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Industrial Relations Research Association Spring Meeting

May 3-6, 1973

Jamaica

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P R E F A C E

Industrial Relations Research Association Series Proceedings of the 1973 Annual Spring Meeting

The Association's meeting in Jamaica was the first meeting held outside of Canada and the United States. Therefore, it was appropriate that the overall theme was designated as "Comparative International Industrial Relations" and that a number of the participants were drawn from the West Indies, Latin America, Canada and Great Britain.

Even though the topics in the various sessions have a familiar ring for those engaged in the industrial relations field, a special dimension was added by the stress on comparative analysis. The discussion on the multi-national corporation benefited from a West Indian view as well as from presentations by British and North American speakers.

The session on labor relations in the public sector was concerned with comparisons between U. S. experience and the experience in Britain and Latin America. Similarly, the papers on industrial relations and inflation concerned policies in the United Kingdom as well as recent activities in this field in the United States.

The session on "Theories of the Future of Industrial Relations" was designed to serve as a stepping stone to the sessions on industrial relations theory and future trends in industrial relations scheduled for the 3rd World Congress of the International Industrial Relations Association to be held in London from September 3-7, 1973.

The Industrial Relations Research Association was fortunate in being able to include a luncheon address by Professor B. C. Roberts, President of the International Industrial Relations Association; and a luncheon address by the Honourable Michael Manley, Prime Minister of Jamaica. We regret that a copy of Prime Minister Michael Manley's remarks was not available for publication in these publications.

The Association is grateful to Robert Davison and other members of the local arrangements committee in Jamaica for their organizational skills and we are indebted to the participants for the preparation of their papers for these Proceedings. Once again we wish to thank the editors of the *Labor Law Journal* for their cooperation in printing the Proceedings which initially appeared in the August issue of the *Journal*.

GERALD G. SOMERS
Editor, IRRA

SESSION I

The Multinational Corporation and Industrial Relations

The Labor Affairs Function in a Multinational Firm

By **ROBERT COPP**

Ford Motor Company

THESE REMARKS reflect, not scholarly research or innovative conclusions, but the pragmatic experiences and observations over 10 changing years of a practitioner in the reporting and interpretation of overseas labor affairs of Ford Motor Company, a large multinational manufacturing firm.

Ford has been in international business almost since its inception in 1903. Ford manufactures or assembles cars, trucks, tractors and equipment, and home electronic products in 28 countries on six continents and sells and services these products in 200 countries and territories. Almost half of Ford's 433,000 employes in 1972 were in international operations, which accounted for about one-third of its car and truck production. Of Ford's 1972 consolidated sales amounting to \$20.2 billion, 25 per cent was outside the North American market (United States and Canada) and consolidated subsidiaries outside the United States and Canada accounted for 17 per cent of consolidated net income in 1972.

While we could agonize for some time here over what "multinational" means in describing a firm and its industrial relations, I will simply state my own belief as an employer practitioner that, whatever may be Ford's multinational character, its industrial relations in both the parent company and in the subsidiaries constitute one of the most indigenous or nationally oriented functions of its management. What problems or management decisions arise about industrial relations are far more the function of the firm's scale, technology, and products than of its multinational character. A group of management experts

convened by the Organization for Economic Cooperation and Development a year ago in Paris reached this same conclusion.¹ Professor Kujawa's studies in 1969 and 1970 of three United States automobile firms support the same general conclusion with an elaborate and well-organized set of data based on extensive interviews in the three firms.²

We in Ford's corporate Labor Relations Staff frequently describe our role concerning overseas labor affairs of the Ford companies in two ways: as reporters and interpreters of these affairs to corporate management and as consultants or advisers to the overseas managements.

As reporters and interpreters, we try in the Staff to achieve a sufficient understanding of the laws, institutions, personalities, and issues in a particular country's labor setting to be able to explain, compare, and contrast what is happening in that particular setting to corporate executives whose experience with and understanding of labor relationships is likely to be restricted to one or two industrial relations systems, most commonly that of the United States.

Advise Local Managements

As consultants and occasional advisers, we join local managements—sometimes on the spot and sometimes by telephone or letter—in helping them to arrive at management decisions that are both prudent and adaptable to the local setting and that incorporate meaningful experiences from other Ford companies. For example, one or two of our national companies have had extensive experience in planning, developing, and administering employee housing, and it is only good sense that

that kind of experience should be shared, as needed, with other Ford national company managements.

Now, while the development and administration of each national company's labor affairs policy is a responsibility of each management, and while Ford does not have a global labor relations policy manual, there are several areas of labor affairs concern in which either the expertise of other Ford managements or the expertise and experience of the corporate staff seem useful, and most managements seek the view of the Labor Relations Staff in these areas before proceeding.

Nature of Local Bargaining Relationship

One of these questions involves the nature of the local collective bargaining relationship—whether, in a particular situation, to recognize a trade union, what group or unit of employees that trade union should represent, and whether labor relationships should or should not be conducted through an employer association.

Most of these questions are resolved by local managements through a prudent application of local practices. Within the past ten years, both Ford of Britain and Ford of Germany—major overseas companies—have considered or reconsidered whether they should bargain collectively through appropriate employer associations. In Britain, where historically Ford has bargained directly with the trade unions representing its employees, the management felt that its interests would be better served by continuing this direct bargaining relationship. At Ford Germany, on the other hand, where the management had bargained directly with its company works

¹ Kenneth F. Walker, *Labour Problems in Multinational Firms; Report on a Meeting of Management Experts, Paris, June 21-23, 1972* (Paris: Organization for Economic Cooperation and Development, 1972), p. 5.

² Duane Kujawa, *International Labor Relations Management in the Automotive Industry; A Comparative Study of Chrysler, Ford and General Motors* (New York: Praeger, 1971).

council until May 1963, the management felt that its interests were best served by joining the appropriate metal industry employer associations and adhering to the agreements negotiated by them.

Generally speaking, the parent company does not recognize trade unions in the United States to represent its salaried employees, and most Ford national managements scrutinize very carefully what the effects might be of recognizing unions to represent their respective salaried employees—especially where this representation might extend to supervisory employees. After demands over many years for recognition by a staff association representing production foremen in Britain, Ford Britain finally granted recognition to that association in 1968. On the other hand, an acquired foundry in Latin America had recognized a foremen's union and after examination of its value and of the interest in foremen concerning it, both the management and the former foremen membership have allowed the representation arrangement to lapse.

A second item of general importance and concern to local managements upon which they usually seek advice from the corporate staff involves the wage system and structure. Ford does not have a uniform worldwide wage structure; each structure is actually negotiated or adopted in accordance with prevailing local practices, as are the wage rates themselves. Nonetheless, it is significant to me that none of the Ford managements—although some of them have examined the possibility—has chosen to apply a piecework or payment-by-results system in its operations.

The complexity of funded employee benefit plans like pension plans and the expertise which the parent company and a few other of the larger Ford national companies have in this area have prompted most managements who are considering the adoption of occupational

pension plans or other funded benefit plans to seek the advice from the corporate staff or from other Ford managements or to seek their views on proposals being developed by the local management.

Finally, given the principle that industrial relations should be managed by local national personnel, most managements seek the advice of the corporate staff on their intended selection of senior management personnel for this function.

Local Nationals to Manage

For at least 25 years, the Ford parent company has assigned a significant and professional role to managers of its employee relations and trade union relations. This same status, although it followed somewhat later, now characterizes the management of these functions in the various national companies. Increasingly, Ford has sought to man these functions with a local national manager rather than with an expatriate from the United States. Today, only two of 30 national companies have United States nationals managing employee relations—and each of these two managers has as a principal assignment the selection and development of a local national replacement.

This commitment to using local nationals to manage this important function presents some real and varying challenges in both selection and development. The parent company and increasingly other larger national companies assist in the orientation of newly selected industrial relations personnel. Using temporary work assignments and more formal briefings in the industrial relations activities, the parent company or its subsidiaries share with high-potential local national employees their proved philosophies and principles about employee and trade union relations. Hopefully, then, the visitor, having exam-

ined, questioned, and tested these principles where they are applied, returns to his own national company to adapt them to the particular setting there. And the host company learns, too, from its visitor. The result, while not a sterile uniform approach, is one of a generally consistent application of accepted principles.

Finally, this orientation and development process allows other experienced executives to evaluate the performance and potential of these possible future managers of the employe relations function.

Bargaining with Employers at International Level

A matter of some current topical interest concerns the prospects for consultation or bargaining by international trade union organizations with employers at the international level. There has been a good deal of scattered information about this subject and a good deal of speculation about its significance. One of the most accurate and useful treatments of it so far is in an article by Professor Roberts.³

This development—these demands by international trade union bodies for consultation with employers at the international level—is not a surprise to managements. Indeed, it would be surprising if the development were not occurring in view of the broader increases in international communication and in the developing sense of international regionalism or globalism among the world's peoples and institutions.

But more important, as far as business in the private sector is concerned, are the expanded market opportunities which have resulted from generally reduced barriers to international trade and which have encouraged the development of larger enterprises transcending

national boundaries. In the case of the automobile business, this internationalization is accompanied by changes in both volumes (which are greater) and in technology (which is more sophisticated). These changes raise challenges to management in terms of organizing its work and its decision-making process, and the human institutions—including the employes and their representatives—naturally feel the impact of these changes.

Nonetheless, despite these events and developments impelling a movement toward greater internationalization of business, of its decision-making process, and of its management, there are some restraints as far as international trade union roles in the development are concerned.

Employe Relations Indigenous Feature of Management

At Ford Motor Company, as I have indicated earlier in my remarks, we have regarded the employe relations function, and the representation aspects of it, as one of the more nationally oriented or indigenous features of management. By now, it is almost redundant to remark about the different social systems, the different legislation involving employe relations and employe representation, and the widely contrasting histories and personalities of national trade union organizations.

Professor Roberts remarks about the challenges to the international trade union secretariats in promoting effective trade union strategies and organizations in this respect and notes that inter-union rivalries, ideological conflicts, sometimes personality clashes, and even sheer lack of resources and support have been restraints on the pace with which these international trade union secretariats

³B. C. Roberts, "Multinational Collective Bargaining: A European Prospect?" *British*

Journal of Industrial Relations, Vol. XI, No. 1 (March 1973), pp. 1-19.

can undertake their objective.⁴ In the experience of the Ford companies so far, we have not perceived any willingness of the employees of one Ford national company to identify their interests closely enough with the employees of another Ford national company so as to cause any kind of concerted action between the two groups of employees intended to prompt the managements to take a particular course of action. Of course, the Ford managements have not been insensitive to this possibility, and perhaps some of the decisions of the national company managements have been tailored to avoid provoking trade secretariat or transnational Ford employe response.

Most of us are aware of several instances in which international trade union secretariats—notably the International Federation of Chemical and General Workers (ICF) and the International Metalworkers' Federation (IMF)—have either sought or have undertaken consultations with employers at the international level. Exactly what has happened at these consultations and what they might mean for the future seem to depend upon whether your information comes from the employers who are involved, on the one hand, or from the international trade secretariats on the other hand.

Naturally, a large multinational employer like Ford would expect eventual approaches for consultations with international trade union organizations, and Ford in Europe last year received such requests from the IMF and from the European Organization for the Metallurgical Industry, an affiliate of the World Confederation of Labor. In its request, the IMF sought "to discuss informally and in a general way Ford's policy for production planning in Europe, as it affects the jobs and working conditions

of the IMF's affiliated unions represented in Ford's European plants."

After careful and thoughtful review of this request with managements of Ford national companies in Europe, Ford's European management declined the request to meet. In February this year IMF officials, accompanied by representatives of the United Automobile Workers, met with representatives of the corporate Labor Relations Staff at Ford World Headquarters in Dearborn for the limited purpose of affording the IMF officials an opportunity to present personally and directly to corporate officials their reasons for believing that Ford's interests would be served by Ford's following a different course. The discussions in that meeting were frank and open, and that discussion ended without any commitment to meet again.

Three Reasons for Declining to Meet

Let me suggest three reasons for Ford's declining to engage in other than these "procedural" discussions at this time.

First, Ford national company managements work very hard to develop and to maintain effective consultation and collective bargaining relationships with representatives of designated groups of their employees, and the managements regularly use these existing and proved local institutions and procedures to discuss and to deal with the effects on employees of the managements' investment and production deployment decisions. On the whole, these relationships are good and are doing the job the parties expect of them. Meetings of the type proposed by the IMF would impair and confuse these existing and proved relationships without any real promise of contributing to the resolution of legitimate employe problems.

⁴ Roberts, *op. cit.*, p. 10.

Second, although the IMF suggested informal and general discussions, we would expect that these would prompt—probably fairly quickly—demands for more formal, structured meetings in which the union bodies would first seek specific Ford commitments and would eventually seek collective bargaining at an international level. As convinced as Ford is about change and as flexible as it tries to remain in adapting to change, this prospect for a marked change in our complex and sensitive relationships with our employes and with the trade unions representing them has nonetheless prompted us to react very cautiously.

Finally, the wide-ranging proposed subject for the discussions creates some very real problems for us. Generally speaking, Ford managements restrict their consultations and negotiations with employe representatives

to the employe effects of management decisions, and I have already remarked about our efforts to use national and local institutions effectively in this respect. Furthermore, Ford managements do not so far consult with international bodies about their investment and production deployment decisions, and the IMF has not persuaded us why it (or some other international trade union body) should receive unique treatment in this respect.

Now that's where we believe we are today. There are sure to be changes, but I am reluctant to predict either their exact nature or their pace. I do believe, however, that prudent employers will remain alert to these prospects for change, will continue to study and weigh carefully their alternatives in responding to change, and will strive for intelligent and responsible responses. [The End]

An Empirical Study of the Occupational Standing of Women in Multinational Corporations

By JEROLYN R. LYLE

The American University

THIS STUDY IS AN ATTEMPT to gain semiquantitative insight into the interaction of economic and financial forces as well as legal and socio-political processes with the level of occupational discrimination against women. For this purpose, components analysis, one particular type of factor analysis, is applied to the index of occupational standing of women and to 29 indicators of the economic, legal and socio-political behavior of 246 major corporations in the period

1960-70. Variables reflecting sex-specific worker traits have been omitted in order to analyze patterns of interdependence between firm performance on the index of occupational equality and the societal forces in institutions through which firm behavior changes and adapts.

The following analysis of economic, legal and socio-political influences upon the sex differences in occupational standing in a sample of 188 large industrial firms is a modest attempt to gain more precise empirical knowledge about the extent and nature of

interdependence of economic and non-economic aspects of corporate behavior. Such an analysis may serve three purposes: First, it may shed light on the dimensions of firm behavior which are most closely associated with occupational equality between the sexes. Secondly, it may test directly the hypothesis that occupational discrimination in employment on the basis of sex is greater in financially strong corporations than in others in the industrial sector of the American economy. Thirdly, it will test the hypothesis that the greater the firm's penetration of international markets, the better their performance with respect to the employment of women in the domestic economy.

Little empirical work has been done to study the impact on domestic employment of the overseas expansion of large U. S. corporations. Some 80 of the 200 largest firms incorporated here have a fourth of their employees, sales, and assets outside the continental United States.¹ Recently, the U. S. Tariff Commission estimated that overseas investment creates only one job at home for every 3.3 jobs it exports to foreign plants.² Organized labor has confronted federal officials with the prospects of weakened collective bargaining power and higher unemployment which runaway plants suggest. Some unions have organized workers in overseas plants. The United Steel Workers have helped mining unions in Surinam while the United Auto Workers have supported locals in Ford's Peru plants. The International Union of Electrical Workers supported

a strike against Bolivia's General Electric subsidiary, while also bringing an important test case of sex discrimination against G. E. here at home.³

My findings suggest that women have better occupational standing relative to men in financially strong firms as reflected in asset, sales and profit levels. This result is especially interesting since some theoretical work in the economics of discrimination hypothesizes that competitive firms will discriminate less than oligopolistic ones.⁴ Secondly, I find that women have better occupational standing relative to men in multinationals with considerable sales volume overseas. This finding is surprising only at first glance. Common stereotypes about women suggest that women are viewed as bad risks for high-paying occupations. Whether verified or not, many employers believe that women have higher turnover and absentee rates than men and hence are more suited to peripheral jobs. If a firm's profits maximize, their use of female labor in high-paying jobs will tend to be greater when their general economic position at home and abroad is strong. This is precisely what my statistical analysis suggests.

A description of my statistical method precedes a description of the 30 indicators of firm behavior and a presentation of the empirical results.

Statistical Methods

Components analysis retains the explanatory power of indicators closely related to each other, without requiring the exclusion of variables to overcome collinearity. One determines

¹ "Special Report on Multinational Companies." *Business Week*, Dec. 19, 1970, p. 57.

² U. S. Tariff Commission. *Report to the President on Economic Factors Affecting the Use of Items 807.00 and 806.30*. September 1970, p. 163.

³ In March, 1973 the preliminary hearing was begun in Washington, D. C. in this interesting suit. I. U. E. W. charges G. E.

with sex discrimination in violation of Title VII of the Civil Rights Act of 1964 for failing to give pregnant female employees the same fringe benefits other employees with temporary disabilities receive.

⁴ Gary Becker, *The Economics of Discrimination*. Chicago: University of Chicago Press, 1957.

through components analysis whether clusters of variables exist and which variables define the differences among those existing clusters.⁵ Finally, the analysis can be interpreted as a regression of the index of occupational standing on the clusters or components. This interpretation characterizes the relationship between the index and sets of interrelated variables, the objective being to explain the greatest amount of underlying unit variance with the smallest number of components. Following the varimax criterion for factor rotation, one rotates factors orthogonally until it appears that the maximum variation has been explained by the K estimated components. When the marginal increase in explained variance derived from an extra rotation falls below a specified number and the total variance explained by the K Components converges, the varimax point is reached.⁶ Interpreting the estimated factors, which are linear combinations of variables, enables one to characterize the firms in terms of the components.

Choice of Economic, Legal and Socio-Political Variables

Since components analysis groups variables which are highly correlated in a given sample into components which are indices of the original variables, a broad selection of indicators of the economic, legal and socio-political posture of these firms is presented. The selection of these indicators is not limited to influences one would expect *a priori* to be related directly to discrimination in employment. Instead, the indicators are taken to measure influences one expects to be

related to the firm's level of economic activity and to changes in the nature of that activity in the context of the American economy. A few indicators depict characteristics of each firm's work force, which one expects *a priori* to be related to the occupational standing of women relative to men within the firm. The economic characteristics included depict the level and stability of firms in terms of market share, profits, assets and the like as well as in terms of level and composition of their demand for labor. Economic process variables depict the rate of integration of firms since 1947, present locational patterns, and the technological character of the production process dominant in the firms.

Indicators of the legal status of the firm are especially interesting. *A priori*, one expects firms with high incidence of civil rights or labor relations litigation to perform worse than others in terms of the index of occupational standing of women. This is hypothesizing that civil rights and labor relations regulatory mechanisms work; that litigation occurs typically when the mechanisms break down. Indicators of the firm's interaction with the judicial process in other fields reflect the broader posture of the firm *vis-à-vis* the public interest. Several indicators are included as representatives of the socio-political orientation of the companies with respect to intracorporate management practices and with respect to company sales to government. The complete list of company characteristics included in the final version of the components analysis is as follows: (1)—index of the rela-

⁵ See Harry H. Harman, *Modern Factor Analysis* (Chicago: University of Chicago Press, 1960); D. N. Lawley and A. E. Maxwell, *Factor Analysis as a Statistical Method* (London: Butterworths, 1963); John B. Meyer, "An Experiment in the Measurement of Business Motivation," *Review of Economics and Statistics*, August, 1967; John

P. Van de Geer, *Introduction to Multi-Variate Analysis for the Social Sciences* (San Francisco: W. H. Freeman & Co., 1971), pp. 128-209.

⁶ See H. F. Kaiser, "The Varimax Criterion for Analytic Rotation in Factor Analysis," *Psychometrika*, September, 1958.

tive occupational standing of women; (2)—size of work force; (3)—size of white-collar work force; (4)—extent of female penetration in work force; (5)—extent of female penetration in white-collar work force; (6)—rate of increase in demand for labor, 1965-1970; (7)—degree of stability of power in labor markets; (8)—extent of economic power in U. S. economy; (9)—degree of stability in economic power in U. S. economy; (10)—market size; (11)—profit level; (12)—degree of stability in profit level; (13)—growth rate of earnings per share; (14)—ratio of net income to equity; (15)—degree of product diversification; (16)—extent of penetration of international markets; (17)—predominant technology of production processes; (18)—typology of center firms by predominant output; (19)—incidence of civil rights and labor relations litigation; (20)—incidence of consumer protection litigation; (21)—incidence of anti-trust litigation; (22)—degree of vertical and horizontal integration (since 1947); (23)—degree of conglomerate integration (since 1947); (24)—extent of participation in social programs; (25)—innovativeness of management practices; (26)—degree of administrative autonomy of employing unit; (27)—presence of federal contract, 1970; (28)—

character of government demand for firm output; (29)—extent of urbanization of major facilities; (30)—regional location of corporate offices.

Definition of Variables— Classification Method

The procedures used to define indicators and to rank companies varied slightly for various company characteristics. A large group of variables come directly from published statistics. Others are scaled directly from published statistics. A third group of variables are scaled from qualitative data secured from primary and secondary sources on each firm. What follows is a conceptual description of each indicator and a description of classification procedures followed in developing them.

Economic Indicators

1. Index of Relative Occupational Standing of Women (1970). The score on this indicator for each firm is the ration female earnings would be of male earnings if women and men received equivalent wages and salaries within each major occupational group. The index measures the differences in male and female occupational distributions by expressing a weighted average of the female distribution as a per cent of the male.⁷ Let

$$\text{Index} = 100 \frac{Y^m_{oc}}{Y^f_{oc}} \quad \text{or} \quad \frac{Y^m_{oc}}{Y^f_{oc}}$$

Where Y^m_{oc} = the median wage and salary income of males in the o^{th} occupational group.

P^f_{oc} = the percentage of all employed females who were employed in the o^{th} occupational group in the c^{th} company.

P^m_{oc} = is interpreted similarly

⁷ Employment data are from 1970 E. E. O.-1 forms made available by the U. S. Equal Employment Opportunity Commission. Income data are from *Income in 1970 of Families*

and Persons in the U. S. *Current Population Survey*; Table 60, p. 60, No. 80; Washington: U. S. Bureau of the Census, U. S. Department of Commerce, 1971, p. 129.

2. Size of Work Force (1970). This indicator is the level of total employment in each firm.⁸

3. Size of White-Collar Work Force (1970). Firms are scored with respect to this indicator according to the level of total white-collar employment.⁹ The measure reflects the composition of the firms' demand for labor in upper status jobs.

4. Extent of Female Penetration in Work Force (1970). Firm scores on this indicator are the female share of total employment (female employment as a per cent of total employment). The indicator reflects the absorption of women into the firms' work force irrespective of their placement amongst occupations.¹⁰

5. Extent of Female Penetration in White-Collar Work Force (1970). Scores are the females' share of total white-collar employment in each firm. This indicator reflects firm absorption of women within upper status jobs specifically.¹¹

6. Rate of Increase in Demand for Labor (1965-70). Firms are scored according to the per cent increase or decrease in total employment during this period.¹² Due to heavy layoffs in aerospace firms and their subcontractors, many firms show low or negative values with respect to this indicator.

7. Degree of Stability of Power in Labor Markets (1969-70). Firms are scaled ordinally with respect to the change in their rank among firms in the same class in level of total employment. Class of firms include industrials, commercial banks, retailing companies, transportation concerns,

and utilities companies.¹³ Twenty-five groupings of companies were used.

8. Level of Assets (1970). This indicator distinguishes among firms by the level of assets employed at the firm's year-end, where depreciation and depletion are excluded from total assets. Government securities held for the purpose of off-setting tax liabilities are included. The ability of firms to make substantial back pay awards to women where they are the effected class in litigation under Title VII of the Civil Rights Act of 1964 depends on a number of things, but most importantly on its assets in the domestic economy. U. S. Federal courts have used as a criterion in determining back pay settlements the financial strength of the corporation involved, as reflected in assets. Firms are scored with respect to asset level *vis-à-vis* firms in the same class in an ordinal scale. Twenty-five categories were used in creating the scale.

9. Degree of Stability of Assets in U. S. Economy (1969-70). This indicator reflects the change in rank of each firm with respect to firms in its own class in the level of assets.¹⁴ In this particular period, many firms abruptly cut back on spending for new plant and equipment beginning about mid-1970. The change in rank captures the net financial impact on firms, relative to firms in the same group, of both this phenomenon and inflation.

10. Market Size (1970). Firms are scored according to the level of total sales to indicate the size of their markets for goods and services. The transportation and utilities firms are scored by operating revenue level, the comparable concept for firms of these types.

⁸ Data Source: E. E. O.-1 forms made available by the U. S. Equal Employment Opportunity Commission.

⁹ Data source is the same as for indicator 2.

¹⁰ Cited at footnote 9.

¹¹ Cited at footnote 9.

¹² Data sources are from "The Fortune Directory," *Fortune*, July, 1966 and May, 1971.

¹³ Data source is "The Fortune Directory," *Fortune*, May, 1971.

¹⁴ "The Fortune Directory," *Fortune*, May, 1971.

11. Profit Level (1970). This indicator is the level of net income for each firm.¹⁵

12. Degree of Stability in Profit Level (1969-70). Firms are scored with respect to the change in their rank amongst firms of the same class in terms of level of net income.¹⁶

13. Growth Rate of Earnings Per Share (1965-70). This classification groups firms by the average increase or decrease in earnings per share over the five-year period. Twenty-six groupings were required to account for the relatively few firms in the sample with decreases over the period.¹⁷

14. Ratio of Net Income to Equity (1970). This indicator groups firms into 25 categories with respect to the value of profits, as a per cent of equity.¹⁸

15. Degree of Product Diversification (about 1970). This classification groups these firms, all of which are multiproduct firms, into three categories, reflecting low, moderate, and high degrees of product diversification.¹⁹

16. Extent of Penetration of International Markets (1970). Firms are grouped into three categories, with respect to low, moderate or high proportion of sales outside the continental U. S.²⁰

17. Predominant Technology of Production Processes (about 1970). Firms

are scored according to whether the bulk of their productive activity is dependent on unit and small batch, large batch, or process technology.²¹

18. Typology of Firms by Predominant Output (about 1970). This classification divides firms into six groups with respect to the type of output on which the corporation is most dependent.²²

Legal Indicators

19. Incidence of Civil Rights and Labor Relations Litigation (1965-70). This classification is based on the number of significant cases coming to trial in federal district courts since 1965 which dealt with labor relations or civil rights issues and in which the firm was defendant.²³ Cases are defined as "significant" when either a new issue was developing through the case or when large numbers of workers would be affected by the outcome of the case. Firms are grouped into three classifications, reflecting the number of such cases since 1965.

20. Incidence of Consumer Protection Litigation (1965-1970). Firms are grouped into three categories and scaled ordinally with respect to the number of "significant" cases coming to trial in federal district courts since 1965 which dealt with consumer protection

¹⁵ Cited at footnote 14, at p. 462.

¹⁶ Cited at footnote 14, at p. 462.

¹⁷ "The Fortune Directory," *Fortune*, May, 1971.

¹⁸ Cited at footnote 17.

¹⁹ Data sources: *Standard and Poors*, 1968-70 and annual reports of firms.

²⁰ *Ibid.* In addition to these primary sources, a number of secondary sources were used for particular firms where available. See, for example, Raymond Vernon, *Sovereignty at Bay: The Multinational Spread of U. S. Enterprises* (New York: Basic Books, 1971).

²¹ The specific descriptions of firms relying on these technologies in the mid-1960's are in Robert T. Averitt, *The Dual Economy* (New York: W. W. Norton & Co., 1967). Other data sources include *Standard and*

Poors 1966-70; company annual reports over the same period, and selected periodical articles.

²² See Federal Reserve Bulletin for breakdown of the index of industrial production into output categories. This typology is based on a collapse of these categories into only seven. The categories are assigned ascending ordinal values as follows: mining, oil, chemicals, rubber, clay, glass, containers, lumber, primary and fabricated metals; machinery and related products; transportation and utilities; textiles, paper and printing; food and home consumer non-durables; retailing.

²³ Data are from periodicals indexed in *Funk and Scott Index of Business and Corporations*, 1965-70.

issues and in which the firm was defendant.²⁴

21. Incidence of Anti-Trust Litigation (1965-70). This classification assigns firms to one of three scale values, depending on the number of significant cases coming to trial in federal district courts since 1965 which dealt with anti-trust questions.²⁵

22. Degree of Vertical and Horizontal Integration (since 1947). This classification is, of course, both economic and legal. Firms are grouped into three categories with respect to the number of acquisitions since 1947.²⁶

23. Degree of Conglomerate Integration (since 1947). This indicator is derived by grouping firms into three categories with respect to the number of acquisitions related to conglomerate development since 1947.²⁷

Socio-Political Indicators

24. Extent of Participation in Social Programs (1965-70). This classification groups firms with respect to low, moderate, or high activity in programs with a public service component. A social service component is defined to include M. D. T. A. programs components, participation in the JOBS program, special women's programs or the like.

25. Innovativeness of Management Practices (1965-70). Firms are grouped into three categories for this indicator according to the extent of innovation in management since 1965. An inno-

vation, of course, excludes reorganizations with no accompanying change in management philosophy and practice.²⁸

26. Degree of Administrative Autonomy of Employing Unit (1970). This classification is based on whether the employing unit is the parent company itself or a subsidiary.²⁹

27. Presence of Federal Contract (1970). This Classification follows a binary specification reflecting the presence or absence of a federal contract of \$50,000 or more in fiscal year 1970.³⁰

28. Character of Government Demand for Firm Output (about 1970). Firms are grouped into five categories with respect to the types of goods and services they sell to the federal government. The five categories are social insurance and education; natural resources and agriculture; finance; infrastructure; and defense. They are scaled in ascending order.

29. Extent of Urbanization of Major Facilities (1970). Scaled in ascending order, major facilities may be located primarily in major cities; large urban centers with populations up to one million; towns; or suburbs—small towns.³¹

30. Regional Location of Corporate Offices (1970). Firms are scored with respect to four regions insofar as the present, location of corporate headquarters.³² Scaled in ascending order, the regions are Northeast; West; Midwest; and Southwest-Southeast.

²⁴ Cited at footnote 23, at p. 463.

²⁵ Cited at footnote 23, at p. 463.

²⁶ *Surveys of Mergers in Manufacturing and Mining* (Washington: Federal Trade Commission, 1971). Firms which either acquired or were acquired by manufacturing or mining firms are included. Thus, retailing firms, transportation and utilities companies are to some extent covered.

²⁷ Cited at footnote 26.

²⁸ Data sources include a wide variety of periodicals indexed in Funk and Scott, *op. cit.*

²⁹ EEO-1 data were cross-checked with company annual reports and with *Standard and Poors* to verify the nature of the employing unit.

³⁰ The Office of Federal Contract Compliance, U. S. Department of Labor provided these data.

³¹ Data sources: *Standard and Poors* and annual reports for firms not listed in *Standard and Poors*.

³² Cited at footnote 31.

The Components Analysis: Results and Interpretations

The results of the components analysis are summarized in the matrix of common factor coefficients given in Table 1.³³ Each element in the matrix is a factor loading indicating the net correlation between each factor and the observed variables. If F_p is the rotated factor matrix, f_{ij} is the loading of variable i on factor j . Each y vector in the matrix is a factor which can be interpreted as an unobserved variable for which no direct observations exist. The factor measures an underlying regularity in the data and its values are linear compounds of asset of observed variables whose net correlation with the factor is significant. The squared factor loading indicates the

amount of variance in the standardized observed variable explained by the factor after allowing for the contribution of the other factors. Thus, a summation of squared elements over columns of F gives the total contribution of the factor to the total unit variance of all variables. Typically, the sum of the squared elements in a row of F_p is less than unity because all relevant independent dimensions of variation are not captured in statistical models. The h_i^2 Communality, or sum of squared row elements, of a variable represents the unit variance in the particular variable that depends on factors all the variables have in common. The communality of the index of occupational standing of women in industrial firms is, for example:

$$(.57)^2 + (.34)^2 + (.06)^2 + (.04)^2 + (.01)^2 = .46$$

that is, forty per cent of interfirm variations in the relative occupational standing of women in industrial center firms are associated with two common factors extracted from the twenty-nine economic, legal, and socio-political variables incorporated in the analysis.

Each variable is assigned to that factor with which it has the highest loading. Where variables have loadings of similar magnitude on more than one component, the variable is assigned to the component to which it has closest conceptual relation. Tables 1 and 2 present the rotated factor matrix for the two groups of firms. Boxes indicate the loading in that component to which each indicator is assigned. Variables with highest loadings lower than .30 were unassigned but included in the analysis.

The test for the strength of these clusters was to derive the components solution which is found by using ones on the diagonal of the correlation matrix. This solution gave an estimate of the proportion of unit variance in the index of occupational standing of women explained by the five components. As the tables below show, that proportion was forty per cent for both the industrial and non-industrial samples. A stringent test for the component which best explains that explained proportion of unit variance is to put the communalities on the diagonal of the correlation matrix. This takes out the unexplained or error variance. These experiments resulted in identical clustering patterns and in identical dominant factors with respect to the index of occupational standing of women.³⁴

³³ Experimental runs showed that the results of the components analysis are invariant to a logarithmic transformation of the data base. Other experiments showed that the results are invariant to ordinal changes in scale for scaled indicators.

³⁴ I am grateful to Nancy S. Barrett, Associate Professor of Economics at the American University, for making the suggestion that this test be tried.

TABLE 1

**Rotated Factor Matrix for the Index of Occupational Standing of Women
Together with 29 Economic, Legal, and Socio-Political Variables
(188 Industrials)
1970**

	Rotated Factor Loadings					h^2_i (R^2)
	F_1	F_2	F_3	F_4	F_5	
Economic, Legal, and Socio-Political Indicators						
Index of Relative Occupational Standing of Women	.57	.34	.06	.04	.01	.46
Extent of Female Penetration in Work Force	-.87	-.12	.10	.06	.07	.79
Extent of Female Penetration in White-Collar Work Force	-.71	-.21	-.09	-.08	.18	.60
Typology of Firms by Predominant Output	-.56	-.14	.12	-.45	-.12	.60
Extent of Penetration of International Markets	.44	.19	.01	.21	.10	.15
Size of Work Force	.05	.65	-.15	.17	-.05	.49
Size of White-Collar Work Force	-.06	.54	-.12	-.19	.16	.38
Market Size	.02	.80	.03	.07	-.07	.66
Profit Level	.05	.75	.32	.03	-.09	.69
Level of Assets	.09	.78	-.06	-.21	.20	.70
Incidence of Anti-Trust Litigation	.06	-.38	-.18	.05	.25	.25
Extent of Participation in Social Programs	-.09	.48	.04	.32	-.07	.35
Presence of Federal Contract	.02	.43	-.20	.07	.18	.26
Degree of Vertical and Horizontal Integration	.07	.30	-.18	.01	.06	.13
Growth Rate of Earnings Per Share	-.03	-.01	.82	-.05	.16	.70
Ratio of Net Income to Equity	-.10	.10	.84	-.10	.01	.73
Degree of Stability of Assets in U. S. Economy	-.27	.02	.37	.05	.12	.23
Degree of Stability in Profit Level	-.13	-.25	.54	-.25	.04	.43
Incidence of Civil Rights and Labor Relations Litigation	-.18	.19	-.31	.15	-.27	.26
Incidence of Consumer Protection Litigation	.12	.37	.14	-.50	-.12	.44
Character of Government Demand for Firm Output	.07	-.06	-.17	.70	.01	.53
Innovativeness of Management Practices	.13	.37	-.07	.44	.14	.37
Degree of Product Diversification	.10	.25	-.09	.48	.12	.33
Predominant Technology of Production Process	.13	.04	.07	-.65	.11	.46
Extent of Urbanization of Major Facilities	.08	-.07	.26	.51	-.16	.37
Rate of Increase in Demand for Labor	-.25	.01	.27	.18	.72	.69
Degree of Stability of Power in Labor Markets	.23	.03	.17	.17	.75	.67
Degree of Conglomerate Integration	.08	.23	-.15	.01	.56	.39
Degree of Administrative Autonomy of Employing Unit	.01	.06	-.13	.30	-.38	.26
Regional Location of Corporate Offices	-.11	-.18	-.04	.15	-.26	.14
Cumulative Variance Explained	.14	.25	.33	.39	.45	

The results for 188 industrial firms provide evidence that a crowding process is at work in the industrial sector. The crowding hypothesis, originally presented by Edgeworth and later by Bergmann, suggests that discrimination in employment results from a crowding of blacks, or in this context, women, into occupations where their wages are low. That phenomenon at a given point in time takes a predictable form; an inverse relation exists between the female share of jobs and their representation in high-paying occupations. The villain of the piece is the firm refusing to hire women in high-paying jobs on an equiproportional basis with men. By crowding women into low-paying jobs, and hence giving them a relatively large share of total jobs, these firms have poor performance on the index of female occupational standing.³⁵ The indicators having their highest loadings in Factor I are extent of female penetration in total work force, extent of female penetration in white-collar work force, typology of firms by predominant output, and the extent of penetration of international markets. Factor I may be interpreted to represent the crowding mechanism at work, among industrial firms. It accounts for 32 per cent of the unit variance in the index. It also confirms the hypothesis that multinationals perform better than others in according women employed in the continental U. S. occupational parity with men.

Three variables with high loadings on this component depict the process of crowding within the industrial sector. The willingness of firms to employ women at all is reflected in the extent of female penetration in the work force. The receptivity to using women in high status jobs is reflected by the indicator of the extent of fe-

male penetration of white-collar jobs. The typology of firms by predominant output, having a negative loading along with the two preceding variables reflects light as opposed to heavy industry. That is, consumer nondurable manufacturing firms, textiles, food and retailing firms, paper and printing concerns give females a greater share of jobs, but crowd them into lower-wage occupational distributions because of their exclusion from firms in heavy manufacturing.

The Second Factor accounts for 12 per cent of the unit variance in the index of the relative occupational standing of women. Factor II represents the centrality of the firm within the industrial sector and, as such, typifies the power of the firm in the context of the American economy, during a year, 1970, when short-term shifts in relative power of firms were taking place. Variables with highest loadings on this component are market size, asset level, and profit level. Market size and profit level reflect the firm's ability to survive through growth of sales and to cushion losses in bad years through large and diverse assets. The demand for labor derived from firm expansion is reflected generally in the size of the work force and specifically in the size of its white-collar component. Consistent with the greater public relations concern of large firms, the participation in social programs loads positively with the centrism factor. Since dominant firms have better political connections than others in the industrial sector, the presence of a contract with a federal agency was more likely during a recession year than for a weaker firm. Hence, the variable loads positively with this component. Of course, the litigation advantages for dominant firms have meant that the incidence of anti-

³⁵ See Barbara R. Bergmann, "The Effect on White Incomes of Discrimination in

Employment." *Journal of Political Economy*, March/April, 1971.

trust litigation is less for them. Since antitrust laws were new statutes during the distant past, the negative loading must be interpreted so as to reflect that fact. The less litigation there has been in the recent past regarding antitrust questions, the greater the probability that the firm is a dominant firm. The greater the extent of horizontal and vertical integration since 1947, the greater the probability that the firm is a dominant firm in 1970. Since the Third, Fourth and Fifth components are statistically insignificant in explaining the variance in the index, no discussion of them is included here.

The factor scores for firms on the dominant factor from this analysis reveal three levels of sex discrimination within the industrial sector, as

generated by the process of crowding.³⁶ The group of firms with lowest factor scores might be termed the absorbers of industrial female labor. Most firms in the lowest scoring group are in machinery, textiles, or food manufacturing. They hire women in a greater share of jobs but crowd them into inferior occupational patterns relative to males. Firms with highest factor scores on the crowding component consist primarily of steel, chemical and heavy machinery manufacturing firms. These firms might be termed creamers of the female labor markets in the industrial sector. They exclude females from the work force, according them a relatively small share of jobs. But they accord more occupational parity to the women they do employ. [The End]

Multinational Corporations and the International Metalworkers' Federation

By BEN A. SHARMAN

Grand Lodge Representative, IAMAW

THE INTERNATIONAL METALWORKERS' FEDERATION (IMF) with an affiliated membership of over 11,000,000 metalworkers from 60 countries is the largest of the International Trade Secretariats. In recent years new affiliates have been coming at an increasing rate from the developing countries.

The IMF has become very much aware of the problems caused by the concentration and impact of world

capital and economic power in the hands of a few multinational corporations with plants all over the world. It has become the leading International Trade Secretariat in attempting to counteract this power and influence through practical cooperation among its affiliated unions and in cooperation with the other International Trade Secretariats. A program has been initiated which encourages coordinated bargaining and other forms of cooperation at an international level, but even if a strong international trade union movement

³⁶ Because of confidentiality restrictions which apply to users of the U. S. Equal Opportunity Commission's EEO-1 data, the names of particular firms may not be men-

tioned. To accommodate this restriction, we have excluded the factor scores and firm names from this discussion.

existed in all parts of the world this would only be a partial approach to solving these immense problems.

When such problems were first discussed in the IMF, the affiliated unions from the developing countries were the most concerned as they believed that workers in their countries were being exploited by these industrial giants and the natural resources of their countries were being depleted with very little gain or improvement in economic or social conditions for the population as a whole. The United States trade unions were the next to be concerned as the problems of plant closings and loss of jobs began to take effect when multinational corporations expanded their activities to low wage areas of the world. The concern has now spread to the countries of Europe and is beginning to have its effect on the Japanese trade unions, which, incidentally, have been very sympathetic with the United States situation. The Japanese trade unions now realize that their members will face difficulties in the future arising from the spread of the Japanese-based multinational corporations which are transferring operations abroad with the same lack of social consciousness as their counterparts in other parts of the world.

One of the reasons given by the British trade unions for their opposition to joining the Common Market was their fear that this would allow multinational corporations operating in Britain to move to other countries within the Common Market without restrictions. They were especially concerned that moves would be made to areas where wages were lower and working conditions inferior. This, they believed, would have the effect of undermining their collective bargaining position and thereby lower the standard of living of British workers.

The Italian affiliated unions are also concerned by the actions of FIAT which in 1967 licensed to produce its Model 125 Sedan in Poland. This model is now being sold in Europe at \$250 less than the comparable Italian model. The Russians who have manufactured the equivalent of the FIAT 124 under license are selling their cars in Switzerland at even more competitive prices. Actions such as these undermine the international free trade union movement and support those governments which would destroy the free enterprise system. The dealings with Communist countries are not confined to FIAT however. In the November 4, 1972 edition of "Business Week" an article appeared which stated: "In an interview filmed in the U. S., Chairman Henry Ford, II of Ford Motor Company told millions of Soviet television viewers that his company would consider taking part in expansion of the Russian automotive industry. Sources in Moscow say that the Russians are eager to have Ford participate in building a hitherto unannounced truck plant. The plant could be far larger than the \$2-billion Kama River project that is planned for 150,000 heavy-duty trucks a year. The second plant would be built in Siberia in the late 1970s, the sources say.

However, the Ford chairman stressed that he would have to consult in Washington before he could commit the company to any new project. Ford's contemplated part in the Kama River venture was squelched two years ago by Defense Secretary Melvin Laird.

European Unions Concerned with Plant in Spain

Several of the European IMF affiliated unions are also concerned with reports that Ford is planning to build a plant with an investment of over

\$350,000,000 in Spain mainly for the export of cars to the Common Market countries. In the January 2nd edition of the "New York Times" an article appeared which claimed that according to the Spanish Government the Ford factory will be designed to produce 240,000 cars a year. Under a decree of last December 7th under the terms of which Ford submitted its petition it is required that foreign car manufacturers setting up operations in Spain must export at least two-thirds of their production. This ruling would oblige Ford to sell at least 180,000 of its Spanish built cars outside Spain every year. A statement from the Spanish Government said Ford's annual exports from Spain would total about \$216,000,000 which is more than one-fifth of the total of all Spanish industrial exports combined in 1971. The December decree that opened the doors to Ford is expected to entice other big automobile manufacturers into Spain where wages are low and strikes illegal. Several multinational corporations including FIAT and Chrysler are already operating in Spain where trade union freedom and basic human rights have been denied. In February of 1973, for example, a state prosecutor in Madrid demanded a 13-year prison sentence for two workers and a 12-year sentence for eight others. Their alleged crime was taking part in a meeting of the clandestine democratic trade union, Union Sindical Obrera, which is affiliated with the IMF. Heavy fines had also been imposed on two workers in Bilbao who were accused of membership in an IMF affiliated organization. Protests to these actions were made through the ILO and to the Spanish Government by IMF affiliates. The two cases mentioned are only an example of what is happening as trade union convictions and reports of harassment

in Spain are too numerous to mention. An effective coordinated bargaining approach can never be implemented in countries such as this where multinational corporations, with only the profit motive in mind, are attracted by such abuses. The IMF learned that in March, 1971, Henry Ford, II visited Prime Minister Edward Heath and threatened to move production from Dagenham, England to West Germany unless the British Government could do something to tame its unions. Workers at the Ford plant were then on strike. If similar pressure is ever applied to the Spanish Government it would undoubtedly result in even greater suppression of the Spanish workers.

Trade union freedom is also suppressed in many of the developing countries which in strong competition for investments offer various kinds of inducements to multinational corporations which include anti-labor legislation and low wages.

According to information received by the IMF certain electronic plants in Hong Kong, for example, still require yellow dog contracts where the worker who wants a job will sign a commitment stating that he will not join a trade union while being employed at that particular plant.

Government Control of Labor Unions

The government in Korea takes direct responsibility and control of matters pertaining to labor union activities and disputes in the foreign investment enterprises in order to maintain the investors' advantage of very low wages. A special law covering foreign investments has been implemented which takes away the right to strike and introduces compulsory arbitration for workers employed in multinational corporations. Needless

to say, this system seldom works to the advantage of the workers.

The Malaysian Government offers any new industry moving into Malaysia a three-year period during which no trade union can operate.

Inducements similar to these are also offered in practically all the other developing countries of Asia, Latin America and Africa.

Arguments used by the multinational corporations to portray a good image of their social behavior in the developing countries have been examined by the IMF and it has been found that whereas they claim that they pay higher wages than other firms the actual situation was that their wages are not above the lowest averages and remain in many countries based on the minimum wage. In many instances it was learned that at the time of establishment the wages paid had actually disrupted wage levels by substantially undercutting the traditional yet insufficient wage level established by local firms. During an official IMF visit to Chile in 1970, for example, it was discovered that the RCA company was paying young women the rate of 9¢ an hour which was the lowest pay in any organized plant in the industry.

There is also clear evidence in Hong Kong that multinational corporations in the electronic industry which are using mostly female workers pay wages below average even though the average pay in the industry is only 22¢ an hour.

In the developing countries the need for education, hospitals, housing, roads and eradication of poverty is immense and yet these same countries in order to attract foreign investment feel forced to offer tax exemptions to multinational companies.

Thailand, for example, offers foreign establishments tax exemptions for the

first five years of operation and customs duty exemptions on imports of equipment and raw materials. It has also established free trade zones for exports.

The Taiwan Government has created duty-free export processing zones which give preferential treatment to multinational corporations that include a tax exemption for the first ten years of operation. The products manufactured in these zones may not be sold in the domestic market and even if this was possible the workers could not buy the consumer goods produced due to their miserably low wages.

A similar situation exists in Northern Mexico, where under the twin plants concept, labor intensive assembly work is done by United States firms for very low wages with the condition that none of the products can be sold in Mexico. Finished products are, therefore, returned to the United States but customs duty is only charged on "value added."

The Korean Government offers foreign investors some of the most attractive inducements in Asia which include the anti-labor legislation previously mentioned. Other inducements in Korea are:

1. Exemption from corporation tax, property tax and property acquisition tax for five years in proportion to the ratio of stocks or shares owned by foreign investors.
2. A 50 per cent reduction of these taxes for the following three years.
3. Exemption from customs duty and commodity taxes on commodity goods imported for investment purposes.
4. Exemption from personal income tax for those foreign personnel employed at foreign enterprises.
5. Guaranteed unlimited remittance of profits.

6. Possibility to repatriate the principal in the event the enterprise is liquidated and the opportunity to repatriate 20 per cent of the principal per annum after two years operation.

7. Permission for sole ownership.

8. Guaranteed remittance of dividends.

One would think that with all the competition in providing inducements to the multinational corporations that the developing countries would formulate a combined policy which would limit concessions offered. There is no advantage to any if they all offer a five-year tax holiday, for example. Only the multinational corporations can benefit at the expense of the disadvantaged of the developing world.

Lack of Concern for Safety and Health

Another cause for IMF concern is that each time legislation is proposed on safety and health or the cleaning of the environment the multinational corporations threaten to move their operations claiming that the cost of such items would put them out of competition. The message they are really giving is that they do not care how much they pollute the developing countries and they are not in the least concerned for the safety and health of the workers.

In the January 11th edition of the "Wall Street Journal" an advertisement appeared which stated "You can reduce your direct labor assembly costs and save investment money required by the new OSHA (Occupational Safety and Health Act) legislation. American-Mexican partnership with years of experience in managing and selling excellent Mexican labor in a wide variety of fields, such as, electronics, electro-mechanical, mechanical, textile and recreation." The multinational

corporations based in the United States are directly responsible for encouraging this type of inducement.

Multinational Corporations Indicate True Attitude

Multinational corporations by their actions in developing countries have indicated what their true attitude is towards the free trade union movement.

An IMF affiliated union at a Union Carbide plant in Colombia, South America, recently had its legal status rescinded by the government because the former treasurer had embezzled funds. The union officers had brought charges against him and as a result he was jailed. As soon as legal status had been withdrawn the company fired the five top local union officers and from the latest reports, even now that the legal status of the union has been restored, it has refused to reinstate them.

Another recent case occurred in the Caribbean island of Curacao where organizing efforts were bitterly repressed by Texas Instruments, forcing the workers to go on strike. They did succeed in winning the right to have a referendum vote among the workers and overwhelmingly won the right to form a legitimate trade union.

It is obvious from the problems mentioned that the IMF has a formidable task in attempting to curb the adverse practices of multinational corporations. An attempt has been made in recent years, however, to promote the coordination of trade union activities, encourage affiliates to work for national legislation and to urge the initiation of multinational studies by the ILO.

Worldwide corporation councils have been organized in the automotive industry which brings together representatives of the workers of a single

corporation from all the countries where it has manufacturing or assembly facilities. An IMF Committee on Multinational Electrical and Electronics has also been formed and is involved in a program which provides solidarity assistance, information, advice and support for affiliated unions in those industries. One of the basic aims of the IMF is to build and strengthen effective trade unions in every plant where the multinational corporations operate.

At a recent meeting of the IMF Multinational Electrical and Electronics Committee it was recognized that existing encouragements to investments are all based on the use of public monies for profit and that these privileges should be accompanied by social responsibilities and public controls. These should include regulation of foreign investments, full financial and operational disclosure to trade unions, controls on shifts of investments and production particularly where job security is involved, international legislation, recognition of trade union rights and compliance with International Labor Office conventions and standards referring to labor relations practices.

At the 1971 ILO Metal Trades Conference where a large percentage of the delegates in the workers' group were from IMF affiliated unions, attention was called to the responsibility of the management of multinational corporations to recognize and respect the overall economic and social interests of the countries in which they operate. As a result of this an ILO meeting of experts was held in October, 1972 to study the relationship between multinational corporations and social policy. A member of the IMF Secretariat and other experts from IMF affiliated unions played a leading role in formulating conclu-

sions at this meeting. With the power and influence of multinational corporations over governments in the developing countries, however, it is at this time questionable whether an ILO convention stipulating regulations would be effective.

Governments Encourage Spread of Multinational Corporations

Many governments encourage the spread of multinational corporations by offering a variety of overseas investment insurance programs in case of nationalization. If widespread nationalization occurs the taxpayer, who in most instances is also a worker, must pay the bill.

The Ministry of Trade and Industry in Japan has recently made a proposal to add a feature to its overseas investment insurance program which would cover losses from labor strikes and other factors. This would defend low labor cost advantages sought by the Japanese corporations. Such involvement of a government department in measures which would undermine free collective bargaining by deliberately changing the balance of power between employers and unions in favor of multinational corporations is considered by the IMF to be a violation of the principles of a democratic society which could have serious implications for the international free trade union movement.

Only Sweden has implemented an insurance program which includes social guarantees that require corporations requesting investment guarantees to pledge that they will recognize legitimate trade unions, bargain collectively, pay decent wages and otherwise adhere to fair labor standards. The United States and other free democratic countries would do well to follow the Swedish example. This would at least make the multi-

national corporations cautious when investing in areas where human freedoms are suppressed as they would be denied insurance for such operations.

In the developed countries multinational corporations have left communities with unemployment, misery and human suffering in their quest for profit and in the developing countries

they have exploited those that need assistance the most. It is still possible, however, that with proper national and international regulations the multinational corporations could become instruments of social and economic advances instead of a detriment to workers throughout the world.

[The End]

The Multinational Corporations and Industrial Unrest in Developing Countries

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THIS PAPER SEEKS TO PROVIDE a convenient framework for discussing problems created by the involvement of Multinational Corporations (MNCs) in developing countries. The viewpoint presented here is that these problems result both from (i) the isomorphic nature of the relationships which occur when organizational structures are transferred from developed to developing countries; and (ii) the needs for corporate control and minimization of risk which are indispensable to the successful operation of the MNC.

For the sake of convenience the paper has been divided into the following sections: (a) Developing Countries, (b) The MNC, (c) Conflict and Industrial Unrest.

Developing Countries

For the purposes of this analysis a developing country shall be regarded as one which has the type of socio-economic structure illustrated in figure 1. Reliable quantitative data are usually nonexistent or difficult to obtain but the broad features which are essential to our analysis include (i) a relatively small elite (A), usually made up of prosperous professionals and individuals with wealth and privileges inherited from colonial times, (ii) a newly formed middle-class bulge (B) consisting of nationals (educated at government expense, in the wake of independence) whose education is, in many cases, more ornamental than functional,¹ (iii) a numerically dominant lower-class (D) who live at or below subsistence level, (iv) a "transition class" (C) made up of a relatively small number of individuals engaged in the process of acquiring the certification necessary to join the middle-class.

¹ It should be noted that the "social distance" between this "artificial" middle-class and the lower-class is even smaller than it would seem from fig. 1. In many in-

stances, the immediate relatives and childhood friends of members of the middle-class belong to the lower-class.

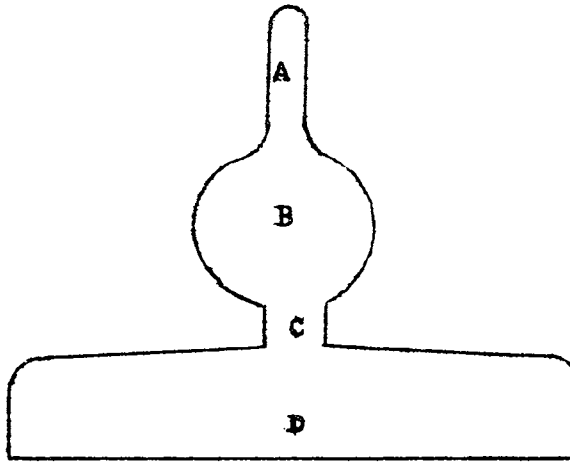


Figure 1

The attitude of the elite toward unrest of any sort is, quite understandably, influenced by the insecurity generated by any perceived threat to its position while members of the lower-class are usually inarticulate and unorganized. Thus, countries which are evaluated by prospective employers as being "politically stable" are often those in which members of the different socio-economic classes are kept in their respective places by pressures for "law and order" by the elite on one hand, and the accustomed submission of the lower-class on the other.

The state of apparent equilibrium described above is usually maintained or disrupted by pressures exerted by agents of change who belong to the middle-class. These agents of change are sometimes joined and even led by deviant members of the elite. But acceptance by and support of the middle-class have always been necessary (though not sufficient) conditions for social and political change. Consequently, the tolerance for conflict which exists in a developing

country is largely the tolerance for conflict of its middle-class.

Figure 2 helps to explain and classify the behavior patterns which emanate from the middle-class. The two major determinants of individual behavior within this class, as reflected in fig. 2, are (i) the strategy which the individual uses in order to acquire social and economic mobility (represented by the horizontal axis), and (ii) the educational orientation of the individual (represented by the vertical axis).

The resulting classification can be explained, in summary form, as follows:

(a) *Nationalistic Rebel* (mobility via rebellion combined with technical and managerial competence): This type of individual does not seek to change the existing economic structure of his country. He seeks to replace his former "masters" and very often advocates very sweeping nationalization programmes and agitates for the expulsion of expatriate managers, etc. His behavior can be regarded as the product of his confidence in himself and other nationals with similar skills, his faith

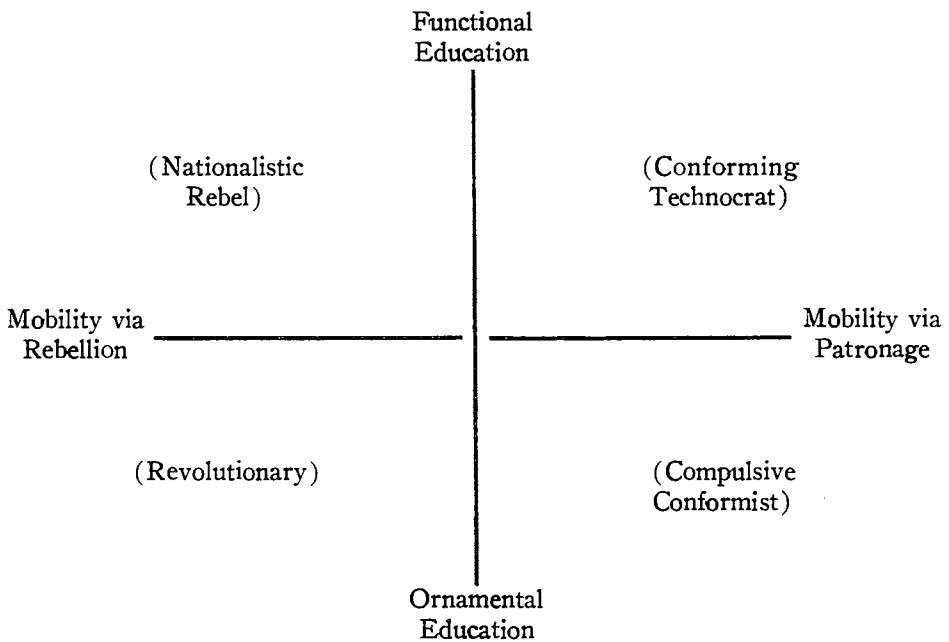


Figure 2

in the power of modern science and technology (also a function of his education), and his bitter resentment of expatriate authority.

(b) *Conforming Technocrat* (mobility via acceptance and patronage combined with technical and managerial competence): Economic development is envisaged by this type to be a process of slow and gradual transition. He seeks upward mobility via normal promotion, etc. His behavior can be regarded as the product of both his education, which is similar to that of the Nationalistic Rebel, and his acceptance of (or reconciliation with) the expatriate presence.

(c) *Revolutionary* (mobility via rebellion combined with education in the English classical tradition): The tendency to nationalize industries and expel foreigners is combined with an

intellectual idealism to produce an individual who seeks quick and sweeping economic and social changes aimed at producing a "classless society." Here, the behavioral parameters are (i) Hostility toward the authority possessed by expatriates together with an identification with the "suffering masses." (ii) Concentration of the philosophical aspects of economic and political change (with very little consideration for technical feasibility).

(d) *Compulsive Conformist*² (mobility via acceptance and patronage combined with education in the English classical tradition): This is usually the type of individual whose insecurity, arising from the nonproductive nature of his education, results in a perpetual quest for the respectability and protection which goes with patronage of the elite. Coming in different sizes, shapes

² For further discussion of this pattern of "Compulsive Conformist" behavior, see Lloyd Brathwaite, "Social Stratification in

Trinidad," *Social and Economic Studies*, Vol. 2, Nos. 2 and 3 (Oct. 1953), pp. 111-120.

and colours this type has a range which can vary from the anachronistic "English Squire" on horseback to the modern "American housewife" who is surrounded by a conspicuous array of household gadgets.

It should be emphasized that the classification attempted above should not be interpreted as being static and unchanging. In fact, the major thrust of this analysis of middle-class behavior, as it pertains to the MNC, is aimed at establishing two points which can be deduced from figure 2.

Middle-Class Behavior

Firstly, the presence of expatriate managers with abrasive personalities can bring about a change (from right to left) in the positions which their colleagues and subordinates occupy on the mobility axis (i.e. the horizontal axis in figure 2). In such a case, the net result would be the conversion of a significant number of marginally conforming technocrats into strident nationalistic rebels.

Secondly, an upward movement in the positions of nationals on the educational orientation axis (i.e., the vertical axis in figure 2) would seem to be mutually beneficial to both the MNC and the developing country. Such a change will, of course, result in the replacement of expatriate MNC representatives by local managers but it should be remembered that in the long run the attitude of the host country to the MNC would be far healthier than would otherwise be the case.

The MNC

Essential to the growth and continued survival of the MNC are two basic

requirements which are common to all business enterprises. These are (i) the need for corporate control, and (ii) the prospect of financial returns which are commensurate with the perceived risks.

In the case of a corporation with direct investments in several countries and with its own integrated operations extending across national boundaries (i.e., the MNC), these requirements combine to produce unavoidable social, political and economic stresses within a developing host country.

An attempt will now be made to focus attention on the stresses which result from superimposing the pyramid type of organizational structure, which is necessary for effective control, upon the socio-economic structure of the developing country. This is reflected in figure 3.³ Here, both the organizational pyramid of the MNC's subsidiary and the socio-economic structure of the immediate geographical area (town, county, parish) within which it is located are represented in two-dimensional form.

The immediate problem which is revealed by this illustration is one which involves the shortage of skilled labor and managerial expertise. What is of particular importance in the present context is, however, the manner in which the MNC responds to the problem.

The typical response involves (a) Recruitment of managers and highly skilled personnel from an international market,⁴ and (b) Attraction (by means of high wages) of skilled labor from different parts of the host country, especially the urban areas, to the immediate vicinity within which the subsidiary is located.

³ The basis of this illustration was originally suggested by Richard N. Farmer, "Organizational Transfer and Class Structure," *Academy of Management Journal* (Sept.

1966), pp. 204-216. It has been modified and adapted for presentation in this context.

⁴ This has been reflected by the position of the vertex of the triangle in figure 3.

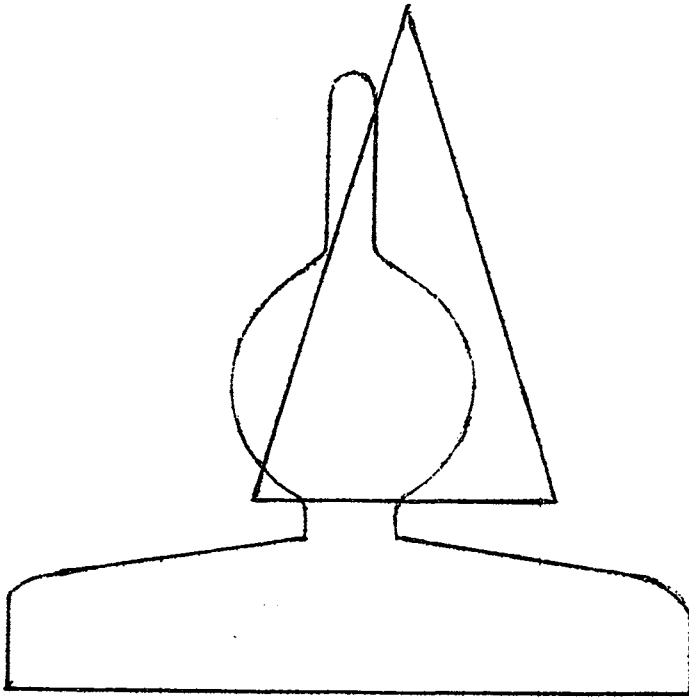


Figure 3

Recruitment of Foreign Personnel

The recruitment of foreign personnel involves the payment of North American salaries and the granting of generous perquisites to compensate for displacement involved in moving to the developing country. These factors, together with the formation of small exclusive social enclaves, the rising tide of expectations generated by conspicuous consumption patterns which occur in an impoverished setting and the ambivalent expatriate attitudes of condescension and hostility toward nationals, all help to add fuel to a fire which started in colonial times.

The salaries which are paid to nationals of developing countries who are employed by the MNC are influenced by two factors (i) the need

to attract the most competent workers living in the country both to the company and to the area in which it is located, and (ii) the need to maintain some semblance of parity with wages paid to expatriates.⁵

The factors mentioned above make it necessary for wages within the MNC to be far higher than elsewhere in the community. In time, this results in the creation of a wage spiral within the unionized sectors of the country. Workers employed in areas where strikes are seldom countenanced by the public (e.g., teaching, the civil service, police, etc.) tend to become bitter and frustrated. The gap between the earnings of those engaged in agriculture and that of the rest of the community, already quite significant, tends to assume phenomenal proportions.

⁵ This factor is not operative in countries in which unionization is illegal or discour-

aged by governments. In such instances the analysis which follows will not apply.

Gradually, the belief that in order to survive one has to become militant begins to take root. This belief takes place slowly and almost imperceptibly at grass-roots level and a need for militant leadership is slowly created.

At the same time, the rebels and the revolutionaries, created by the forces mentioned in the previous section, are engaged in the equally slow and difficult process of self-examination, conceptualization and articulation. Initially, the result might take the form of wild bursts and flashes of soap-box oratory. But given sufficient time to incubate, a philosophy of change (which is a precondition for successful leadership) sometimes emerges.

This state of slowly smouldering turmoil very often gives rise to arguments against the existence, in principle, of the MNC. Some of these arguments are repeated so often that they represent what might be called orthodox third world thinking. The erosion of national sovereignty and the inherent incompatibility of sub-optimization at the level of the subsidiary with optimization across the entire MNC are two such arguments. One rather suspects that they have been repeated so often that executives of the MNC tend to dismiss them as the familiar bark of the neighbor's dog.

On the other hand, there are the unorthodox arguments which executives often refuse to hear. One such argument will now be presented for the sake of illustration. Speaking of factors which make it the patriotic duty of workers *not* to give a fair day's work, Mr. George Weekes, President General of the Oilfields Workers Trade Union of Trinidad and Tobago has said:

"Take, for example, the case of a foreign-owned company which has been granted tax-free concessions for a long period. Such a company may be granted a concession to extract and export a mineral resource for up to thirty years without payment of any taxes. The only benefit to the nation from such an arrangement is the amount expended by the company in wages. Profits go abroad, no taxes are collected and there is no certainty that the resource being extracted and shipped away will not be expended before the tax-free period."⁶

Comments like these generally pass unheeded until it is too late for both the MNC and the benevolent national patriarch who granted the concessions on behalf of the people of his country.

Conflict and Industrial Unrest

An attempt will now be made to clarify the relationship between conflict and industrial unrest which was implied in the previous sections.

The word "conflict" implies paralysis. Argyris defines conflict as "the event which occurs when a person is not able to act in a specific situation."⁷ Unrest, on the other hand, implies movement and can be regarded as the therapy which a society uses to eliminate or resolve widespread conflict which exists within itself.

The purpose of the analysis and discussion undertaken in the sections on "Developing Countries" and "The MNC" has been to provide some insight into the nature and sources of the conflict which results from the presence of MNCs in developing countries. Industrial unrest, however, need not be the direct result of such conflict.

⁶ George Weekes, "The Trade Union Struggle in Trinidad," in *Readings in Government and Politics of the West Indies*, Trevor Munroe and Rupert Lewis, eds. (Dept. of Government U. W. I., 1971), p. 154.

⁷ Chrys Argyris, *Personality and Organization* (New York, Harper & Row, 1957).

Both the degree of tolerance for conflict which a given society possesses and the mechanisms which are available for the legitimate resolution of conflict can be regarded as being jointly responsible for what can be called the propensity for industrial unrest. The first of these two contributing factors might be the product of history and (or) social conditioning while the second is related to the evolution of legal statutes (related to industrial relations) and generally accepted principles governing the settlement of industrial disputes in the country concerned.

It should be borne in mind that the "breaking point" usually occurs under conditions of severe economic stress. For example, the trade union movement in Jamaica only gained popular recognition around 1938 as a result of

riots which followed the depression which occurred in the late 1920's, the closure of emigration outlets (U. S. A., Panama, Cuba) and more than a decade of consistent crop failure on the island.

Should the gap between economic conditions in developed and developing countries continue to widen, it would seem reasonable to anticipate a marked increase in the propensity for industrial unrest in developing countries in the not too distant future. Under such circumstances, any industrial relations policy adopted by MNCs which contributes, even slightly, toward the prevention of avoidable conflict situations could contribute enormously to both industrial peace and political stability in developing countries. [The End]

The Multinational Corporation and Industrial Relations: Discussion

By PAUL A. HEISE

U. S. Department of Labor

“THE MULTINATIONAL CORPORATION AND INDUSTRIAL RELATIONS” is a very popular and controversial subject. The papers we have heard are representative of the contending forces: Mr. Copp for the Multinationals; Mr. Sharman for the unions; Dr. Lyle for the academics; and Dr. Sooklal for the host countries. I am probably discussant because the government role is not yet determined, but expected to be more neutral. This is probably also why a technician like myself was chosen for this panel rather than a policy level individual such as Dr. Koster who is

on the panel on inflation where government's role is more active.

The expertise and presentation of these papers have been thoroughly professional. Therefore when I am critical it is probably because the participants did well what was expected of them.

At a recent Conference for Corporate Executives held by Johns Hopkins University on Multinationals, a speaker claimed that Multinational Corporations (MNCs) have a solid record of job creation—for economists who go to Conferences and Symposia all over the world to discuss the problems raised by Multinationals. Now, despite the fact I am enjoying this lovely is-

land as much as anyone else, I find problems when I put conferences and these papers in the context of research and industrial relations needs.

Industrial Relations and the MNC really involves two separate problems. The first is economic and includes the employment/manpower impact. The U. S. unions are particularly concerned about job losses and thus support the Burke-Hartke Bill quotas and controls on MNCs. I expected more from Mr. Sharman on this but he held to his topic and the international aspects. The second is the somewhat political question of the evolving labor-management relations of the MNC. The Europeans center on this aspect especially because it is influenced by European Community (EC) harmonization and integration.

The separateness of these questions must be recognized when approaching the problem from any of the contending directions. It must also be recognized that the economics of the MNCs will affect their industrial relations and vice versa.

First, the economic analysis. There is a serious lack of nonpartisan research in this area. The Ray Vernon¹ studies of the MNC and the product cycle do not focus on labor costs or employment. Most of the economic discussion of the MNC and labor attempts to determine some sort of balance of jobs created or lost.² These studies defend or attack the MNCs and decide that direct foreign investment is good or bad, in the cosmic sense, on the basis

of a net job count. I am happy to note that no one on the panel followed the Harvard Business School³ or the Tariff Commission⁴ into this sad numbers game.

MNCs Do Not Discriminate

Dr. Lyle's less assuming paper is noteworthy, therefore, for two things. 1) It is innovative and perhaps even unique in that it adds one small piece of empirical evidence about the employment practices of MNCs. We learn that MNCs do not discriminate in the manner that some theorists hypothesize.

The use of factor analysis is, as an aside, also notable as is the use of primary data from the Equal Employment Opportunity records. Economists tend to be hung up on linear regression and neglect some of the more recent statistical developments in other social sciences. However, factor analysis is a method of summarizing an overlarge correlation matrix. In this case the number of applicable variables seems small enough to handle. I would like to see the basic correlations between foreign market penetration and her discrimination variables. For that matter the foreign market penetration variable is undefined and without source.

Shortcomings with description, definition, and source of the variables is a serious problem in the paper. This problem makes it difficult to furnish a final judgment on the strength of the findings.

2) More importantly, the paper provides a direction for further empirical

¹ Raymond Vernon, *Sovereignty at Bay* (New York: Basic Books, 1972).

² Robert G. Hawkins, *Job Displacement and the Multinational Firm: A Methodological Review*, Center for Multinational Studies, 1625, Eye St., N. W., Washington, D. C., June 1972. This study critiques the six most important attempts to estimate job impact. It is an excellent study of the problems involved but came out before the Tariff Commission study cited below.

³ Robert B. Stobaugh, "U. S. Multinational Enterprises and the U. S. Economy," in *The Multinational Corporation*, U. S. Department of Commerce, Volume I, March 1972.

⁴ U. S. Tariff Commission, *Implications of Multinational Firms for World Trade and Investment and for U. S. Trade and Employment*, Committee on Finance, United States Senate, GPO, February 1973.

research. Economists should emulate Dr. Lyle and look to primary sources to test specific hypotheses. Hopefully, these will fit together somehow into an understandable paradigm.

The questions concerning job displacement, structure of employment, and community impact, and whether or not those caused by the MNC are any different from normal domestic changes, remain unexamined. There are primary source data available: in Census Industry figures, in mass lay-off reports, in the Tariff Commission investigations, and in data on U. S. imports of parts assembled outside the U. S.

Statistics on direct foreign investment and capital flows should be avoided. The relationship between the capital involved and the number of jobs involved is more likely to be inversely than directly related.

The most interesting area of research and that most likely to reveal the underlying patterns of causality and developing trends is the comparison between Europe and the United States. While Europe has opened its doors to immigration from the Mediterranean basin, the U. S. has closed its doors to all but the skilled. U. S. multinationals go outside to the Far East or the Mexican border for supplies of less skilled labor. European firms import the labor and continue to serve their home and foreign markets from their home base. Japan appears to be following the U. S. model.

Comparison Between the Continents

The contrast in industrial structure, returns to investment and to labor,

⁵ Harry Johnson, "The Efficiency and Welfare Implications of the International Corporation," in Charles P. Kindleberger, ed., *The International Corporation* (Cambridge, MIT Press: 1970), p. 47.

⁶ Organization for Economic Co-operation and Development, *Report on the Meeting of*

employment patterns and wage structure, all present a fascinating comparison between the two continents. For example, Europe may be developing dual labor market problems while the U. S. firms are exporting their secondary labor market needs.

Professor Sooklal raises the question of impact on less developed countries. As Harry Johnson states with withering finality—the MNC increases the world's total flow of privately consumable goods and services⁵—and they are therefore good. But the disruptive effects of any new institution (Marx on Capitalism) can be projected to disaster, and it can be judged just as completely as bad. Such judgments are at best sterile.

Again, I see all-inclusive paradigms. Rather, I would see this hypothesis tested with data. It might be confirmed and lead then to specific policy action. It might, like the discrimination hypothesis tested by Dr. Lyle, prove to be false.

Too Many Symposia, Not Enough Research

Discussion of the labor-management relations of the MNC presents a serious problem of too many symposia and conferences on the topic and not enough real research. Messrs. Copp and Sharman are both especially qualified to state their respective positions since they come from an industry with one of the most highly developed stages of multinational firms and unions. But these positions have been stated before, and at length, in the Organization for Economic Cooperation and Development (OECD),⁶ the Interna-

Trade Union Experts on Multinational Companies, Paris, MAS (69) 23, 23 July 1970.

Labour Problems in Multinational Firms: Report on a Meeting of Management Experts, Paris, Manpower and Social Affairs Directorate, 9 October 1972.

tional Labour Organization (ILO),⁷ and the International Institute for Labour Studies (IILS)⁸—and they will be stated again.

International Collective Bargaining

The central issue is international collective bargaining. There is, by this time, even an unacknowledged consensus of sorts: 1) The employers have problems of contradictory demands and use this fact as an opportunity to delay international or coordinated collective bargaining. They remain pessimistic. 2) The unions have their own problems of coordination, but are digging in for the long pull and expect to coordinate international bargaining. They are demanding and expectant. 3) The problem is a part of and confused with the integration process in Europe. And 4) International collective bargaining, despite the clash of ideologies and cultures, facts and fancies, is probably inevitable. So, also, is some code of behavior for the unions and firms.

If you acknowledge this consensus, the two questions are: First, what form will such relations take and how will they be related to or influenced by other of the integrative processes of the MNC in regard to sovereignty, monetary affairs, trade, etc.? And Second, how are former and future strategies likely to influence the developing relationship? A research association should provide statistics, case studies, and other data to assist the partisans to an amicable approach to these problems. Symposia do little to accomplish this without solid work ahead of time.

The only data I see are in the partisan publications by the International

Chemicalworkers Federation (ICF), the International Metalworkers' Federation (IMF), or the International Chamber of Commerce (ICC). Good case studies are rare. The book edited by Hans Günter reports a fascinating study of the interaction between the Jamaican labor movement and the aluminum companies.

But I have not seen anything for the record on either the Saint Gobain case or Dunlop-Pirelli case. There is no available record of what has been occurring and what it might all portend.

The ILO produced a working paper that was a very good survey of the literature, the available data, and the research problem. It is due to be published.⁹ This is the only attempt I know of to pull the labor problems together. The ILO has also begun an in-house study that might turn out some useful work.

What I am really saying, I guess, is that the multinational corporation is being studied and pawed over by half the international organizations of the world. But it is a tiring rehash of expectations, complaints and problems. No one is really getting down to dig at the facts. Perhaps a group or institute could commission a series of related projects. Then when they have something concrete to present, bring it out. Let us hope that the Conference of the International Industrial Relations Association in London in September will provide such a forum.

Unfortunately, most of the mountain of paper that we have presents opinions, anecdotes, and problems as partisans encounter them. **[The End]**

⁷ International Labour Organization, *The Relationship Between Multinational Corporations and Social Policy*, Geneva 1972, forthcoming. This is a working paper prepared for a meeting of experts.

⁸ Hans Günter, ed., *Transnational Industrial Relations* (London: Macmillan), 1972.

⁹ ILO, *loc. cit.*

Industrial Relations and the European Economic Community

By B. C. ROBERTS

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MY MAIN CONCERN in this paper is first to examine the impact so far of the European Economic Community on the patterns of industrial relations in the member countries; then to look at the transnational factors likely to influence industrial relations systems within the E. E. C.; and finally to suggest possible ways in which the British system of industrial relations may change.

I would like to begin by making some general statements about the relationship of industrial relations' systems to nation states. The boundaries of a recognisable distinct industrial relations system are generally coterminous with the boundaries of the nation state. The basic character of a system of industrial relations is primarily determined by the prevailing political ideology of the State within which it exists. However, in a federal State based on a pluralist political ideology there may be significant differences in the laws, custom and practice of the States making up the Federation. As there is, for example, in Canada—especially between Quebec and the other provinces. But the general trend is towards conformity to a common framework of law, common institutions and common patterns of behaviour, as we see in Australia, Canada and the U. S. A.

The trend towards a common pattern of industrial relations in Federal States is a reflection of economic, political and social factors which have led to the increasing centralisation of government and the creation of nation-side capital, labour and product markets. Although there may be deeply entrenched differences in the culture, language and history of different regions, once these have become indissolubly bound together within the unifying structure and ideology of a sovereign state, cultural differences begin to have a diminishing influence on industrial relations systems. This is true even when the cultural inheritance is allied to deep economic and social discontents, in particular regions as in Canada, Northern Ireland and Belgium.

Since the European Economic Community is not yet a Federal United States of Europe, although it may well be a halfway house to that end, it is perhaps not surprising that its influence on the industrial relations systems of its member states has been small—in fact, miniscule. Nonetheless, the Rome Treaty created something more than a mere customs union, though as we know from the German Zollverein this may be, if political factors are favourable, a most effective platform from which to launch a policy of economic and political unification. The aim of the E. E. C. as expressed in the Rome Treaty is to establish not only a common market for capital, labour and products, but to bring about social

harmonisation by promoting cooperation between the States on matters of social policy. Although the powers of the European Commission to take direct action are hedged with restrictions, in the social field there is abundant room for initiative.

Early Years of E. E. C.

The great achievements of the E. E.C. during its first 15 years were undoubtedly the development of a common agricultural policy and the establishment of the virtually free movement of capital, labour and products. Important steps were taken to create instruments for the achievement of social harmonisation with the establishment of the European Social Fund, the Regional Development Fund, the social security of migrant workers and the promotion of studies and discussion on issues of social concern through the tripartite committee on social and economic affairs.

These developments have so far produced no dramatic change except in a few specific instances. The systems of industrial relations in each country still remain rooted in the history of the six, now nine, sovereign states which make up the Community. Nevertheless, there are significant signs of change which will, I think, be greatly reinforced during the next few years by adoption of a much more positive and vigorously pursued policy of social harmonisation.

The concept of social harmonisation may be defined as moving towards a situation in which levels of pay, conditions of employment, patterns of social security, education and training and the opportunity to make economic progress will be broadly similar everywhere in the Community. This levelling process is the inevitable corollary of the establishment of Community-wide capital and labour markets. The ob-

ject of the Commission is to ensure that the economic process is allowed to work smoothly by the elimination of institutional and legal obstacles. Although the Rome Treaty was based primarily on the simple notion that a larger market would be in itself highly beneficial, there was implied a far more fundamental political and social philosophy based on a belief in the values of a specifically European style of life. This concept is now beginning to take shape most clearly in the area of industrial relations.

European Concept of Industrial Relations

The European concept of industrial relations is based upon the ideal of a social partnership, rather than the Anglo-Saxon—now North American— notion of inevitable and desirable conflict between unions and employers. The aim, at the Community level, is to bring the social partners, the nomenclature is significant, the employers and the unions, into the process of policy formulation through the Social and Economic Committee. The influence of the social partners is fostered through permanent delegations of trade unions and employers which are in continuous contact with officers of the Commission in Brussels.

Thus, social harmonisation carries within it the notion of social harmony achieved through the active participation of employers and unions in the making of the rules which will regulate their behaviour within the Community. At this level the development of E. E. C. practice may not be very different from that of North America, but when the principle of participation is extended to every level of the enterprise there is a sharp divergence.

The concept of social partnership is now being actively encouraged by the

Commission at the level of the enterprise in a number of ways, in which two recent developments are most important. The first is through the harmonisation of domestic company law and the second is in the proposed European Company Statute, which would provide for the founding of a joint-stock company in the law of the Community instead of in the law of one of the countries.

Since 1968 the Commission has prepared five directives which have to be translated into the law and practice of each country dealing with the harmonisation of company law—only one of which has been appointed by the Council of Ministers—the others are at different stages in the rather long and complicated process through which directives have to go before they become legally binding over the entire community. From the point of view of our concerns it is the fifth directive, which has had a preliminary consideration before the European Parliament, which, along with the European Company Statute, indicates most clearly the objectives of the Commission.

The "fifth directive" is designed to bring about a standard European type of corporate structure. It proposes that the company law, which at present exists in each country, should, in effect, be modelled on that which prevails in Germany and Holland. In France, Italy, Belgium, Luxembourg and in the three new countries there is a single tier board of directors, which includes both executive and non-executive directors. In Germany, since 1867, and in Holland from very recently, there must be an Aufsichtsrat—aboard of supervision, and a Vorstand—a board of executive managers. More significantly, in Germany the employees are entitled to nominate as their representatives one-third of the supervisory board. In

Holland members of the Supervisory Board may be nominated by the shareholders, Works Council or the Board itself and are appointed by the Board, but subject to the veto of either the works council or the shareholders. Either the Dutch or German method or some other variant, of appointing the Supervisory Board would satisfy the "fifth directive."

In every country in the E. E. C. apart from the U. K. and Ireland the law requires provision to be made for the election of workers' representatives in any undertaking about a certain size. The powers of these representatives and constitutions of the Works Council to which they usually belong vary from country to country, but the general rule is that they have a legal independence of employers and unions. In many cases, however, their relation with the unions is close and they may be regarded as an extension of union organisation within the enterprise.

The "fifth directive" does not specify a particular form of worker participation at the shop-floor level, but the Commission is emphatic that in one form or another, according to domestic preference and practice, that is whether through works councils or trade unions, provision must be made for the participation of workers in management.

The Works Council is, however, specifically incorporated in the draft statute for the European Company. Not only would there be a works council in each establishment of the company, but it is also proposed that there should be a European-wide works council elected by all of the plants together. The European Works Council would be entitled to receive the same information relating to the economic performance of the company as shareholders and advance notice of "every event of importance."

The European Works Council, following the powers now given to the works councils in Germany and Holland, would have the right of veto, subject to arbitration, over the right of management to make unilateral decisions in the following fields:

(1) the rules relating to recruitment, promotion and dismissal of employees

(2) the method of determining the terms of remuneration

(3) the introduction of regulations relating to industrial safety, health and hygiene

(4) the introduction and management of welfare and social facilities

(5) the carrying out of vocational training

(6) the time of beginning and ending work

(7) the organising of holiday rotas

On all these matters a management decision would be void if it was carried out without consultation and agreement.

In the vital areas of closure or transfer of facilities, or curtailment or extension of activities, mergers or cooperation with other undertakings, and any other form of substantial organisational change which may affect the interest of the employees, the management must consult the European Works Council and it may not implement any proposed change until it has heard the opinion of the Council.

I must emphasise that neither directive five nor the Company Statute are law. The employers in Europe generally believe they go too far; the unions do not think they go far enough. The aim of the unions is to achieve what is likely to be soon secured in Germany, parity of representation on the supervisory boards, but this would be ardently opposed by the employ-

ers in every country. Nevertheless, the European Company Statute will, perhaps next year, be approved by the Council of Ministers and its structure will not be very different from the draft now proposed by the Commission.

How, then, is all this being received in Britain where the pattern of industrial relations has been based, as in North America, on the concept of independent union bargaining power exercised at national and plant levels?

As you are probably aware the British trade unions were strongly against entry into the European Economic Community and they were able to compel the Labour Party and its leader Harold Wilson to reverse the policy of seeking membership which they had pursued when in office. However, on failing to prevent the Conservative Government from negotiating entry, the T. U. C. decided to boycott the E. E. C. in every respect—although the General Secretary and a goodly number of the General Council were in support of membership.

Boycotting the E. E. C.

The policy of boycotting the E. E. C. was one element in an attempt by the dominant left-wing leadership of the T. U. C. to bring the Government down by a series of total boycotts against the Industrial Relations Act and the Government's Counter Inflation Policy. All of these policies of outright noncooperation which culminated on May 1st with a bedraggled attempt to stage a one-day general strike have failed, and are now on the point of collapse.

Afraid that they would be left without any influence in the E. E. C. the General Council decided they would accept the decision of the European unions to create a new Euro-T. U. C. on the entry of Britain, Denmark

and Ireland. At first the T. U. C. tried to insist that the new centre should include all Europe, including the Communist countries, as well as the Communist and Christian unions in the E. E. C. This policy was abandoned in face of the opposition of the European I. C. F. T. U. affiliates, especially the D. G. B. The Communist-controlled C. G. T. and the G. I. L. are not members of the Euro-T. U. C. and they have opened their own bureau in Brussels. It is expected that close working relations will soon be established between the Euro-T. U. C. and World Christian Federation of Labour. As a gesture of solidarity and as a means of shackling the British T. U. C., the Euro unions decided to elect its General Secretary, Victor Feather, President of the new organisation.

The T. U. C. is now in a great difficulty since it is bound by the boycott resolution which means that the British union delegates are not taking their seats on the social and economic committee. Even more importantly, there is to be a major conference of the social partners in June, which will determine the course of social policy over the next five years at which Mr. Feather is expected to lead the trade union side. It is now clear that both the unions and the Labour Party have recognised they have no choice, but to come to terms with reality. Left-wing union leaders, including the intransigent Hugh Scanlon, President of the Amalgamated Union of Engineering Workers, have recently indicated the T. U. C. will shortly seek to rescind its present boycott in favour of cooperation with the unions of the other E. E. C. countries.

However sceptical British unions might have been about joining the E. E. C. they are bound to look with favour on the social programme the

Commission is seeking to obtain support for at the Social and Economic Affairs Conference in June. This programme states unequivocally that the principal aim of the nine member states must be to maintain full employment and the continuous improvement of living and working standards. To this end the Commission urges that increased social and regional funds should be made available to bring about the creation of new jobs in underdeveloped and declining areas within the Community; the establishment of a European centre for vocational training by mid-1974; measures to ensure migrant workers and their families receive full social security protection, education and housing facilities. The Commission proposes the establishment of a permanent committee to investigate the employment problems for women—the Rome Treaty endorses the principle of equal pay. The Committee would report by mid-1974 on proposals to improve employment opportunities, training, paid maternity leave, child care facilities and flexible working hours.

Community Funds Available

Community funds are to be made available to give further training to school leavers unable to find jobs, grants to enable young workers to move to other parts of the Community, and guarantees to elderly workers against losses of income from inflation due to early retirement.

To achieve a fair distribution of income and wealth within the Community the Commission calls for an early examination of minimum wage and other provisions guaranteeing security of income in operation in the Community. One of the most interesting suggestions in the Commission's working paper is that assembly line operations should be abolished throughout the Community because

of damage to the psychology of workers and industrial relations.

It is, I think, of great significance that the T. U. C. has also recently come out strongly in support of the European Company Statute. Like the German unions it would go further than the Commission's proposals and has called for parity in the number of worker directors on the supervisory boards, to be nominated by the unions—not by the workers. It was more sceptical of the works council idea on the German model and it called for a strengthening of union representation at the shop-floor levels.

The change in policy of the T. U. C. over the last few years has been quite dramatic. At the company level it now urges a massive development of participation and joint regulation, adopting virtually the same position as the majority of Continental unions.

The influences from Europe are soon likely to be felt at the political level in the reform of company law, which the present Government will shortly begin to undertake. In the near future there will be a white paper on the Government's interim company law proposals. This will probably not include such a major change as the introduction of supervisory boards, worker directors and statutory works councils, but it may introduce the halfway house of a compulsory proportion of non-executive directors among whom would be one or more drawn from the ranks of the workers or at least endorsed by them. In the programmes of both parties for the next election which must be held by mid-1975, there may well be proposals that will bring us in line with the policies adopted by the E. E. C. on worker participation.

All this means, I think, that we are moving rapidly towards the European concept of social partnership and

away from the classic collective bargaining position. Both Conservative and Labour Parties are in favour of a national Social Contract in which there will be a tripartite responsibility accepted by employers and unions as well as the government for the management of the Economy.

It does not follow, however, that collective bargaining will disappear, but it will be modified. The exertion of pressure will remain a vital function of the unions, but they will not be able to use this pressure without paying much more regard to the social consequences than has been the case over the last twenty-five years. In this respect the adoption of a European currency union and coordinated prices and incomes policy is within the next five years an inevitable step.

In the meantime there is going to be a direct influence from the E. E. C. on the bargaining process in the U. K. Joining Europe has brought to the attention of British trade unionists and employers the fact that in many respects employment standards are superior in Europe.

Starting at the most obvious point, most European countries have more public holidays and long annual vacations than in Britain. What was a Continental curiosity has now become a coercive comparison and it will not be long before British employees enjoy the same amount of time off.

We will also adopt the Continental pattern of paying for a thirteenth month so that at holiday periods when more money is required there will be a double pay packet. Although we start later in the day and have a shorter basic week than most Continental countries, we work, if anything, longer hours. There will not be much change here. But there will be change in the pattern of hours as

we follow the Continental lead and increasingly cut out overtime and adopt the idea of flexible hours.

There will, I think, be a gradual shift towards the leveling of pay and conditions of work up through collective agreements, but major changes may depend upon the harmonising of public finance which is a good way off.

In conclusion, I would like to say a word about the possible development of an element of cross-national bargaining within the E. E. C. and the negotiation of European-wide agreements. I regard this as virtually inevitable—it is simply a matter of time. The preliminaries to this extension of the bargaining process have already begun. The development of multinational corporations, the Euro-Company and Euro-employers' associations are being matched by the development of Euro-unions and International Union Councils seeking negotiating rights with the multinationals within Europe.

Difficulties to Overcome

There are immense difficulties to overcome on the union side, but we are now in the midst of an institutional development stage which will lead to multinational negotiations and Euro-agreements on certain matter that might not advantage if both sides are settled at that level. Although parity of pay and standards of employment are still a long way off within the E. E. C. they are in sight and this will be a powerful inducement to unions seeking the improvement of their members' remuneration and conditions of employment to coordinate bargaining at the European level.

In spite of the fact that the management of most multinational cor-

porations is at the present time against the development of cross-national agreements, many employers may think and say privately that within Europe they are inevitable. It would, in fact, be hard to argue otherwise when multinational companies are busily creating European regional organisations. Increasingly, these companies expect key managerial personnel to be prepared to accept transfer of employment anywhere within the Community and, indeed, on a worldwide scale. Although many companies try to follow a policy of not allowing a transferred manager to make financial gains from the fortuitous differences in living costs between countries, they do also try to ensure that no losses will be incurred. In short, they try to develop a European or even worldwide standard pattern of remuneration and terms of employment. If this is right for management in the eyes of the unions it must also be right for the employees whose interests they look after.

It is my thesis that we shall see gradually develop a European pattern of industrial relations. There will, of course, remain a considerable element of national difference. This means that we are moving into a two-tier system of industrial relations which will create difficulties of the type familiar to Federal States. There will be conflict between national laws until these are completely harmonised and conflicts which will arise from differences in the custom and practice traditional to each country. But gradually over time, if the E. E. C. is a political success, a European system will merge which will integrate in important respects the different systems which exist today and will continue to exist in the countries involved.

[The End]

SESSION II

Labour Relations in the Public Sector

Arbitration of Wage Disputes in the British Non-Industrial Civil Service

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THE ADOPTION OF ARBITRATION PROCEDURES for the resolution of wage disputes of United States postal employees and firemen and policemen in several states has directed attention to this technique. Experience with it is relatively limited and evaluations of its impact on the bargaining process and the outcome of bargaining are even more scanty.

In Great Britain, however, government and unions representing almost a half-million non-industrial civil servants have had extensive experience with a procedure under which either side may unilaterally invoke arbitration to resolve impasses, including those about the terms of a new agreement.¹ During the past ten years that the present wage system has been in effect, disruptive employee action and excessive use of arbitration have been avoided.

It is particularly worth noting that, insofar as the alleged debilitating influence of arbitration on collective bargaining is concerned, this British experience runs contrary to the conventional wisdom. Therefore, policy makers and scholars in the United States might benefit from a study of this system even though differences in the two cultures may make some of its aspects non-transferable.

In this article, portions of the British experience and their relationship to possible use in the United States are covered. First, there is an examination of the twofold bargaining structure, the agreed-upon principles for pay determination and the neutral jointly-

¹ An analysis of the arbitration cases that occurred between 1925 and 1959 can be found in: S. J. Frankel, "Arbitration in the British Civil Service", *Public Administration* (1960), Vol. 38, starting p. 197.

controlled wage research agency. Then, the procedures for determining interim and inequity increases are summarized. Finally, the arbitration of various types of wage claims is analyzed and concluding observations are made about the manner in which the wage determination system is working.

Bargaining Structure

The bargaining structure is twofold in nature with matters of concern to all of the non-industrial Civil Service staff decided upon within one framework, and negotiations affecting the wages of different occupational groups resolved separately by representatives of each group. The first structure is analogous to union council-type bargaining or coalition bargaining in the United States with the second corresponding to corporation-wide bargaining with broad occupational groups such as clerical employees, or professional and technical employees, or administrative staff, and even, in some instances, multi-occupational groups within a large government department such as the Internal Revenue Department.

Committees of the National Whitley Council for the non-industrial Civil Service, the national body of representatives of the major non-industrial Civil Service staff unions and representatives of major government departments, handle questions that affect the entire service.² They discuss such matters as the future structure and goals of the Civil Service, the formulation of guides for Civil Service pension legislation, the maintenance of arbitration machinery for the resolution of wage disputes and other mat-

ters in which there is a less adversary situation than there is in the actual wage bargaining.

The three important wage matters under the jurisdiction of Whitley Council Committees are (1) the negotiation of agreed-upon principles of pay determination, (2) the providing of policy direction and guidelines for an independent wage research agency, and (3) the negotiation of a general wage increase for groups not covered in a given year by an alternative procedure. The unions have created the National Whitley Council Staff Side Office with a Secretary General and small staff to carry out these responsibilities. A section of the Civil Service Department carries out the management negotiating function on behalf of the Government.

Coordination between the two structures poses no problems for either the management or union side. The leading full-time union officials who serve on the committees dealing with the three overall policy-related wage questions also serve as the chief negotiators of their individual unions in the negotiations of wages and other matters that affect their respective constituencies. Staff members of the Civil Service Department (CSD) represent the government in both the negotiations with individual unions and with the committees of the staff side of the National Whitley Council. From the point of view of the unions, this arrangement gives them the degree of autonomy that they desire in settling their own problems but also gives them the administrative arrangements that they need to settle the broader problems of concern to all non-industrial Civil Service staff.

² The term Whitley Council is used synonymously in Great Britain with Joint or National Industrial Councils. In 1917, a government committee, Chaired by the Speaker of the House of Commons, the Rt.

Hon. J. H. Whitley, M. P., recommended the establishment of such councils as a means of improving labor-management relations, and thus the use of his name in the title of some councils.

Pay Principles

The 21 pay principles that serve as the basis for the establishment of salaries for non-industrial civil servants were developed by the Priestley Commission, a royal commission that held hearings from 1953-1955 and issued its report in 1956.³ These principles were formally agreed upon in the National Whitley Council Civil Service Pay Agreement of June, 1956, and with amendments negotiated in 1960, 1964 and 1967, provide the present basis for pay determination.

"Fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of differences in other conditions of service" is the primary principle of determining pay.⁴ Internal relativities are to "be used as a supplement to the principle of fair comparison . . . and may have to be the first consideration when outside comparisons cannot be made, but they should never be allowed to override the primary principle or to become rigid."⁵

Comparison with trends in outside remuneration should be subordinated to comparison with current rates except that "In times of unusually marked and rapid movements in outside rates, the pay of the lower and middle ranks of the Service should be adjusted by means of a central settlement based on a single formula. . . ."⁶ Comparisons should be made with "good employers" and Civil Service rates "should lie near the median of the range of outside 'true money rates.'"⁷ The term "true money rate" is used in Priestley and in Civil Service pay discussions

to refer to outside wage rates adjusted to include the value of quantifiable fringes and the effect of wage structures that differ from the Civil Service pay structure because of the use of personal rates, flat rates, multiple ranges for one Civil Service range or vice versa.

The British pay principles do not differ substantially from many of those cited in state statutes in the United States which provide for the arbitration of wages and municipal employees.⁸ They do, however, provide for the primacy of "fair comparison" except in a limited number of situations in which the parties have agreed to rely instead upon internal relativities or other factors. In addition, these principles may have greater influence in the British context because the parties have also agreed upon detailed machinery for the gathering of comparable wage data by a neutral agency.

The Independent Pay Research Unit

The establishment of a neutral fact-finding wage agency was an important recommendation of the Priestley Commission. The parties agreed to its establishment in their 1956 Pay Agreement and named it the Civil Service Pay Research Unit (PRU). The PRU was given functions which it has carried out with some modifications from 1957 to the present. It surveys Civil Service jobs, finds functionally comparable jobs outside of the Civil Service and ascertains the pay and conditions of the outside jobs.

General control and policy direction of the PRU is vested in a committee

³ Royal Commission on the Civil Service, 1953-1955, Report (HMSO: London, 1956) Cmd. 9613, chaired by R. B. Priestley and commonly and hereinafter identified as the report of the Priestley Commission. See pp. 194-195.

⁴ Priestley Commission Report, Para. 769, p. 194.

⁵ Cited footnote 4.

⁶ Cited footnote 4.

⁷ Cited footnote 4.

⁸ See for example Sec. 111.77(6)(a) through (h) of the Wisconsin Statutes.

of the National Whitley Council, known as the Steering Committee, with equal numbers from the Staff and Official Sides. Day-to-day activities of the PRU are supervised by a Director, nominated by both sides and appointed by the Prime Minister. He is assisted by a staff that is composed of civil servants, seconded to the PRU for three years or longer, and selected by him and a Staff Side and Official Side representative of the Steering Committee. Staff Side and Official Side members of the PRU Steering Committee negotiate which Civil Service classes will be examined in a given year. Presently, the PRU operates on a two-year cycle and conducts surveys that directly cover 70 per cent of the non-industrial Civil Service Staff.

When a particular occupational group is to be surveyed, the union or unions concerned and the CSD representatives meet with PRU representatives to agree upon the ground rules. They will define the internal sample of work which is agreed to be representative of the occupations in question and will set out the scope of the external survey. Comparisons are made with work performed at an agreed upon list of major firms, selected from the 1400 firms visited by PRU representatives over the past 15 years. It is noteworthy that along with the traditional interchange of personnel information, the internal and external surveys involve comprehensive on-site inspection of the work and interviews with individuals performing these functions. The end result of the time-consuming detailed PRU surveys are encyclopedic volumes of comparative wage and fringe data which, with the names of the firms removed, are transmitted to Working Parties of the union and the

CSD officials who will process the raw data.

The jointly processed data are then referred to senior CSD officials and leading union officials who attempt to reach agreement on median rates for key jobs. These are confidential negotiations—much like those which take place in the United States between chief bargainers when negotiations reach a crisis. If agreement is reached, it is reported by the union leaders to their Executive Council for formal approval. If the negotiators fail to agree, the matter is reported to the Executive Council and then referred to arbitration for resolution. These PRU surveys and subsequent negotiations are the basic pay procedures but, as mentioned previously, they are not all-inclusive and are supplemented by other procedures which need to be explained also before turning to the question of arbitration.

Inequity and Interim Wage Increases

In addition to the 70 per cent of the staff covered directly by PRU surveys, 20% of the staff are in classifications "linked" for pay purposes with those directly covered. The pay increases granted to linked jobs are known as "consequentials" — that is, they are the consequence of wage changes determined by PRU type wage negotiations covering the parent occupational groups with which these other jobs are linked. If the unions (or the CSD) representing workers in a linked group believe that the job duties of the linked jobs have changed, they may file a claim for a further wage increase under Paragraph 6 of the 1964 Pay Agreement.⁹

⁹ The text of the 1964 Pay Agreement was published in the *Whitley Bulletin*, March 1964. (Published by the Civil Service Na-

tional Whitley Council-Staff Side: London, England.)

These Paragraph 6 claims and negotiations involving their resolution are similar to wage inequity negotiations in the United States. Since no PRU survey has been made, each side gathers its own data and argues that on the basis of internal job relationships, the linkage should be adjusted as it suggests.

The remaining 10 per cent of the non-industrial Civil Service staff are either "linkless", that is they are in an occupation such as prison guard for which no private sector analogue exists, and for which an appropriate internal linkage with a group directly covered by fair comparison has not been agreed upon, or their wage is set by reference to a single-direct outside analogue, rather than on the basis of a survey of a broad range of comparable private sector work. An example of this latter category would be teachers, or firemen, or policemen—well-defined occupations for which there is an agreed-upon national wage scale set outside of the non-industrial Civil Service and covering most individuals in these occupations.

Negotiations covering the linkless groups and the relationship of civil service work to single direct outside analogues also are conducted on an ad hoc basis without the aid of PRU surveys, in a fashion similar to those followed in Paragraph 6 wage negotiations. For the purpose of timing only, these negotiations are assigned to a particular year of the PRU cycle. The PRU, Paragraph 6 and other wage negotiations covering specific occupational groups are conducted by leaders of the individual unions whose members are affected by the negotiations. In addition, however, there are the negotiations covering these same groups collectively in the year of the

PRU cycle when their own negotiations are not scheduled.

During the off year, between PRU surveys, groups are eligible for a "Central Pay Increase" (CPI) which theoretically reflects the movement of prices and of private sector wages that take place between surveys. The PRU does not supply data for this wage-setting exercise and there are no specifically agreed-upon pay principles to guide the parties in these negotiations. Since this is an interim procedure to keep groups from falling too far behind between PRU surveys, however, failure to keep completely abreast of changes is theoretically compensated for, in a delayed fashion at least, by receipt of a larger increase at the time of the next PRU survey.

The bargaining structure used in CPI negotiations differs from that used in the other negotiations previously described because CPI negotiations affect many different groups represented by approximately a dozen unions. Therefore these negotiations fall under the jurisdiction of the Staff Side Office of the National Whitley Council led by the Secretary General and a committee of the Council consisting of the leaders of the major unions. Recommendations of this committee are referred to the Staff Side of the Whitley Council and require a two-thirds vote for acceptance. If the Council does not accept the CSD offer, the matter may then be arbitrated. Arbitration of CPIs are handled by the Secretary General of the Staff Side of the Whitley Council while the arbitration of other types of wage claims are handled by the union leaders of the individual unions concerned.¹⁰

¹⁰ Leslie Williams, the Secretary General, Staff Side, of the National Whitley Council was most helpful in explaining the bargain-

ing structure and all other aspects of the wage negotiations. He and his union colleagues gave generously of their time.

Arbitration

Arbitration dates back to 1916 when it was used to settle disputes arising during the wartime emergency. Although it was suspended after the war, it was reintroduced and made permanent under the National Whitley Council Arbitration Agreement in 1925. Until 1937, disputes were arbitrated by the Industrial Court (renamed the Industrial Arbitration Board by the Industrial Relations Act of 1971), the agency to which unions and management in the private sector and other portions of the public sector may refer disputes under their own voluntary arbitration arrangements. At that time the parties established the Civil Service Arbitration Tribunal (CSAT) and the procedure which, with slight changes, has continued in use to the present.

The chairman of the CSAT is appointed by the Secretary of State for Employment upon the recommendation of the Official and Staff Sides of the National Whitley Council.¹¹ His term is for two years and, according to British tradition, he can expect to be reappointed except under unusual circumstances.¹² In addition to the chairman, each side nominates individuals for two year appointments by the Secretary of State for Employ-

ment to membership on the Staff Side and Official Side panels. Staff Side nominees are usually academics whose speciality is industrial relations and Official Side nominees are usually private sector managers with industrial relations experience.

Under the CSAT procedure, the request for arbitration may be submitted to the Minister of Labor by either party, although it is usually a joint submission with an agreed-upon term of reference. The request for arbitration is forwarded by the Minister to the Chairman of the CSAT who, in turn, selects a member from each side's panel to hear the case with him.¹³ Hearings are informal and formal rules of evidence are not followed. Written statements are submitted and each side is given the opportunity to comment upon the other side's statement and to call witnesses, who may be questioned by the CSAT or the other side. Cases are usually heard in one day and CSAT awards are made known to the parties shortly thereafter. Arbitration awards are usually unanimous, based on consensus, and are signed by the three men hearing the case. Technically, the Chairman's decision prevails when there is disagreement, and, on rare occasions, it has been

¹¹ Technically, after consultation with the parties, the Secretary of State for Employment can appoint whomever he wishes, but in practice the parties make a joint recommendation which he accepts.

¹² Professor Hugh Clegg was not reappointed following his acceptance, during his CSAT chairmanship, of an appointment as a Staff Side nominee to an independent committee of inquiry set up by the Local Government Authorities (LGA's) and several unions to resolve the 1970 strike of Local Government Authority manual employees. In this instance the Government had urged the LGA's not to make further wage concessions, had declined to establish a Commission of Inquiry which might so recommend, and expressed displeasure with the award of the independent inquiry.

The Government refusal to reappoint Professor Clegg was roundly condemned by the major Civil Service Staff Associations.

¹³ Although the Civil Service Arbitration Agreement provides that the Chairman will select the panel members who will serve with him on a case, he usually permits the Secretary to do this with members being called in rotation, subject only to availability. If the Chairman regards a case as a particularly important one, he may suggest that the Secretary assign the most experienced panel members to it.

The former and present chairman, Hugh Clegg and Richard Mustill, and senior panel members were kind enough to review cases in which they participated and to discuss the arbitration procedure at some length.

necessary for the Chairman to issue his own award.

The infrequency with which the parties have turned to arbitration in recent years to resolve their wage disputes contradicts the idea, widely held in the United States, that its availability upon the request of either side will have a "narcotic effect"—that is, it will lead the bargainers to rely more and more heavily upon arbitration to resolve their problems instead of solving them directly by negotiations. Only one of the 14 Central Pay Increases negotiated between 1957 and 1972 was determined by arbitration. This occurred in 1962 under special circumstances arising from the Government wage freeze and subsequent incomes policy.

Negotiations about 24 of the 102 PRU surveys effective between 1957 and 1972 were unsuccessful and led to arbitration. Most of these, including all but one of the cases involving a large number of people, occurred prior to 1962 during the first PRU cycle. Subsequent to the initial shakedown experience with the new wage system, the parties have been able for the most part to reach agreement in interpreting PRU surveys without the need to go to arbitration. On the average, about one small PRU survey per year has been arbitrated since 1962.

Detailed records have not been kept about the number of Paragraph six claims filed annually since 1964 when it first became possible to file such claims. The record of the past five years shows, however, that only 12 of the 227 Paragraph six claims filed went to arbitration. This record is probably indicative of the entire record as only 21 Paragraph six claims were arbitrated between 1965 and 1972.

These claims typically affect relatively small groups—only three of those that were arbitrated affected more than 1000 staff apiece and the median number affected was only slightly more than 100 people. A CPI claim might affect as many as 400,000 people and major PRU claims may directly affect half that number.

If one restricts the analysis to the per cent of cases arbitrated, it obscures the fact that most of the arbitrations involve only a relatively small number of people and are somewhat similar to internal wage inequity problems in the United States. Table 1 shows, for each of the three types of wage negotiations, both the number and proportion of staff and claims covered by arbitration in the five year period extending from 1968 through 1972.¹⁴ *In this time span, cases involving only 1 per cent of the staff and 6 per cent of the claims were arbitrated.* This relatively low proportion indicates that the "narcotic effect" is not present. Its absence is attributable primarily to the negotiating procedures of the parties, a procedure that would fit as well in the United States model as in Great Britain.

Wage negotiations are conducted on a confidential without-prejudice basis that permits the CSD to make what are termed "closed offers." These closed offers exceed the 'open offer, that the CSD will defend if the unions reject the closed offer and proceed to arbitration. Closed offers bear the same relationship to open offers in the British system as the tentative exploratory off-the-record offers made in the United States private sector bargaining by the top management spokesman to the chief union negotiator. In the United States, however, in private sector bargaining,

¹⁴ The staff of the CSD under the direction of Brian Pearce and Keith Lawrance performed the tedious task of compiling this data. The author wishes to thank them

for this and all the other help that they so kindly gave in carrying out this research project.

TABLE 1
Number and Proportion of Pay Claims Referred to Arbitration
and Number and Proportion of Staff Covered
1968—1972

Year that Survey or Claim is Effective	Number of Surveys or Claims	Number of Staff Directly Covered*	Number & Percent of Surveys or Claims Referred to Arbitration		Number & Percent of Staff Directly Covered by Arbitration Awards**	
—Pay Research Unit Claims—						
1968	4	204,400	0	0%	0	0%
1969	6	44,500	1	17%	2,200	5%
1970	8	58,700	1	13%	2,100	4%
1971	3	248,000	1	33%	17,000	7%
1972	3	47,800	0	0%	0	0%
'68-'72	24	603,400	3	13%	21,300	4%
—Paragraph 6 Claims—						
1968	67	32,300	6	9%	3,600	11%
1969	34	7,200	2	6%	300	4%
1970	22	6,800	0	0%	0	0%
1971	83	44,000	4	5%	9,100	21%
1972	21	2,200	0	0%	0	0%
'68-'72	227	92,500	12	5%	13,000	14%
—Central Pay Increases—						
1968	1	129,000	0	0%	0	0%
1969	1	370,000	0	0%	0	0%
1970	1	400,000	0	0%	0	0%
1971	1	140,000	0	0%	0	0%
1972	1	400,000	0	0%	0	0%
'68-'72	5	1,439,000	0	0%	0	0%
—Total of the Three Types of Claims—						
1968	72	365,700	6	8%	3,600	1%
1969	41	421,700	3	7%	2,500	.6%
1970	31	465,700	1	3%	2,100	.5%
1971	87	432,000	5	6%	26,100	6%
1972	25	450,000	0	0%	0	0%
'68-'72	256	2,134,900	15	6%	34,300	1%

* Does not include the staff in linked grades covered indirectly by PRU exercise and not covered by Paragraph 6 claims. The pay of these groups is adjusted in line with the outcome of the PRU review of the parent grade.

** Does not include staff in linked grades as they are not included in the number eligible for PRU reviews. Since the parent classes of 1,200 linked staff were arbitrated in 1969 and those of 4,000 linked staff in 1971, these figures understate the impact of PRU arbitration claims by these amounts. Their inclusion would not change the overall totals.

the alternative to acceptance of an offer is a strike, and fear of a strike may cause the parties to find a compromise solution. In the British non-industrial Civil Service, where the alternative to agreement is arbitration, fear of an arbitration award that will be less favorable than the confidential without-prejudice offer serves as an alternative stimulus to settlement, albeit a less powerful one than the alternative of economic conflict.¹⁵

Leaders of the Staff and Official Sides of the Whitley Council believe that the without-prejudice confidential system of negotiations tends to reduce the proportion of cases sent to arbitration, particularly insofar as PRU claims and CPIs are concerned. When these claims are being negotiated, the risk factor is usually present as the question is not whether to improve an existing linkage, as is the case in Paragraph six claims,¹⁶ but to determine how much of an increase a group should receive. In these situations the without-prejudice offer can be used in a skillful fashion by experienced bargainers to resolve disputes by negotiation in preference to arbitration.

Other factors also tend to depress the proportion of cases referred to arbitration. Negotiators for both sides believe that the participants are able to fashion a better agreement than a third party. An outsider can not be completely familiar with the nuances and background of a dispute and may

make an award that creates an arbitral precedent which is detrimental to the long-run interests of the parties.

Most of the negotiators also share the view that frequent referrals to arbitration reflect adversely upon their negotiating skill and do their best to avoid this solution. This may be easier for the CSD than for management bargainers in other industries because the economic restraints on the Government's ability to pay may be less than those on private firms and local government, and because, on political grounds, the CSD must act as "enlightened management", adopting policies that seem fair both to its employees and to the public.

The Staff Side may be deterred from arbitrating CPIs or major PRU claims because of the possibility that the Government could influence the CSAT by reference to the national interest and need for wage restraint. Although the 1962 CSAT award in the dispute about the CPI and the subsequent conduct of CSAT chairmen suggest that there are not firm grounds for this fear, this factor is apparently taken into account by the Staff Side.¹⁷

Conclusion

The key question in public sector bargaining generally in developed western countries is whether impasses will be resolved by industrial action or by alternative procedures, either voluntarily agreed upon by the parties or imposed upon them by

This probably explains the higher propensity to arbitrate Paragraph six claims that was mentioned earlier.

¹⁷ In 1962, the Government limited its CPI offer to two per cent because of its wage-restraint program and suggested to the CSAT that the public interest in restraining inflation should override arguments based on the comparability pay principle. The CSAT, however, gave the staff a 4 per cent increase, an action which was thought by many observers to have hastened the demise of the wage-restraint program.

¹⁵ An analysis of the arbitration cases heard from 1968-1972 indicates that only a small proportion of the settlements probably exceed the confidential closed offers that were rejected. Also, some of those cases fall into the nothing-to-lose category described in footnote 18.

¹⁶ If a Paragraph six claim has been completely rejected by the CSD a "nothing-to-lose" situation is created and a CSAT award that also does not completely reject the claim gives the Staff Association more than it could have gained through negotiations.

society through legislation or other means. The system used in the British non-industrial Civil Service since 1956 to resolve wage disputes by negotiation and, if necessary, by arbitration on the motion of either party, is an outstanding example of a procedure that has worked well for some time under a variety of conditions.

The agreed-upon pay principles and the jointly-controlled pay research unit provide a solid foundation for the system. The skillful use of the confidential without-prejudice offer makes it possible to lose by going to arbitration and thereby avoids excessive use of that procedure. Also, the positive attitude of each side to the other improves their bargaining relationship.

The Staff Side relies upon the CSD to be the voice within the Government that supports the Civil Service pay system and opposes policies that weaken it. The CSD, in turn, maintains a posture that strengthens the role of the Staff Side-Whitley Council committees and individual unions by favoring consultation with them on a wide variety of matters and by accepting their full participation in dis-

cussions as equal partners, rather than attempting to limit consultation as much as possible. Both sides recognize the adversary nature of bargaining about wages but cushion it within the harmonious framework of the joint consultation procedure used to resolve other problems.

Although this well-tested framework of rules facilitates the peaceful resolution of wage disputes, the present bargaining system would not work unless both parties believed that the other side wanted it to work. It is a consensual system which can be destroyed by either side, but this appears unlikely because both sides believe that its continuance is more favorable to their separate aims than its abandonment. They tend, therefore, to emphasize the need for procedural improvements in the system rather than for its abolition. In a period when industrial relations are characterized by turbulence, it is indeed remarkable that the system used in the non-industrial Civil Service for many years continues to operate so smoothly. [The End]

Tradeunionism Among Public Employees in the Western Hemisphere

By WILLIAM H. SINCLAIR

International Union General
Representative, AFSCME

TRADEUNIONISM AMONG PUBLIC employees in the Western Hemisphere is on the march to the tune of different drummers.

While unionism as we know it in the Continental United States, Can-

ada or the Panama Canal Zone may not be the same as what is found in Mexico, Colombia, Argentina, Venezuela or Jamaica, public workers are banding themselves together in employee clubs, civil service associations, local unions, federations, national confederations and international organizations in search of improved wages, hours, working conditions and fringe benefits.

In several cases, ad hoc groups have emerged on the scene to cope with a single or specific problem, then disappeared. Ad hoc groups are likely to come to life again whenever specific situations develop. The important aspect here is that the same organizers or leaders of ad hoc entities usually are repeaters, indicating some sort of consistency in their effort toward attaining greater on-the-job benefits for themselves and their fellow men.

There is no doubt that governments everywhere play an important role in determining how far public workers have reached, are going, or may go, as far as unionization is concerned.

In every country of the Western Hemisphere, certain restrictions exist, with the basic aim of keeping public service employees in line. That is, the public workers do not enjoy the same rights as their counterparts in industry—at least, tradeunion wise.

The common tendency is to regard unionization, collective bargaining, the closed shop and the right to strike as basic rights reserved for workers in industry and/or private employment.

The average citizen feels he can tolerate, accept, live with or even applaud the labor crusade, providing that crusade is not an active part of the public sector.

Public workers are looked upon, as far as organized labor goes, as second class citizens. Accordingly, public workers' associations, tradeunions or any organized group of public workers are generally regarded as second class organizations.

Even among labor leaders, labor instructors and labor-management relations experts, this concept generally prevails. The feeling is that since most nations prohibit their public workers from striking, picketing and negotiating collectively, public workers' organizations can hardly be consid-

ered or accepted as effective trade-unions or the public workers' spokesmen.

Government leaders, the general public and to some extent, our union brothers in industry, share the view that public employees should respectfully request whatever they think they deserve; while at the same time they are expected to fully understand why the city, state, federal or national governments cannot possibly grant their demands or satisfy their minimum aspirations.

They are expected to understand and accept the general rule that a government never really ceases to operate 24 hours a day in one form or another; good or bad; dictatorial or democratic, military or civilian, in war or peace, in chaos or natural catastrophies. Some form of authority always exists. Public workers are expected to see to it that they are a part of this never ending process; a part of that never-ceasing structure; and, if you please, they should feel happy and proud to know they are such an indispensable element of the process.

Unions Close Down Operation

On the other hand, our union brothers in industry are able to close down an operation. They do so quite frequently. But even while they man the picket lines, carry out the boycott of an enterprise and what have you, they expect, and rightfully so, to see policemen keeping the peace; judges, courts and other public services available to attend to their complaints, serve their needs, and resolve their disputes. Anything to help them win their strikes and basic objectives—a collective bargaining agreement.

Even though a private enterprise displays its accounts to the public and pleads for mercy against what they call greedy union demands, ruth-

less union bosses, the enterprise is expected to pay up or close down—go out of business. Not so in government. Why? Simply because whatever the government does or does not do, usually affects the whole populace.

Isn't this also true in the private sector? Aren't we obligated to pay for every benefit negotiated for and won by workers in the private sector, through higher prices, higher taxes, higher everything?

Throughout the Western Hemisphere, in fact, the entire world, public workers are trying to help themselves the best way they can under the circumstances prevailing in each country.

The Canadian public worker is not more or less militant than the North American public worker; the American public worker, is, in my opinion, not more militant than the Mexican, Guatemalan, Argentinean, Colombian, Peruvian, Chilean, Brazilian, Trinidadian or Jamaican. They are all trying to help themselves, in some way.

The public worker, his union, association, employee club or ad hoc committee can only be as militant as the situation permits him to be in each country. You may say, in disgust, this chap addressing you today is an idiot or at least, a clown. Maybe so, but I am a realistic idiot or realistic clown, with idealistic views operating in a not so idealistic situation, with the idealistic hope that one day all public workers everywhere, will eventually be accepted as first class citizens, their unions regarded as first class organizations, with all rights attendant toward the building of really effective unions.

Public Workers Do Have Spokesmen

In our Western Hemisphere, the wave of nationalism, restrictive legis-

lation and yes, the element of complacency among public workers, make it most difficult, if not almost impossible, to fairly compare the public workers' organizations of Canada with those in the United States, Mexico, Panama, Colombia, Venezuela, Brazil, Paraguay or Jamaica, but, believe it or not, in every country there is today in existence, among public workers, working tools called trade-unions, associations, employee clubs, ad hoc committees or instruments serving as spokesmen for various segments of workers.

This is true even in those countries where organization of public workers is prohibited by law, where workers are even subject to the most extreme type of persecution for advocating group action. Even in countries where governments are saying public workers are considered as a part of the military establishment; therefore, they cannot organize unions, bargain collectively, assert the right to strike or the privilege of affiliating with national and international organizations.

If you were to make a country-to-country tour of the Western Hemisphere today, you would return to your point of departure with a completely negative report; a semi-negative report; a completely positive report; a semi-positive report, or a combination.

You would probably express great admiration for public workers organizations leaders, or total disdain. Everything would depend on what you are looking for, the way you are looking for it and your general attitude on the whole situation.

One sure road to disappointment is prejudging and making comparisons between one country and the other.

Nonetheless; in the main, in their own way, under the prevailing circumstances, in every country, you

will find a lot of gains obtained through legislation, collective bargaining or collective begging, respectful requests, negotiations, strikes and persuasions. That the benefits a Colombian public worker is receiving may be less than his counterpart in the United States or Mexico, is something I would not want to ascertain. When I am in Canada, I examine the Canadian situation. I do the same in the United States, Mexico, Panama, Ecuador, Argentina, Brazil, Trinidad, Venezuela or Jamaica.

I try to see things through the eyes of those I am dealing with, the country I am in, plus the prevailing situation in each one. In my work I follow the maxim of the wise old Indian chief of not judging a man until I have walked at least one mile in his moccasins.

Regarding All as Equals

In our Western Hemisphere you will find some of the most populous nations of the world. In North America we have the United States. In Latin America we find Brazil, Mexico, Argentina, Colombia, Peru, Venezuela, Chile, Cuba and Ecuador.

In our Western Hemisphere we have some of the greatest cities man has built on this planet. New York City, Sao Paulo, Rio de Janeiro, Chicago, Mexico City, Buenos Aires, Los Angeles, Lima, Bogota, Caracas. Who runs these nations and cities? The public workers do.

If they are capable of performing such gigantic tasks, why then should someone say public workers are not mature enough to be accorded equal tradeunion rights as their counterparts in industry?

If we look at the tradeunion movement in Canada and the United States, then look down our noses at Latin Americans because their unions may

not have achieved the same or even half as much as our North American counterparts, we are not being sensible, because the mayor of New York City certainly does not have a bigger job in running his city than his counterparts in Rio de Janeiro, Mexico City or Buenos Aires. Certainly, our public service administrators are doing a good job. Anyone who has been fortunate enough to visit Sao Paulo or Brasilia cannot say the Brazilians are not really smart because their public workers' unions do not compare to those in Canada. It is just that the Brazilian does not see things the way the North American sees it.

One of the strongest public workers unions in the world today is the "Federación de Sindicatos de Trabajadores al Servicio del Estado" of Mexico. This Federation is not affiliated to the Mexican national center, nor the Inter-American labor movement, nor the international labor movement. Does this make it less effective or less important than the American Federation of State, County and Municipal Employees of the United States, the Canadian Union of Public Employees or the Municipal Workers Union of Argentina? Yes and no. The AFSCME would be out of place in Mexico. The FSTSE would be out of place in the United States. The Municipal Workers' Union of Argentina would be out of place both in Mexico and the United States.

Argentina Among the Best

Looking at the labor movement in the public sector objectively, I would say the AFSCME is doing an excellent job in the United States. I admire the CUPE of Canada. I think the Mexicans are doing a good job in Mexico and I look upon our Argentine brothers as among the best tradeunionists in the world.

This is a fact of life. This is something that we have to live with. Something we have to accept as inevitable. When I look at that great nation of Brazil, which destiny has decreed to be a future world power, and hear people condemn the "Confederacao dos Servidores Publicos do Brasil" as a "paper organization," I wonder what some of us are really looking for in this greatest of all possible worlds.

This confederation is powerful in its own way. It operates under restrictions which would baffle any trade-union leader of North America. Yet, it is operating. It is a live, operating entity, performing a great task for the public workers of Brazil. That the Jamaican, American, or Canal Zone labor leader may not consider the confederation as something useful, is one thing. They do not live in Brazil.

In spite of restrictive legislation, persecution, complacency, the legal opposition to unionization, collective bargaining, the right to strike, the union or agency shop, plus hundreds of other "don'ts," public workers organizations in the Western Hemisphere have organized, they have struck the governments, they have pressured the

legislatures to pass laws granting sweeping benefits to public workers, they have negotiated collective bargaining agreements; some have won the closed shop, agency shop, dues check-off and other gains workers in the private sector have obtained under the blessings of the right to organize, bargain and strike.

There are some 30 million public workers in the Western Hemisphere. They have come a long way. They have a longer way to go. I predict—they will get to wherever they want to go.

The Public Services International, an organization representing public workers throughout the free world, is resuming its activities in Latin American and the Caribbean Zone.

This great organization will no doubt contribute immensely toward an increased growth in the unionization of public workers in every country of this hemisphere.

The task before it is gigantic. To the average man, it seems impossible. However, the PSI will help all public workers to eventually realize their aspirations and attain whatever goal they may wish to chart among themselves. Our people are marching on and on and on. **[The End]**

A Political System for a Political World— in Public Sector Labor Relations

By ROBERT D. HELSBY

New York State Public Employment
Relations Board

DURING THE PAST DECADE a substantial body of experience has evolved as public employees have sought and have obtained the right to

organize and to bargain. It is not an overstatement to point out that some 38 separate experiments are underway in the various states with respect to public sector labor relations. Although the approach of each state law has some similarities, there are

enough variations so that over time it may well be that experimentation will provide a means to evaluate and to choose the best of these various approaches.

However, a fundamental question raised at the beginning of the era of public sector labor relations remains unanswered. I suspect that perhaps the question has actually been answered in practice although not all participants will accept the answer which I think has emerged.

The answer also depends on how one phrases the question. The Taylor Committee, in its original report proposing the New York Law in 1966, phrased the question as follows: "How should collective negotiation in the public service be distinguished from collective bargaining in the private sector?" Others, including such distinguished practitioners as Theodore Kheel, have wondered whether or not collective bargaining as it has evolved in the private sector is possible or appropriate in the public sector. Certainly this, and the related questions which flow from it, are not as theoretical as was the case five or ten years ago.

In fact, I think that time and experience have provided a pretty clear answer. Whether you call it collective bargaining or collective negotiations, I submit that the process in the public sector is different.

Components of Public Sector Negotiations

Dr. Seymour Scher, a one-time professor of political science and more recently a city manager in two of New York State's larger cities, outlines five basic components of public sector negotiations:

1. The mood, needs, and demands of the community constituency.

2. The mood, needs, and demands of the political establishment.

3. The limitations, restrictions, and requirements of constitutions, statutes, ordinances, civil service, education laws, municipal charters, etc.

4. The mood, needs, and demands of the employer.

5. The mood, needs, and demands of the employees.

Dr. Scher points out that the first three of the five elements he has listed do not exist in the private sector. Whether one agrees with his listing or not, there is certainly one major factor which differentiates the public from the private sector. The bargaining process in the public sector takes place in a political arena and the parties to the bargain—both the union and the executive—must seek political ratification of their product. The union, of course, also faces the problem of obtaining acceptance from the membership—the public employees affected. The political ratification to which I refer, however, means acceptance by the appropriate legislative body; in most situations at least the part of the agreement which costs money must have such ratification. In short, funds have to be appropriated to implement the agreement.

Let me be concrete. Two years ago in response to rising clamor about the cost of public employee pension systems in New York State, Governor Rockefeller and the Legislature appointed a pension commission. Two years later the commission made its report. The New York State Constitution precludes diminishing existing public employee pensions. Therefore, the commission recommended that public employee pensions be removed from the bargaining table and the various existing pension systems be closed and that a new system covering all state and local public em-

ployees in the State except police and firemen be created. While the details of the proposed new system are not pertinent here, I note that under the proposal the long-run cost to public employers would be reduced from 20 per cent of payroll to 10 per cent of payroll, that there would be a Social Security offset against the pension, that the system would be non-contributory, and that there would be a substantial reduction in benefits. At this point, I would not wish to venture a prediction as to the ultimate fate of these recommendations in the Legislature.

Review of Pension Commission

I think it is instructive to review for a moment the genesis of the pension commission. Council 37, AFSCME, negotiated a pension improvement for most New York City employees which would have provided retirement at half pay after twenty years' service at age 55. Changes of this type in the various pension systems applicable to New York City employees require approval in the State Legislature. It produced substantial public outcry. Legislation to approve the agreement at the State level never got out of committee the following year. Council 37 and the Teamsters Local considered this an affront and struck. This was the famous strike during which various drawbridges were left open and untreated sewage was poured into the waters around New York City. After a day or two, the City and the affected unions negotiated what the New York Times characterized as a "face-saving agreement" which provided, in effect, that if the Legislature failed to approve the pension improvement, the City would provide alternate and equivalent benefits. Two legislative sessions have now nearly passed, and in the cur-

rent climate, the Legislature seems most unlikely to approve the pension agreement between New York City and Council 37.

In this situation the State Legislature was, of course, one level removed from that of the bargaining process. The resulting strike was clearly not against the employer involved but against the State Legislature. The strike was illegal. It caused substantial disruption and inconvenience to thousands of people.

In this particular situation, the rent in the social fabric was not irreparable. The situation may, in fact, have taught a valuable lesson to all concerned. The State Legislature can, and sometimes will, repudiate a bargain between, in this instance, a subsidiary government—New York City—and a union coalition. The Legislature could reject, but so far has not, an agreement between State employee unions and the Office of Employee Relations—the negotiating arm of the Governor. And it is at least a reasonable probability that the Legislature may modify nearly every existing agreement in the State by substantially modifying the pension system for new employees.

Thus one major key to the difference between bargaining in the public sector and in the private sector is the role of the legislative body. It is not the semantic difference between collective negotiations and collective bargaining. The dynamics of the bargaining process itself are essentially similar in both the public and the private sectors. The basic fact of public sector bargaining is that a substantial part of the bargain arrived at must be ratified, directly or indirectly, by the appropriate Legislature. Whatever else may be involved, the Legislature must appropriate the money to effectuate the bargain. The Legisla-

ture is composed of a group of elected people in a democracy, each with his or her own political constituency, accountability and needs for survival.

Right to Strike

At its meeting in May 1972, the Western Assembly in considering "collective bargaining in American government" concluded that public employees should have the right to strike. The Western Assembly also recognized that "in some instances, federal and state legislatures will be compelled to adopt legislation that supplants or supplements collective bargaining on some issues in the public sector."

At this point one has to recognize the potential of the collision course. The Western Assembly report also states "in government the basic policy-making decisions are primarily the responsibility of legislative bodies, while collective bargaining is engaged in by governmental agencies whose duty it is to effectuate these policies." Herein, it seems to me, is to be found a dilemma which so far defies solution. To phrase the question as dramatically as possible, what happens if a legislature "supplements or supplants" the bargain or, as the New York State Legislature did in the aforementioned episode, simply refuses to act? If the result is a strike, how does it get resolved?

Fortunately most situations are not this draconian. Normally the parties at the table have some realistic notion of the political parameters within which they are constrained to operate. Difficulties, of course, may arise if their respective assessments of the parameters differ. In fact, this is the normal situation encountered in public employee strikes. The parties at the table are unable or unwilling to reach a bargain. Occasionally such

strikes may even be part of the political dynamics necessary to get the ultimate agreement ratified.

At this point, recognition needs to be given to the fact that the situation differs at various governmental levels. Somehow or other the situation is not exactly the same when a city manager or a mayor arrives at an agreement with a public employee union which a city council repudiates. If this does happen, the city manager is probably looking for other employment. The mayor is undoubtedly in political difficulty. The difference is even more significant in smaller governments and school districts where the employer-executive and the legislative body are essentially the same. But what if the State Legislature rejects an agreement negotiated by a Governor or his agent and unions representing state employees? Is the situation any different if Congress repudiates an agreement negotiated by presidential agents and the result is a strike?

The essential question thus becomes, what resort, if any, does a public employee union have if the applicable legislature repudiates all or part of a bargain arrived at between the executive and the union? Or, to state the question another way, if the joint political efforts of the employee union and the executive-employer fail to get the bargain implemented, what happens then?

In recent years the question of what happens when the political process yields an undesirable result from a point of view of the activists has been with us in a good many forms. Some forms of social action are obviously more tolerable than others. Rallies, peaceful demonstrations, informational picketing, vigils, etc., have been commonplace in recent years.

The question I am really asking is: After the development of a collectively negotiated agreement, why should the rights of a public employee be any greater or any less than those of any other citizen?

This is the issue, it seems to me, that those who advocate an unrestricted right for public employees to strike have simply not faced up to. What the bargaining process does in the public sector is to give public employees, through their bargaining agent, a meaningful voice in the determination of what the executive-employer proposes to the legislature with respect to terms and conditions of employment. The public sector bargain cannot be more than this. Hopefully it is not less.

Once the parties have balanced the needs of the union, the needs of the employees and the public, the resources which the executive-employer thinks he can commit, and agreed that their mutual understanding of the political parameters within which they are operating are essentially the same, both have an obligation to seek legislative approval of their joint product.

At this point the union, in seeking legislative approval of the agreement, has the same right as any other group of citizens to attempt to pressure the legislature to take desired action.

If, for some reason, the legislature fails to approve all or part of the bargain, it seems clear that giving public employees the right to strike at this point is giving them a right which no other citizen has. Should other groups adversely affected by legislative decisions be given the right to strike or its equivalent, whatever that is? One suspects that the answer is no in both cases.

In any event, such limited experience as we have suggests that strikes

by public employees at this point would be largely futile, particularly at the state or federal level. The concept of the general strike is generally unknown and unaccepted in this country. Abroad, public employee strikes (excepting a few nationalized industries) are generally one-or two-day protest movements, usually announced in advance, rather than a fight to the finish as in the private sector in the United States.

If the economic strike against a legislature and therefore against the political process is in all probability liable to be ineffective on the one hand and intolerable on the other, and the concept of the general strike is both unknown and unacceptable, then the question arises can a strike against the executive-employer resulting from failure to reach agreement at the table be tolerated and institutionalized. This is really what those who advocate the right to strike for public employees seem to favor, at least within limits. Those public employee statutes which do provide a limited right to strike mandate impasse procedures which must be exhausted before the strike becomes legal. Even then the threat to public health and safety must be assessed.

In New York State, about 3,000 contracts are negotiated annually in the public sector. Third-party assistance is required in reaching about 30 per cent of these agreements—mediation, fact-finding, or both. Strikes—illegal ones—occur in about one per cent of these situations—about 30 per year—although not all are caused by bargaining. Some result from disputes over working conditions during the term of the contract and related questions.

About 90 per cent of public employees in New York State—900,000 of some 1,000,000—presently exercise their

rights under the Taylor Law. The passage of a law applicable to all state and local public employees brought about almost instant unionization. Those public employees not organized are either management-confidential employees or are employed by very small employers—less than ten. I have the impression but cannot document the fact that there have been similar developments in those states which have adopted a law, or laws, applicable to all state and local public employees.

In contrast, in the private sector in New York State, only about 30 per cent of non-farm employment is organized. While there are many factors which limit the ability of *private* sector unions to organize or to penetrate more than they have, there seems to be general agreement that the ability to organize and to bargain effectively depends in large measure on the ability and the willingness of the employees involved to strike—thus the maxim that there cannot be real collective bargaining without the right to strike.

Is the Maxim Applicable to the Public Sector?

In 1966 and 1967 if one listened to the sound and fury of the debates in New York State, both in the Legislature and outside, out of which grew the Taylor Law, one would have to say that most of the labor leadership thought so. At that point in time, union leadership and their allies in the Legislature contended with vim, vigor and vitality that there could be no genuine collective bargaining in the public sector without the right to strike. Within a month after the Taylor Law was passed, some 15,000 unionists gathered in Madison Square Garden to denounce the Law and establish a fund for its repeal. It was characterized as anti-union. Public manage-

ment was equally vehement—strikes were intolerable and should never take place under any circumstances.

Six years later the situation is somewhat different. This is not to say that the parties have officially reversed their 1966 and 1967 positions. Almost all union leaders still officially advocate the right to strike for public employees. I am not aware of any management representatives in New York State who have officially reversed their positions. However, I think it is fair to say that these positions have become more ritualistic than real. Certainly the noise and the din on the labor side is diminished. There has not been a repetition of the Madison Square Garden rally. Nor has management conducted any celebrations on the anniversaries of its enactment. Government has learned not to panic at the threat of a strike, or indeed in an actual strike; employees have often learned to their sorrow that a strike has not been the great pressure for equity which they had formerly envisioned.

In private discussions with both sides, one can begin to perceive the development of a reversal of position. Public management would rather continue the present system than face up to some of the alternatives. And, more particularly, at least some representatives in public management would rather legalize the strike than be faced with compulsory arbitration. On the labor side there is some private recognition that most public employees might be in a weaker position with a law which permitted strikes than at present. Both sides will generally concede, even though there are particular aspects that one or the other would like to see changed, that the present system works.

This is another way of saying that in the past six years a workable labor relations system for the public sector

has gradually evolved in New York State. This evolution is, of course, still in process. It is not the traditional collective bargaining of the private sector which utilizes the bargaining-strike syndrome. Rather it is a political process which utilizes a whole new array of techniques and processes in the negotiation of an agreement. One cannot predict the ultimate direction, but I think it can safely be said that no radical changes are in the offing for the immediate future.

The basics of the system, I think, can be briefly outlined as follows. The executive-employer and the public employee union go to the table and do their thing. Seventy per cent of the time they appear to be able to agree upon the applicable political and economic parameters and to be able to reach a mutually satisfactory bargain. Where they cannot, mandated impasse procedures become applicable. At the mediation stage, settlement can generally be reached—historically in about half of the cases that go to impasse—if the parties are divided only by economic or technical issues, but not if the mix includes basic disagreement on both the economic and political parameters. Of the cases which go to fact-finding, a substantial number—historically about 40 per cent—are mediated by the fact-finder, e.g., the threat of what he might recommend is enough to bring the parties to agreement. In about a fourth of these cases, the report and recommendations become a politically and economically acceptable document which both parties can buy. In about 40 per cent of the cases which go to fact-finding, the report and recommendations provide a political and economic frame within which and upon which the parties generally manage to reach agreement. Additional third-party assistance is sometimes required. And, of course, as has already been indi-

cated, there are occasional strikes. Approximately 20 of the 30 strikes a year result from failure of the bargaining process and impasse procedures—considerably less than one per cent of the agreements. There are about an equal number of valid strike threats. Taken together, some would say that these are necessary to lubricate the system.

Thus bargaining in the public sector has become, in New York State and I suspect in many other jurisdictions, a process for the mutual formulation of the public employee compensation package and related matters, before it is dropped into the legislative-political arena to compete with other claimants for the allocation of public resources. However imperfect, this is the only process which we have to legitimately resolve such questions. It is not a particularly neat and tidy process, but neither are the tugs and hauls of public opinion which constitute the democratic system.

If the only alternative is to give public employees the right to strike, the question needs to be asked not only what effect would this have upon the continuity of public service but what effect would it have upon public employees? Would their bargaining strength be increased or weakened? For some, particularly in the large unions, their position would quite clearly be strengthened. For many others, however, the opposite would be the case. My judgment is that in New York State, for example, 60 to 70 per cent are probably better served by the present system. Oftentimes the news media refer to our PERB-appointed and financed mediators, fact-finders, and conciliators as the "public employee rescue battalion". Unless employees have the will and ability to mount a cohesive strike, the right to strike by itself becomes meaningless. In short, their circumstances

are such that a strike weapon is not a viable alternative.

As experience builds in the public sector, what we really need is less ideology and more research. We need to take a hard look at what is going on in the various "experiments" which have been under way in various states for some time. To be truly objective this effort should be made by others than those who have a vested interest—in other words, not by agencies administering programs or by representatives of the parties.

Someone recently said: "Arbitration is to collective bargaining what artificial insemination is to reproduction; it takes all the fun out of it." Sometimes I think those who advocate the right to strike for public employees are taking a somewhat similar position. Somehow, they feel that without the right to strike, the whole process is less fun.

It may be fun, however, which we neither need nor can afford. When I see communities literally torn apart from a strike of teachers for example; when I see the acrimony and divisiveness caused by youngsters on picket lines, teacher pitted against boards of education, neighbor against neighbor, parents and families divided in bitter battles which leave wounds and scars which are so hard to heal; then I believe that our quest must be to find a better way.

What is really emerging is a system of employee participation in the determination of conditions of employment—a bargaining process applicable to and more appropriate for the political process.

Conclusion

To summarize, I believe that:

1. The political world in which public employees negotiate their condi-

tions of employment calls for very different considerations than the predominantly economic world of the private sector.

2. Contrary to the characterization by some, this does not make a second-class citizen of the public employee. Rather, it calls for approaches which are different from, and more appropriate to the public sector.

3. The requirement for ratification by appropriate legislative bodies is one basic element of the political equation which drastically influences every aspect of public sector bargaining.

4. Out of the vast array of experimentation taking place in the various states, many techniques and systems are developing to balance the needs of government, its employees and the public interest.

5. The tenet of collective bargaining in the private sector—namely, the need for the right to strike as an inherent requirement of the process—is being seriously questioned in the public sector. Both employers and employees are taking a long constructive look at the alternatives.

6. A whole new system of dispute settlement is emerging which uses the widest possible variety of mechanisms—mediation, mediation-arbitration, fact-finding, arbitration, etc.—with the utmost of tailormade flexibility. In short, it is a political system which responds to the tug and haul of public opinion in a democratic society. The Taylor Law in New York is one such experiment. Its initial six years would indicate considerable promise for such systems.

7. The components of this exciting new field of human relations are as complex as human nature and as dynamic as democracy itself. And the stakes for success are high indeed.

[The End]

Labor Relations in the Public Sector

A Discussion

By ELLEN M. BUSSEY

Manpower Administration USDL

FOR ME, THE MOST OUTSTANDING THING about the discussion here this afternoon is how far we have come with respect to public sector labor relations in the past few years. In fact, as a some time Federal employee I have experienced this change first hand. Each time I have returned to the Federal Government from some other type of employment I have been impressed not only with the phenomenal growth in union membership and with the technical advances in the labor relations process but, perhaps most importantly, with the revolution in attitudes toward trade unions and their representatives. I find the Department of State a particularly interesting example of this change.

It seems only yesterday that the right to bargain was at stake for public employees. Currently this right is taken for granted and the focus is on such matters as expanding the agenda of bargaining points, on the union shop and on alternative means to resolve an impasse in negotiations—means which for many involve the right to strike.

While in some quarters the right to strike issue is decidedly becoming more heated (in the Postal Service, for instance, there is talk of illegal strikes this year, at the same time that hearings on right-to-strike legislation are finally expected in the Congress), today's speakers seem to agree that the right to strike is not essential to satisfactory labor-management relations. An entire arsenal of alternatives was presented by Messrs. Helsby and Stern, including mediation, a combination of mediation and arbitration, fact-finding, and arbitration.

And Mr. Helsby points out that in spite of strike rhetoric on the part of union leaders, the right to strike is no longer considered basic to the need to have real collective bargaining. He bases this conclusion on the fact that attitudes have changed, (there is less militant feeling about the need to strike) and that in New York State 70 per cent of the time agreement is reached at the bargaining table, while the vast majority of the remainder of the disputes are resolved through fact-finding and mediation. But if this is so, the right to strike alone is not likely to change the climate in which disputes are resolved and for the worker, the right to strike, whether he uses it or not, certainly represents additional clout.

Mr. Helsby also indicates that the political world in which public employees negotiate calls for very different considerations than the predominantly economic world of the private sector. I would agree, but for somewhat different reasons than the ones he mentions. As Mr. Helsby says, the framework within which the public employee operates is, of course, complicated by the fact that he must face his management team as well as the legislature. But public employees were experienced lobbyists, before they became experienced negotiators. Their main problem appears to be one of not adequately courting public opinion—a much neglected art in labor relations in general, but one which is of special importance for public employees. Politicians at all levels find it advantageous to use the government worker as a whipping boy when offering the voter more for less tax money. Over the years, a caricature has been developed of the security-

mind, incompetent, red tape addict with a job that could easily be eliminated. It is hardly surprising, therefore, that it is difficult to gather public support for higher wages, better working conditions, pensions, vacations or whatever, for those who loaf on the taxpayer's money. And it is public opinion, after all, or we hope it is, which shapes the reactions of the legislatures. Thus, in that political world in which public employees negotiate, it would behoove them to make a greater investment in improving their image with the people of this country. These same people are probably a major cause in the failure of strikes which have taken place. Such strikes, in contrast to many private sector ones, cause immediate personal inconvenience, an inconvenience the public is unprepared to suffer for the type of employee whom it often resents even when there are no labor troubles.

Although I am inclined to agree with Messrs. Helsby and Stern that other means of settling public disputes may prove to be just as effective as the strike weapon, I am also convinced that the right-to-strike issue will not go away. A quick perusal of the trade union press shows that it is one of the main issues for State and local employees, as well as for postal workers, of course. And as some of the other trade union demands are met and collective bargaining is broadened, it is more and more likely that the right to strike will become generally accepted in this country as it has in some European ones. In the immediate future much will depend, of course, on whether there will be a National Public Employees' Relations Act and just what shape it will take, and to what extent postal workers will attain their legislative goals.

British Experience

Mr. Stern has shown via the British experience what can be done to resolve

an impasse in the public sector through arbitration. His analysis indicates that the American fear that compulsory arbitration is likely to do away with efforts at serious negotiation may be ill-founded. At least in Britain, the vast majority of disputes never reach the arbitrator. Negotiators for both sides have felt that they do better to settle among themselves than to rely on the judgement of third parties.

But in Britain the acceptance of compulsory arbitration as the proper way to settle a public dispute exists side by side with the right to strike. And strikes do occur. The best-known ones of recent years, the electrical workers' slowdown in late 1970 and the postal workers' strike of early 1971 were resounding failures, giving support to the view that settling by other means might be more satisfactory in the public sector. The postal strike, particularly, attracted attention when, after seven weeks, it became the longest national work stoppage since the great general strike of 1926. The collective agreement contained an arbitration clause, but rank and file pressure for wages substantially above those offered by management, forced a work stoppage.

There can be little doubt that public opinion played a major role in the failure of *this* strike. It was felt that postal workers did not deserve larger increases than those originally offered until they improved their performance and made the Postal Service more efficient and cost/effective. It was a prime example of a poor public image coupled with a false estimate of the nation's dependence on the service performed and of the power wielded through the strike weapon. The dispute was eventually resolved through third parties after all.

In taking a cue from the European experience, at least one major U. S. public union is now beginning to look beyond bargaining—in the direction

of wanting participation in the decision-making process which it refers to as co-determination. Nothing was said on this aspect of labor-management relations here today, but it seems an approach which might be better suited to the public sector in the U. S. than it is to the private sector. For instance, the much discussed public issue of the ownership of work—that is, should work be contracted out to private firms or should more public workers be engaged to perform it—would fit well into this framework. Certainly the American Foreign Service Association, just certified on January 22 of this year as exclusive representative for our Foreign Service, is strongly identifying its goals with co-determination. One of its major accomplishments to date has been a moratorium on the controversial “selection out” process.

Mr. Sinclair opens up a subject for debate which is very close to my interests. I have spent a substantial proportion of my professional life on international comparison studies and I can talk for quite a while in their defense. But I would be speaking of the type of study presented here by Mr. Stern—namely those intended to

allow nations to learn from each other, not those designed to attack, criticize and deprecate.

I suspect that Mr. Sinclair has recently come up against the same kind of North Americans who have all too often preceded me on my research trips abroad, making my contacts in various countries quite reluctant to ever again exchange thoughts with another person from the United States. The purpose of these negative attacks has always escaped me, as it has Mr. Sinclair.

But let me, for a moment, add another dimension to this discussion. There is the danger that the defense mechanism to “all people are, or should be, the same” becomes “but we are unique” and that the “but we are unique” becomes an excuse for inaction. There are, after all, many things which people share and a desire for income security and decent working conditions are certainly among them. An exchange of ideas in an international setting has its benefits if we can avoid the automatic rejection of any concept which is not home-grown, while simultaneously realizing that there can be no wholesale transplant of any system from one society to another. [The End]

Labor Relations in the Public Sector

A Discussion

By CHARLES M. REHMUS

University of Michigan

FEW MEN IN THE UNITED STATES have more experience with public sector labor relations than Robert Helsby. Hence, his thoughtful and provocative paper on the essentially political nature of public employee unionism in the State of New York is worth careful

study. As I understand him, he is questioning whether the public needs or can afford to permit public employee strikes, at least those which protest a legislative refusal to ratify the results of a collectively bargained agreement. His paper almost intimates that such strikes should be forbidden. But when I come to his conclusions, I find him suggesting only that we need the widest variety of mech-

anisms to deal with negotiating impasses in the public service. In short, he pleads for something similar to Taylor-made flexibility as being essential in our political and democratic society. I do not read him as standing foursquare in support of permanent mandatory procedures that lead to finality.

I understand and even agree with his reluctance to take the final leap over this precipice. It is significant that in both our private and public sector labor relations, we in the United States have almost always found plausible formulas for government intervention of a type that clearly have only intimations of government authority, but no real finality. In both the Taft-Hartley Act and the Railway Labor Act we have *appeared* to find a solution to emergency strikes even though, in a real and fundamental sense, the techniques we use are only partially effective against such strikes. Existing private sector "emergency procedures" are in no sense adequate to a real emergency except to the degree that the public is lulled into passivity because of the symbolism represented in the words themselves. Perhaps we should settle for a similar kind of "semi-finality" in the public sector.

In jurisdictions where public employee bargaining takes place, compulsory binding arbitration is increasingly being suggested as the only satisfactory alternative to strikes. In his interesting and scholarly paper, James Stern looks at British experience with binding arbitration. He concludes that a legislated permanent arbitration structure does not appear, in Great Britain at least, to have the habit-forming narcotic effect on bargainers that is commonly alleged.

As always when making international comparisons, one must wonder whether the underlying legal framework and socializing forces present in one nation permit any transfer of its successful institutions and systems to

another. Until we can conclude with reasonable certainty why a nation's institutions work for it, we must be doubly cautious about transferability. This latter point is what I miss most in Dr. Stern's paper. Why is it that the ready availability to British negotiators of binding arbitration has not led to its frequent use? Some alternative answers to this question occur to me, though I have little basis for selecting or preferring one over the other. Are British civil service unions unmilitant and complacent to the government's offers? Alternatively, do both sides rely upon the work of the Pay Research Unit to such an extent that its findings become the basis for settlement? Finally, is it not possible that the government simply "buys out" the unions? Stern says that British pay principles do not differ substantially from the guidelines stipulated in United States state statutes to channel arbitral discretion. I do not notice among these guidelines he cites as used by the British the one which is the most troublesome in the States, namely, ability to pay. Why not? The answer seems quite clearly to be that the British government is parliamentary in nature; therefore, those who negotiate come from the same branch as those who pay the bargained bills. But is it not possible therefore that the British are paying a high price in order to avoid strikes on the one hand and arbitration on the other? As I noted a moment ago, I do not know the answers to the questions I raise here. I think some answers must be available, however, before we could conclude that the British experience with compulsory arbitration would be similar in the United States.

Sinclair's Paper on Labor Relations

I really am not competent to judge William Sinclair's paper on labor re-

lations in the public sector in Latin America. I fear my own lack of knowledge on his subject is characteristic of most of us from North America. Some of Mr. Sinclair's assertions are provocative to say the least. He states that throughout these countries "public workers do not enjoy the same rights as their counterparts in industry," and "that public workers are looked upon, as far as organized labor goes, as second class citizens." Yet despite this, he says that at times and in places they have made significant gains either through strikes or pressure upon the appropriate legislature. As one reads these generalizations, one repeatedly asks "where", "in what country" and "under what circumstances?" As an Association whose members are committed to research in industrial relations, we must collectively acknowledge that we have paid far too little attention to the industrial relations institutions and practices that exist in Central and South American nations. I hope that the subject of public labor relations in Latin America is one that we can soon add to our University of Michigan studies in comparative public employment labor relations.

Finally, I would close with the thought that either public employee strikes themselves, or the avoidance of strikes through use of binding arbitration, have a price of their own. It may be necessary for us to pay this price, but at least we should do so with our eyes wide open. Someone, I think perhaps Nate Feinsinger, once said that "collective bargaining is the process by which the lion gets the lion's share." In the United States today, no other group of claimants on the public tax funds seems in a position to exercise the same amount of influence on the distribution of public resources as are the powerful and co-

hesive municipal unions. Those unions with the greatest leverage on the public appear for the moment at least to be advantaging themselves at the expense of other categories of public employees who work in less critical areas. In other cases, these powerful municipal unions have aggrandized themselves at the expense of the level of public services provided.

Our Chairman, Arvid Anderson, in a recent speech wisely noted that our contemporary problem is not simply that of resolving disputes in an equitable and orderly fashion, but also of ensuring that our institutions contribute to the quality of our society. This latter problem has not been solved through permitting strikes or by substituting compulsory arbitration mechanisms for them. Arbitrated awards have commonly been generous enough to convince me that the lion is still doing very well. In sum, while the strike problem in the public sector is great, in the long run I am more deeply concerned over such issues as jettisoning carefully evaluated wage policies developed over the years simply because the clout of sanitation workers or policemen is greater than that of teachers, clerks, or librarians. Public resource allocation is the most fundamental function of our legislative bodies. I believe that making decisions concerning how large a tax burden we should bear—and what we should spend the proceeds for—should be done in forums at least somewhat removed from popular passions and public employee pressures. Resource allocation at the collective bargaining table, or even at the arbitrator's desk, is the greatest long run problem of public employee unionism that we of the industrialized democracies confront—but we have not really faced it, far less resolved it. [The End]

SESSION III

Industrial Relations and Inflation

Collective Bargaining Settlements and the Wage Structure

By MARVIN KOSTERS, KENNETH FEDOR,
AND ALBERT ECKSTEIN

Cost of Living Council

THE WIDELY ACCEPTED VIEW that the rate of wage inflation is closely related to the degree of excess demand in labor markets is based upon a straightforward application of economic theory. Estimation of Phillips curves represents the most common empirical application of this hypothesis. However, the paradox of rapid increases in wages accompanied by rising rates of unemployment in the early 1970's has raised questions about the adequacy of the accepted theory of wage determination in the form in which it has usually been applied.

In this paper the analysis of wage trends* is extended by taking wage structural considerations into account. Under this approach, wage structural pressures generated by the combination of unanticipated inflation and the prevalence of long-term contracts are integrated into the analysis to explain recent wage behavior in the United States, particularly in sectors in which a large share of workers were covered by major collective bargaining agreements.

Demand Conditions and Wage Changes

The general relation between slack labor markets and smaller wage increases is well-known and is easily demonstrated for most periods. During the first five years of the 1960's, for example,

*The analysis in this paper was prepared while the authors were on the staff of the Cost of Living Council during Phase II of the Economic Stabilization Program.

the unemployment rate exceeded 5 per cent in each year and averaged 5.7 per cent during the period 1960-1964. Wage rates in the private nonfarm sector increased by less than 3.5 per cent in each of those years, and on average increased by 3.2 per cent per year. In the last five years of the 1960's, however, the unemployment rate averaged 3.8 per cent as it declined from 4.5 per cent in 1965 to 3.5 per cent in 1969. Wage rates increased on average by 5.1 per cent per year during this period with the rate of increase rising from 3.7 per cent in 1965 to 6.6 per cent in 1969.

Since 1969, however, wage rates increased more rapidly than was expected in response to reduced economic activity. When average unemployment rates rose to 4.9 per cent in 1970 and 5.9 per cent in 1971, wage rates continued to rise rapidly. Indeed, the increases in private nonfarm wage rates of 6.7 per cent in 1970 and 7.0 per cent in 1971 were larger than had occurred when unemployment rates were lower. Reduced demand in product and labor markets was not translated into smaller wage rate increases.

Lack of response to slack labor market conditions was also evident in wage increases agreed to under collective bargaining agreements. Average first-year wage increases under major agreements rose from about 9 per cent in 1969 to almost 12 per cent in 1971, while the unemployment rate rose from 3.5 to 5.9 per cent. Although wage increases under all major agreements were somewhat smaller in 1971 than in 1970, most of the improvement was a result of lower wage increases in construction which, in turn, reflected the operation of the Construction Industry Stabilization Committee during most of 1971. Continued acceleration in new first-year wage increases in manufacturing occurred

in spite of an increase in the unemployment rate for manufacturing workers from 3.3 per cent in 1969 to 6.8 per cent in 1971.

Continued large increases in labor costs during this period of sluggish growth in demand and rising unemployment led to an increased emphasis on cost-push forces in diagnosing the continuing inflation. This experience also seemed to suggest that major unions were able to secure large wage increases regardless of slack in the economy and the labor market. What this view of the process overlooks, however, is that the large wage increases under new collective bargaining agreements negotiated in 1970 and 1971 had their roots in and were primarily the outgrowth of previous trends in prices and other wages.

The Structure of Relative Wages

Much of the complexity in the process of wage change during the past decade is obscured by looking only at yearly changes in broad averages of wage rates or in the average size of new wage settlements. Analysis of wage developments in terms of changes in the rate at which average wages have increased masks differences in the size of wage increases received by particular groups of workers included in the average. It may sometimes be adequate to treat an analysis as if the average wage change is a close approximation to the wage increase received by most workers. However, this treatment may not be adequate when more dispersion in wage increases is induced by factors such as a change in the rate of inflation with the timing of adjustments to stronger labor demand linked to wage contract expirations. While analysis of average wage changes masks differences in wage changes among workers dur-

ing a given year, analysis of newly negotiated wage increases under collective bargaining agreements masks differences that may have occurred during the term of the expiring agreement between wage changes for workers covered by the agreement and wage changes for other workers.

Much of the emphasis in analyses of wage developments in recent years has been placed on relating average wage changes or newly negotiated wage increases to labor market conditions at a point in time. Little consideration has been given to the influence of relative wage relationships and time lags associated with wage contracts extending over a period of time. Yet, these factors are extremely important in understanding the dynamics of recent wage and labor cost behavior.¹

The importance of relative wage relationships is intimately related to the severity and duration of the rise in prices that built up year-by-year in the late 1960's to an inflation rate greatly in excess of what had been expected or recently experienced. For many workers in the economy, an increment to wages to reflect increased demand or an increase in the pace of inflation could occur quite quickly in the labor market during this period. Workers covered by long-term collective bargaining agreements are usually bound by the terms of the contract, however, and an increment in wage rates to reflect increased demand or an unanticipated change in

the pace of inflation would normally occur at the expiration of the contract.

During the 1960's, long-term contracts became prevalent in major collective bargaining situations. Consequently, a large number of workers were covered by long-term contracts in the late 1960's when demand was strong and price inflation was accelerating. To the extent that workers in the economy not bound by long-term contracts received wage increases to reflect increased demand and more rapid inflation, workers under long-term contracts expiring in the period from 1968 to 1971 required relatively large first-year wage increases to restore their relative wage position. Strong pressures could reasonably be expected for workers under expiring long-term contracts to attempt to restore their relative position in the wage structure and to recoup erosion of real earnings gains if a significant departure from their earlier position in the wage structure resulted primarily from an unanticipated increase in inflation.²

The most easily observed and most pronounced feature of wage developments in the late 1960's is that the rate at which average wage rates increased more than doubled. A large fraction of workers undoubtedly received wage increases in each year that closely corresponded to the average. There is a great deal of evidence, however, of a strong tendency for some groups of workers, gener-

¹ The role played by past price trends and interindustry wage differentials in the determination of overall wage behavior has been recognized for some time in more theoretical discussions. See J. R. Hicks, "Economic Foundations of Wage Policy," in *Essays in World Economics* (Clarendon: Oxford University Press, 1959), pp. 85-104.

² Some recent econometric work taking the timing of major contracts into account

indicates that efforts to restore real and relative wage positions are important factors in the front-loading of multi-year contracts. See L. D. Taylor, S. J. Turnovsky and T. A. Wilson, "Money Wages in U. S. Manufacturing," in *Inflation in North American Manufacturing*, Chapter 6 (forthcoming).

ally those covered by long-term contracts or whose wages were closely related to covered workers, to obtain wage increases that diverged in a systematic way from the average wage increase. These perturbations in the wage structure were less readily apparent during the late 1960's than the rising average increases that occurred, but they may be much more important in explaining subsequent wage developments, particularly since 1969.

Wage Changes in Union and Nonunion Establishments

The combination of strong increases in demand in a period of increasingly tight labor markets and rising inflation from 1965 through 1969 led to rising wage increases for manufac-

turing workers. The rise in wage increases that went into effect in manufacturing during that period was accompanied by a shift in the relative size of wage increases as between union and nonunion workers. While the increase in overall demand may have had a differential impact on union and nonunion workers, it is likely that the acceleration of wage changes in the unionized sector was slowed by the presence of long-term contracts while acceleration could occur more quickly in response to increased demand and inflation in the nonunion sector.

The shift in the relative size of wage increases toward relatively larger increases for nonunion workers in the late 1960's is clearly evident in table 1. The marked shift in the opposite

TABLE 1
Effective Wage Adjustments
in Manufacturing¹
(Median Changes, Per Cent)

<i>Year</i>	<i>All Union</i>	<i>Nonunion</i>	<i>Difference: Union/Nonunion</i>
1961	2.7	1.0	+1.7
1962	2.6	1.6	+1.0
1963	2.6	2.8	-0.2
1964	2.2	2.0	+0.2
1965	2.9	3.2	-0.3
1966	3.2	3.9	-0.7
1967	4.0	4.6	-0.6
1968	5.0	5.0	0.0
1969	5.0	5.1	-0.1
1970	5.7	5.1	+0.6
1971	6.1	4.7	+1.4
<i>Average Annual Effective Wage Adjustments:</i>			
1961-1964	2.5	1.8	+0.7
1965-1969	4.0	4.4	-0.4
1970-1971	5.9	4.9	+1.0

¹ Effective adjustments include cost of living adjustments, new increases, deferred increases, and decreases or no change situations.

Source: U. S. Department of Labor, Bureau of Labor Statistics, *Current Wage Developments* (Washington, D. C., U. S. Government Printing Office, February, 1973), p. 46.

direction in 1970 and 1971 is significant because a deceleration in non-union wage increases occurred while wage increases accelerated for unionized workers. The interpretation suggested by this pattern is that wage increases in the nonunion sector were responding to increased slack in the labor market, while wages of unionized workers increased more rapidly as agreements expired and previously eroded relative wage positions were restored.

Wage Changes Under Major Collective Bargaining Agreements

A view from a different perspective of the impact of long-term collective bargaining agreements on the wage

structure can be obtained by analyzing the terms of agreements concluded in recent years compared with general wage movements. Newly negotiated wage increases continued to rise through 1971, and the increase in the size of newly negotiated settlements was larger than the rise in average wage increases for private nonfarm workers. Deferred wage increases, however, were smaller than average wage rate increases. This pattern is consistent with a lag in wage adjustments for workers covered by long-term collective bargaining agreements during a period of strong demand and rising inflation. The long-term nature of the agreements is the source of the delayed response of wage increases for covered workers, and a compari-

TABLE 2
**Increases in Hourly Earnings
and Negotiated Wage Rate Increases
in Major Collective Bargaining Settlements, 1968—1972**

	1968	1969	1970	1971	1972
	(Per cent)				
Average hourly earnings, ¹					
private nonfarm	6.6	6.6	6.7	7.0	6.3
Wage rate increases under collective bargaining agreements: ²					
All industries					
First-year	7.4	9.2	11.9	11.6	7.0
Deferred	4.6	5.4	5.8	7.7	6.1
Construction					
First-year	8.7	13.1	17.6	12.6	6.6
Deferred	n.a.	n.a.	10.1	13.1	11.6
Manufacturing					
First-year	7.0	7.9	8.1	10.9	6.6
Deferred	3.9	4.0	4.6	4.8	4.4
Nonmanufacturing (excluding construction)					
First-year	7.6	9.6	14.2	12.2	7.5
Deferred	n.a.	n.a.	5.2	7.6	6.8

¹ Adjusted for overtime (in manufacturing only) and interindustry employment shifts.

² Limited to private settlements covering 1,000 workers or more. Data for 1972 are preliminary. Comparable data for years prior to 1968 are not available.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

son of the terms of the agreements with average wage changes provides evidence on changes in the wage structure that generated pressure for compensating adjustments when the agreements expired.

Wage rates on average for private nonfarm workers increased at rates between 6.6 and 7.0 per cent between 1968 and 1971 (table 2). While first-

year wage increases under major agreements were generally larger in each year, deferred increases built into long-term contracts were on average smaller than wage increases for the average worker. Though rising inflation through 1970 was at least partially compensated for among workers covered by contracts with escalator clauses, in many cases wage increases received

TABLE 3
Average Hourly Earnings Changes
Selected Industries Having a High Proportion
of Workers Covered by Long-Term Contracts

	<i>Per cent Increase in Average Hourly Earnings</i>			
	<i>During the Term of Contracts</i>		<i>In Years of Major Contract Negotiation</i>	
Industries with major contract expirations in 1967 and 1970:				
Industry Sector	1966	1969	1967	1970
Private nonfarm total	4.5	6.7	4.7	5.9
Rubber (SIC 301)	3.4	4.7	¹ 5.6	² 5.4
Autos (SIC 3711)	2.9	5.5	³ 8.6	⁴ 13.1
Trucking (SICs 421, 3)	2.9	6.0	⁵ 6.0	⁶ 13.8
Industries with major contract expirations in 1968 and 1971:				
Industry Sector	1967	1970	1968	1971
Private nonfarm total	4.7	5.9	6.3	6.5
Steel (SIC 331)	1.1	3.5	⁷ 6.0	⁸ 11.9
Metal Cans (SIC 341)	3.4	4.2	⁹ 10.0	¹⁰ 11.5
Communications (SIC 481)	3.2	3.4	¹¹ 9.4	¹² 14.7

¹ August 1967-January 1968 compared to August 1966-January 1967.

² January-June 1971 compared to January-June 1970. Time period differs from because of effects of auto strike in late 1970 on hourly earnings.

³ December 1967-May 1968 compared to December 1966-May 1967.

⁴ December 1970-May 1971 compared to December 1969-May 1970.

⁵ July-December 1967 compared to July-December 1966.

⁶ January-June 1971 compared to January-June 1970. The later interval compared to footnote number 5 attempts to capture effects of the "second" increase, nationwide, following the Chicago Teamsters agreement.

⁷ September 1968-February 1969 compared to September 1967-February 1968.

⁸ August 1971-January 1972 compared to August 1970-January 1971.

⁹ June-November 1968 compared to June-November 1967.

¹⁰ April-September 1971 compared to April-September 1970.

¹¹ September 1968-February 1969 compared to September 1967-February 1968.

¹² September 1971-February 1972 compared to September 1970-February 1971.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

during the term of contracts subsequent to the first-year increase were smaller than those received by other workers in the economy.

The increase over the period before 1971 in the average size of deferred increases, along with greater coverage of workers by escalator clauses, meant that workers covered by the oldest expiring agreements had received lower wage increases during the term of their contracts than workers covered by more recent agreements or other workers in the economy. Restoration of their previous position in the wage structure, consequently, required unusually large first-year wage increases when their contracts expired. These unusually large wage increases raised average wage changes directly, and undoubtedly were an important factor in slowing a reduction in the size of wage increases in other sectors of the economy in response to reduced demand.

Wage Changes in Selected Industry Sectors

The influence on the wage structure of long-term wage contracts during the period of rising inflation also becomes evident in an examination of changes in average hourly earnings for a number of industries in which most workers were covered by long-term contracts or received wage increases closely related to those of covered workers. Smaller wage increases during the term of their contracts than average wage increases for other workers in corresponding years are clearly evident for the 6 major industry sectors considered for two contract periods (table 3, left panel). Deterioration in relative wage position is implied in each case.

⁸ In order to get a more appropriate measure of the size of first-year increases than would be provided by average annual changes, wage levels in an appropriate

When new agreements were negotiated in these same industry sectors average hourly earnings increases were generally larger than for the typical worker in the economy, reflecting a tendency to "catch up" for smaller increases during the term of the previous contract (table 3, right panel).⁸ These data do not indicate whether or not relative wage positions were completely restored in comparison with the tendency to fall behind during the term of previous contracts. They do, however, clearly show a pattern of falling behind during the term of contracts and catching up when new contracts were negotiated even though average hourly earnings changes in these sectors were influenced by a number of other factors. Changes in relative position in the wage structure compared to workers outside these sectors are evident even though wage changes in these major sectors are included in the averages with which they are compared.

Critical Bargaining Situations in 1973

The analysis of wage developments in recent years giving emphasis to the importance of wage structure has interesting implications for wage prospects in 1973. The 1973 collective bargaining year has received a great deal of attention because of the large number of workers covered by agreements expiring this year and the heavy concentration of workers in a few key sectors. More than 4 million workers are scheduled to negotiate new wage increases this year compared to fewer than 3 million in 1972. About one-third of these workers are in a few industry sectors and are distributed as follows:

period following the month of contract expiration were compared with year earlier levels covering the same time span. The exact computations are footnoted in table 3.

Apparel	200,000 workers
Autos	700,000 workers
Electrical Equipment	300,000 workers
Food Processing	200,000 workers
Rubber	100,000 workers
Trucking	100,000 workers

Since settlements in these sectors are highly visible and widely publicized, they are often regarded as having and important trend-setting influence. Wage contracts in these and other sectors have in recent past years been heavily front-loaded with large first-year wage increases, and if that pattern were repeated, they could be widely emulated and influence wage trends throughout the economy. The reasons for that pattern have received too little attention, however, and the evidence presented here suggests that perturbations in the wage structure were an important factor.

Evidence on collective bargaining agreements expiring in 1973 indicates that wage increases received during the term of these contracts were at

least as large as the general trend of wages since the agreements were negotiated. Data in table 4 show that for nonconstruction contracts due to expire in 1973, the mean annual rate of increase during the term of these contracts has been about 9 per cent. The average annual rate of increase in private nonfarm hourly earnings from 1970 to 1972, by comparison, has been 6.3 per cent.

Average hourly earnings changes in selected industries with major contract negotiations in 1973 also show that wages in these sectors have increased more rapidly in 1971 and 1972 than average hourly earnings for private nonfarm workers, so that workers in these industries have maintained or improved their position in the wage structure. The restoration of more traditional relationships in the relative wage structure during recent years suggests that wages negotiated in 1973 can incorporate smaller adjustments to reflect this factor. For

TABLE 4
Mean Annual Rate of Wage Increase¹ Achieved
for Major Contracts Expiring
in 1973, Nonconstruction Sector

	<i>All Nonconstruction Contracts</i> ²	<i>One Year Contracts</i> ³	<i>Two Year Contracts</i> ⁴	<i>Three Year Contracts</i> ⁵
1973-I	8.2%	6.7%	9.0%	8.3%
1973-II	9.6%	7.1%	10.3%	9.5%
1973-III	8.1%	7.9%	8.3%	7.7%
1973-IV	8.2%	6.4%	8.1%	8.3%
1973-Total	8.9%	7.0%	9.1%	9.0%

¹ Figures include escalator adjustments.

² Includes contracts of less than one year and greater than four years.

³ 12 but less than 24 months.

⁴ 24 but less than 36 months.

⁵ 36 but less than 48 months.

Source: U. S. Department of Labor, Bureau of Labor Statistics. These data were made available to the authors through the courtesy of Dr. Daniel J. B. Mitchell, Chief Economist of the Pay Board.

example, for rubber, autos and trucking, where new settlements cover over one million workers, wages have more than kept pace with average wages in the economy, confirming evidence from individual contracts (table 5).

CONCLUSION

New wage settlements under collective bargaining agreements continued to follow the rising trend established in the late 1960's instead of increasing less rapidly in response to slack labor market conditions in the period of slow demand growth after 1969. Both the development of the rising trend and its continuation after 1969 are consistent with the pattern implied by deterioration followed by restoration of relative positions in the wage structure for workers covered by long-term agreements. Our examination of available data from this point of view lends strong support

to the influence of wage structural forces in recent wage developments.⁴

Wage developments in major collective bargaining situations in 1973 will be influenced by a variety of institutional and economic factors, including the rapid rise in food prices that has occurred. Most workers covered by major agreements expiring in 1973, however, have maintained or improved their relative position in the wage structure compared to the deterioration in relative wage positions that occurred for workers covered by agreements expiring in recent years, particularly 1969, 1970, and 1971. This significant change in wage structural positions should reduce the need for heavily front-loaded new contracts with large first-year wage increases to catch up for past inflation and restore a balance between wages of these workers and wages of other workers in the economy. **[The End]**

TABLE 5

**Average Hourly Earnings Changes in Selected Industries
with a High Proportion of Workers Covered
by Long-Term Contracts Expiring in 1973**

Industry Sector:	<i>Per cent Increase in Average Hourly Earnings</i>	
	1971	1972
Private nonfarm total	6.5	6.4
Rubber	6.5	7.6
Autos	12.3	8.1
Trucking	13.3	10.8

Source: U. S. Department of Labor, Bureau of Labor Statistics.

⁴ Careful formulation of appropriate variables is necessary to capture the full influence of these wage structural effects in formal statistical models of wage determination. The evidence from studies incorporating a variable, partially reflecting these wage structural influences, is consistent with the less formal evidence in this

paper. See Michael L. Wachter, "The Current Wage Controls: An Evaluation of Phase II," *Wharton Quarterly*, Vol. 7, No. 1 (Fall 1972), p. 32. See also Arnold H. Packer and Seong H. Park, "Distortions in Relative Wages and Shifts in the Phillips Curve," *Review of Economics and Statistics*, Vol. LV, No. 1 (February 1973).

Counter-Inflation Policies in Britain

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IN THIS PAPER I propose to describe the Counter-Inflation policies which have been pursued by the present Government in Britain since 1970; to refer also to the Price and Incomes policy pursued by the previous Government between 1965 and 1970; and to indicate some of the problems which we have found to arise in Britain in combining such policies with an effective system of collective bargaining over pay between trade unions and employers.

Counter-Inflation Policies

By "counter-inflation" policies I mean measures which seek to lessen the rate of price increase in a country through actions which impinge directly on specific pay and price changes. Action by the Government may take the form of exhortation to those concerned with pay and price decisions, or agreement with them, about the size or justification for increases, or some degree of compulsion in relation to pay and price decisions. I do not propose to discuss in this paper more general economic measures such as demand management, control of the monetary supply, competition policy and so forth, which may affect the general environment within which individual price or pay decisions are taken.

Theoretically, it is possible to conceive of a counter-inflation policy which concerns itself only with decisions over

individual prices. Some people have argued that control over price increases would lead employers to exercise control over the rate of increase in unit labour costs without the need to seek directly to influence the size of pay settlements. However, no such policy has been followed by any Government in Britain.

The present Counter-Inflation policy and all previous similar policies since the war have been concerned to influence directly the size of pay settlements reached between unions and employers and since 1965 they have all been concerned also to act directly on prices. It is with the consequences of such policies that I propose to deal.

Relationship Between Pay Settlements and Prices

There are those who argue that the rate of increase in prices in a country is not affected to any large extent by the size of the pay settlements negotiated between trade unions and employers. Some economists have argued that the level of such settlements—the amount which trade unions are able to obtain in negotiation—is itself determined by general economic factors and is not an independent variable. Evidence has been produced to show that over a long period the level of pay increases was closely correlated with the prevailing level of unemployment (the so-called Phillips curve).

Many trade unionists take a somewhat different point of view. They argue that if they secure a pay settlement of 10 per cent rather than 5 per

cent the main effects will be, first, to change the distribution of income between wage and salary earners and "rentiers"; and, secondly, to induce employers of labour to make more effective use of their manpower so that unit labour costs are not substantially increased.

For the purposes of this paper it is not necessary for me to argue whether these points of view are right or wrong (although in their simple form they strike me as somewhat implausible). The important thing is that Governments in Britain have based their policies on the belief that it is possible to reduce the rate of price inflation by direct action to restrain the size of individual price and pay increases. There is, in any case, no doubt that such an effect can be achieved over relatively short periods. It is less easy to show that such policies have been effective in substantially changing the rate of inflation over a period of years. But whether this is due to the difficulty of maintaining effective counter-inflation policies over a longish period or to some inherent inadequacy in the policies themselves is a matter of debate.

Counter-Inflation Policies 1970-1973

When the present Conservative Government took office in June 1970, pay increases were running at an extremely high level. Average earnings in the autumn of 1970 were 12-14 per cent above autumn 1969 although prices were only up about 7-8 per cent. There was a fairly general expectation of pay settlements of the order of 15 per cent for the 1970-71 wage round. The Government took the view that it was for employers, both in the public and private sectors, to secure a reduction in the level of pay settlements gradually over a period by firm negotiation leading to a reduction in expectations. This

policy was given the somewhat ugly title of "de-escalation"; or, more crisply, was known as the "n-1" policy on the grounds that it took the form of requiring each major settlement to be 1 per cent lower than the last one. From the summer of 1971 it was accompanied by the operation of a voluntary system of price restraint run by the Confederation of British Industry and adhered to by most of the largest firms.

Some success was claimed for the "n-1" policy in reducing the size of pay settlements through 1971. Certainly, a considerable number of settlements were concluded at less than 10 per cent; and the rise in average earnings had fallen below 10 per cent by the end of 1971. However, in the Spring of 1972 the National Union of Mineworkers called a national strike which continued for many weeks to the point where electric power supplies were severely reduced. An independent Court of Enquiry recommended a very large pay increase for miners as a special case. But the effect was certainly to change the climate of expectations amongst other negotiators. The size of pay settlements went up again. By the autumn of 1972 average earnings were 15-16 per cent above the previous year.

In July 1972 the Government embarked on tripartite discussions with the Confederation of British Industries (CBI) and the Trades Union Congress (TUC) to try and establish voluntary measures which would moderate the rate of cost and price inflation. Intensive discussions continued until November 1972 but in the event an agreement was not reached and the Government decided to introduce statutory measures.

In November 1972 a "standstill" was introduced on increases in most prices (fresh food being the main exception)

and rents, and on dividends and pay. This lasted for a period of something over four months for pay, and a month longer for prices where the standstill was extended to cover the period of introduction of Value Added Tax to ensure that this did not lead to unwarranted price increases. The "standstill" was very successful. In the 3 months to February 1973 (the latest available figure) retail prices (excluding seasonal food) rose at an annual rate of $2\frac{1}{2}$ per cent; in the three months before the standstill they had been rising at an annual rate of nearly 9 per cent. On the pay side there was barely any change in basic hourly rates and average earnings rose by less than 1 per cent.

From April 1973 Stage Two of the Counter-Inflation Programme began to operate. This maintains statutory controls but provides for increases in pay and prices on a basis set out in the Programme. As far as pay is concerned, increases over the next 12-months' period should not exceed a total of 4 per cent of the average pay bill per head over the previous year plus £1 a week per head. This allows flexibility in negotiation as to the way in which the increase is distributed among the workers in the negotiating group (though it is also laid down that no individual may receive more than £250 a year). On average the formula allows for average increases of 7-8 per cent. If applied to individuals it would give a higher percentage increase to the lower paid.

The general principles underlying this formula were set out by the Government as:—

(i) to limit the rate of increase in pay in money terms to a level more in line with the growth of national output, so as progressively to reduce the rate of cost and price inflation and

improve the prospects of sustained faster growth in real earnings;

(ii) to apply the limit fairly, irrespective of the form of any increase or the method of determining it;

(iii) to facilitate an improvement in the relative position of the low paid;

(iv) to leave to those who normally determine pay decisions on the amount, form and distribution of increases within the limit.

Stage Two of the programme is intended to last until around the end of October 1973. During this period the Government intends to undertake full consultation with unions and employers on the policy for the subsequent period.

Prices and Incomes Policies 1965-1970

The previous Labour Government which came to office in October 1964 had also carried through a programme designed to reduce the rate of price inflation. This programme began with a joint Statement of Intent on Productivity, Prices and Incomes between the Government, the CBI and the TUC. In April 1965 an agreed "norm" for the average rate of increase in money incomes was set at $3-3\frac{1}{2}$ per cent, which it was hoped would enable the price level to be kept stable. However, there was provision for pay rises of more than the norm and in practice earnings increased by 7-8 per cent through 1965/66.

In July 1966 a statutory prices and incomes standstill was introduced for six months followed by six months of "severe restraint." This was effective. At the end of the year, however, earnings began to rise again rapidly. A statutory ceiling of $3\frac{1}{2}$ per cent was again introduced in April 1968. But provisions for exceptions and wage drift meant that average earnings continued to increase at something like 7-8 per cent a year through the re-

mainder of the policy. The criteria for increases in pay were set out in the following form:

(i) where the employees concerned, for example, by accepting more exacting work or a major change in working practices make a direct contribution towards increasing productivity in the particular firm or industry. Even in such cases some of the benefit should accrue to the community as a whole in the form of lower prices;

(ii) where it is essential in the national interest to secure a change in the distribution of manpower (or to prevent a change which would otherwise take place) and a pay increase would be both necessary and effective for this purpose;

(iii) where there is general recognition that existing wage and salary levels are too low to maintain a reasonable standard of living;

(iv) where there is widespread recognition that the pay of a certain group of workers has fallen seriously out of line with the level of remuneration for similar work and needs, in the national interest, to be improved.

Effects on Collective Bargaining

Throughout the period of Counter-Inflation Policy of the present Government and of the Prices and Incomes Policy of the previous Government there has been emphasis on the desirability of a "voluntary policy acceptable to both sides of industry." Acceptance—or at least acquiescence—is indeed necessary even for a full statutory control as in the two periods of standstill. Both the standstills were almost fully effective without needing substantial use of the statutory powers to stop particular increases. It is clear that the Government was able to convince Parliament and the majority of the community that cir-

cumstances demanded this kind of action for a short period. Virtually no industrial action was taken by trade unions in an attempt to breach deliberately the two standstills.

However, standstills operated—and can operate—for relatively short periods. The major problem is how to combine an effective role for trade unions in collective bargaining with an adequate degree of influence over the average size of settlement. Stage Two of the present counter-inflationary policy which allows for no increases above the fixed ceiling inevitably limits substantially the scope for negotiation since settlements below the ceiling are rare. The policy leaves trade unions and employers free to decide on the division of the available money as between particular groups of workers covered by the negotiation; and there is some room for negotiation on fringe benefits. But the room for negotiation is limited. In the later periods of the Labour Government's prices and incomes policy there were several criteria for increases above the norm which left unions with a considerable freedom in negotiations; but the end result was an increase in earnings very considerably higher than had been envisaged.

Trade unions are basically organisations created to negotiate on behalf of their members; pay negotiations are the central task of unions, at least at the national level. This does not, of course, mean that trade unions set out to achieve the largest possible increase in money income for their members in each round of negotiations; any more than the management of a firm sets out to maximise the current year's profits at all costs. Only a very desperate or irresponsible trade union leadership or management would take such a short-term view of their responsibilities. But it is clearly very dif-

difficult to envisage a long-term counter-inflationary policy which does not provide adequate room for pay negotiations in particular cases.

Anomalies and Comparability

A second problem highlighted by the policies of the last few years is that of the difficulties created by the introduction of statutory controls at a particular moment of time. This means inevitably that some unions have just negotiated larger increases than are permitted under the new policy; whereas other groups who think they are entitled to the same sort of increase are not able to negotiate it. The problems are all the greater in Britain because of the uncertain and tenuous nature of the links which are felt to exist between particular negotiations. Both the present counter-inflationary policy and the previous prices and incomes policy provided for the examination of such "anomalies" by independent institutions. It is hoped thereby to avoid repercussions where exceptional increases are given to particular groups. But experience has also shown the difficulty of restricting the classes of case for special treatment.

In fact, it is difficult to avoid the conclusion that people expect a formalised pay policy to be much more "fair" than the ordinary operation of negotiation. In the absence of a formal policy there can be considerable variations in the size of settlements and considerable fluctuations in the relative pay of particular groups. Once a formal policy is established there is great resentment if one group gets a larger increase than another; and comparisons of absolute levels of pay are made much more closely. In the present case the Government has asked the new independent Pay Board to advise not just on the anomalies created by the

standstill, but also on how the wider questions of pay relativities which inevitably emerge during the operation of a formal policy should be fairly handled.

Periods of Settlement

A little remarked side effect of a decade of policies affecting pay has been on the intervals between pay settlements. Fifteen or twenty years ago it was far from usual for pay settlements to have a fixed terminal date; and the average period between major national settlements was considerably over a year. Nowadays, it would be the normal arrangement for a settlement to last one year only and for most unions to begin new negotiations for an increase at the end of the year.

Longer-term agreements covering two or three years have continued to be made but they have proved very difficult to fit within the structure of control policies of a basically short-term nature. The later stages of long-term agreements made in a period without control have sometimes been caught by the introduction of controls to the resentment of the negotiators. The current policy allows new long-term pay agreements but it seems doubtful whether negotiators will feel encouraged to enter into them at the present time.

Productivity Agreements

During the Prices and Incomes policy of the Labour Government particular stress was laid on the conclusion of "productivity agreements" which gave substantial pay increases to workers in return for changes in working practices which held down unit costs of production. The argument was that pay settlements of this kind did not add to inflationary pressures. However, as time went on it became evi-

dent that arrangements of this kind led to considerable pressure to maintain "comparability" of earnings from other groups who were not able to make similar productivity agreements. In this way the widespread granting of large pay increases related to "productivity" had an effect upon the general level of settlements. The final White Paper issued by the Labour Government (Productivity, Prices and Incomes Policy after 1969) was therefore considerably more cautious on this matter; and the present Counter-Inflationary policy makes no provision for exceptions related to productivity in Stage Two. On the other hand, a long-term policy must clearly not inhibit the negotiation of productivity agreements which can benefit workers, industry and the community. The problem is to ensure that high pay increases in industries where productivity is rising rapidly do not form the basis for general increases throughout the economy.

Public and Private Sectors

One problem revealed by experience in the past decade is that it may appear easier for Governments to make counter-inflationary policies stick in the public sector than in the private sector. This applies both to prices and pay. It is obviously easier for the Government to secure compliance with limits on pay increases where they are themselves the employer or largely finance the pay awards. But there is more to it than that. In the private sector it is common to find pay negotiations taking place both at the national and plant level and in certain parts of the private sector piece rates and bonus earnings of one kind or another are prevalent. Both these features of the pay scene complicate the task of securing compliance with the rules about pay increases which

must inevitably be expressed in relatively simple terms.

Unless arrangements are made to deal with these aspects of private sector pay, there is a risk that workers in the public sector will feel that counter-inflationary policies bear more hardly upon them than upon many workers in the private sector. This has perhaps been one factor behind the considerable increase in the number of disputes which led to industrial action in the public sector in recent years, even though there is little evidence that the size of settlements has varied significantly over recent years as between public and private sectors.

Openly Declared Policies

Experience with the period of de-escalation in 1970-72 suggests that trade unions prefer the objectives of counter-inflationary policies to be clearly and publicly stated. There was considerable criticism of what was said—rightly or wrongly—to be the adoption of a "secret" norm for pay settlements. The Government always maintained that they did not have any particular norm which was regarded as appropriate to all settlements. But it was widely believed that such a norm did exist. This would argue that any guidelines for pay and price changes should be clearly and publicly set out; and that the interpretation of them should be carried out by bodies which are independent of Government.

Conclusions

There is no doubt that trade unions in Britain have been and still are opposed to the existence of statutory controls which restrict their freedom to reach pay settlements with individual employers. Nevertheless, unions and their members have been pre-

pared to accept periods of statutory control with what Mr. Feather has recently described as "resentful and reluctant acquiescence." Equally, it is clear that the trade union movement has a positive interest in reducing the rate of price inflation. Quite apart from their concern for those who cannot easily be protected against the consequences of rapid inflation the members of trade unions are unlikely to gain over time from high rates of inflation. And rapid price inflation indeed puts consider-

able strain upon the whole normal process of collective bargaining. Inflation does this by leading to big differences in money terms between particular settlements—the difference between an increase of £3 a week and £2 a week creates much more of a strain than the difference between £1 a week and 70p a week. Rapid inflation also makes union members conscious, all the time, of rising prices and leads to demands for the re-opening of settlements recently reached. [The End]

The Nixon Administration's Wage Controls: A Labor Viewpoint

By JAMES W. SMITH

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CURRENT UNITED STATES EXPERIMENTS with economic controls are being analyzed quantitatively by various observers. My own interests are not focused on the immediately quantifiable results. I am primarily concerned with the longer-run implications of the control systems on the institutional framework of the United States economy.

My experience with the control systems has been entirely with the Phase II wage regulatory apparatus of the Pay Board. Under President Abel's direction, I have been responsible for overall supervision of the preparation and presentation of Steelworkers' Union cases for decision by the Pay Board or the Internal Revenue Service. I have also participated as President Abel's representative in some of the

detailed discussions on policy implementation.

The Pay Board began as a 15-member tripartite body, but was reduced to seven members in March, 1972. The occasion of this structural change was a decision by four of the five labor members that they had no opportunity for effective input on critical decisions, and their consequent resignation. President Nixon responded by withdrawing four of the five business members. Continuation of the Teamsters' Union, and one industry spokesman, on the Board preserved the essentially tripartite nature of the Board in a minimal sense, although all seven members were officially designated as "public" representatives from that time on.

In this paper I shall examine the operation of the Pay Board, criticize what I believe were its major faults, and suggest the structural changes

needed for a satisfactory apparatus of this sort.

Those who imagine that Phase II was prompted by a one-shot, non-recurring emergency in the United States economy will not find my topic of any great interest. I happen to believe, however, that precisely the opposite is the case—that the United States economy is in fact scheduled to live with governmental controls over wage and price determination, either intermittently or continuously, throughout the foreseeable future.

The arguments on this question deserve a more extensive paper than this, so I shall not dwell on them at length here. They are based on a recognition that inflationary pressures are endemic within a mature industrial economy which is governed by a developed system of political democracy, and whose workers are represented by responsive trade unions. The precarious nature of price stability under these conditions has been described thoroughly by the British economist, Joan Robinson, in her delightful work, *Economics: An Awkward Corner*. It needs no elaboration here. My view of the empirical evidence, worldwide, is that it confirms Mrs. Robinson's analysis.

Price stability is desirable in all economies, but particularly so in those which depend on foreign trade. To the extent a nation becomes dependent on imported goods or raw materials, it must sell some of its production in foreign markets. The critical economic and political problem then becomes to restrain price inflation to a rate no greater than the rate of inflation of competitive selling nations.

While it is true that much of the imports into the United States consist of goods which are also produced domestically (and thus serve as

an index of our inflationary pressures), it is also true that the United States economy must import a growing volume of a growing list of raw materials, as domestic resources are depleted. This is a permanent feature of the future, and I assume that political democracy and responsive trade unionism are also permanent features. Hence I conclude that intermittently, if possible, and continuously, if necessary, the United States government will involve itself in the process of wage and price determination.

In the United States we have developed an adversary system of reasonably peaceful and orderly industrial relations which has enabled us to escape the unregulated class conflicts of earlier industrial nations. Consequently, for better or worse, we have also avoided the class-based political systems of many of our contemporary societies. Generally, we tend to congratulate ourselves on this unique evolution of our institutions.

This whole structure, however, rests on the willingness of wage and salary earners to place some degree of confidence in the integrity of the labor relations system. To use the phraseology of sports, they must have a minimal faith in the fairness of the rules of the game, in the integrity and judgment of the officials who preside over the game, and in the dedication of their own team's leaders—or they will quit playing in this league.

For the relatively small number of employees who were directly affected by Pay Board decisions, this confidence in the system's integrity was rudely shaken. If and when we return to general mandatory controls, the United States structure of labor relations is seriously imperilled, in my opinion.

American trade unionists have grown accustomed, and properly so, to wage

negotiations in which they have a degree of participation, either directly or through their local union officers. They have grown accustomed to public arbitration hearings on grievance disputes, with full written opinions on serious issues. They are generally willing to accept adverse decisions, but only if they are convinced that they have received a fair hearing and serious consideration of the merits of their case.

Wage control procedures based on decisions arrived at in secret, for reasons which are kept secret, will destroy the faith of any workers whose cases are decided adversely. They will believe that the rules are unfair, the officials are biased, or that they were improperly represented. Once enough adverse decisions have been made by such procedures the foundation of the industrial relations system will be destroyed, and the system itself will soon be washed away. What would then replace it?

Criticism of Phase II Wage Controls

In making thousands of case-by-case decisions the Pay Board exercised awesome power over the prosperity, and the very existence, of business firms and local unions. However, this power was exercised without any of the customary safeguards against arbitrary abuse of power, and without any serious consideration of the need for such safeguards.

No hearings have been held, except in a few highly publicized cases. No records are available of the proceedings of decision-making panels. Decisions were deliberately worded in vague language which concealed their true rationale from employers, employees, union representatives, and the public.

Such a wage control system would only be appropriate to an authoritarian society. However, I think it safe to say that the system was not deliberately designed by economic despots. It was not deliberately designed at all, which is the principal source of its shortcomings.

The original intention of the Pay Board majority was to avoid making case-by-case decisions on all but major cases. Contrary to its original plan, the Board was forced to decide several thousand cases between March of 1972 and January 11, 1973, without adequate staff or structure. And, when Phase III was announced on January 11th, its backlog of cases amounted to some 4,000.

It is worth noting, in some detail, the steps by which the Pay Board was converted from its originally intended status of a rule-making agency to an apparatus for handling individual cases. Woven into that history are the erroneous decisions which prohibited the Board from providing the fundamental safeguards which a democratic system of wage controls requires.

The first erroneous decision was that public control over the wage determinations of labor markets could be exercised by persons inexperienced in industrial relations—who were ignorant of the actual operation of those markets they were assigned to control. This principle governed the selection of the Chairman and a majority of the Board's public members, the selection of virtually its entire staff, and the designation of its field representative—the Internal Revenue Service.

The second erroneous decision flowed from the first. It was the decision to attempt to apply a rigid ceiling of 5.5 per cent to all wage increases after November 14, 1971. This deci-

sion ignored such realities of collective bargaining as:

1. The need of some employee units to "catch up" with prior inflation.
2. Traditional patterns of "tandem" bargaining.
3. The inequitable results for low wage earners.
4. Employers' needs for protection from loss of key employees to higher wage competitors in tight labor markets.

The third erroneous decision was that a system of public control over wages could be operated on a low-budget basis. The Pay Board staff never reached 200, including secretarial personnel. Board members, except the Chairman, were part-time. Lack of staff was probably the major reason the Board could not provide due process when it was compelled to become a case-deciding agency.

Within a few weeks after Phase II began the Board majority recognized that its rigid 5.5 per cent ceiling would be unworkable. Their response was to adopt a complex set of regulations for exceptions, and a slightly higher ceiling of 7 per cent for employee units entitled to one or more exceptions.

Perceptive observers noted that the Board had left itself leeway in its regulations for making case-by-case decisions above the 7 per cent ceiling, but it was also clear after the aerospace and railway labor decisions that this latitude was intended to be used sparingly and seldom, so far as the Board majority was concerned.

In March, 1972, the 7 per cent ceiling was blown off by two unrelated events. One was the longshoremen's contract on the West Coast, with the East and Gulf Coast contracts in the background. The longshoremen had compelling productivity and "catch-

up" arguments to justify a substantial increase, and they had economic and political muscle. The outcome was never in doubt, in the minds of those who understood the American system of political economy. Experienced industrial relations practitioners were not surprised when approval was granted for a figure more than double the mythical 7 per cent, although many Pay Board and Internal Revenue Service staff personnel experienced a sense of lost virginity.

The second event was a series of challenges, by the business members of the Board, of every Phase I contract covering 1,000 or more employees which was in excess of 7 per cent, unless it was known to be tandem to a pre-controls contract. Each such challenge required an individual review of the challenged pay adjustment to determine whether or not it was "unreasonably inconsistent" with the ceilings.

The challenges of Phase I contracts confronted the Board with far more case-by-case decisions than it could possibly handle sitting as a full Board, and led to creation of the three-member Cases and Appeals Panel, composed of Board members. A Teamsters' Union representative and a business member were permanent members of this tripartite body.

The challenges tended to blur the distinction between contracts negotiated in Phase I and those negotiated in Phase II. Approval of these contracts, which was almost inevitable, eased the path to approval of many Phase II contracts above 7 per cent.

By June of 1972, the premises of the Board's system of controls, which was a rigid set of almost self-administered ceilings and a bare minimum of case-by-case decisions, had broken down. Applications for exceptions to the ceilings, requiring individual de-

cisions, began to fill up the pipelines of the appeal system from the IRS regional offices to the Board.

Now the inexperience of the IRS field personnel became critical. It was felt that if any semblance of uniform controls was to be preserved, the IRS could not be authorized to approve increases above 7 per cent.

For a few months the Board tried to cope with the flood of appeals from Internal Revenue Service decisions by assigning groups of cases to teams of Pay Board staff personnel. "Lead" cases were to be decided by the Cases and Appeals Panel composed of Board members (or their alternates), and other similar cases were to be decided by the staff teams in line with the Panel decisions.

This system broke down, primarily because of the inexperience of the staff personnel, and lack of experienced direction over them. Team leaders could not agree with one another, let alone team members, about what cases were similar to what, etc. The endless complexity of the variety of collective bargaining situations they confronted simply defied neat categorization and orderly analysis by untrained persons. They were not furnished with interpretive bulletins such as the Korean War Wage Stabilization Board issued to its staff and regional offices.

Late in the summer of 1972, the Board tried to re-establish its ceilings, at least for units of less than 1,000 employees. This was done by creating an apparatus which provided the form, but not the substance, of case-by-case decision-making, called the Category III Panel.

The three members of this panel were selected from Pay Board staff personnel, and its staff work in turn was performed by tax personnel borrowed from the Internal Revenue Service. The Category III Panel ground

out 50 to 60 decisions per day, which almost uniformly upheld the previous actions of IRS field offices. Since the IRS was not permitted to approve applications in excess of 7 per cent, this re-established the ceilings.

Incredibly, there was no effective appeal from a Category III Panel decision. Parties could request that it be reviewed. Such a request went back to the same IRS staff person, to present to the same panel of Pay Board staff people who had made the decision. Not surprisingly, such requests were invariably denied.

This system also broke down, under the weight of contradictory case decisions as between the Cases and Appeals Panel, composed of Board members, and the Category III Panel, composed of staff persons. To try to conform Category III Panel decisions to the principles followed by the Cases and Appeals Panel, a review system was set up under which Category III Panel decisions were reviewed by one or more Board members, before they were issued. This introduced further delays into case-handling.

Throughout this period neither the Cases and Appeals Panel nor the Category III Panel was willing to hold hearings except under the most extreme pressure from the parties involved. They relied entirely on written briefs, which had been subjected to analysis by their respective staffs. There simply was not time nor staff personnel available to hold hearings.

If you can imagine arbitrating a grievance by simply sending a brief to an arbitrator's apprentice, and having that person present those facts which he considered material to the arbitrator, that is an approximation of the situation which confronted the fortunate parties to cases. The unfortunate parties never got beyond the arbitrator's apprentice.

The parties to a case never knew what was presented to the decision-making Panel. They could not witness the oral presentation. They had no way of knowing whether or not the important facts of their case were really made known to the Panel members. If their case was scheduled for the Category III Panel, they could not even find out when it was scheduled to be considered, or whether it had been considered, until some months later when they received a written decision.

Ultimately, in order to try to get a favorable decision from the Pay Board one had to do three things, however meritorious one's case might be. First, one had to get the Cases and Appeals Panel to take jurisdiction of the case, which was done by lobbying a member of the Board, unless the case involved 1,000 or more employees—then it was automatic. Second, a very thorough brief had to be written. Third, one had to contact the staff analyst handling the case and discuss it with that person thoroughly enough to be sure the brief had been understood. Contact with the staff analyst was discouraged by the Pay Board, to the extent that the analyst's identity was frequently withheld from the parties.

When approvals were granted, a battery of attorneys reviewed the language of the decisions and orders to be sure they said nothing which might create a precedent which would support some other application. This resulted in such vaguely worded statements that no industrial relations practitioner could possibly interpret their likely application to any other case. Simultaneously, of course, it prevented Pay Board staff personnel from learning how to interpret Board policy. This worked at cross-purposes with the "lead case" plan.

The resulting confusion forced responsible unions to appeal all of their cases to the Board, as they could not determine any realistic patterns of probable approval or rejection. This factor alone probably generated more case load than any other single element of the situation.

By December of 1972, the Pay Board structure was collapsing under the weight of its case load. Something drastic had to be done—and on January 11th something drastic was done. The "voluntary controls" of Phase III were instituted.

A Viable Wage-Control Structure

A viable economic control apparatus must be consonant with the total institutional patterns of the nation in which it operates. These patterns include the complex interactions of the various labor and product markets in that nation as well as the existing habits of thought of the nation's workmen, its managers, and the general public.

In the United States there are at least four minimal conditions of success, I believe, which relate directly to the wage controls. Given these conditions, and given an equitable overall program which restrains profits and other incomes simultaneously, public control over the wage determination process can be made to work.

First, the system cannot rely primarily on published regulations, as the Pay Board tried, and failed, to do. Rather, it must develop a system of case-by-case determinations after the fashion of the War Labor Board in World War II and the Wage Stabilization Board in the Korean War. The labor markets involved are too various to function under uniform, rigidly applied, regulations. The volume of case-by-case decision-making

is a function of how far the control system goes in attempting to control small employee units.

Second, there must be a body of precedent developed, just as that which develops in a judicial system or a grievance-arbitration system. This is an essential guide to employers and unions in making their own decisions, and to the lower echelons of the wage-control apparatus in administering the controls. This body of precedent may be elaborated either by bulletins interpreting major case decisions and regulations, such as the Wage Stabilization Board published, or by meaningful explanations of case decisions which are made available to the control staff and the public.

Third, the President, Congress and the public must be convinced that there is no cheap and easy formula for success. The work *will* require a large staff, directed at all levels by experienced persons. If the nation wishes to control inflation it must pay a price, through appropriation of the necessary funds to do the job. If the price seems excessive, then inflation is not yet a sufficient problem to be concerned about.

Fourth, the control system must be structured to provide due process, and to prevent its own corruption. We must recognize that the authority to control incomes is an awesome power. It is the power to determine profit levels of business firms. It is also the power to determine the relative economic status of each group of wage and salary earners.

To vest such power in secret decision-makers, restrained only by their own integrity, is subversive of free institutions, and thereby of freedom itself. Absolute power still corrupts absolutely, as the Watergate scandal reminds us.

In order to safeguard our system of labor relations against the abuse of arbitrary power, any wage control apparatus must involve tripartite case-deciding bodies at the national level, with open hearings at which the decision-makers confront the parties in fact-finding sessions. There must be regional structures, operating in the same way, for handling the large volume of less than industry-wide cases.

These bodies must function without unreasonable delay in handling cases, as delay destroys harmonious plant level labor relations. This in turn reduces productivity, and costs the economy far more than the cost of a wage-control structure which is large enough to do its work efficiently.

Conclusion

During Phase II the Pay Board tried, and failed, to control the wage determination process by rigid regulations. It was forced to involve itself in systems of case-by-case determination by the complexities of United States labor markets, contrary to its original plans.

In the ensuing confusion, the structures of decision-making which were haphazardly established by the Pay Board were totally at variance with traditional labor relations practices in the United States, and were in fact consonant only with the political model of the authoritarian state. Continuation of mandatory wage controls with these structures endangers the institutions of collective bargaining, and the democratic society which rests upon those economic institutions.

My criticism of the controls program which Dr. Dunlop inherited, when he became Director of the Cost of Living Council, is precisely the same as his telling and accurate criticism of the Kennedy-Johnson wage "guidelines." In 1966 he wrote:

“... I am personally disturbed by the absence of due process in the administration of the policy . . . I am always impressed with how different a case may look after it has been presented in a forum which permits a full review of the facts and contending arguments as compared to the reports of government or academic experts. The judgment that a wage or price increase in our economy is violative of the public interest is a serious conclusion that should warrant dispassionate review with full opportunity for the presentation of contesting views. The present policy

does not afford this elementary right. . . .”¹

To that eloquent statement I can only add that whereas the stabilization program of which Dr. Dunlop was then complaining was a voluntary one in the full legal sense, the program which he now administers is backed by the force of law.

I am anxiously awaiting some evidence of Dr. Dunlop's plans to afford elementary rights of the sort he described in 1966. I am sure my colleagues in the other industrial unions are equally concerned. [The End]

Industrial Relations and Inflation

A Discussion

By MAHMOOD A. ZAIDI

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THERE CAN BE little doubt that the central problem of economic policy today is inflation. As Professor Tobin remarked in his presidential address to the American Economic Association:

Unemployment and inflation still preoccupy and perplex economists, statesmen, journalists, housewives and everyone else. The connection between them is the principal domestic and economic burden of presidents and prime ministers, and a major area of controversy and ignorance in macroeconomics.¹

Extensive research in the United States and other industrialized coun-

tries has yielded a list of possible factors responsible for this situation, viz., demand pressures, monetary and fiscal policies, lagged response in costs and prices to changes in demand, expectations, linkages with foreign economies, market power of corporations and unions, changes in labor force composition, dispersion and composition of unemployment, etc. The four papers under discussion have concentrated on limited but important aspects of the broader problem of wage-price-employment nexus. They can be classified into two categories. In category one are the papers by Doctors Kosters, Fedor and Eckstein and Professor Quinn Mills. These papers deal with the relationship between collective bargaining and inflation. Category two includes the papers by

¹“Guideposts, Wages, and Collective Bargaining,” a paper contributed by Dunlop and pointed in the book *Guidelines, Informal Controls and the Marketplace*, Schultz and Aliber, 1966. See pp. 87, 88.

¹Tobin, James. “Inflation and Unemployment”, *American Economic Review*, LXII (March, 1972), p. 1.

Messrs. Locke and Smith, which attempt to evaluate the recent experience with income policies in the United Kingdom and the United States. I shall first make some general remarks and then offer a few comments on each paper.

As I have pointed out elsewhere, there are important differences over appropriate anti-inflation policies and these differences, at least partly, stem from alternative views on how wage-price mechanism operates, i.e., what mechanisms generate and sustain wage-price movements.² It is, therefore, very important that in any discussion of inflation the assumed wage-price mechanism be explicitly stated. The recent price-profit-cost explosion coinciding with a relatively high unemployment has stimulated, once again, interest in cost-push inflation and some cost-push models have taken the view that union pressure on wages is a significant *independent* cause of rising prices.³ This approach for the study of inflation is not entirely satisfactory for three reasons. First, there is the recently stressed role of expectations on inflation in generating wage and price increases. Under this hypothesis one could observe wage increases that are independent of the state of the labor market but which could not be attributed to union pushfulness.⁴ Second, we now have models in which the state of demand is made as one of the chief determinant of union bargain-

ing power.⁵ Finally, increased prices of imports and monopolistic pricing policies on the part of the firms could give us cost-push results but which could not, nevertheless, be due to pushing by the unions.⁶ The purpose of these comments is not to criticize the papers under discussion but they are made simply to caution the reader that identifying the sources of inflation is not an easy matter. As one scholar has pointed out "the more closely we examine the effects of strong unions in a sector of the economy on the general level of wages and employment, the more the alleged effects appear to be, in fact, effects on relative wages and the distribution of employment, and not effects on the economy-wide aggregates at all".⁷

Now I turn to four papers. The two papers in the first category deal with the impact of collective bargaining on inflation. Dr. Kusters *et al.*'s paper considers the wage structure emerging under collective bargaining and its impact on inflation, whereas Professor Mill's paper explores the stabilizing and de-stabilizing effects of collective bargaining on the economy. As far as the first paper is concerned, its main contribution is that the authors examine the effects of unanticipated inflation, combined with long-term contracts and associated time lags for wage contracts in the industries covered by collective bargaining agreements. I would have

² Siebert, Calvin D. and Mahmood A. Zaidi, "Wage-Price Experience in the United States and Canada: A Discussion of the Issues and Policy Implications," Proceedings of Winter Meeting of IRRA (1972), pp. 23-32.

³ Hines, A. G., "Wage Inflation in the United Kingdom, 1948-1962: A Disaggregated Study," *The Economic Journal*, 79 (1969), pp. 66-89.

⁴ Friedman, M., "The Role of Monetary Policy," *American Economic Review*, LVIII (March, 1968) pp. 1-17, and Laidler, D., "The Phillips Curve, Expectations and Incomes

Policy" in *The Current Inflation*, Edited by H. G. Johnson and A. R. Nobay, St. Martins Press, New York, 1971, pp. 75-98.

⁵ Eckstein, O. and T. A. Wilson, "The Determination of Money Wages in American Industries," *Quarterly Journal of Economics*, LXXXVI (August, 1962), pp. 379-414.

⁶ Godfrey, L., "The Phillips Curve: Incomes Policy and Trade Union Effects" in *The Current Inflation*, *op. cit.*, pp. 99-124.

⁷ Rees, A., *The Economics of Trade Unions* (Chicago: The University of Chicago Press, 1962), p. 107.

preferred if the authors, as they themselves suggest, had used a *formal* econometric model of wage determination. Such a model perhaps would have allowed them to estimate more concretely the wage structural influence along with the effects of other variables purported to have an impact on wage determination. This approach, in my judgment, would have provided a better foundation for the author's "deterioration-restoration" hypothesis of inflation. Also, if we had such a model, we could relate it to the typical Phillips' curve relationship and then examine the effects of changes in the wage structure arising out of collective bargaining on the trade-off curve, i.e., if and how the trade-off between unemployment and inflation is worsened or improved? Moreover, the evidence in this paper suggests that the workers covered under collective bargaining agreements want to maintain their relative positions in the wage structure *irrespective* of the state and distribution of demand pressures in the economy. Does this mean then that excess demand variables are relatively unimportant in determining the rate of change of wage settlements? If the answer is in the affirmative, we should be seriously considering the possibilities of reconciling stabilization policies to collective bargaining! Also, does their model imply anything about the average rate of wage increase over a period of several years as opposed to changes in the rate of increase in money wages over business fluctuations? The paper by Professor Mills does not consider these possibilities directly but it does examine *qualitatively* the possible relationship between collective bargaining and inflation. In addition to cautioning the reader about the "simultaneous causality problem" in interpreting the results of collective bargaining, Mills makes three

important points which deserve attention. First, most of the available evidence on the impact of collective bargaining on the aggregate wage-agreements is inconclusive. Second, working rules and working conditions agreed upon in bargaining can have either favorable or unfavorable effects on unit labor costs and therefore in any study of the impact of collective bargaining on inflation, an effort should be made to estimate the cost or savings resulting from changes in work rules and working conditions. Third, collective bargaining may have a stabilizing influence during the early parts of inflationary periods due to long-term contracts. Fourth, even if collective bargaining had some influence on wage adjustments, say via wage structural effects, one could argue for preserving collective bargaining *even* in periods of inflationary pressures. In addition to the arguments advanced by Professor Mills, we could argue that collective bargaining is necessary (1) to preserve workers' right to choose to be represented by a trade union; (2) to promote industrial democracy and (3) to provide relatively peaceful conflict resolution. Thus it is the view of this discussant that what is needed to reduce the recent inflationary pressure is not to do away with collective bargaining but to make the unions and employers act in a responsible manner from the viewpoints of society and the economy.

Implementation of Income Policies

The last two papers by Messrs. Smith and Locke deal with the implementation of income policies in the United States and Britain. Both the papers clearly point out the difficulties involved in implementing an incomes policy. It is one thing to devise an incomes policy. Enforcement

of such a policy is another matter. Mr. Smith as one of the labor representatives on the Pay Board not only found the controls under Phase II inequitable and ineffective but also unenforceable for various reasons he discusses in his paper. Mr. Locke, although not as critical of British policies as Mr. Smith, does point out somewhat similar difficulties in the administration and interpretation of British incomes policies. Both authors agree on the need for wage-price control. Smith is quite right in pointing out that in order for controls to be effective they should be equitable, easily understood by parties concerned and fairly and openly administered. However, what is equitable is difficult to specify in a way in which reasonable men will agree. What is considered equitable by one party may not be considered so by another. Also, the parties on whom the controls ap-

ply tend to ignore the repercussions of wage-price decisions on other sectors of the economy and on consumers and society in general. This makes effective application of controls very difficult. Decisions tend to be based on the political realities rather than underlying economic consideration. Locke's paper does a very good job in describing British counter-inflation policies as well as the problems involved in implementing these policies. It would have been very helpful if the author (1) had provided some bibliographical references to those who might disagree with his evaluation and (2) discussed the possible impact of the 1967 devaluation on wages. There are some respected people in the profession who consider the 1967 devaluation as at least partially responsible for wage explosion in Britain.⁸ [The End]

⁸ Nordause, William D., "The Worldwide Wage Explosion," *Brookings Papers on Economic Activity* (2:1972), p. 435.

SESSION IV

Theories of the Future of Industrial Relations

Industrial Relations Theory: A View from the Third World

By ROBERT B. DAVISON

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SINCE THE END of the Second World War there has been a positive deluge of literature on the economic, political and sociological problems of the Third World, including numerous case studies as well as theoretical analysis. There is a general consensus that the complexities of the many countries comprising the "Third World," with their varieties of cultural, economic, sociological and political forms—including their systems of industrial relations—make generalisations extremely difficult. Many of the theoretical models which have been developed in the Third World context are little more than models developed in the First or Second Worlds reconstructed to fit a local institutional framework. Already writers and thinkers in the Third World are developing their own models which are likely to develop differently from those derived from the metropolitan countries. This paper is an attempt to suggest one possible alternative model in the field of industrial relations as a contribution to the ferment of ideas which, rightly, is exercising the minds of academics and policy makers in Africa, Asia and Latin America. If the model has any merit it must have ramifications outside the sphere of industrial relations, but this aspect will not be pursued here. In essence, the argument developed below is that for an understanding of the systems of industrial relations in the Third World—of which the Caribbean region where the words are written is but an example—we must be prepared to abandon many of the theoretical constructions which have come from the metropolitan countries where the models were developed in a totally different time, place and environment. The model, however, has many precursors in the history of economic thought. It is suggested, basically, that the philosophy of Darwin with his concepts of evolution through time and the principal of natural selection

(applied to populations in an ecological framework, rather than to individual organisms) is preferable to the philosophy of Newton with his concepts of forces acting mechanically to reach an "equilibrium". There is nothing novel in this. It finds many precursors in the writings of the American institutionalists, from Veblen onwards, in the German historical school and European socialist writers of many persuasions. Arising from the adoption of the alternative philosophy an alternative formulation of wage theory will be suggested as a specific example of a newer type of ecological theory which is briefly outlined.

Recent reviewers of the state of the art in wage theory and trade union behaviour, from the metropolitan standpoint, draw no clear conclusions from deductive theory any more than from inductive reasoning combined with empirical/historical research. Pierson¹ concluded that whatever preeminence equilibrium wage theory still enjoys seems largely attributable to the fact that no alternative system of thought has been developed to replace it. Livernash² in 1970 asserted that whilst significant research has been done in the wages field, these advances have not achieved resolution of theoretical issues surrounding functional distribution. Corina³ believes that labour market models, viewed from economic theory, are in a state of volatile change (in 1972). The validity choice, he asserts, between the competitive hypothesis and the institutional hypothesis is ambiguous no easy straightforward generalisations can be drawn on labour market behaviour from eco-

nomics and the precise role of unions and institutions remains an open question. The lack of any clear theoretical or policy conclusion from the metropolitan countries gives small help to those in the Third World, whether as academic teachers or policy makers who are trying to interpret the environment in a meaningful way to their students and clients, and even if it is unsuccessful, there may be some merit in trying to reexamine the question from the standpoint of the Third World, with its multitude of sociological and political structures, without accepting, as an unquestioned base, the cultural assumptions which underlie much of the economic theorising, at least of the orthodox schools, in the metropolises. The Marxist construction often appears far more relevant to the situation but many of the tenets of that creed sound just as irrelevant as orthodox theory in the context of the Third World. A beginning might be made by looking again at the conflict to which Corina refers, between the so-called competitive and institutional hypotheses. In the metropolitan countries, as Livernash points out, the integration of market and power variables is an old problem on which no more than modest progress has been made. A central proposition here will be that there need be no conflict at all—provided the competitive hypothesis is interpreted in terms of power forces and we can shake loose from the classical equilibrium demand—and supply analysis of price formation which still seems to exercise an almost hypnotic influence in the writing and teaching of metropolitan theorists of the orthodox school.

¹ Pierson, F. C. *An Evaluation of Wage Theory in New Concepts in Wage Determination* (1957).

² Livernash, E. R. *Wages and Benefits. A review of recent research.* I. R. R. A. 1970.

³ Corina, J. *Labour Market Economics.* Heinemann. 1972.

Bohm Bawerk

Bohm Bawerk⁴ almost sixty years ago set in opposition "power" and "natural" economic laws, and posed the issue as the necessity to determine the exact extent and nature of the influence of both factors to show how much one factor may accomplish apart from, and perhaps in opposition to, the other. His own—inevitable—conclusion was that, in the long run the working of the "purely economic order" would triumph over any temporary aberration caused by the use of "power" forces either in the commodity or the labour market. Dunlop⁵ dismisses any notion of a "political" or "power" theory of wages as simply confusion and roundly asserts that all wage theory is in a sense demand and supply analysis. A wage is a price and the wage structure is a subsystem of prices. . . . there is no special or peculiar "demand and supply" theory of wages. Even so he goes on to develop his concepts of job clusters and wage contours which have little apparent relationship to the competitive market model. Clark Kerr⁶ argues that neither market forces (which he calls "individual response") nor power forces (which he calls "institutional behaviour") can in isolation explain the phenomenon of wage structure but he gives no clue as to how, if at all, the two approaches might be reconciled. Ozanne, from empirical studies, came to the conclusion that collective bargaining (i.e., "power" forces) has

dwarfed and all but obliterated the evidence of market forces whilst Reynolds⁷ stressed that in practical terms keeping up with the area had more effect on business decisions than any of the variables which economists build into their models. Chamberlain and Kuhn⁸ regard as coercive factors in collective bargaining

- (a) the community wage comparison
- (b) the industry comparison
- (c) the wage-profit-price comparison.

The concept of "pattern" bargaining has been widely canvassed, particularly in the U. S. A. by writers such as Seltzer⁹ in steel, Levinson¹⁰ in automobiles and Carpenter/Handler¹¹ in rubber and meat packing. This clearly has great relevance in the Third World but it does not even begin to resolve the basic theoretical conflicts between existing "power" and "market" forces. Ever since Ross¹² mounted his frontal attack on the prevailing economic models, as espoused by Dunlop, et al., and argued that unions are *not* business enterprises, not selling labour and not interested in maximising the wage bill or any other quantity measured in dollars, but are political institutions in essence whose central objective is survival and growth as a part of the labour movement, the conflict of philosophies has continued in the metropolises.¹³ Ross did not develop his ideas of "survival and growth" so far as the present writer is aware, although they

⁴ Bohm, Bawerk E. *Control or Economic Law* (1914). Translated by J. R. Mey as quoted by Kerr, C. in 'Market or Power Forces.' Report of I. E. A. Conference. 1957.

⁵ Dunlop, J. T. *The Task of Contemporary Wage Theory*. Report of I. E. A. Conference. 1957.

⁶ Clark, Kerr. *Wage Relationships*. The comparative impact of market and power forces. I. E. A. Conference Report, 1957 and in Dunlop, J. T. *The Theory of Wage Determination*.

⁷ Reynolds, L. G. *The Structure of Labour Markets*. Harper and Row. 1951.

⁸ Chamberlain, N. and Kuhn. *Collective Bargaining*. 2nd edn McGraw Hill. 1965.

⁹ Seltzer. *Pattern Bargaining*. J. P. E. Aug. 1951.

¹⁰ Levinson, H. M. *Pattern Bargaining*. Q. J. E. May 1960.

¹¹ Carpenter, W. *Small Business and Pattern Bargaining*. Babson. 1961.

¹² Ross, A. M. *Trade Union Wage Policy*. Univ. of Calif. Press. 1948.

¹³ Ross later modified his own position and appeared to concede that market forces have the ultimate control over 'power' forces.

are the kernel of what follows. Nor did he ever explicitly suggest any amendment to the conventional market model to incorporate his own power theories. This is a pity, for his views speak more to the condition of the Third World than do those of his contemporaries. The concept of the union leader as in a constant decision-making process in trying to reconcile the conflicting interests of his membership within a changing and often hostile environment, leaving no room for the mechanical application of rules based upon some supposed maximisation principles strikes a more responsive chord in Africa, Asia and Latin America than do the elegant formal theories of Dunlop, et al.¹⁴

Outlines of a Model

We may now proceed to sketch the outlines of a model which has been used in teaching in Jamaica as an attempt to reconcile, in the context of a Third World audience, the metropolitan concepts of "market" and "power" forces in the determination of wages, which may well be useful elsewhere but which has not, so far as the present writer has been able to discover, been previously suggested in the literature. The model begins by assuming a situation in which the workers are organized into a trade union which has fairly effective control over the labour supply to a particular employer, whereas the employer is conceived to be a factory, hotel or other plant with a

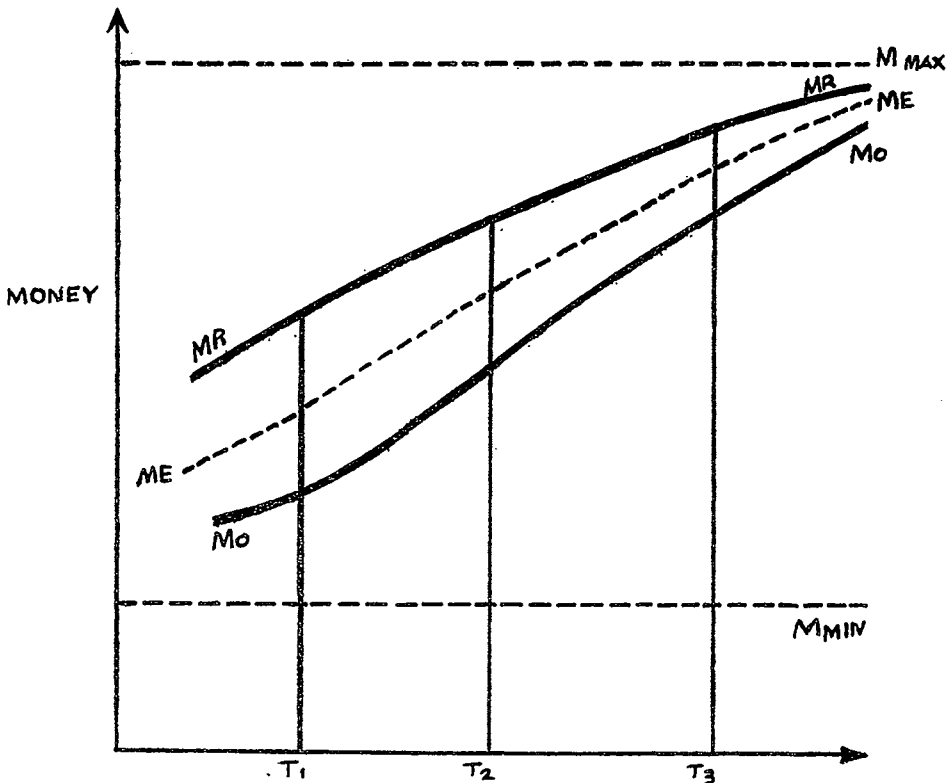


FIGURE 1

¹⁴ Pen, J. *The Wage Rate under Collective Bargaining*, op. cit.

defined labour force. The model seeks to illustrate the process of wage formation by assuming that the bargainers are talking about money and that any fringe benefits can be compounded into a specific money cost. In the case where the workers are not organized, or there are many employers, with the classical competitive market seen as a limiting case, the basic model still holds but the *process* by which the decisions are reached differs in that collective bargaining is absent. The model partakes largely of the "power" concept, but translates this into terms of market forces at the expense of abandoning the traditional demand and supply curves and indeed the whole concept of "equilibrium". Although here discussed in terms of *wage* formation (the total wages being translated into individual wages by means of an assumed wage structure) it is clear that it has implications for price formation in commodity markets. Furthermore, the model can be aggregated to encompass macroeconomic relations and easily adapted to a version of the Malthusian theory of population.

As a first approximation it is assumed that the union is bargaining with the employer, commencing negotiations at time T^1 and the situation is "all or nothing." The union wants a certain sum of money to be paid in aggregate to the workers in the plant or no work takes place at all. There is a limit set by production functions, market conditions, government regulations or the potentiality for migration open to the firm beyond which the firm will not go: this is indicated by the line M^{\max} assumed initially to be a horizontal straight line. Similarly, there is a minimum line M^{\min} below which the workers would not work in any circumstances. The union could, and would, close the plant rather than go below this line. At time T^1 the

union is asking for M^r (Money requested) whilst the employer is offering M^o (Money offered). These initial points are likely—but not inevitably—to lie between M^{\max} and M^{\min} (call them the outer limits) and it is also likely, but not inevitable, that $M^r > M^o$. If $M^r = M^o$ and both parties know it there is nothing to negotiate about. The deal is settled at once. Somewhere between M^r and M^o (possibly on one of the boundaries) is the point M^e at which the deal would be settled if the bargain is struck at time T^1 . However, this cannot be assumed to be an instantaneous process. If both parties put their cards on the table at once (highly unlikely) it may be that a deal is immediately possible. If, however, the union knows (or suspects) that the line M^{\max} is much larger than the current M^o the union will argue, threaten, delay and generally apply pressures to move the employer higher towards M^{\max} . The locus of the M^o points is the M^o curve. Similarly, the employer, sensing the existence of M^{\min} , will resist the upward pressure and will either hold to the original offer (in which case M^o is a horizontal straight line) or move asymptotically towards the M^{\max} line. This is the outer limit and the employer will resist ever more strongly as that line is approached, which will tend to make the M^o curve logistic in shape as in the particular formulation given above. A priori no firm prediction can be made about the shapes of any of the curves in any particular case. In due time, if a bargain is struck at all it will be at the point M^e , the locus of the M^o curve being the set of points at which the bargain would have been struck at successive time periods had a bargain been struck at all. The distance M^e to M^{\max} can be interpreted in Marxian terms as "surplus value." The employer could have paid M^{\max} without being forced

to close down. In fact he pays M^e and the difference $M^{\max} - M^e$ can be regarded as 'surplus value' or 'exploitation of labour' or 'excess profit' or whatever. In fact it is the reward for superior bargaining strength and skill.

Modifications Suggest Themselves

Modifications of the basic model in Figure 1 immediately suggest themselves. The line M^{\max} is unlikely to be a horizontal straight line through time. Improved technology, discovery of newer and cheaper raw materials, a government tariff on competing imports are obvious factors which could alter the locus of this line. The M^{\min} line is unlikely to be horizontal through time, in the medium or long run anyway. Rising expectations of levels of living amongst the workers, better out-

lets for emigration, higher educational levels, the demonstration effect of higher incomes in other sectors of the economy and political ferments in newly independent countries are amongst many factors which will influence the locus of the M^{\min} line. The initial position of the M^r and M^o points at time T^1 may be little more than informed guesswork. The way the curves move through time may be difficult to predict and it is not suggested that the particular shapes shown in Figure 1 are the only possible ones. On the contrary, there are numerous possibilities. If either, or both, parties is/are completely intransigent the point M^e may never emerge at all. If the plant permanently shuts down by either management or union decision either the M^r or the M^o curve crosses the M^{\max} or

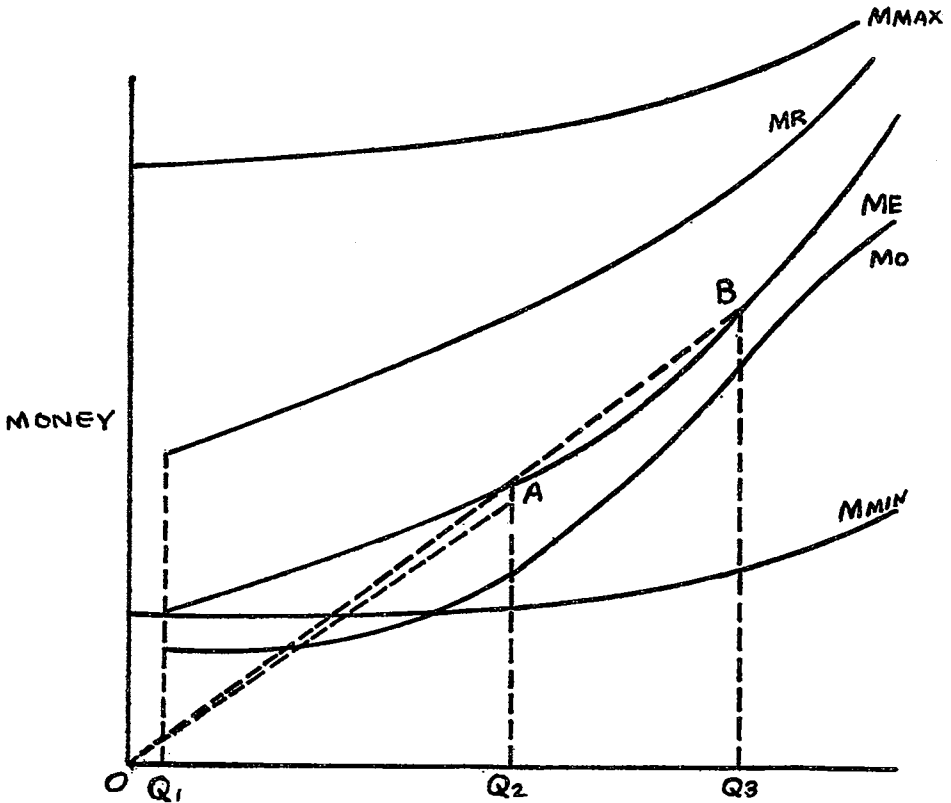


FIGURE 2

M^{\min} lines respectively and operations cease. This is just as possible an outcome as the edging of the wage towards some "equilibrium" solution of the conventional models.

The model can be adapted to the theory of wage determination in a competitive market (the implications for the theory of prices in the commodity market will be readily apparent).

We envisage a firm drawing on a catchment area for labour: the more labour it employs the larger its total wage bill will be. There is no organisation and therefore no structured information system available to the employer and he must settle his wage bill by a process of observation of individual reactions to the offers he makes. Below a quantity of labour Q^1 ; no exchange of money for labour takes place at all because $M^e \Sigma M^{\min}$ below Q^1 . Beyond that point up to Q^2 the employers total wage bill on offer expands fairly slowly. The expectations of the labour force, still above what the employer offers in aggregate, rises at a steady rate. This would occur if the wage rate expected was virtually constant and the total wage bill expanded only as a function of increasing employment. Beyond Q^2 the employer (perhaps sensing advantages of economies of scale), is willing to increase his total offer at an accelerating rate. The workers' expectations change little in this case: M^r expands only as a result of higher employment. The gap between M^r and M^o narrows: it may close completely over a range. Beyond Q^3 diminishing returns are settling in for the employer, the slope of the M^o curve decelerates as the upper bound of M^{\max} is approached. Once $M^e = M^{\max}$ the employer will not—or cannot—pay out more in total wages, however much labour he employs. An expansion in employment can only come about by a reduction

in the wage rate. The wage rate is, of course, like a price: it is a ratio between two total quantities, in this case total wage bill and total quantity of labour exchanged for the wage bill. In Figure 2 this is represented by the tangent to the angle $M^e O Q$ at any particular point along the M^e curve. In Figure 2 $AOQ^2 \Sigma BOQ^3$. The wage rate has fallen between Q^2 and Q^3 .

Advantages Claimed from Formulation

Several advantages may be claimed for this formulation, once any attempt at misplaced concreteness and mathematical optimisation has been abandoned. It is not difficult to incorporate into the model exogenous variables which must of necessity be assumed away in the traditional analysis. For instance, the important role played by government policy on the *expectations* of both workers and employers, as represented by the loci of the M^r and M^o curves. As Ross has pointed out, the traditional concept of collective bargaining implies that the national wages structure will emerge from a multitude of uncoordinated bargaining decisions, but the economic plans of most governments in the Third World call for a different kind of wage structure. Figures 1 and 2 above can easily be adapted to an analysis of the macroeconomic formulation of a national incomes policy. Corina¹⁵ has suggested that the case cannot be overlooked for preliminary attempts to construct models of the labour market starting from propositions within the core of industrial relations knowledge and working outwards to the corpus of general economic theory instead of assuming that it must always be the other way around, i.e., from commodity market to industrial relations and wage

¹⁵ See footnote 3, at p. 544.

theory. Pen¹⁶ rightly regards wage determination as a process of power and conflict and not as a process in which restrained behaviour—and “rational” behaviour—play any significant part. Chamberlain and Kuhn¹⁷ have warned against the danger of regarding collective bargaining as analogous to the contract between two parties in a competitive commodity market where the bargainers need not finalise the contract if they cannot agree. In industrial relations, as in marriage, the parties must live together in some fashion after the bargaining is over.

The ecological model of industrial relations begins with the proposition that populations are the inhabitants of an ecosystem in which the habitat—

or environment—which is itself evolving controls the populations, which in turn are themselves modifying the habitat. The whole process, following the thinking of Veblen and the institutionalists is essentially evolutionary in character. Unfortunately, the American institutionalists—including even Galbraith—have never brought themselves to reject the static equilibrium analysis of the classicals with its omnipotent demand and supply curves. Once they can break away from this concept and see wages—and prices—for what they really are, the result of conflict, power and struggle, their evolutionary economics will be clearly seen to be the most relevant model for the Third World. [The End]

A Theory of Responsive Bargaining

By SYED M. A. HAMEED

University of Alberta

THE CURRENT STATE OF industrial relations theory is showing signs of rigor but the constructs of a unified theory are still undefined. The complexity, multiplicity and interdependence of variables have prevented an effective unification of concepts. The contemporary fresco has the following landmarks:

(1) There are three levels of theories: (a) At the most fundamental level, there are theories of the labour movement by John R. Commons,¹ Selig Perlman,² Frank Tannenbaum³ and others who attempt to explain the phenomenon of worker *participation* in the unions. (b) At the intermediate level, there are theories of collective bargaining by Neil Chamberlain,⁴ Joseph Shister,⁵ Reed Tripp⁶ and others⁷ who attempt to explain the *conversion*

¹⁶ Pen, J., *The Wage Rate Under Collective Bargaining*, op. cit.

¹⁷ See footnote 8, at p. 545.

¹ John R. Commons, *A Documentary History of American Industrial Society*, eleven volumes (Glendale, California: Arthur H. Clark Company, 1910-1911).

² Selig Perlman, *The Theory of the Labor Movement* (New York: Macmillan Company, 1928).

³ Frank Tannenbaum, *A Philosophy of Labor* (New York: Alfred A. Knopf, 1951).

⁴ Neil W. Chamberlain, *Collective Bargaining* (New York: McGraw-Hill, 1951).

⁵ Joseph Shister, "Collective Bargaining" in *A Decade of Industrial Relations Research, 1946-1956* (New York: Harper and Brothers, 1958).

⁶ L. Reed Tripp, "Collective Bargaining Theory" in G. G. Somers, ed., *Labor Management and Social Policy* (Madison: The University of Wisconsin Press, 1963).

⁷ S. M. A. Hameed, "A Theory of Collective Bargaining," *Industrial Relations* (Laval), Vol. 25, No. 3 (August, 1970).

of inputs into wage settlement, web of rules and decisions on matters of industrial jurisprudence. (c) At the highest level of conceptualization, there are theories of industrial relations by John T. Dunlop,⁸ Gerald G. Somers,⁹ Jack Barbash,¹⁰ Kerr, *et al.*¹¹ and others¹² who have produced comprehensive frame of analyses for the understanding of labour, management and government interaction and the *output* of the industrial relations system.

(2) There is no unifying theme or a conceptual system which has integrated the three levels, namely, participation, conversion and output (or unionism, collective bargaining and industrial relations theories).

Totality and Interdependence of Systems

An integration of the three levels of theorizing is a prerequisite for developing a general conceptual system of industrial relations.¹³ But a unified system of industrial relations must be conceptualized not in isolation but in the totality of all other systems. Any developing or industrialized society may be regarded as a composite of five systems: (1) Economic, (2) Social, (3) Political, (4) Legal, and (5) Industrial Relations. It is not enough to observe labour-management participation in the industrial relations system but we must also analyze the implications of their partici-

pation in economic, social, political and legal systems. That is possible if we develop a conceptual understanding of the composition and functioning of these other systems as well.

All systems must be treated as interdependent systems which have conceptual similarities in their structure and processes. In a generalized fashion, they could be regarded as having the following components: (1) Inputs, consisting of two identifiable ingredients: (a) a summation of individual's participation, (b) outputs from other systems. (2) Outputs, consisting of (a) tangible or intangible but essentially positive goods such as economic products, social values, wages and industrial jurisprudence, legal regulations, political decisions, etc., (b) tangible or intangible but essentially negative goods such as pollution, conflict, alienation, etc. (3) Internal environment or context consists of physical or non-physical properties such as natural resources, ecology and shared understanding amongst its participants. (4) Conversion mechanisms convert inputs into outputs with the help of established institutions, technical or social processes, and formal and informal practices in groups, bureaucracies and other power structures.

Interdependence of Components

It is not the systems alone which are interdependent but the components in each system have defined relation-

⁸ John T. Dunlop, *Industrial Relations Systems* (New York: Holt, 1958).

⁹ G. G. Somers, "Bargaining Power and Industrial Relations Theory" in G. G. Somers, ed., *Essays in Industrial Relations Theory* (Ames, Iowa: The Iowa State University Press, 1969).

¹⁰ Jack Barbash, "The Elements of Industrial Relations," *British Journal of Industrial Relations*, 4 (October, 1964).

¹¹ Kerr, *et al.*, *Industrialism and Industrial Man* (Cambridge, Massachusetts: Harvard University Press, 1960).

¹² Alton W. Craig, "A Model for the Analysis of Industrial Relations Systems" (mimeographed); also S. M. A. Hameed, "Theory and Research in the Field of Industrial Relations," *British Journal of Industrial Relations*, Vol. V, No. 2 (July, 1967).

¹³ See Herbert G. Henerman, Jr., "Toward a General Conceptual System of Industrial Relations: How Do We Get There?" in G. G. Somers, ed., *op. cit.*

ships which are *integrated* and *causal*. These two characteristics are vital for conceptualizing a unified and integrated theory of industrial relations. It also helps in understanding an inter-system compatibility of such important components as internal environment or conversion mechanism.

Integration and causality of components in any system may be conceptualized in terms of the following equations: where E = Internal Environment, I₁ = Inputs (participation of individuals), I₂ = Physical or non-physical input from other systems in the same society, I₃ = Physical or non-physical input from outside the society, C = Conversion mechanisms, and P = Personality factors including knowledge, education, past experience and innovativeness helping in the establishment of an inducement-response equilibrium, O = output.

$$I_1 = f(P) \dots\dots\dots (1)$$

$$C = f(I_1, I_2, I_3, E) \dots\dots\dots (2)$$

$$E = f(I_1, I_2, I_3) \dots\dots\dots (3)$$

$$O = f(I_1, I_2, I_3, E, C) \dots\dots\dots (4)$$

It may be observed that I₁ (Individual participation) is the only autonomous variable, determined exogenously.

Integration of Industrial Relations Theory

The four interdependent equations, outlined above, constitute a conceptual framework applicable to all the five systems in any society, developed or developing. It has two primary advantages: (1) It places industrial relations system at a conceptual and analytical parity with the rest of the systems, making it possible to analyze economic, social, political and legal development within the same conceptual framework. (2) It broadens the scope of analysis, that is, in case a researcher wishes to

understand the origin and nature of outputs from other systems, being fed into the industrial relations system, he could do so without altering his tools of analysis.

Each of the equations is capable of being developed into a theory, corresponding with one of the three levels of theorizing in industrial relations, mentioned earlier. The identification of independent variables in these equations will assist students and researchers to analyze unionism, collective bargaining and industrial relations systems at aggregative or disaggregative levels.

Participation:

Equation 1 (I₁ = f(P))

Equation (1) is a theory of participation which explains that individuals participate in formal and informal groups, organizations and larger systems because of: (a) what they are (personality factors) and (b) what inducement they receive. Figure 1 illustrates that in a society there is a given

number of individuals ($\sum_{i=1}^n X_i$) and each

of the five systems has a given num-

ber of participative roles ($\sum_{i=1}^n Y_i$). It is

possible that due to varying levels of inducement offered by industrial relations system at different times and the changing personality factors, the

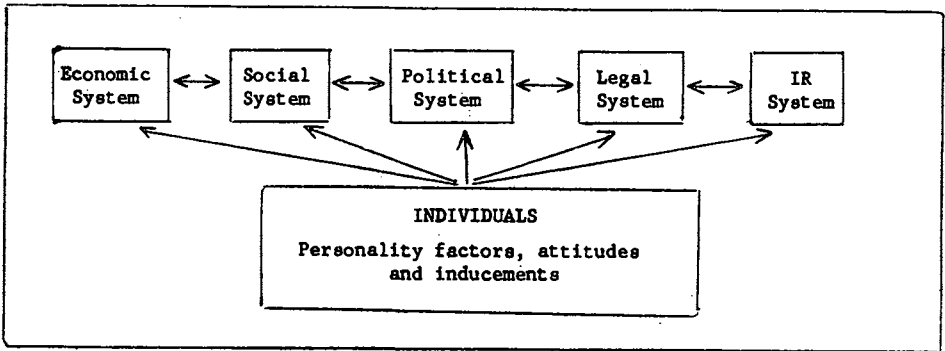
sum of individual participation ($\sum_{i=1}^n X_i$)

$\sum_{i=1}^n Y_i$) may vary. Development of a

system, among other factors, depends

upon ($\sum_{i=1}^n X_i \sum_{i=1}^n Y_i$).

FIGURE 1



Some systems invoke higher participation than others at a given point of time. The level of individual participation depends upon the urgency and hierarchy of needs. Thus, need satisfaction is the stimulus¹⁴ for participation in any system. For instance, participation in economic system satisfies basic economic needs such as food and shelter; social system satisfies the need for status, prestige and affiliation; political system satisfies the need for power and dependence. It appears that IR system satisfies the residue needs not satisfied in other systems. Consequently, participation in this system is a function of unsatisfied needs in other systems.

Theorists of the labour movement have explained a very specific nature of participation, namely, the economic, social and psychological reasons because of which workers join unions. Protection of wages (Commons), social relatedness (Tannenbaum) and job protection (Perlman) are the in-

ducements because of which workers join the unions. These theories do not explain as to why a large number of workers *do not* join the unions. The theory of participation has a two-fold explanation: (1) Workers will not join the unions unless there is harmony between the nature of inducement offered by the unions and the personality factors of the workers. (2) If participation in other groups, organizations or systems satisfies the socio-economic and psychological needs of a worker, he will not join the union.

This explanation holds not only with respect to workers' participation in the industrial relations system through joining unions but also with respect to the participation by other actors (i.e., government and the public) who primarily belong to political and social systems. Table 1 attempts to specify the reasons for the participation by various actors in the industrial relations system and in the bargaining processes related with the system.

¹⁴ See James G. March and Herbert A. Simon, "The Theory of Organizational Equilibrium" in Amitai Etzioni, ed., *Complex*

Organizations (New York: Holt, Rinehart and Winston, Inc., 1961).

TABLE 1
Equation (1) $I_1 = f(P)$

An
Illustrative
Specification
of
Variables

Dependent Variable	Independent Variables
I_1 Participation	P Personality Factors, Attitudes and Inducement
Participation in IR System: (1) by Management	(2) (a) Age, sex, education and innovativeness (b) Inducement from busi- ness such as profits, prestige, fulfillment.
(2) by workers joining unions	(1) (a) Age, education, sex, oc- cupation and past expe- rience with unions (b) Inducement from the unions such as protec- tion of wages, job secu- rity, social relatedness.
(3) by government	(4) (a) Political attitudes of government policy makers (b) Induced to participate in IR System to achieve approbation of consti- tuents through the establishment of indus- trial peace.
(4) by the public	(4) Public attitude toward ac- tual or perceived inflatio- nary wage settlements and prolonged industrial dis- putes.
(5) Participation in bargaining	(1) (a) and (b) + (2) (a) and (b) + (3) (a) and (b) + (4) + an inducement of a possible gain through bargaining.

Conversion Mechanism:

Equation 2 ($C = f(I_1, I_2, I_3, E)$)

Equation (2) corresponds with the second level of theorizing, namely, collective bargaining theories. These theories purport to explain how and why labour, management and government interact. They generally do not explain the possibility of conversion mechanism or collective bargaining process itself changing. Whereas, Equation (2) explains that whenever individual participation (I_1), inputs from other systems (I_2), inputs from outside the society (I_3) and internal environment (E) of industrial relations system change, collective bargaining process will change.

(I₂) Intersystem Borrowing and Systems Compatibility or Lag:

I have indicated earlier that there is an interdependence in the systems: output from one system becomes input in other systems. (See Figure 1.) There is also the phenomenon of individual participation which may increase or decrease among systems. These two factors, accompanied by a sufficiently long span of time and no new changes introduced in any of the systems, indogenously (E) or exogenously (I_3), will produce equilibrium, social balance or compatibility.

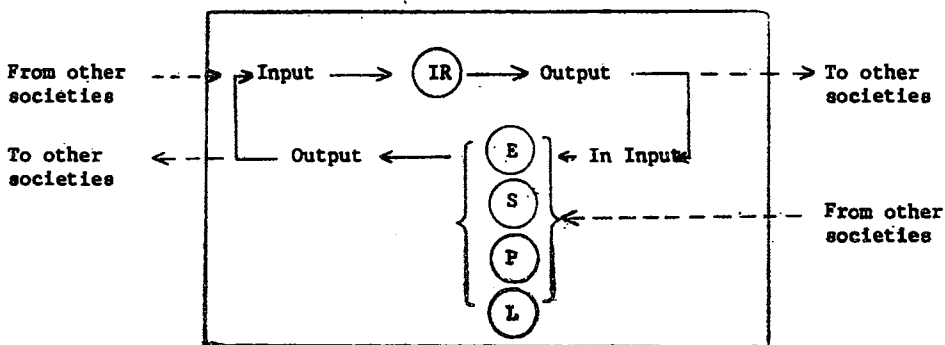
Systems are not static. One of the primary sources of change, according to Equation (1), is through personality factors, such as education, attitudes and innovativeness which change the pattern of participation (I_1 among the systems. Those receiving higher participation ($\sum_{i=1}^n X_i \sum_{i=1}^n Y_i$) will develop

faster than others, creating a systems lag. If there are too many lagging systems, the strength of (I_2) in bringing about a change in the conversion mechanism of the industrial relations system will be minimal. It is usually the economic system which forges ahead of other systems but without supportive change in social values and goals, political and legal innovativeness, there will be no change in our dependent variable (C).

(I₃) Borrowing from Abroad:

Apart from the influence of (I_1) and (I_2), the industrial relations conversion mechanism is also heavily affected by inputs from outside the society (I_3). Societies are no longer closed because of national boundaries; there are inflows and outflows of ideas and material goods. (See Figure 2.) The phenomenon of multi-national firm, possible international trade union movement, and legal borrowing are important ingredients of (I_3).

FIGURE 2



Equation (2): $c = f(I_1, I_2, I_3, E)$

Dependent Variable		Independent Variables						
(C) Nature of Conversion Mechanism		I ₁ Participation	(I ₂) Inputs from Other Systems				(I ₃) Inputs from outside the Society	(E) Internal Environment
			Economic	Social	Political	Legal		
An Illustrative Specification of Variables		Participation in IR system by:	Inputs from the economic system in accordance with the Rostowian stages of development plus varying levels of conflict		Inputs depend upon the type of political system, i.e.	Inputs depend upon the type of legal system, i.e..		
	(1) No Bargaining (Personnel Mgt)	(1) Management	(1) Traditional Society	(1) Participants in IR system hold traditional goals and values such as authoritarianism and preservation of the old values (Similar to Dynastic Elites)	(1) autocratic	(1) Labour Standard Legislation, such as:	(1) International Trade Inputs	
	(2) Unilateral Bargaining	(2) Management + Labour	(2) Pre-condition to Take Off		(2) democratic	(a) minimum wage	(2) Values of Industrialism	
	(3) Compulsory Arbitration	(3) Management + Labour + Government	(3) Take Off		(3) socialistic	(b) maximum hours	(3) Political Ideologies	
	(4) Collective Bargaining	(4) Management + Labour + Government + *Public	(4) Drive to Maturity	(2) Repression of unions and management paternalism	(4) Communistic with varying degrees of union-political party and management alliance, defining the power structure for the bargaining process	(c) Vacation	(4) Legislative Borrowing from other countries and ratification of ILO conventions	
	(5) Responsive Bargaining	(5) Participation from abroad (See I ₁)	(5) Mass Consumption *Rise of Consumerism	(3) Control of unions and scientific management	(4) Communistic with varying degrees of union-political party and management alliance, defining the power structure for the bargaining process	(d) Sick leave etc.	(5) Participation by foreign management through multi-national firm	
		Participation in Bargaining (Same as Table 1)	(4) Tolerance for unions and cooperative management	*Expanded public sector	(2) Social Security Legislation, such as:	(6) Legislative Borrowing from other countries and ratification of ILO conventions		
			(5) Demand for responsible unions and government intervention		(a) Unemployment insurance	(4) Structure of bargaining *Declining utility of strike		
					(b) Pension plans etc.			
					(3) Labour-Management Legislation, such as:			
					(a) Certification			
					(b) Conciliation			
					(c) Voluntary arbitration			
					(d) Compulsory arbitration etc.			
					* (e) Measures to protect consumer from prolonged strikes			

TABLE 2

Table 2 provides an illustrative specification of variables in our equation, dealing with the nature of conversion mechanism. It may be observed that the stages of bargaining are in some sense evolutionary, dependent upon the levels of participation and stages of economic development. But as there is no clear-cut demarcation between various stages of economic, social, political and legal development in any society, they could exist simultaneously, undoubtedly reflecting the state of independent variables. It should be expected that any of the four independent variables could have a dominant influence on the nature of conversion mechanism. For example, during a takeoff, a society committed to rapid industrialization may want to control unions, eliminate industrial disputes and introduce legislative measures which may leave compulsory arbitration as the only compatible conversion mechanism.

What is the future of collective bargaining in North America? The answer is not simple but the changes among the independent variables, marked by asterisks (*) in Table 2 indicate that bargaining of the future will have to become responsive to the public. On the other hand, developing countries which are passing through the takeoff stage will continue to have some form of compulsory arbitration. Those entering the fourth stage of development (Drive to Maturity) with a democratic or socialistic system of government will have encouraging prospects for establishing free collective bargaining.

**Output
of Industrial Relations System:
Equations 3 and 4**

$$E = f(I_1, I_2, I_3) \text{ and } O = f(I_1, I_2, I_3, E, C)$$

Equations (3) and (4) are in line with the third level of theorizing, namely,

industrial relations theories. The dependent variable in these theories is output which is determined by the actors, context and ideology (Dunlop) or by the dual influence of personality and environment (Somers) or by the industrializing elites (Kerr, *et al.*). These theories have a limited scope for explaining a change in their parameters: context, ideology, environment or industrializing elites are "given" for these theories. But in our system of equations, change in ideology and environment can be explained by Equation (3), participation by actors through Equation (1) and interaction process itself (i.e., conversion mechanism or collective bargaining) through Equation (2).

The output of industrial relations system may be defined as web of rules (Dunlop), conflict resolution (Somers) or productivity, efficiency or allocation of monetary or non-monetary rewards (Craig). All of these are acceptable dependent variables but we need to visualize the industrial relations system as a remedial system which receives inputs from other systems, including varying levels of labour-management conflict, primarily from the economic system. Subsequently, through the influence of independent variables (i.e., individual participation (I_1), inputs from other systems (I_2), inputs from abroad (I_3), internal environment (E) and the nature of conversion mechanism (C)) industrial relations system produces conflict resolution, productivity, web of rules and monetary and non-monetary rewards. However, it is important to acknowledge at this point that one of the outputs is often unresolved conflict which feeds into other systems. In other words, political, social and legal systems may become remedial systems for the spillover conflict from the industrial relations

system. Depending on the efficiency of the conversion mechanisms in these systems, the conflict may be resolved there. If not, it will come back to the industrial relations system with added social, political and legal overtones. Complete nonviability of the systems to cope with conflict, implying inefficiency of the conversion mechanisms, may be anti-thesis in Marxian dialectics.

Conclusion

The paper has attempted to provide a conceptual framework for integrating all three levels of industrial relations theory. By placing the industrial relations system at par with other systems, it has broadened the scope of analysis, as a researcher may undertake a second level of investigation into the nature and causes of inputs coming from other systems. Thus, the same tools of analysis are helpful in the understanding of development in other systems.

The conceptual framework has included the inputs from outside the society which means that societies need not be treated as closed entities but integrated and dynamic. This will be particularly useful for the industrial relations system where the analysis of the operation of the multi-national firm demands a broader framework.

The variables used in our equations are broad and unspecified but depending on what is to be explained, appropriate equation may be defined in operational terms. Tables 2 and 3 illustrate how the variables may be specified. However, they can always be identified differently, depending on the desired specification of the model for research purposes.

There is an interdependence among the variables specified in our four equations. The lines of causality are also defined in each equation, implying that there is a potential for making predictions for the future. [The End]

A New System of Peonage— A Challenge to Industrial Relations

By DAVID W. SALMON

Western Conference of Teamsters

DURING THE MEDIEVAL PERIOD in Europe, the insecurities of agricultural workers provided the cement which held the Manorial system together. In return for protection against robbery and invasion by outsiders, the feudal lord insisted that the worker labor for him, assist in his raids and brigandage, and follow him into war. It was a mean bargain and great exploitation resulted. The point

to note, however, is that the extreme insecurities of the workers (economic, physical, and psychological) laid the groundwork for the bargain.

Even though the national state later was established and the industrial and commercial revolution spread, the basics of lord-serf relations continue to this day in some parts of the world. The peon in Latin America and the indentured servant in North America tied by formal agreement are residues of this system, and the peon often deliberately keeps himself in debt to secure the minimum

protection that the indenture provides. Too often we emphasize economic and minimize psychic factors.¹

The object of this paper is to suggest that a new peonage system may be at hand, though it will involve industrial rather than agrarian workers. The insecurities of workers who are a part of modern industrial systems are growing daily both in number and intensity. They may loosely be described as the insecurities of affluence which result from congested, complex, high-speed living and the general feelings of inadequacy and fear of an unknown future which is emerging rapidly.

In the new system, the worker would not pact with an individual lord or patron but rather is likely to pact with the Government and its bureaucracy. The industrial-individual pact would be more formal. Rights and obligations would be more specific and identifiable, and they would be more enforceable. Moreover, the pact would be subject to renegotiation as personal needs and national political and economic conditions change. If such a system should come to pass, again the cement would be the insecurities of a great many workers.

What then are some of the long-term insecurities that industrial, commercial, and governmental workers feel might induce them to make individual pacts with government?

Fear of Being Denied Personal Choices

In large-product societies, industrial workers are becoming increasingly aware of alternative life styles with many options. Many feel that in an affluent society they are entitled to secure a proper job that will facilitate and finance the type of activities, diversions, and family associations which they desire. Training, retraining, and

locating the proper job are essential to finding a satisfactory life. This usually involves time and money costs that are difficult to meet.

Fear of Loss of Income

The desire for steady, reliable income is understandable, for people want to be able to plan ahead. Fear of unemployment due to discharge, disability, or closing of a business is still alive even with workmen's compensation and unemployment insurance. A cut in pay is a serious matter. The worker also fears a loss of income because of rising tax rates or because of galloping inflation. Even those workers who are protected by strong collective bargaining agreements and whose wage increases have exceeded the rate of inflation over the years are fearful of future reductions of standards.

Perhaps the greatest fear that remains is that the work place will erode and the worker be displaced. Termination of production units is commonplace. Large companies and big governments readily open and close establishments and switch operations thousands of miles away. Even the wealth which foreign trade produces has its offsetting insecurities as entire industries may fall in homage to comparative advantage.

Fear of Not Being Able to Increase Real Income

Aside from wanting and needing increasing income as his family grows, a worker needs to feel that his accomplishments are becoming greater with age and experience. Income is supposed to reflect improved performance. Merit increases and promotions are important to worker morale. Aside from this, workers expect to receive additional income each year which comes from

¹ For example, long-time prisoners often are unable to adjust to freedom at the end

of their term and seek to return to their "hellhole".

increased productivity of the company, industry, or economy. Fortunately for morale, wage increases resulting from moderate inflation (when it is relatively unobservable) give workers a *feeling* of improvement. Typically this is reflected in each newly negotiated collective bargaining agreement or raise the boss gives.

Fear that Retirement Income Will Be Inadequate

Every man fears what might happen to him in his advanced years when he is obliged to retire.² Much has been achieved by social legislation and pension plans but not enough to calm fears of workers.³ Apart from the problem of having a reliable source of continuing real income is the desire to enjoy a standard of living commensurate with the working-life standard. This is the time of life, too, when medical bills can wipe out what otherwise would be adequate income.

Frustration with the Social Compact Process

Daniel Bell points out that:

post industrial society is a "game between persons" that requires increasing amounts of coordination, especially when the game is carried on in a visible political arena rather than through the "invisible hand" of the economic market place.⁴

Problems of the "coordination process" are that it requires continuous participation, greater exchange of information, more and more personal interaction, involved planning and delay, and finally wider and more detailed

regulation. Workers are well aware of the confusion and delay of today's social process and they are impatient with it. For example, they know how long it takes to negotiate a contract and how the imprecise document is subject to a myriad of interpretations. They know too that wage and price controls are difficult to formulate and that their application requires many adjustments that are difficult to explain. The democratic process is wearing, time-consuming, and too often indeterminate, and workers would be much happier if their basic standards of living could be assured and maintained while all of this confusing coordinating process is going on, especially since they have little confidence in phantom leaders in business, labor, and government.

Trade Union Performance

Trade unions have served to offset some of these insecurities, and by and large have performed well until recent years when the tempo and complexity of change have accelerated. Now they are only moderately successful in offsetting the impact of business mergers and shut-downs. Seldom is the trade union and collective bargaining relationship sufficiently broad to respond fully to branch closing by national and international corporations. Even the hallowed programs of pension and health and welfare are spawning their own insecurities. Congressional inquiry is documenting what many workers have felt, namely that their pensions are not necessarily secure. Portability and vesting rights are not satisfactory, and

² The issue of retirement is being more realistically viewed by workers when they seek reduced levels of activity and longer periods of rest and relaxation after age fifty-seven. Work practices are slow, however, to accommodate to this need. The current pension system freezes a worker into the more difficult job.

³ Current legislative proposals on pension reform underline that insecurity.

⁴ Daniel Bell, "The End of Scarcity?", *Saturday Review of Sciences*, Vol. I, Number 3 (March 24, 1973), pp. 49-52.

many plans are poorly structured and administered. Moreover, rules and actuarial computations are—or seem—to be so intricate that workers are often uncertain that they will qualify, until they actually receive the first pension check.

Medical care programs also seem to be resting on a bed of sand. Tremendous efforts must be exerted even to maintain the level of benefits as medical care costs escalate more rapidly than other basic service costs. The mere fact that increasing billions of dollars are available, while the supply of services is relatively fixed, makes for an inevitable price rise. Up to this time unions have been able to do very little to offset the monster they have helped create.

By and large, economic gains from collective bargaining have kept up with inflation and increased productivity. Nevertheless, in recent years workers under these agreements are fearful that they might fall behind and thus press their leaders to over-compensate for the inflationary factor.

Down deep the worker knows that the economy is strong and that the major industries are run by powerful corporations that have great capital and managerial resources. He knows, too, that wealth will continue to be widely distributed because of the continuing efforts of trade unions, the constant effort of governments, and the system's need for ever increasing consumption.

But a world of plenty is not sufficient for many, who would be more interested in a firm commitment to them, as individuals, regarding their present and future share.

In order to determine the possible nature of the individual pact, some attention must be given to the objectives and needs of those who oversee the economy. It is obvious that those

who govern also want to lessen the pain, delay, and unreliability of the consolidation process. A hoard of restless natives can defeat the equilibrating efforts of a government even when the work is being done in their behalf. In Japan the "faith" has seemed to hold in recent years. Workers in government and large industries have felt secure in their futures and have confidence in their system, its stability, and its ever upward movement. In some European countries, the availability and exploitability of imported workers have given national workers a fair assurance of a stable future. Workers in the United States and Great Britain, however, seem to lack these assuring factors.

If a larger part of the work force could be made to feel more secure, it could be reasoned, then the coordination process could be simplified and expedited. All sorts of problems, such as unemployment, foreign trade, cyclical maladjustments, protection of natural resources, and pursuing space and medical care projects, could be more easily approached. Moreover, costly and debilitating work stoppages would be less likely, especially in utilities and government services, and the pool of labor could be more carefully nurtured, guarded, and balanced. Governmental decision could round out the profile of wage allocation rather than relying on the current pecking order as a method of determining the fair share. In the Beginning

Perhaps the new peonage system will get into stride as an extension of the career education programs that are sweeping the country. The discontent of the young people in the 1960's centered on the traditional education system and the "establishment way of life." Educators are responding to that discontent by affording students the opportunity to explore and participate

in various worlds of work so that they might choose a job that will finance and complement the type of life style they might choose to lead. When they determine the probable type of work they want, then an effort is made to offer the training which will prepare them to do such work.⁵

Clearly this is an ideal time for a future member of the work force to make a pact with government. Tuition and "paid-lost-time" are needed at this stage. The parents of the young person would welcome the relief so that they could concentrate on preparing for their retirement. Such financing would permit early marriages which are biologically sound but which now are economically unwise. The indebtedness would not be to parents, and the young people would be free from everyone but their patron state. And in later years, when the new family is "a-building", an opportunity to change direction or get additional training might be most welcome, especially if family needs could be cared for in the regeneration period.

Guarantees and Troths

This would be an appropriate time to get a young person to come to terms and sign a pact. To be underwritten for life, he need merely qualify and sign the contract with the appropriate agency. The contract would facilitate his occupational gestation period, would take care of his financial needs in personal crises, and would establish an economic base upon which he could plan his career and retirement.

Initially a fund would be established in his name from which he would draw for his training (and possible retraining at a later date) and from which insurance would be purchased

which would pay his medical costs, out-of-work and lost-time benefits, and his retirement income and medical care. To the fund he and/or his employer would contribute appropriate payments to keep the fund in balance—overtime. Of course, the fund would be balanced in terms of real rather than current dollars.

The pact would be subject to re-negotiation as personal occupational desires changed and as needs for varying types of skill changed. Geographic mobility would be permitted, and the worker would be able to work in both the protected and unprotected sectors of the economy.

In return for this priming and these guarantees, the worker would expect to have his wage level determined by government edict when working in the protected sector. He would understand that while his wages would keep up with inflation, they would follow rather than precede the price level increases. He would understand, also, that his social security and education payments would be higher than non-pact workers and that non-pact workers might receive "windfall" increases that he would not be able to enjoy. Moreover, he would be subject to early retirement or be called back from retirement as public policy demanded.

The Dual System Outlined

A possible move to make the industrial economy manageable is to divide it into two sectors which may be described as the protected or controlled sector and the unprotected or free enterprise sector. The protected sector would include all governmental activities at all levels. Public utilities, public transportation, major governmental contractors, and hospitals would also be

⁵ Even older people are reevaluating their way of life and are looking to other jobs that will permit more satisfactory living.

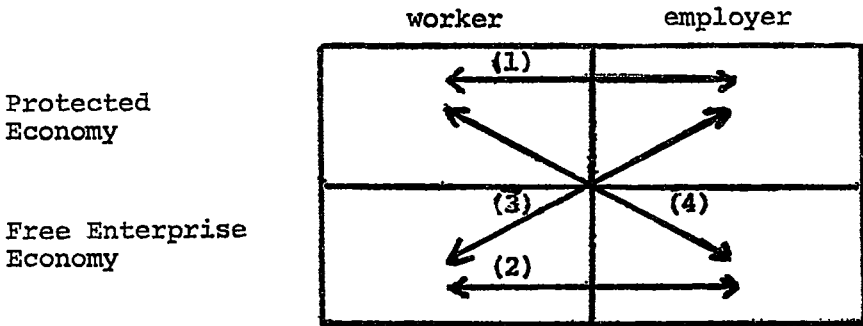
included. Whether or not basic industries such as steel, auto, and petroleum would be included would depend upon how closely they are being regulated and how much they are being subsidized. Banking and insurance might also be included on the same basis. While the Japanese Government seems to be committed to support and underwrite its large corporations, it is not clear how far the British and U. S. Governments are prepared to go.

The rest of the economy presumably would be free and would continue as present.

In the protected sector of the economy, the government would establish wage rates and fringe benefit standards and economic strikes would be pro-

hibited. In the free sector, wage rates and fringe benefit standards would be determined as present and economic strikes would be permissible. In both sectors, non-economic strikes would be allowed to take their usual course. Pact-workers, however, would not be able to draw from their lost time fund account. The possibility of general or political strikes would, of course, be much greater.

Obviously labor relations in both the protected and the unprotected sectors would change substantially from present patterns. Assuming workers would continue to want labor organizations, four types of relationship would exist.



1. Government would determine wage rates and other economic benefits of workers (Unions would be involved in the political process).

2. Wage rates and benefits would be determined as at present in the private economy.

3. Government would set wage rates and benefits, presumably at a higher rate to offset the economic and psychic advantages that pact employees enjoy.

4. Individual employers would set wage rates and benefits but either the pact employees or the employer would pay the higher security payments to the individual account.

Changing Role of the Trade Union

If the individual compact came into wide use and became a pervasive governmental trade off, trade union functions in the United States would change substantially as would the framework of their organizations. The essential service of the trade union is that of representation. Too often, however, this has been equated with collective bargaining for economic ends. Actually the most significant function is protecting the rights of its members and standing up to management, both private and public, as an independent agent.

Clearly the collective bargaining agreement would still be used to secure that representation, and to provide for many conditions not covered by the law or by individual worker pacts. In addition to the union contract, the union representative would oversee the proper execution of the law by employers and governmental agencies. Moreover, he would oversee the proper execution of the individual pacts. Unions would participate more fully in the political process, though undoubtedly they would be called upon to represent a much wider constituency than is the case at present.

The problem of industrial versus craft unions would become increasingly complex. In the protected sector at the local level, craft organizations would undoubtedly dominate. In the free sec-

tor, the present pattern of craft and industrial organization would persist.

Conclusion

As modern industrial society becomes more prosperous and complex, as international economies impose upon and draw from each other, as economic controls and regulations become more eminent and require more precise tuning, and as the mass of workers as individuals seek greater economic security in a rapidly changing world, so the role of government in the economy will change and so the role of trade unions will be altered. Probably the trade union function will be less directed to economic items in the future and more heavily directed to local work conditions and the enforcement of worker rights, under the laws, administrative rules, and individual prerequisites.

[The End]

Applying a Theory of the Future of Industrial Relations to North America

By MARK THOMPSON

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THE TITLE OF THIS SESSION has an optimistic ring to it—implying that there are several theories of the future of industrial relations sufficiently well developed to form the basis of an extended discussion. In fact no such mature theory presently exists, though there has been encouraging progress. Strictly speaking, almost any theory yields predictive results, but the few theoretical statements in industrial relations do not

produce useful forecasts. Despite their criticisms of industrial relations theory, economists and sociologists have not provided theories of the future of industrial relations either. Despite these shortcomings, there is a body of predictive literature in industrial relations, and the beginnings of a formal theory of the future which can be tentatively applied to North America.

Most forecasts of the future of industrial relations have been conservative, both in method and prediction. However, a brief review of the major

efforts of the past twenty years provides a number of useful insights.¹

Efforts at prediction in the social sciences may be organized into three broad categories, each highlighting a different analytical method: conjectural forecasts, extrapolations and developmental models.² Despite the risk of arbitrarily assigning predictions to one of these groups, the division appears valid for industrial relations.

Conjectural Forecasts

Conjectural forecasts are based on normative principles or extensions of one or two trends currently discernible, without attempting to explain the process of change. The most common examples of this genre concern the U. S. labour movement. Intellectuals sympathetic to organized labour have predicted declining importance for unions, basing their forecasts on changes in the American economy, especially the declining proportion of the labour force in heavily-unionized industries and occupations. Believing that the labour movement needs greater social conscience, and expanded political action to cope with the new socio-economic environment, these writers have urged labour to broaden its perspectives.³

¹ A review on a wider scale is in Mark Thompson, "The Prospective Literature on Industrial Relations", *International Institute of Labour Studies Bulletin*, No. 8 (1971), pp. 165-179.

² Ernst B. Haas, *Collective Security and the Future International System*, (Denver, Colo.: University of Denver Monograph Series in World Affairs), Vol. 5, Monograph No. 1, 1967-1968, pp. 4-6.

³ Perhaps the best known author of these forecasts is Solomon Barkin. Arguments he raised are summarized and discussed in Solomon Barkin and Albert A. Blum, eds., "The Crisis in the American Trade-Union Movement," *The Annals*, (Philadelphia: The American Academy of Political and Social Science, 1963). See also Albert A. Blum,

Extrapolations

Extrapolation is a more systematic, though less daring, technique for dealing with the future. It entails the projection of current trends, especially those subject to quantification, without examining the underlying variables that might explain the process of change. Surveys of expert opinion, including the Delphi Method, are included in this category. Though extrapolation is the most frequent type of prediction, most examples of this type about industrial relations treat only limited aspects of the field.

Extrapolations have been used most frequently to forecast trends in union membership. These predictions are based on projected changes in the structure of national labour forces, analyses of previous fluctuations in union membership, discussions of government and employer policies, business cycles, etc. In North America, they have forecast stability or decline in union membership.⁴

A classic technique for prediction is the use of opinion surveys of experts in a particular field, with the resulting forecasts consisting of aggregations of views collected.⁵ The Delphi Method is a newer and more

"Union Prospects and Programs for the 1970's," *IRRA Proceedings* (December 23-29, 1970), pp. 136-143; Joseph Beirne, *New Horizons for American Labor* (Washington: Public Affairs Press, 1962); Gus Tyler, *The Labor Revolution* (New York: The Viking Press, 1966).

⁴ Cf. Joel Seidman, "The Sources for Future Growth and Decline in American Trade Unions," *IRRA Proceedings* (December 28-29, 1965), pp. 98-108; Abraham L. Gitlow, "Trade Union Prospects in the Coming Decade," *Labor Law Journal*, Vol. 21 (March 1970), pp. 131-158.

⁵ Edward R. Curtin and James K. Brown, "Labor Relations Today and Tomorrow," *Conference Board Record*, August 1968, pp. 46-55.

sophisticated type of survey, consisting of a series of questionnaires interspersed with controlled opinion feedback in an attempt to achieve consensus among a group of experts without actually bringing them together. The first use of this method for industrial relations seems to have been a forecast of trends in employee benefits in the U. S., resulting in predictions of slow change.⁶

Developmental Models

The third, and most sophisticated, method of a prediction is the construction of selective developmental models. Strictly speaking, this process requires the establishment of a base period, identification of data, trends and key variables, and the selection of elements whose change is to be examined. The model explains changes in relation to base period data conceptually. Theories in this category should provide the most useful predictions for the future of industrial relations. Although few prospective studies of industrial relations meet all of these criteria, there have been a number of efforts to predict new relationships in a systematic way, including specification of variables and description of the process of change. By accepting this rather broad definition of developmental models, a number of forecasts of industrial relations fall into the classification.

At the international level, the most ambitious model is *Industrialism and Industrial Man*, with its classification of nations according to dominant elites. Though rich in insights, this study does not provide a theory of the fu-

ture of North American industrial relations. It forecasts industrialism leading to "pluralistic industrialism," described in general terms. At that level of abstraction, pluralistic industrialism resembles the existing industrial relations system in the nonagricultural sectors of the U. S. and Canadian economies.

At the national level, Lester developed a model applicable to the North American industrial relations systems, based on the internal development and external integration of American unions and labour-management relations.⁷ None of these models was intended to be a theory of the future, and none systematically incorporates variables external to the industrial relations system. Moreover, none gave any indication of the most significant change in North American industrial relations during the 1960's, the rapid spread of unionism and collective bargaining in the public sector.

The most recent effort to predict the future of industrial relations is Robert Cox's series of model industrial relations systems for the year 1985. Drawing upon theories of political development, this is the first explicit attempt to predict future trends in industrial relations on a worldwide basis.⁸ Although not yet fully developed, the framework may be the most useful starting point for examining the future of North American industrial relations.

The level of Cox's systems falls between the major developmental models discussed earlier. Unlike the authors of *Industrialism and Industrial Man*, Cox does not assume a single in-

⁶ T. J. Gordon and R. E. LeBlue, "Employee Benefits 1970-1985," *Harvard Business Review*, Vol. 48 (January-February 1970), pp. 93-107.

⁷ Richard A. Lester, *As Unions Mature* (Princeton: Princeton University Press, 1958).

⁸ Robert W. Cox, Jeffrey Harrod and Others, *Future Industrial Relations: An Interim Report*, (Geneva: International Institute for Labour Studies, 1972), pp. 1-12.

dustrial relations system for each nation or even for a single enterprise. He lists eleven typologies, eight of which appear in North America. The Cox framework also includes all categories of a labour force—union and non-union, industrial, agricultural, etc. Treating industrial relations functionally as “social relations in production,” he sees the problems of industrial relations systems as regulating production, distributing income, integrating groups into society, regulating decision processes, and maintaining the legitimacy of the system. Thus the typologies link industrial relations models with broader societal development.

The scope of Cox’s framework includes systems ranging from the most primitive to the most advanced socio-economic systems. In order of increasing complexity, his models are: subsistence, peasant-lord, primitive labour market, enterprise labour market, enterprise-corporatist, bipartite, tripartite, state corporatist, mobilizing, socialist (i.e., Communist), and self-employed. In applying these typologies to North America, the most important in terms of number of workers covered are: enterprise labour market (37 percent of the labour forces), bipartite (27 percent), and enterprise corporatist (20 percent). The tripartite model, with 3 percent, should also be considered because of its ties with the bipartite system. A brief description of each model illustrates the application of the framework in North America.

In the enterprise labour market system, employment conditions are regulated by the labour market, with only limited intervention by either government or unions. In the U. S. and Canada, this system includes most employees in small business, many white collar workers in the private sector, and large numbers of service

workers. The bipartite system exists where unions represent workers, and bargaining with minimal government supervision establishes conditions of employment. Most unionized industries in the private sector in North America are in this model. However, when the government takes an active role as a third party in labour-management negotiations, or in the establishment of terms of employment, a tripartite system prevails. During President Nixon’s Phase II, much of the U. S. economy was in a tripartite system. In more normal times, transportation and other industries heavily involved with the public interest, (especially in Canada) are part of a tripartite system. In the enterprise-corporatist system, “established” employees voluntarily limit their mobility after a trial period in exchange for employment security guaranteed by the enterprise. Trade unions, where they exist, are weak, with an orientation toward the enterprise (without necessarily being employer-dominated). Management is relatively paternalistic. Employment conditions are established bureaucratically, with minor elements of bargaining. The large enterprises described by Galbraith in *The New Industrial State*, or civil services, are examples of this model.

System Capabilities

Using this framework, predictions about the future of North American industrial relations should concentrate on developments in the four major models found there, or focus on shifts among the systems. Though several other systems exist in North America, they are insignificant numerically, and generally associated with less modern social and economic conditions.

Change in an existing model is a function of the capability of each

system to cope with inputs, and the variables most likely to affect industrial relations. Some indication of the relative capabilities of each system may be found in analyses of political development, while a variety of forecasts produce data on variables.

Building on the conventional notions of an industrial relations system (IRS), the environment of an IRS consists of several other social systems, specifically the economic, political, social/cultural and international systems. By focusing attention on changes in these systems as the basic sources inputs to the IRS, the predictive power of the systems approach may be enhanced. Inputs are divided into two classes—demands and supports. A demand is an expression of opinion regarding an action by one or more actors in an IRS.⁹ Supports are resources devoted to sustaining a system. Development (or change) results when the demands on actors or processes of a system are beyond its capabilities, forcing it to change its structures or processes. Supports may reinforce existing structural arrangements or provide resources for minor adaptation. Change refers to structural or procedural alterations, not to the processing of new demands. For example, a shift in the American political system might cause amendment of the Labor-Management Relations Act to include agricultural workers. No structural change in the U. S. industrial relations systems would result, but the bipartite system would expand at the expense of the primitive labour market. However, prolonged inflation might result in “per-

manent” wage and price controls of the European type, bringing about the conversion of most of the economy to a tripartite system.

In general, development in social or political systems results in increased structural differentiation, cultural secularization and subgroup autonomy. Greater structural differentiation implies the formation of specialized organizations or functions to handle matters formerly the responsibility of units with more diffuse structures.¹⁰ During the 1960's in the U. S., for instance, many actors in all four major IRS's established special departments to deal with demands for equal employment opportunity. Cultural secularization refers to the emergence of codified, universalistic rules to govern behaviour, replacing rigid diffuse customs. Most secularized processes are characterized by accommodative behaviour. A current example of secularization in all four systems would be growing acceptance of women in many occupations and industries. Both differentiation and secularization imply the presence of relatively autonomous subgroups or subsystems. A subgroup in this context might be a personnel department or a specialised government agency as well as a labour organization.

These three concepts may help assess the prospects for change or stability in an IRS. Experience with political systems and other organizations¹¹ leads to the hypothesis that IRS's characterized by structural differentiation, secularization, and subgroup autonomy will have relatively high capacities to cope with demand emanating

⁹ Cf. David Easton, *A Systems Analysis of Political Life*, (New York: John Wiley, 1965), p. 38.

¹⁰ Cf. Gabriel A. Almond and G. Bingham Powell, Jr., *Comparative Politics: A Developmental Approach* (Boston: Little, Brown, 1966) esp. pp. 299-332.

¹¹ *Ibid.*, see also Allan C. Filley, “New Directions in Organization Theory,” in *Essays in Industrial Relations Theory*, Gerald G. Somers, ed. (Ames, Iowa: Iowa State University Press, 1969), pp. 90-100.

from the environment. Consequently, the probabilities of structural change are diminished, while the likelihood is high that their size will increase at the expense of less developed systems.

Space does not permit a fully developed predictive exercise involving

<i>System</i>	<i>Differentiation</i>	<i>Secularization</i>	<i>Subgroup Autonomy</i>
Enterprise labour market	Low	Low	Low
Enterprise-Corporatist	Medium	Medium or High	Medium or Low
Bipartite	High	Medium	High
Tripartite	High	High	Medium

These rough divisions, obviously subject to challenge on many grounds, are based on a number of assumptions, principally concerning management and labour. The enterprise labour market system ranks low on all three scales because of the absence of specialized personnel systems, formal channels for expressing employee desires, sophisticated techniques for dealing with environmental change, plus a general lack of universalistic standards. The enterprise-corporatist model ranks higher on the three scales because of the presence of specialized industrial relations units, use of formal rules to govern the actors' behaviour, and the presence of bureaucracies characterized by accommodative behaviour. Uncertainty regarding secularization and subgroup autonomy arises from emotional reaction of management to government regulation of industrial relations negotiation with employees, etc. The bipartite system ranks high on differentiation since management structures are at least as specialized as the previous system, with the additional element of organized employee representation. Both management and labour occasionally

detailed consideration of all these factors. But a brief analysis of the three most important elements may provide the basis for prognosis. In the North American context, one might tentatively rank the four IRS's as follows:

exhibit ascriptive or customary behaviour. The tripartite system ranks highest in differentiation, as many specialized organizations exist within management, labour and government for dealing with industrial relations, and the behaviour of the parties is closely regulated by universalistic rules. However, the dominance of government reduces subgroup autonomy.

Even though these propositions are applicable for the general capabilities of the four systems, it is still not apparent that the relative capabilities of the four models are identical in processing all inputs. Therefore, an assessment of the prospects for each system should include not only consideration of relevant inputs, but also their probable impact on individual systems.

Probable Inputs

This framework does not specify inputs, but when the models were applied initially on a world-wide basis, a number of demand and support inputs were identified in virtually all systems.¹² In the developed nations, there were expectations of continued technological change causing a rela-

¹² Robert W. Cox, Jeffrey Harrod and Others, *Future Industrial Relations: An Interim Report*, pp. 13-72.

tive decline in blue collar occupations. Inflation was seen as an intermittent, but serious, problem. Even in times of price stability, the impact of government in economic affairs seemed destined to expand, meeting commitments to full employment, minimum living standards, and maintenance of basic services. Continued increases in the size of economic units, including multinational corporations, appear likely. These factors may be regarded as demand inputs originating primarily in the economic system. The major support inputs were rates of economic growth comparable to the 1960's, fundamental political stability, and basically peaceful international relations.

There is widespread agreement on the basic trends for most of these variables in North America, both in published data and a Delphi survey of expert opinion conducted in Geneva in 1971.¹³ Perhaps the most uncertain variable in all systems concerns possible changes in worker values. Earlier forecasts of North American industrial relations have assumed stability in values, but student activism and reports of industrial unrest among young workers in the past five years have challenged these assumptions. As yet there are few empirical data

on the existence and nature of attitude changes, so it is reasonable to withhold judgment on the current values of young workers (as contrasted with students).¹⁴ Nor is it clear that attitudes of young people remain stable as they mature and acquire new responsibilities.¹⁵ Existing population data contain assurances that the proportion of workers in the labour force under 25 years of age will decline, however. While maintaining these reservations, one might assume for predictive purposes that young workers will be less authoritarian than their elders and more concerned with the intrinsic aspects of work. These changes can then be used as inputs to the IRS's.

On balance, the political and international systems should provide both demand and support inputs. The limited number of demand inputs relative to support leads to the initial conclusion that none of the four major IRS's is likely to disappear by 1985. Change will take the form of shifts in the relative importance of each system.

Application of the Models

A tentative application of these inputs confirmed the general assessment of the capabilities of the four systems.

¹³ Among the most important forecasts are: U.S. Department of Labor, Bureau of Labor Statistics, *The U.S. Economy in 1980: A Summary of BLS Predictions*, Bulletin 1673 (Washington, D. C.: Government Printing Office, 1970), p. 49; Economic Council of Canada, *Seventh Annual Review: Patterns of Growth* (Ottawa: Queen's Printer, 1970), p. 94; Earl B. Dunkel, et al., *The Business Environment of the Seventies: A Trend Analysis* (New York: McGraw Hill, 1970), p. 45.

¹⁴ The most substantial study supporting the hypothesis that values have changed is Harold L. Sheppard and Neal Q. Herrick, *Where Have All the Robots Gone?* (New York: The Free Press, 1972), esp. pp. 113-141; on a more speculative level, see William A. Westley and Margaret A. Westley,

The Emerging Worker: Equality and Conflict in the Mass Consumption Society (Montreal: McGill-Queen's University Press, 1971). Arguments for relative stability in values have been made by Denis F. Johnston, "The Future of Work: Three Possible Alternatives," *Monthly Labor Review*, Vol. 95 (May 1972), pp. 3-11 and Robert L. Kahn, "The Meaning of Work: Interpretation and Proposals for Measurement," in *The Human Meaning of Social Change* (New York: Russell Sage Foundation, 1972), Angus Campbell and Phillip E. Converse, eds., pp. 159-204.

¹⁵ See S. M. Lipset and E. C. Ladd, Jr. "College Generations—From the 1930's to the 1960's," *Public Interest*, Fall 1971, pp. 99-113.

The enterprise labour market system appears less able to cope with change in the social/cultural system than in the economic system. This model lacks the means to interpret and adapt to potential value changes and faces difficulty in attracting workers. However, "new workers" with little interest in careers may prefer to work in enterprises with low commitment requirements, thereby strengthening the system. Similarly, firms in this system are not well equipped to avert government intervention or influence its outcome, though smaller firms may escape some government controls. Technological change and growing white collar employment also seem to favour larger enterprises, with their research activities, capital, capacity, ability to attract highly skilled manpower, etc. The increasing size of economic units forces smaller firms to shift to the enterprise-corporatist system or be absorbed by it. Units in the enterprise labour market system operating in relatively uncompetitive product markets will not be seriously affected by inflation, since they are small enough to escape close regulation.

The enterprise-corporatist system will be adversely affected by inputs from the social/cultural system and generally benefit from change originating in the economic system. Large bureaucratic organizations with weak subgroups are not well equipped to deal with new employee values. Some units will become bipartite as a result of growing employee protests. On the other hand, bureaucratic mechanisms may be an effective functional substitute for autonomous subgroups. The enterprise-corporatist system has a demonstrated capacity for coping with government intervention, handicapped only by its large size, which facilitates regulation. As in the past, the shift to white collar occupations will

continue to benefit the enterprise-corporatist system, but persistent inflation will subject it to stringent controls, probably under a tripartite system. Larger enterprises increase the importance of the enterprise-corporatist system.

The bipartite model will react conversely to the enterprise-corporatist, gaining from social/cultural inputs, losing from economic change. The bipartite system has a high capability for translating value changes into new outputs for the system and should thereby process these changes with relatively little disruption. Similarly, it has high capability for translating value changes into new outputs for the system and should thereby process these changes with relatively little disruption. It also has high capability for influencing government policy and penetrating enforcement agencies to limit adverse regulation. On the other hand, technological change will continue to erode the membership base of this system, but remaining members can cope with side effects of new technology. The bipartite model does not have high capability for coping with inflation, due to rigidities in collective agreements, plus strike levels associated with bargaining in times of rising prices. If inflation provokes wage-price controls, most of the bipartite system will become tripartite. Growth in the size of enterprise may favour the bipartite system, already well established in some expanding enterprises, with evolving mechanisms for multinational negotiations.

Many developments in the tripartite system parallel those in the bipartite model. The major differences, of course, lie in relations of the private parties with government. Experience with government intervention should facilitate the actors' coping with new regulation. Should inflation

become a serious problem, the tripartite system will be temporarily dominant. Growth in enterprises will also increase the likelihood of intervention and hence favour the tripartite model.

On balance the enterprise labour market system seems destined to diminish in importance, the enterprise-corporatist and bipartite systems should expand slightly, and the tripartite system may expand greatly on a temporary basis, while increasing slowly over the full period of prediction. The last three systems should grow in absolute terms.

These predictions are admittedly conservative, in keeping with other forecasts for North American IRS's. They may well contain a bias favouring group representation, thereby underestimating the capacity of the enterprise labour market model. Though some observers find the prospect discouraging, there is presently no firm evidence pointing to structural change in North American industrial relations. Emerging issues should provide many challenges for the existing systems, however. [The End]

Theories of the Future of Industrial Relations

A Discussion

By FRANCES BAIRSTOW

McGill University

ONE COUNTRY'S FUTURE may be another country's present. Contrary to most labour relations practice and public policies of the past, Canada in the field of public service labour relations is not following the United States, but is in fact leading the way—a situation not without its own perils and discomforts. Critics may claim that it is incorrect to dignify what is happening in Canada as part of a theory, unless you can call reeling from crisis to crisis a theory.

What is certain is that our industrial relations system in Canada has entered a new environment. And secondly, the rules of conventional collective bargaining are not operative in this new environment.

Allow me some background and explanation for those of you unfamiliar with the Canadian system.

Canada has most of the labour difficulties found in the United States—with the added one of language in Quebec. But there is a basic difference in the environments. As a result of the passage of the British North America Act in 1867, the provinces were given the main responsibility for public policy in labour relations. Exceptions are transportation, communication and federal government employees. This means that nationwide strikes, except of the railway or airlines variety, are almost impossible. This limits the effects of a strike and complicates settlement processes. One illustration has been our recent six-months' elevator constructors strike which affected all provinces, but each province attempted to deal with it individually.

But there is one area where nation-wide bargaining is carried on. Since passage of the Public Service Staff Relations Act in 1967, government bargaining units have been offered a choice of decision methods—either the old conciliation system *with the right to strike* if issues cannot be resolved, or binding arbitration. Last October, five and one-half years after the act went into effect, 81 bargaining units had been certified but only 18 had opted for the right to strike and only five strikes had actually been called. By far, the largest number of disputes were settled either by agreement or by voluntary arbitration. It is worth noting that the Canadian government is well ahead of the widely heralded recent steel agreement to submit new contract issues to arbitration rather than go the strike route.

Quebec Goes a Different Route

Saskatchewan and New Brunswick copy the federal plan, while Ontario allows arbitration in the public service but not strikes. Quebec allows strikes but not arbitration. The Quebec government does not approve of a third party giving away public money.

Quebec now has legislation (Bill 89) before the Assembly. It provides that strikes in the public service be banned unless and until essential services are provided. Labour is, of course, opposed to this bill. And history in Quebec proves that what is unworkable is unacceptable.

Last spring all the public workers in Quebec, over 210,000 of them, were engaged in a "Common Front" strike, which lasted about eleven days. The strike was brought to an abrupt end with special legislation and injunctions when public clamour rose over the deprivations of hospital services, in particular. Leaders of the three major labour organizations urged their

members to defy the injunctions and their efforts earned them jail sentences of one year each. They are now incarcerated in a provincial prison and providing the focal point for protest demonstrations aimed at the "dictatorial" government of Quebec.

One component of any theory of industrial relations is that the system of labour relations cannot be viewed in isolation. It must be assessed in terms of the political, social and economic climate in which it takes place. We have eleven industrial relations systems in Canada. But it must be noted that Canadian scholars have yet to identify a Canadian theory of industrial conflict.

In the United States, theory or development of models has been useful in allowing the prediction of, or determination of, the causes of industrial conflict. Much of this theory has been applied in Canada. After all, it would be difficult to argue that economic instability causes industrial conflict.

In my remarks I would like to suggest a theory with which I am becoming more and more confident. The new environment which I referred to above encompasses a different approach to collective bargaining, because we are talking about public servants.

With increased union participation and awareness, an inevitable by-product is militancy. This in turn stimulates a counter-action of a growing disaffection with work stoppages in the public sector of the economy or the service component of the private sector. That disaffection, in practical terms, means disaffection with the right to strike, since it is unrealistic to expect that the employer, when it is the government, will retaliate by locking out. Efforts to curb strike rights gain increasing acceptance.

We're talking here about a group of organized workers whose level of comfort and affluence exceed the wildest dreams of the downtrodden of the dirty thirties. The concept of class struggle falls on tin ears. The union movement is identified with the establishment. The romance of trade-unionism has lost its moral force. The public tends to view the contest between the two negotiating groups with all the emotion attributed to business transactions.

The really significant feature of this new type of public service bargaining complete with sanctions is that these sanctions—the withdrawal of services, are directed not against the “bosses” but against the public, which means all the private citizens and enterprises dependent on those services.

The Service Sector Is Monopolistic

There are few alternatives when the post office goes on strike. Thus, when the public interest is so vitally affected, citizens are likely to conclude that they are being victimized. They, in turn, exert pressure on their elected representatives to set up procedures which will minimize the shock to their systems.

Another phenomenon we have been witnessing lately in Canada, more particularly in Quebec, is the politicizing of the collective bargaining process. When a provincial government announces general wage policies for the entire group of its public servants, it should not be surprised when retaliation takes the form of “common front” negotiations. The rhetoric and grandiose declarations in the mass media tend to escalate and before long the politics of collective bargaining becomes the politics of large groups who articulate their conflict in terms of “we” and “they”.

In the last few years we have had in addition to several postal strikes, Canadian Broadcasting Corporation strikes, garbage strikes, Toronto hospital strikes, Ontario and Quebec Hydro strikes, a Yarmouth, Nova Scotia police strike, and shutdowns of both the Montreal and Vancouver harbours. Several of these were terminated, as in Quebec, by *ad hoc* legislation. All of these events reinforced the public antipathy to work stoppages, in which the public was the innocent bystander.

In Canada, we no longer debate the right to organize or to engage in collective bargaining. That struggle has been won. The issue today seems to be how do we minimize the harm to the legitimately uninvolved? I am aware, of course, that it is oversimplistic and inaccurate to characterize many of our services today as exclusively “public” or “private”. This is a false dichotomy in our complex economies. The real problem is the impact on the public.

Members of the parliament and legislatures have wrestled with various approaches, taking into account “essential services,” public health and safety, public welfare, etc.

The popular solution put forward by the lay public is compulsory arbitration. It has the attraction of finality and sounds fair and reasonable. Where it has been tried in Canada, it hasn't worked, but it doesn't stop the newspaper editorialists from calling for it all the same.

With the example of the federal public service experience before us, and most recently the steel industry, voluntary arbitrations of interests disputes may be the idea whose time has finally come. Of course, I would not deny that there are serious problems to be solved if and when voluntary arbitration becomes widespread,

not the least of which is a corps of competent, skilled arbitrators. But voluntary arbitration comes in many varieties and has the advantage of flexibility and adaptability. Furthermore, it is bound to be an improvement over the chaos we have witnessed of late in our industrial relations scene. It would also help to stave off the substitution of an authoritarian mechanism.

The theory I am modestly suggesting here is that in this new industrial relations environment we will be witnessing an adaptation of an old system to new requirements. Without the classical profit motive and in the absence of a trade union ideology, the motivation on both sides of the bargaining table will call for new strategies, based on a concern for the public's interest.

[The End]

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