem centers on job assignment rules. Skill-based compensation systems are generally associated with a team approach to the production process; workers can perform several tasks within the team. This implies that management must have reasonable flexibility in making work assignments. Job assignment

<sup>2</sup> Detailed information on these data sources is contained in Nina Gupta, G. Douglas Jenkins, Jr., and William P. Curington, "Paying for Knowledge: Myths and Realities," *National Productivity Review* (in press Spring 1986).

<sup>3</sup> Henry Tosi and Lisa Tosi, "What Managers Need to Know About Knowledge-based Pay," *Organizational Dynamics* 14 (Winter 1986), pp. 52-64.



rules are typically a basic concern in collective bargaining negotiations; the degree of management discretion in work assignments is a continual source of tension in management-labor relationships. Job assignment rules are usually specified in detail in collective bargaining contracts. Since a major potential benefit of a skill-based compensation system is greater flexibility to respond to new situations, job assignment rules can be a source of increased conflict where skill-based pay and the collective bargaining process meet.

Beyond the potential for conflict and tensions with respect to management and labor prerogatives, job assignments can create another difficulty in unionized pay-for-knowledge systems. It is quite likely that the array of skills in the production process in pay-for-knowledge plants cuts across the jurisdiction of several unions. For example, an employee with three skills could potentially belong to three different unions, depending on the specific job performed at a particular time. Jurisdictional disputes are therefore possible from this aspect of pay-for-knowledge systems.

The potential for conflict is exacerbated by the fact that job assignment procedures are often tied to seniority systems in union contracts. In traditional compensation systems, firms have an incentive to create and maintain seniority systems, since their investment in training can be protected by increasing job security. Economic theory suggests that the higher wages and greater job security enjoyed by more senior workers are part of a system of unwritten "implicit contracts" between firms and workers. The implicit contracts give both parties the incentive to invest in firm-specific human capital.<sup>4</sup> The formal system of wage increases for new skills that is typical of skill-based compensation systems seems to make the payoffs for

acquiring firm-specific skills explicit. In a skill-based compensation system, the firm is less likely to need a seniority system to encourage workers to invest in firm-specific training. Thus, the interaction of skill-based pay, seniority, and collective bargaining may be a source of conflict.

Another potential labor relations problem stems from the team approach to production that is commonly found in plants with skill-based pay. When the team approach is used, team members are often appointed to serve as the liaison with management. Team leaders thus take on many functions typically performed by a first-line supervisor. From a collective bargaining perspective, this blurs the distinction between management and labor and could conceivably cause problems in the definition of the bargaining unit.

In short, skill-based pay plans can conceivably pose several unique problems for labor-management relationships. What do our data say about these issues? In general, since the plant data dealt more specifically with pay-for-knowledge issues, they tend to be more illuminating than the corporate data on this matter.

Respondents in both unionized and nonunionized plants were asked about their perceptions of the interaction of skill-based pay and organized labor. Respondents tended to agree that skill-based pay plans may cause some difficulties related to labor issues, such as making boundaries between bargaining units fuzzy and blurring distinctions between labor and management. Respondents also were likely to report that labor unions distrusted and did not support pay-for-knowledge plans. On the other hand, few respondents reported using pay-for-knowledge to minimize the probability of being unionized, although many of them thought that skill-based pay plans could

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<sup>4</sup> Robert J. Flanagan, "Implicit Contracts, Explicit Contracts, and Wages," *American Economic Review* 74 (May 1984), pp. 345-49.

indeed make it more difficult for unions to organize a workforce.

It may be recalled that only two of the 20 plants in this data set were unionized. The perceptions of respondents from these two plants offered a marked contrast to those obtained in nonunionized settings. Before discussing the perceptions of respondents from the two unionized plants, some background information on these plants may be useful.

Both unionized organizations were manufacturing facilities with predominantly male workforces. In one plant, the skill-based pay plan covered all production employees; in the other plant, first-line supervisory, clerical, skilled trades, professional/technical, and managerial employees were included under the skill-based pay plan, although the largest proportion of skill-based pay employees were in the skilled trades category. Skill-based pay employees in the production category and skill-based pay employees in the clerical and skilled trades categories in the second plant were covered by collective bargaining agreements.

Respondents from these two plants were asked about the concerns of organized labor during the *development* of the skill-based compensation system. Both plants reported the following concerns among unions: length of time to learn a skill, who decides when a skill unit has been learned, how someone decides when a skill unit has been learned, how much say the union would have in the job assignment process, and the pay increment associated with each skill unit. In addition, at least one of the two plants also reported the following concerns: how much say the union would have in who learned which skill unit, potential conflicts between pay for seniority and skill-based pay, implications of skill-based pay for layoff policies, how much say the union would have in who gets to work overtime, and the implications of skill-based pay for the size of the workforce. Jurisdictional disputes were the only

issues that neither respondent reported as being a concern among unions during the development of the skill-based pay plan.

Another set of questions focused on union concerns during the *operation* of the skill-based compensation system. Both respondents included length of time to learn a skill unit and how one decides when a skill unit has been learned as current union concerns. One respondent reported two other concerns: *who* decides when a skill unit has been learned and *how much say* the union would have in who gets to work overtime.

Several questions were asked about the extent of union involvement in the skill-based pay plan. The broad objectives and the details of the skill-based pay plan were jointly developed by union and management in one case, and with the active involvement of the union in the other. Respondents had met with union representatives three to six times in the past year regarding the skill-based pay plan. These meetings, however, had little impact on the specifics of the pay-for-knowledge plan. Union rank and file, shop stewards, local and national union leadership, and local and corporate management were all reported as having moderate to a great deal of "say" in contract negotiations about the skill-based pay plan.

No grievances or unfair labor practice charges relating to skill-based pay plans were reported by either respondent. Seniority rights regarding layoffs, overtime, job assignments, and eligibility for training were not considered different from what they would have been without skill-based pay. Movements of employees across skill units were specified in the collective bargaining contract in one of the two plants.

Respondents were asked if union influence at their facilities had changed because of the skill-based pay plan. One respondent thought it had stayed about the same, the other thought it had

decreased somewhat. In short, the data show that, although unions have many concerns about the development and implementation of pay-for-knowledge plans, these concerns can generally be handled effectively through labor-management cooperation.

### Attitudes of Organized Labor

Because of the various threats discussed above that pay-for-knowledge plans can pose to labor concerns, it is generally believed that organized labor will react negatively to these plans. This issue was addressed in both the corporate and plant data sets.

Respondents from unionized pay-for-knowledge corporations were asked about the general reactions of their local union leadership to the skill-based pay plan. Seventy-five percent of respondents reported generally positive union attitudes; "The biggest concern the union had was 'Are you really serious about the program you're telling us you want to be involved with?' So their attitude initially was 'Well, you make it sound good so we like it. But are you really telling us the truth?' So once the initial suspicion was got around and we proved that, yes, we are really trying to benefit everybody in this case, I think they accepted it very well."

These respondents were also asked a parallel question about the feelings of organized labor *in general* concerning skill-based pay. Only 20 percent of the unionized pay-for-knowledge respondents felt that organized labor was generally positive toward skill-based pay, the remainder indicating that organized labor would react negatively to skill-based pay plans. "They're used to the more traditional wage-and-classification system, and it's hard to reach some of the old-timers." And, "The negative perhaps is that it does require work, and the more you learn, the more you can be used other places. Sometimes that doesn't fit in with the job controls. For example, most unions

will not permit a fork truck driver to paint a building because they are two different job classifications. The fork truck driver who paints is taking a job away from a painter. That's usually what unions feel, that a person who is trained in one area should remain in that area unless they actually trade jobs."

Thus, although local union leaders were seen as generally positive toward skill-based pay, respondents still perceived organized labor in general to be resistant to the idea. The resistance tended to be attributed to the potential of skill-based pay for violating jurisdictional guidelines that were traditionally followed in collective bargaining settings.

Respondents from both unionized and nonunionized pay-for-knowledge corporations were asked about their relationship with organized labor. Only a few (seven percent) of the corporations viewed themselves as having difficulties with organized labor. The vast majority reported a neutral to positive relationship.

Another related aspect of labor-management relationships covered in the corporate data source was the occurrence of organizing attempts in the past five years. Three, or 19 percent, of 16 respondents who addressed this issue indicated that there had been an organizing attempt. None of these attempts, however, focused on the skill-based pay issue, and in only one instance did the attempt succeed. These data indicate that, despite local labor-management cooperation, corporate personnel continue to believe that organized labor will oppose pay-for-knowledge plans, largely because the plans potentially violate many labor priorities.

The plant data source painted a similar picture. When only the two unionized plants were considered, favorable union attitudes toward pay-for-knowledge were evident. Respondents from both plants agreed that unions were supportive of their skill-based pay plans. Both respondents also disagreed with the statement

that skill-based pay had complicated their collective bargaining process or that unions were always threatening to file grievances. In fact, no grievances or unfair labor practice charges related to skill-based pay were reported by either respondent. Both respondents reported further that the overall union-management relationships in their plants were moderately to very cooperative.

When all 20 plants in the data set are considered, however, a different picture emerges. Many respondents believed that unions distrusted and did not support skill-based pay plans and that the use of skill-based pay in unionized settings could cause problems.

With both corporate and plant data, then, the myth that labor unions and skill-based compensation are incompatible is supported by nonunionized skill-based pay users. That both unionized pay-for-knowledge plants in the data set had good labor-management relationships may provide a clue to explaining the discrepancy between the experience of unionized users and the beliefs of nonunionized users. When management and users get along well and when there is trust between the parties, the use of pay-for-knowledge may pose no problem, but, when labor-management relationships are antagonistic, the use of pay-for-knowledge in unionized settings may lead to severe difficulties.

### **Success of Pay-for-Knowledge Plans**

A final issue of concern was the overall success experienced by pay-for-knowledge plans in unionized settings. Respondents from unionized pay-for-knowledge corporations as well as respondents from unionized pay-for-knowledge plants rated their compensation systems as at least moderately successful. The outcomes and effectiveness of pay-for-knowledge in unionized and nonunionized settings were not perceived as being very different.

Perceptions regarding several outcomes were specifically explored in the plant data source. When both unionized and nonunionized plants were considered, 90 percent reported greater workforce flexibility and 45 percent reported reduced labor costs. Many respondents also indicated that, compared to what it would be without a pay-for-knowledge plan, they had higher output per hour worked (75 percent of the respondents), lower unit production costs (70 percent), fewer defects (80 percent), and lower quit rates, layoff rates, and absenteeism rates (70 percent each). Compared to non-pay-for-knowledge facilities, these respondents also reported better employee-management relationships, better employee performance, better product/service quality, and higher overall productivity.

In short, pay-for-knowledge plans were seen as successful on many counts. Furthermore, the presence of organized labor did not detract from these successes.

What emerges from these data is an interesting contrast between unionized and nonunionized firms. Nonunionized firms continue to believe that unions and pay-for-knowledge are incompatible. The experience of unionized pay-for-knowledge firms belie this belief. Although unionized pay-for-knowledge organizations are few and far between, their perceptions of the interplay between pay-for-knowledge and unionization are positive. These organizations report the realities of pay-for-knowledge to be quite successful. Thus, our data, while incorporating only a few pay-for-knowledge settings, do begin to dispel several myths about labor-management relationships and pay-for-knowledge plans.

[The End]

# Improving Industrial Relations Teaching: Many Roads

By Walter J. Gershenfeld

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Temple University

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We begin with the recognition that ours is a polyglot field (regardless of whether we call it industrial relations or human resource administration) with roots in all of the social sciences. Lack of clear-cut disciplinary boundaries has created some professional-identity problems. My emphasis here, however, is less on what we are and more on how we do it as well as our response to our environment. Of course, we need to examine regularly how we fit into the constellation of disciplines, but we have not been loath to do so. For the moment, I take our placement as a given and consider how we can respond more effectively to our market.

I first will consider what we choose to teach and the framework in which the teaching is done. Next, I will offer some observations on teaching improvement based on ten years of experience with an annual industrial relations teaching conference. Finally, I will indicate why the Industrial Relations Research Association should become more political in advancing our teaching, particularly with the American Association of Collegiate Schools of Business (AACSB).

## Content and Structure of Industrial Relations Teaching

A good source for what we teach is found in the 1984 directory published by the University of Minnesota.<sup>1</sup> The directory indicates that degree programs are doing well in terms of numbers of such programs at bachelor, master, and doctoral levels, but we have lost significant ground in the major/concentration area,

e.g., MBA in Business Administration with a major in IR. The directory notes that there has been a substantial increase in the human-resource appellation, and an examination of course offerings at the 165 schools covered shows much greater emphasis in the human resource/personnel area as compared with offerings listed in the directory published ten years earlier.

This parallels our experience at Temple University. We have a rather full menu of labor courses. In the seventies, our students began asking for more personnel courses such as staffing (with its employment-law implications), wage and salary administration, training and development, benefits, and the like. In part, this represented a decline in interest in the labor field, but, more importantly, it reflected the discovery by students that relatively few of them would be hired for labor work directly and they needed a personnel background to gain entry to the field. This is particularly true since more former students are now working in non-union settings.

If you have tried to recruit personnel specialists for academia, especially those with hands-on experience, you have discovered that they are in short supply. One teaching need is to staff for and encourage more of our outstanding graduate students to develop backgrounds in these human resource/personnel fields. A more subtle related need is to deal with the growing interface between the personnel area and labor relations. Each of the personnel specialty fields, almost without exception, has seen new major labor-relations activity affecting its content. This means more bridge work is needed among

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<sup>1</sup>Georgianna Herman, ed., *Personnel/Industrial Relations/Human Resource Management Colleges: A Directory*,

2nd ed. (Minneapolis: Industrial Relations Center, University of Minnesota, 1984).

labor, the human resource/personnel areas, and relevant professional associations.

For example, the effort to develop value-free (perhaps an oxymoron) job-evaluation plans to effectuate comparable worth programs requires greater traffic between the two areas. The employment and staffing field already has many ties to the labor-relations field in its use of screening devices, but the growing edge of substance abuse and lie-detector testing has new labor-relations implications.

The training and development world has a particularly exciting tangency with labor relations. One major change is the growing number of joint labor-management training programs that stress new approaches to the workplace. These include greater flexibility in assignment of personnel and the concept of pay-for-knowledge. (Parenthetically, I wonder how we would handle pay-for-knowledge in our academic departments.) We also have a unique opportunity for interdisciplinary activity in connection with alternative dispute resolution.

One exciting organizational-development interface is taking place under the rubric of quality of work life (QWL). Much is happening in that field. Regardless of whether you consider QWL symptomatic of a basic shift in the labor-relations paradigm or a fleeting phenomenon, it warrants our academic attention. Unfortunately, many individuals, including academics, think quality circles are synonymous with the entire QWL field. We have been woefully lacking in offering discrete courses in QWL, particularly at the master's level. Many of our students are going to find that the market is interested in people qualified to perform as facilitators. I do not believe QWL courses are an over-response to the demand for relevance.

The QWL world has much to interest us intellectually. I know one individual who has had a substantial IR career with

a major American company. He believes that much of what he has done has had little lasting organizational impact because top management has tolerated rather than actively supported progressive (read employee-involvement) programs. Implicit in his thinking is the notion that employee involvement and job satisfaction can fit in with bottom-line efficiency notions. He is spending two years working on the top-management organizational climate in his company so that QWL can have a real chance to be a lasting and useful phenomenon in his organization. This type of effort warrants our interest.

Much more can be said about what is happening in the teaching of industrial relations. In the first part of this paper I have concentrated on the need to have more human resource/personnel specialists in our program and the desirability of building bridges between the human resource/personnel and labor groups if our programs are to possess needed vitality.

### **An Approach to Teaching Improvement**

For some ten years I have organized a Teaching Conference in Industrial Relations in the Delaware Valley. This annual one-day conference in May draws some 35-40 participants to a retreat-like setting to discuss the teaching of industrial relations. In contrast to the global emphasis of our meeting here, an annual teaching conference has the luxury of time to get down to nuts-and-bolts considerations.

Our most successful sessions focus on very specific topics, e.g., the introductory course in labor. What do we teach, in what order, and with what materials do we support our teaching? Recognizing the seamless web of such a course in that an individual should know something about a variety of subfields in order to understand any one area, you can appreciate the interest in such a session. Course outlines are shared, and the discussions are lively on topics such as what should be covered

first. Another part of a program might examine gaming in collective bargaining courses. This shared experience has proved invaluable in improving the teaching of participants.

I might add that the opportunity to get to know your colleagues on a close professional basis has had lasting value. We come to know whom to speak with as a resource person on any given topic, and much useful traffic takes place among the participants during the year.

We've also found it desirable to bring in key nonacademic individuals who can provide us with background as to what is taking place in their organizations. For example, we invite the regional directors of the Federal Mediation and Conciliation Service and the National Labor Relations Board to join us periodically. In an informal setting, these individuals offer us much of use to improve our teaching. Not to be underemphasized is the fact that our guests frequently bring handouts, which have immediate application to the course outlines waiting to be prepared.

The annual conference also provides us with an opportunity to examine some of our disciplinary boundary questions. Illustratively, there is much interest in the relationship of IR to the organizational behavior area. While I cannot pretend to a definitive answer on the subject, at least our working hypothesis have been sharpened with information and informed opinions at the annual conference.

Testimony of the participants leads me to believe that it would be desirable to see such conferences in more parts of the country. I am aware that geography may raise some difficulties in particular areas, but there certainly is room for more of this type of effort.

### **Raising Our Visibility**

Our academic visibility is poor. We do have free-standing schools, institutes, and degree programs, e.g., Cornell, Michigan State, Rutgers, and Minnesota. We do have numerous research centers. But I

believe the greatest numbers of our students are met in schools of business, and most frequently the teaching takes place in departments of management or their analogues. I confess that I do not have hard data on the subject. I base my opinion on what I know about where my colleagues teach and a review of the Minnesota directory. In any event, I do not believe anyone will quarrel with the statement that a considerable portion of IR teaching takes place in schools of business. My guess is that "considerable" means more than half. If I am wrong, it is not by much.

The first implication is that many of our colleagues have dual loyalty. Although IRRA is the preeminent professional organization in our field, there are competing organizations, most notably the Academy of Management. The Academy of Management has recruited many of our colleagues to its human resources section. This is not surprising. If you are domiciled in a department of management, unless the IR group controls the department (don't hold your breath), the department may give greater recognition to participation in Academy of Management programs than IRRA meetings.

The Academy of Management has generally been more responsive than IRRA in providing an outlet for the growing number of personnel specialists at its meetings. Look at the program for this meeting. In addition, our Spring Meeting has heavy regional overtones. This is perfectly proper, but we compete with the Academy of Management, which runs numerous annual regional meetings in addition to its national meeting. For the academic struggling for personal visibility, the Academy provides more opportunities than IRRA. I know regional meetings have arisen as a topic for the IRRA Board, but there are problems. I believe there is a need that must be met.

My second point is, in my mind, the most important aspect of this presentation. The field of industrial relations is not

represented as such in the councils of the American Association of Collegiate Schools of Business, and we have consequently lost important ground to other business disciplines. The AACSB is a major academic accrediting body. It identifies those fields of learning that belong in undergraduate and graduate core programs in business. AACSB takes a reasonable approach when it specifies that many of the business fields that are listed for inclusion in core programs can be covered as part of a broader course. What then happens at the institutions is departmental log-rolling, and core subject areas all become full courses. Curriculum space is at a premium, and there is interest in finding weak (lack of representation) core courses that can be eliminated. I know of no one who has kept track in an organized way of what has been happening to IR as a core course, but I have heard from more and more colleagues who report that the core IR course has been taken out of either or both graduate and undergraduate curricula. One common substitute is organizational behavior.

Interestingly, pressure is emerging for a human resource course in core programs. I predict with complete confidence that, as that comes to pass, the human resource course will make at best a nod to the labor sector with neither instructors nor students recognizing the roots in collective bargaining of such personnel practice. I am willing to agree that some of my concern is sour grapes since we represent a smaller world than was historically true. But I do not believe I have to work hard to make the case to this audience that the importance of labor relations to American society continues to be major in both direct and indirect impact.

If you accept my thesis that we must improve our visibility to schools of business and the AACSB, then we must change our behavior patterns. The need is increasingly being recognized. At the December 1985 IRRA meetings in New York, the IR Center Directors established

a committee to "study issues relating to formalization and accreditation." Participants in the meeting have informed me that part of the charge will involve examining the role of industrial relations and the AACSB.

We need a starting point to review our role with regard to AACSB. I suggest we enlarge the IR Center Directors' committee to include IR faculty who teach in schools of business that do not have IR centers. We need to involve that great mass of unrepresented faculty. One of our academic strengths is a problem as we seek to develop greater influence with AACSB. Our free-standing schools and institutes have generally been above the fray, although I am pleased to see the growing interest and leadership in this area from such individuals as Jim Begin at Rutgers and Mike Bognanno at Minnesota. I note that some first-rate schools have reported enrollment difficulties, particularly at the graduate level. Improved visibility should enhance our registrations.

We must coalesce and work together, and an IRRA committee is an appropriate starting vehicle. There are many early roads that can be taken, but I urge that we move quickly to seek observer status for IRRA at the meetings of the AACSB. Once we have a clear understanding of how that organization operates and what exactly we are seeking, we should move to develop the political influence to effectuate our goals within AACSB. Incidentally, there are a number of business school deans with IR roots who can be helpful in this regard. Also, we must remember that there are many schools that do not choose to seek AACSB accreditation. At these, and indeed at all locations where IR is taught, we need to provide resource material and support for our colleagues who are struggling to keep IR activity visible at their institutions.

I believe the type of effort described above to be well worthwhile. There will be some who perceive it as a politicizing of



IRRA, thereby detracting from its status as a learned society. We must operate with care, but, to the extent we develop agreed-upon goals, failure to present our position on the place of industrial relations in the academic world to appropriate authorities is an abdication of

responsibility. The consequences can be disastrous. I do not minimize the difficulties, part of which are inherent in our definition of what we are, but we need to take that well-known first step.

**[The End]**

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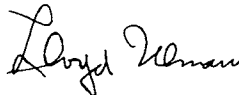
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