PROCEEDINGS OF THE 1970 ANNUAL SPRING MEETING

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

May 8-9, 1970

Albany, New York

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

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MEETINGS OF IRRA

23rd Annual Winter Meeting, December 28-29, 1970, Detroit, Cobo Hall and Howard Johnson Downtown Motor Lodge, held in conjunction with the Allied Social Science Association's meeting. The program, arranged by President Douglass V. Brown, will be announced in the IRRA Newsletter in September.

Annual Spring Meeting, May 7-8, 1971, Cincinnati, Terrace Hilton Hotel. President-Elect George H. Hildebrand will announce his program in the March Newsletter in 1971.

Future December IRRA Meetings (in conjunction with the Allied Social Science Association):

1971	New Orleans	1974	San Francisco
1972	Toronto	1975	Dallas
1973	New York	1976	Atlantic City

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PREFACE
to the
Industrial Relations Research Association
Spring Meeting Proceedings

The Association's Spring Meeting in Albany continued the recent emphasis on manpower policies and on labor relations in the public sector. The discussion of the latter topic was centered on the right to strike, with speakers and discussants drawing on recent experience in Canada and the United States.

The appraisal of manpower policies was based on lessons to be learned from recent experience in Britain, Canada and Scandinavia. An effort was made to assess the relevance of recent developments abroad for policy proposals in the United States.

Returning to a long-standing interest of the Association, one session was devoted to the effects of the structure of collective bargaining in the railway, construction and maritime industries.

Distinguished addresses were made by John W. McConnell, President of the University of New Hampshire, and by James D. Hodgson, then Under Secretary of Labor and now Secretary of Labor. President McConnell explored further the theme of recent IRRA meetings: the relationship of industrial relations experience and university administration. Secretary Hodgson outlined the problems, policies and prospects of governmental activity in the labor field.

As in previous years, we are indebted to the editors of the LABOR LAW JOURNAL for making initial publication of these Spring Proceedings possible. To the authors and discussants go our thanks for their prompt submissions of manuscripts, and to Elizabeth Gulesserian my gratitude for her assistance at all stages of the preparation of the proceedings.

Gerald G. Somers
Editor, IRRA

SESSION I

The Right to Strike in the Public Sector

Canadian Legislation and Experience

By ARTHUR M. KRUGER

University of Toronto

THE GROWING INTEREST in collective bargaining in the public sector in both Canada and the United States is obvious. This is apparent both in the figures on unionization of public service employees at all levels of government and from the increasing discussion in the literature of the problems of collective bargaining in the public sector. Most of the discussion focuses around the concern over problems in adapting our North American bargaining practices to the peculiar problems of government employment relations. While it is acknowledged that there are many similarities in the employer-employee relationship in public and private employment, the focus has been on the differences. Foremost among the arguments for a somewhat different treatment of the problems of employer-employee relations in the public sector is the question of the threat to the sovereignty of the state when it assumes the role of participant in the collective bargaining process. It is said that the state cannot be seen to yield to the dictates of a group of its employees under the pressure of a strike—or even to the decrees of an arbitrator or arbitration tribunal—without some loss of its sovereignty.

Loss of Sovereignty: A Myth

The sovereignty issue has been discussed by numerous commentators on the subject. In general, most would agree that the issue is not one which merits serious consideration. The state, after all, engages in negotiations with all sorts of private firms for the purchase of various goods required by the state. Contracts are signed and, during the negotiations, the state often faces the threat of a refusal to enter into contract by the private firm. No one has ever alleged that a loss of sovereignty is involved. As to arbitration, the state often submits to suits against it in the courts of the land and

abides by the decision of these courts. Again no one would argue that there was any challenge to the sovereignty of state involved. My own views on this matter are similar to those expressed in the following quotation from an article by Jacob Finkelman on this subject:

"Ideological concepts such as sovereignty are often no more than political myths functioning to preserve the existing social structure. Even looking at the matter from a theoretical or philosophical point of view, there is no greater surrender of sovereignty in a legislature delegating to an arbitration tribunal authority to make a decision in the area here under discussion than there is in the enactment of a statute which provides that the courts shall have power to adjudicate certain types of disputes between the state and a private citizen and award damages to the latter which the state is required to pay. The concept that the sovereign can do no wrong, that actions in tort cannot be brought against the state, and that actions in contract can only be instituted against the state if express consent to their institution is granted by the sovereign to the citizen, say by petition of right, is now generally recognized as being outmoded, and it has been abandoned in many jurisdictions without any great outcry that the legislature in so doing has surrendered its sovereignty. There would appear to be no reason in theory, then, why the sovereignty concept should be perpetuated in the field of labor relations. From the practical point of view, little is to be gained by a review and critical analysis of the arguments that have been advanced over the years to show that the sovereignty of a public authority is infringed by the introduction of compulsory arbitration. The question that does call for an answer is whether government can retain authority to govern effectively and protect the public interest under a regime of compulsory arbitration. It is, of course, impossible to give an answer the truth of which can be scientifically demonstrated. Nonetheless, it is not without significance that a number of countries whose governmental structure has reached a high stage of maturity have adopted arbitration as the procedure best suited to the resolution of disputes between the government and its employees."[1]

It is often argued that the division of responsibility for administrative and financial controls in government makes it impossible for anyone to act as agent of the employer in bargaining with public employees. Legislatures control expenditures while the executive branch of government is responsible for administration. This division of responsibility does not occur in the private sector where senior management controls both finances and day-to-day administration of policy including collective agreements.

Whatever validity this argument may have under the American system, it is of little significance under a Parliamentary form of government where the executive must be able to command legislative support in order to carry on any of its duties. Even under the United States system of division of power, it is not hard to conceive of an arrangement under which the legislative branch would agree to accept the responsibility for voting whatever funds were required to implement collective agreements or arbitration awards.

[1] J. Finkelman "When Bargaining Fails," in K. O. Warner (editor), *Collective Bargaining in the Public Service: Theory and Practice,* Chicago, Public Personnel Association, 1967, p. 120.

Another argument against the application of the bargaining practices employed in the private sector to public employees is the allegation that the nature of employment differs greatly in the public and private sector. Thus, the size of the work force in the federal government in either Canada or the United States exceeds that of any private employer. Furthermore, workers are dispersed over a very wide area.

Large employers are also common in the private sector. In most cases, they bargain with a number of distinct bargaining units. Similar principles could be applied in the public sector. As to dispersion of employees, large, private, international corporations such as General Motors or Shell Oil have a labor force which is as widely dispersed as that of any government and they do engage in collective bargaining.

It is also alleged that the wide range of occupations covered in the public service including as it does such a large percentage of white-collar and professional workers, makes for a serious difference from private employment. It should be pointed out that the public sector does include a large number of blue-collar employees similar, in many respects, to those commonly found in unions in the private sector. Furthermore, there is nothing which would suggest that the general outline of our collective bargaining practices as they are employed in the private sector are inapplicable to white-collar and professional employees. Indeed, in Scandinavia, large numbers of white-collar and professional workers do engage in collective bargaining. Even on this continent there are numerous cases where white-collar and professional workers have organized and engaged in successful bargaining with their employers.

THE CANADIAN EXPERIENCE

There is no single model which can be described as the Canadian model in collective bargaining. The practices vary greatly among different levels of government—federal, provincial and municipal. Municipal employees, by and large, have long operated under legislation very similar to that applicable in the private sector with the exception of policemen and firemen who, under the various acts, are forbidden to strike. I will not discuss the municipal level any further in this paper but will concentrate on the federal experience. Before turning to a discussion of the federal model I should mention some of the more interesting bargaining models followed at the provincial level.

Provincial Legislation

In Ontario, the civil service employees are all organized in a single large association with the exception of workers in liquor stores, the provincial police and a few other groups. The civil service association of Ontario bargains on behalf of some 43,000 employees. While strikes are illegal in public employment, the parties have agreed to submit unresolved interest disputes to a tripartite arbitration tribunal. The arbitration tribunal's awards are final and binding insofar as the provincial government has always agreed to implement them. There is no reason to expect that the province would deviate from past practice.

Saskatchewan, Quebec and New Brunswick go even further in providing for the right of employees in the provincial civil service to engage in strikes. The legislation providing the right to strike to public employees was first enacted in Saskatchewan in 1944. Quebec followed suit with provision for strikes among provincial civil servants, hospital employees, and

teachers in 1964. More recently, the Province of New Brunswick has enacted legislation which provides for the right of public service employees to strike. In all cases, arbitration is an alternative to strike but only if both sides agree to submit to binding arbitration. In all cases, there is provision for preventing strikes among employees engaged in essential services. In Quebec, a "Taft-Hartley" type of mechanism is employed in the case of strikes endangering "public health or safety" or "interfering with education." These stoppages can be delayed for a period of 80 days by act of the provincial government while an inquiry proceeds. In Saskatchewan, in 1966, an Essential Emergency Act was passed under which the provincial cabinet could forestall or end the strike in a named list of public services deemed "emergency."[2] In these cases compulsory arbitration applies. In New Brunswick, certain employees are designated if their withdrawal of their services involves a threat to the "health, safety or security of the public." These employees cannot engage in strikes even though other members of the same bargaining unit may be permitted to strike. New Brunswick legislation also contains an interesting provision which outlaws picketing but also outlaws the employment of the strike-breakers by the provincial government.

THE FEDERAL MODEL

The Canadian federal government's approach to collective bargaining is probably the most interesting experiment in Canada. It covers the largest number of employees, but more important it includes most of the more interesting innovations found in the provincial legislation as well as some unique features of its own.[3] Most federal employees come under the Public Service Staff Relations Act (PSSRA). The exceptions are members of the armed forces, the Royal Canadian Mounted Police and those federal employees in agencies which fall under the Industrial Relations Disputes Investigation Act.[4] The PSSRA covers over 200,000 employees most of whom are civil servants under the jurisdiction of the Treasury Board who acts as the employer. However, it also covers 8 separate employers including workers in the following agencies: The Atomic Energy Control Board, The Centennial Commission, The Defense Research Board, The Economic Council of Canada, The Fisheries Research Board, The National Film Board, The National Research Council, and the Northern Canada Power Commission. Workers covered by the PSSRA are scattered among 75 departments and agencies across Canada and, indeed, some of them serve overseas. They cover a wide range of occupations from unskilled labor to highly skilled research scientists, lawyers, physicians and so on. The bargaining units are unusual including as they do a very large group of professionals (doctors, lawyers, dentists, engineers). The exclusions from the legislation, apart from those indicated earlier, are confidential and managerial employees.

[2] The Saskatchewan Essential Services Emergency Act of 1966 covers water, heat, electricity, gas, hospitals. The cabinet, in these cases, can impose arbitration. The chairman of the arbitration board must be a judge and, if the parties cannot agree on the chairman, the cabinet appoints him. This tends to load the boards in favor of the government. Illegal strikes can result in the certification by cabinet order.

[3] The New Brunswick legislation is modelled very closely on the federal act.

[4] The IRDI Act is the one which covers employees in the private sector under federal jurisdiction. It includes workers in the crown corporation such as the Canadian National Railroad, the Canadian Broadcasting Corporation, etc.

The definition of "confidential" and "managerial" in the federal legislation is quite narrow. Indeed, many supervisory employees and workers and those who, under legislation covering the private sector might be considered managerial, are, in fact, permitted to organize and engage in collective bargaining. They are permitted to belong to the same union as those whom they manage and, indeed, in some cases, they can be included in the same bargaining unit as those they manage. Only about three per cent of federal civil servants have been excluded from bargaining for reasons of their being in managerial or confidential capacity.

Ancillary Administrative Bodies

Almost all eligible employees have elected to engage in collective bargaining and have joined together in certified bargaining units. The legislation is administered by the Public Service Staff Relations Board which has been established specifically to deal with the collective bargaining arrangements in the federal civil service. The Board is tripartite in nature and has many of the functions found in labor relations boards covering employees in the private sector. Thus, for example, the Board will decide on the appropriate bargaining unit, will conduct certification proceedings, will certify the bargaining unit, will hear questions of alleged unfair labor practices, and so forth. As you will see later, the Board also has other functions which are not normally carried on by labor relations boards which cover private employees. The chairman of the Board (Mr. J. Finkelman) is a permanent appointee of the government who is acceptable to all concerned. In addition to the chairman, there is a panel of employee nominees from the various major unions engaged in bargaining with the government and a panel of employer nominees. All cases which go before the Board are heard by a tripartite panel where employer-employee representatives appear in equal numbers.

The government has also established other machinery to assist in the carrying out of legislation. The Pay Research Bureau of the federal government operates under the Public Service Staff Relations Board. It is an independent agency whose function is to gather statistical data on wage developments in the private sector so as to assist all parties in collective bargaining as well as to assist tribunals (to be discussed later). The Pay Research Bureau operates with advice from both the unions in the field and the employer. Its data is generally accepted as accurate by all concerned.

There is also a tripartite arbitration tribunal established to hear interest disputes. The tribunal has a permanent chairman, Mr. Justice Monpetitite, who is acceptable to all parties. In addition, it has a panel of employer nominees and a panel of employee nominees. Each arbitration case is heard by a three-man panel consisting of the chairman plus a nominee from each of the panels. The decisions of the tribunal, however, are the decisions of the chairman.

The final piece of machinery established by the government to fulfill its purposes is the appointment of a judicator to handle grievance disputes under the collective agreements. There is a chief judicator (Mr. E. B. Joliffe) who is acceptable to all parties, and his efforts are supplemented by other judicators who assist him. The grievance machinery is open not only to those who are eligible to engage in collective bargaining and choose to do so but to other employees who either choose not to bargain or are ineligible for collective bargaining.

Scope of Bargaining

The legislation differs from that of the private sector in very significant regard in defining the scope of collective bargaining. Certain matters are specifically precluded from collective bargaining and they include the following: (1) anything which requires action by Parliament except for the granting of money to carry out the collective agreements; and (2) matters covered by the following legislation: the Government Employees Compensation Act, the Government Vessel Discipline Act, the Public Service Employment Act, and the Public Service Superannuation Act.

These pieces of legislation are designed primarily to protect the merit principle of appointment, transfer, and promotion which are excluded from collective bargaining. They also cover matters such as superannuation, death benefits and accident compensation which are also outside the scope of bargaining. All of these issues are open to discussion by the parties through the National Joint Council composed of most of the major associations engaged in bargaining with the government and the representatives of the government. The discussions, however, are advisory to the government only. The government also exercises unilateral control over the classification system and job assignments.

Choice of Routes

Under the federal legislation, the bargaining agent is given the option of choosing between two possible routes for resolving disputes which cannot be resolved through negotiation. The bargaining agent may choose to submit the dispute to a conciliation board. Should the board fail to resolve the dispute, the bargaining agent is then free to engage in a strike.

The alternative is to submit the dispute to arbitration-with-conciliation by a conciliation officer as a possibility prior to arbitration.

I want to point out that this decision is entirely in the hands of the bargaining agent. The government, under the legislation, is bound to accept the decision of the bargaining agent as to the route chosen. This provides a bargaining agent with a very powerful weapon in collective bargaining. Groups which are unwilling or unable to engage in effective strike action can compel the government to submit disputes to compulsory arbitration. Other groups which may find the strike an effective weapon can, in fact, engage in work stoppages. The bargaining agent is free to alter its choice of route from one set of contract negotiations to the other. It must, however, designate the route to be followed prior to beginning collective bargaining on a given contract.

As at the end of 1969, of the 110 instances in which a bargaining agent has designated the route to be chosen, 98 bargaining agents bargaining for 158,900 employees have chosen the arbitration while only 12 bargaining units with 37,700 employees have selected the conciliation board-strike route in the event that negotiations fail.

Designated Employees

In order to handle the problem of emergency services which are defined under the federal legislation as services which, if not performed, threaten the "safety and security of the public," there is provision for designating employees who are not permitted to engage in strikes. The bargaining agent is entitled to some information on the likely number of designated employees

prior to its selection of the appropriate bargaining route. It can ask the employer to submit a list of employees whom the employer wishes to designate should a strike occur. The employer is required to submit such a list very soon after request is received. The bargaining agent may choose to accept some or all of the designated employees. Should it decide to challenge a portion of the list of designated employees, the case is decided by the Public Service Staff Relations Board. Once the number of designated employees is known, the bargaining agent then proceeds to select the appropriate route. Thus far, in all those cases where the bargaining agent has requested a list of designated employees, about 13.6 per cent of employees in these bargaining units have been designated. Of course, the proportions designated will vary greatly among bargaining units.

The Conciliation-Strike Route

The following employees are forbidden to strike: (1) those designated as indicated above; (2) those not in a certified bargaining unit; (3) those in a bargaining unit that has opted for the arbitration route; (4) those in a bargaining unit covered by collective agreement which remains in force; and (5) those in a bargaining unit that have opted for the strike route but are still subject to the conciliation process.

Those who have opted for the strike route include the following: (1) postal workers—approximately 25,000; (2) ship repair—approximately 2,300; (3) those in printing operations—approximately 1,200; and (4) air traffic controllers—1,000 employees.

It should be noted that non-supervisory postal workers have not been considered designated employees.

Arbitration

The disputes that are submitted to arbitration are subject to a variety of stipulations. The most important would appear to be the following: (1) No matter may be brought before the arbitration tribunal that has not been raised earlier in collective bargaining. All matters that are excluded by law from bargaining are, of course, also not subject to arbitration. (2) In addition, there are certain issues that are bargainable but not subject to arbitration. Arbitration is limited under Section 70 to "rates of pay, hours of work, leave entitlement, standards of discipline and other terms and conditions of employment directly related thereto." Under Section 56, arbitration tribunals cannot deal with matters which require action by Parliament except for the expenditure of the funds. Arbitration under Section 70 specifically cannot deal with the merit principle of appointment assignment, lay-off or release nor can it deal with matters involving workers not in the bargaining unit which are disputed before the arbitration tribunal. Thus, for example, while the parties are free to deal with a matter such as union security through negotiations under Section 70, the Arbitration Board cannot deal with such a matter should the parties fail to resolve it during the process of bargaining.

The Two Postal Strikes

The American public has become very interested in the question of strikes in the federal service after the recent experience in the post office in some parts of the United States. In Canada we have already had two postal strikes and face the distinct possibility of a third one in the very near future. The first of these strikes was illegal. The second was legal because it came after the enactment of

the Public Service Staff Relations Act. In both cases the strikes lasted for some time. The public suffered considerable inconvenience. However, in both disputes a settlement was ultimately reached and society somehow managed to survive. There have thus far been few other major work stoppages in the federal public service.

Problems of the Federal Act

The most significant problems experienced under the federal legislation appear to be the following:

(1) **Fragmentation of the Bargaining Units.**—The certification procedures followed under the Act have resulted in a very large number of bargaining units in the federal public service. Some fragmentation was necessary and desirable given the enormous size and diversity of employment in the public service. However, the degree of fragmentation has probably been excessive. It leaves many of the bargaining units too weak to find the strike option a really effective one. Strikes could occur in many of these bargaining units for considerable periods of time with little pressure on the employer for any kind of settlement. It also opens the question of whipsawing by the bargaining agents as they use either the strike or arbitration process to secure a gain for one group of employees which they then attempt to spread to other groups of employees. Finally, it means that too many issues are constantly being negotiated. The employer is constantly bargaining simultaneously with various bargaining agents. Some of the larger associations bargain for a sizeable number of bargaining units and they too are constantly engaged in collective bargaining with the same employer. In each of these bargaining sessions the same issues come up again and again—particularly in the fringe benefit and working conditions area. The parties too often are bargaining with an eye to what precedents may be set in other groups. This creates all sorts of problems in collective bargaining and also for the arbitration process since the arbitrators must be conscious of the implications of their decision in a given case on other groups of employees. If arbitrators take this consideration too seriously then they may refuse to innovate in the area of fringe benefits and working conditions for fear of opening up the possibility of whipsaw.

(2) **Limitations on the Scope of Arbitration.**—Since the subjects which can be dealt with under arbitration are much narrower than those which can be dealt with through the collective bargaining process, the bargaining agents often find that the employer can use the threat of forcing arbitration in order to compel the bargaining agents to agree. Thus, the employer may indicate his willingness to make concessions on certain matters not subject to arbitration only if the bargaining agent foregoes arbitration. Otherwise the employer may refuse to concede these matters, in effect, impose arbitration, and the bargaining agent will find that the arbitration tribunal is precluded from discussing some of the important issues.

There are also some problems arising from the method employed by the current chairman of the arbitration tribunal who insists that the parties provide him with drafts of clauses which he will incorporate in the agreements since he refuses to draft for the parties. This means that the bargaining agent and the employer are compelled to narrow their differences for fear that if one party takes too extreme a position, the judge will simply choose the draft that is most acceptable to him, that is, the more

moderate draft. This is very helpful in narrowing differences and, indeed, during the course of arbitration numerous clauses have been resolved under the pressure of this approach. However, it also means that the bargaining agent faces the pressure to make all sorts of concessions and to state back-up positions which may be interpreted as concessions for fear that the arbitration tribunal will simply reject its draft in favor of the status quo.

Observations

At the outset I discussed a number of areas in which it was alleged that public service employment differed from private employment and, therefore, could not be subject to similar kinds of legislation. I think the Canadian experience indicates that while the differences are real, their significance for the collective bargaining process is nowhere near as important as has been indicated by some authors. The federal government and the provinces that have engaged in collective bargaining and have permitted arbitration or even strikes have, in no way, lost their sovereignty. Indeed, it would appear that the threat to the sovereignty of the status of the employer in cases where strikes are outlawed but occur nonetheless—and where the employer is helpless in coping with them—is probably greater than what occurs under the Canadian legislation.

The sovereignty of Parliament is ensured in two ways. First, Parliament may refuse to vote the funds required to implement an agreement. Second, Parliament may enact legislation to nullify a given award. Since it is generally assumed that these powers are not likely to be used, there is no real threat to collective bargaining.

Similarly, the size, diversity and dispersion in occupational groups in the public sector does not appear to have created any particular hardships for the collective bargaining process. Finally, the division of responsibility for administration and finances in the federal government also seems to have created few problems. The Cabinet representatives (that is, the members of the Treasury Board) are able to engage in collective bargaining with the full knowledge that the government of the day will support the agreements reached, or the arbitration decisions rendered, and will carry the request for financing through Parliament.

Conclusions

This paper has been an attempt to present to an audience that is largely American, some of the more interesting experiments which are being conducted in collective bargaining in the Canadian public service sector. I think that the Canadian experience should dispel some of the myths that pervade the discussions of collective bargaining in the public sector. The Canadian experience requires greater study: I intend to engage in a major research project on bargaining in each of the Canadian provinces as well as at the federal level analyzing not only the procedures that have been followed but the substantive output of the collective bargaining processes.

[The End]

Avoiding Public Employee Strikes—Lessons from Recent Strike Activity

By EDWARD B. KRINSKY

Wisconsin Employment Relations Commission

MANY STRIKES in the public sector reflect the failure of lawmakers and government administrators to accept basic collective bargaining concepts. The rapid growth of public employee unionism based on the private sector collective bargaining model is a fact which too many governments at all levels have neither prepared for adequately nor accepted.

Many states do not have collective bargaining laws governing relationships with public employees. They have not enunciated either a right to organize or to bargain collectively. Other states have laws with coverage restricted to specific occupational groups. The absence of a federal public employee law for nonfederal public employees deprives many public employees of any collective bargaining protection.[1]

Until all states or the federal government have laws protecting bargaining and organizational rights for public employees, "recognition" strikes will occur. Frustration over the quest for recognition was cited in a recent article in the *Monthly Labor Review* as a major cause of public employee strikes.[2] Failure to provide public employees with organizational rights leaves them no effective alternative to striking when they do organize and the employer refuses to deal with them.

In addition to providing a peaceful, democratic method for determining employee representation claims, an election procedure and a guarantee of collective bargaining rights may be vital for the maintenance of "order with justice," a very timely concern indeed. Public employees are not comfortable breaking the law but they feel they must in order to change what they consider unjust conditions, such as deprivation of the right to organize and bargain. Also, large numbers of public employees in urban areas are blacks or members of other minorities who are seriously questioning the worth of the American political-economic system. If laws are not changed to allow them to secure dignity at the work place and a higher standard of living, they will become more militant and perhaps not even try to work within the system.

Each state should have a bargaining law which requires municipal employers and unions to bargain in good faith. That is not to say that bargaining cannot and does not occur in states without such requirements, but the

[1] Many of the states with no public sector bargaining laws also have no private sector bargaining laws. Large numbers of private sector employees in these states have secured bargaining rights through coverage under the NLRA.

[2] Sheila C. White, "Work Stoppages of Government Employees," *Monthly Labor Review,* December 1969, p. 31. The study indicates that from 1962-68, "almost 22% of the walkouts in government involved problems of union organization and security." Recent examples of recognition strikes which drew widespread attention include the Charleston, South Carolina, hospital strike of more than three months, and a hospital strike in Akron, Ohio, which lasted more than two months before agreement was reached to hold an election.

chances of it occurring in public employment are much greater if good-faith collective bargaining is a policy of the state. Without such a policy, and especially if employers cite this as an excuse for not bargaining, it is unrealistic to think that public employees will refrain from striking to achieve their ends.

Most strikes by public employees are over wages and working conditions.[3] Working conditions can be just as important as wages, witness the PATCO "sick-out" as a recent example. The ideal way to avoid such strikes is to make government a model employer. Public employees will not accept substandard conditions on the one hand and a prohibition of the strike weapon on the other.[4]

A problem for the most well-meaning county or municipal government is that it must rely for most of its revenue on the property tax since state legislatures have not provided additional sources of revenue.[5] Since county and municipal employers are also politicians and are the first to receive complaints about rising property taxes, they are reluctant to increase them still further to improve conditions of public employees.

On all levels of government a reordering of priorities is necessary if strikes are to be avoided. Such reordering must include improvement in public employee wages and working conditions and a restructuring of the financing of municipal services.

The discussion to this point has focused on basic causes of unrest among public employees, that is, the lack of collective bargaining laws and the failure of government to provide adequate wages and working conditions. The rest of the discussion is devoted to improvements which might be made in procedures for resolving impasses when they occur.

Impasse Procedures

It is generally accepted by labor relations experts regardless of their stand on the right-to-strike issues, that procedures for impasse resolution should be available to effectuate bargaining and that the procedure with the highest degree of acceptance is mediation.

Too many public employee strikes now occur without prior attempts at mediation, as a perusal of newspaper accounts and the GERR amply demonstrates. This is regrettable because mediation has been shown to be highly effective in avoiding public employee strikes.[6]

Each state should have a supply of highly skilled mediators of unquestioned

[3] *Ibid.* "In the last 3 years of the period studies, 61 per cent of the government walkouts . . . arose from the parties' inability to reach an agreement on wage and fringe benefit changes."

[4] The effort required to make government a model employer may be monumental. All levels of government are affected by the ordering or priorities of the federal government. With a sluggish economy, problems of inflation, undeclared wars being fought overseas, and an administration interested in reducing the level of federal spending it is most difficult to upgrade the condition of federal employees and still more difficult for the federal government to provide financial relief to states, counties and cities.

[5] "Local government administrators are helplessly caught between employee compensation demands, public unwillingness to vote for increased operating millage levied on property, and the state legislature's reluctance to allow local governments the freedom to impose income, sales or excise taxes." Charles M. Rehmus, "Constraints on Local Governments in Public Employee Bargaining," *Michigan Law Review* LXVII: 5, March 1969, p. 923. This financial squeeze has been an important cause of teacher strikes in Michigan and may become so in Wisconsin and other states.

[6] For example, in Wisconsin, of some 300 mediation requests through June 1969, over 80 per cent were settled without any need for additional procedures. Where strikes did occur, more than a third were in situations in which no mediation was requested by the parties.

neutrality available to serve in public employee disputes. This would improve the labor relations climate and materially reduce the number of strikes which occur. Unfortunately, few states have either a state mediation service or a standing panel of nongovernment mediators for use on an *ad hoc* basis.[7] Since acceptability of mediators is essential to their success, it may be wise for governments wishing to establish a new public employee mediation service to use a tripartite approach as in New York City so that neutrality can be assured.[8]

It is not sufficient to depend on chief executives to attempt to serve as mediators when strikes are threatened or occur, although that may be better than no mediation at all. In addition to the fact that most mayors and governors are not skilled in mediation techniques, a more important drawback is that they are not regarded as neutral by their employees even if they have taken no part in the bargaining which has preceded the crisis.

Whether or not the right to strike is granted to public employees, it may be intelligent public policy to require public employers and employees to engage in mediation prior to using other procedures or taking direct action.[9] If mediation were required first, other procedures might be made unnecessary. Where mediation fails to resolve a dispute completely it reduces the scope of the conflict and contributes to the effectiveness of later procedures.[10]

Fact-Finding

When mediation fails, fact-finding is regarded as the next logical and effective procedure to use. There has been a marked increase in the use of fact-finding.[11] Where fact-finding is

[7] The need to secure a new breed of talented mediators with public employment expertise was cited last year at the Spring Meeting by Harold Davey. His remarks are even more timely today than they were a year ago. See, "The Use of Neutrals in the Public Sector," *Proceedings of the 1969 Annual Spring Meeting,* IRRA, May 2-3, 1969, p. 534. It is a healthy development that the FMCS and the National Dispute Settlement Center have offered their services to fill this void.

[8] Arvid Anderson has commented on the effectiveness of tripartite selection of fact-finding panels. "Our experience in New York City persuades us that tripartite procedures can be most helpful in obtaining acceptability of fact-finding panel recommendations." Arvid Anderson, "Compulsory Arbitration Under State Statutes," paper given at *New York University 22nd Annual Conference on Labor,* June 11, 1969, p. 26 (mimeo). Experiences in Wisconsin, Michigan, Connecticut and other states indicate that government mediators can be highly effective in public employee disputes. A new agency may be accepted by public employees and employers more readily if it is tripartite and that is the reason for the suggestion.

[9] In advocating mediation prior to the use of other procedures or strikes I do not advocate the procedure now in effect in some states which requires mediation a specified number of days prior to a budget deadline. A mediator entering a dispute at the behest of a statute because a certain date has been reached may enter the bargaining prematurely and adversely affect the development of the bargaining relationship. The parties may reach their own settlement as the pressures of the advancing budget deadline are felt and they may be better off having the experience of reaching agreement themselves.

[10] If mediation is not required by statute, then those charged with administering fact-finding or arbitration procedures should require the parties to submit to mediation as an initial step to aid in defining and reducing the number of issues in dispute.

[11] In Wisconsin where there were 135 requests from 1962 through June 1967, there were an additional 90 requests between July 1967 and July 1969. Michigan's fact-finding load has increased from 29 requests during 1965-1967 to 143 from 1967-1969. For Wisconsin experience see WERC annual reports. For statistics as well as a detailed analysis of fact-finding in Wisconsin and elsewhere see, Edward B. Krinsky, "An Analysis of Fact-Finding as a Procedure for the Settlement of Labor Disputes Involving Public Employees," unpublished Ph.D. dissertation, University of Wisconsin, January 1969. See also, James L. Stern, "The Wisconsin Pub-

carefully administered it has a good record of success in avoiding strikes. For example, in Wisconsin of 224 requests for fact-finding through June 1969, almost 70 per cent were resolved without the necessity of fact-finding recommendations. Most of the cases were resolved prior to the appointment of a fact finder. In that period recommendations were made in 73 cases. Only about six were followed by strikes after consideration of the recommendations.[12] Fact-finding does not eliminate strikes altogether but it serves to reduce their numbers. Parties should be encouraged to use it before binding settlements are imposed or employees are allowed to strike, unless of course the parties desire to use binding arbitration in lieu of fact-finding.

There are numerous ways to improve existing fact-finding statutes and their administration. First, as previously mentioned, fact-finding should always be preceded by mediation, whether or not the process is officially called mediation.[13]

If mediation does not precede fact-finding then the fact finder may have to spend long hours trying to make recommendations based on poorly defined issues and little knowledge of which issues are really important to the parties. He may try to mediate but he may not have the requisite skills or experience to mediate successfully. In the attempt he may incur the displeasure of one or both parties. That could adversely affect the chances of his recommendations being acceptable.

Second, the fact finder should be allowed to conduct himself in any way which he feels will aid him in resolving the dispute, which after all is the primary goal of the procedure. In this regard it would seem desirable that fact finders have knowledge about government and have in their credentials collective bargaining, mediation and arbitration experience. The fact finder is not apt to mediate a settlement if prior mediation has failed, but he should be alert to the possibility and use it if he has the skills and feels the parties would welcome such efforts.

Third, the parties should bear the cost of fact-finding. Some pain should be attached to the use of an additional procedure. If not, then what incentive is there for employees to settle when just for the asking they can have fact-finding? Free fact-finding results in overutilization of the process, witness the New York and Michigan experiences, and in reduction of the effectiveness of prior mediation efforts since there is reduced incentive to settle. It should be noted that the Michigan Employment Relations Commission has recently advocated that the Michigan Law be put on a pay-as-you-go basis.[14]

Fourth, the parties should be required as a condition of good-faith bargaining to meet and act on the recommendations. They should not be allowed

(Footnote 11 continued.)
lic Employee Fact-Finding Procedure," *Industrial and Labor Relations Review,* XX:1, October 1966. For Michigan experience and an excellent summary of suggestions made for improving public employee bargaining see the Howlett paper cited below.

[12] One can only speculate about the number of strikes which would have occurred had fact-finding not been available. It seems reasonable to assume that many more than six would have occurred.

[13] In Wisconsin if parties refuse to enter into mediation then when a fact-finding petition is filed the WERC conducts an "informal investigation" prior to certifying a dispute to fact-finding. This is used as a forum for mediation whether or not the parties wish to call it that.

[14] Robert G. Howlett, "Innovation in Impasse Resolution," paper given at NYU, February 11, 1970, p. 28 (mimeo). "The members of MERC have recommended to the Michigan legislature that the law be amended to require . . . that the parties pay for fact-finding. We believe that . . . sharing the expense will result in additional bargaining before selection of the fact finder."

simply to ignore them. The recommendations need not be accepted totally, although this is desirable, but neither should they be disregarded. If they are not accepted, the recommendations should at least be regarded as the framework for completion of negotiations. Failure to meet and negotiate on the recommendations should be considered an unfair labor practice.

There are two aspects of fact-finding which call for innovative solutions since they have contributed to strikes in Wisconsin and elsewhere. The first is where one party, usually the municipal employer, refuses to implement the fact-finding recommendations to the other's satisfaction and no mutual agreement is reached.[15]

Some legislation includes a "show cause" hearing if recommendations are not accepted. That is, the party which rejects the recommendations can be made to appear before some tribunal to demonstrate why it has refused to implement the recommendations. I am not in favor of show cause procedures unless the tribunal has the power to make the recommendations, or some modification of them, binding. If this is not the case then the show cause hearing is no more than an additional time-consuming procedure which will add to frustrations and perhaps even increase the chances of strikes occurring. An employer or union which has refused to implement recommendations after bargaining, mediation and fact-finding and has withstood all of the pressures accompanying that decision is not going to accept them simply because it is told, "You have not shown cause for your position."

There are two suggestions which might enhance the acceptance of fact-finding recommendations. First is a suggestion by Howlett that the parties be encouraged to mutually select the fact finder from a panel maintained by the appointing agency.[16] If such agreement is reached then it may be more difficult for either party to reject his recommendations since the selection in the first instance was by mutual choice.

The second suggestion, advocated by Kheel and others reflects the view that any flexibility the parties might have during fact-finding tends to disappear when recommendations are made public.[17] For political reasons parties must either support or oppose the recommendations. It is suggested, therefore, that fact finders be encouraged to present their recommendations to the parties before making them public. The fact finder can then say to the parties, "these are my recommendations. I hope you will find them acceptable. I will issue them as is, unless within 'x' amount of time you agree on some modification of them."

Perhaps both sides will be unhappy with the recommendations and can utilize a last opportunity to resolve the dispute before the recommendations are publicized. If it doesn't work then the recommendations are issued and nothing has been lost by the attempt.

A general suggestion for enhancing acceptability of recommendations is that fact finders be reminded that

[15] Some unions as well as students of public employee bargaining have suggested that failure of the employer to implement fact-finding recommendations should allow employees to use the strike weapon. They feel that when the employer has not changed its position voluntarily after mediation and fact-finding, despite recommendations urging such change, there is only one effective means for changing the status quo, the strike. The possibility of legalizing the strike and/or using binding arbitration in the alternative is discussed below.

[16] Howlett, cited at footnote 14.

[17] Theodore Kheel, "Impasse Procedures in Public Employment," in *New York State Public Employment Relations*, Edward Levin, ed. Ithaca, New York State School of Industrial and Labor Relations, April 1968, pp. 19-23.

they are dealing in a political arena and that as a result their discussion, rationale and recommendations must be acceptable politically. Thus, rationale such as, "this recommendation is a compromise" won't stand much of a chance of acceptance nor will rationale which does not relate directly to conditions in the municipality involved.

A second problem besides rejection of recommendations which has led to some strike activity is the refusal of some strong labor organizations to use fact-finding. There are two primary reasons for this.

First is the delay involved in fact-finding. A union ready and able to use its muscle may not be willing to wait two to three months or more for a fact finder's recommendations. A reduction of the time period may encourage such a union to use fact-finding rather than the strike.[18]

Second is the belief by a union that demands can be obtained by striking, but not by using fact-finding, either because of the employer's attitude or because of what the union expects from the fact finder.

An example that comes immediately to mind is the current problem in Wisconsin involving firefighters. Wisconsin has endured two firefighters' strikes and several slowdowns over the issue of "parity" with police pay. In several disputes two or three years ago firefighters took the parity issue to fact-finding but they did not get the fact finders' support. Police, on the other hand, have used fact-finding numerous times and have been given royal treatment. Thus, fact-finding recommendations have given firefighters little hope that fact finders are any more prone than before to give them parity with police.

Strikes, or threatened strikes, have produced what the firefighters regard as much more favorable results. The problem of fact finders not supporting demands of employees on policy questions is especially difficult where, as with firefighters, the employees are in occupations in which any strike, by definition, threatens the public safety.

If fact-finding is to be a strike substitute fact finders may have to become more innovative and more attuned to short-range solutions to immediate crises than to long-run policy questions. In the area of wage setting the traditional criterion of "prevailing practice," somehow defined, may not be sufficient. It may be sufficient where the union involved can show that its conditions are relatively inferior. The strong union with the best conditions, however, will not accept an answer which says basically, "since you're number one, you can't have any more than you've been offered." If we are to expect voluntary use of procedures and voluntary compliance with the results then fact finders may have to weigh carefully the question, "what recommendation will be acceptable and avoid a strike, and is it feasible for me to make that recommendation?"

Where Voluntary Procedures Fail

There are two basic avenues open to public policymakers when voluntary procedures are not successful: binding settlements and the strike.

There is growing acknowledgement that binding procedures might be useful and acceptable if used sparingly and on an *ad hoc* basis. Certainly the

[18] Suggestions for reducing the time period include: immediate appointment of the fact finder when an impasse is certified; encourage fact finders to operate informally and without hearing, transcripts and/or post-hearing briefs; encourage use of prehearing conferences to further define and/or eliminate issues and to allow the fact finder to inform the parties about what sort of information he is seeking from them.

arbitration alternative will have to be provided if the strike continues to be strictly prohibited, since meaningful ways must exist to change the status quo without breaking the law. Of course some unions will take the position that they will strike whether or not it is legal to do so but society will be better off if acceptable alternatives to illegal acts are provided.

Arvid Anderson has written a fine analysis of the problems and potential usefulness of arbitration in public employment. He advocates its careful and limited use after voluntary procedures have failed. The Office of Collective Bargaining (OCB) of which he is chairman has recently advocated legislation to give it the power to make fact-finding recommendations binding or to modify them in a binding way if necessary after the parties have considered them and failed to reach agreement.[19] I am in favor of this approach. The OCB proposal maximizes the opportunity for voluntary settlements through collective bargaining, voluntary procedures, and renewed negotiations before a settlement is imposed.

Numerous strikes have followed rejection of fact-finding recommendations.[20] Most would be eliminated if the recommendations were made binding when the parties failed to reach agreement to implement or modify them.

Anderson draws attention to an interesting facet of binding arbitration, namely, that it is apt to enormously increase the bargaining power of weak unions.[21] They will be able to impose changes through arbitration which would not be apt to occur through bargaining, fact-finding or the strike.

One can only speculate about the cost to the public of binding settlements compared to the costs if strikes were legalized. If the costs of arbitration are higher, this is the price to the public for continuing the ban on strikes.

Just as with the other procedures discussed above, it should not be assumed that binding awards will completely eliminate strikes. If they now occur in violation of the law, in the face of heavy penalties and after fact-finding recommendations are rejected it is realistic to expect strikes to occur even where awards are binding.

What About the Strike?

"Experimentation" is always advocated by those who seek to improve collective bargaining procedures. A limited right to strike should be included in some jurisdictions as one of the experiments. There should be a basis provided for comparing the incidence of strikes as well as their costs where the strike is legal to settlements reached through binding settlements where strikes are not legal.

[19] Anderson, cited at footnote 8, at p. 4. "The Mayor of New York City has submitted a report . . . suggesting that the New York City Collective Bargaining Law be amended to specifically authorize arbitration of contract disputes . . . and that in the event of rejection of the recommendations of an impasse panel that the dispute be submitted to the tripartite Board of Collective Bargaining which would have thirty days in which to affirm or to modify the recommendations of the impasse panel." If not modified, "within the thirty-day period, they would be deemed to be binding upon the parties. The vote of at least one city and one labor representative would be required in any majority vote in order to modify the recommendations of the impasse panel."

[20] About a fourth of Wisconsin's strikes have followed employer rejection of fact-finding recommendations. Recent additional instances of such strikes which drew widespread attention were teacher strikes in Newark, New Jersey and Providence, Rhode Island.

[21] Anderson, *ibid.* Some management representatives feel that weak unions have already received significant power through access to fact-finding.

An excellent experiment would be to apply the Canadian federal procedure which gives employees the choice prior to bargaining of using the strike or arbitration. That experience shows that few employees have opted for the right to strike and even fewer have exercised it.[22] Interestingly, also, for those who fear the effects of binding arbitration on collective bargaining, there have been few cases in which arbitration awards have been necessary to resolve disputes involving employees who opted for the arbitration alternative. The great majority of disputes have been settled at the bargaining table or with the aid of voluntary procedures.

Experience with strikes in Wisconsin shows that fewer than 40 have occurred in the last decade, although about three-fourths of them have occurred since 1967. This small number of strikes is of special interest when it is noted that the statute contains no penalties for violating the no-strike law. The strikes have not had alarming consequences although some have been an inconvenience and several had potential for disaster.[23]

These results lead one to speculate that legalized strikes might not be terrible, provided, of course, that all efforts were first made to avoid them and so long as the public health and safety were not jeopardized. This is in essence what the Pennsylvania Commission suggested several years ago.[24] Strikes that endanger the public could be quickly enjoined. While in such cases it may be difficult to get immediate compliance with injunctions, the degree of difficulty is not likely to depend on the legality of the strike. Serious strikes will occur regardless of their legality and will be difficult to resolve regardless of their legality.

At the same time that experiments are made with legalizing the strike on a limited basis experiments should be made with employer weaponry such as the lockout and temporary or permanent subcontracting of work if a strike occurs. One is surprised that more such alternatives have not been devised and used to cope with illegal strikes which now occur.

There are those who feel that economic weapons developed in the private sector do not belong in government disputes where political decisions and political allocations of resources are made.[25] I submit that whether or not strikes are legal, political and economic muscle, real or threatened, will be used by employee groups and will have an important impact on the political decisions that are made. Banning strikes does not reduce the effectiveness of organized power groups.

It should be clear that I am not advocating the unlimited right to

[22] H. W. Arthurs, "Collective Bargaining in the Public Service of Canada: Bold Experiment or Act of Folly?" *Michigan Law Review* LXVII:5, March 1969 pp. 987-993. In Howlett's article, cited above, the seldom reported experience with arbitration in Minnesota hospitals is reviewed. Arbitration used there since 1947 does not appear to have replaced or adversely affected meaningful collective bargaining.

[23] Two of the strikes left cities without fire protection; one strike could have caused massive dumping of untreated sewage into Lake Michigan had it not been quickly settled; another strike left a snow-bound county without snow-plow crews; a recent state employee strike left several institutions without nonprofessional employees. Most of the remaining strikes either had no effect or were settled through bargaining or mediation when the effects began to be felt.

[24] Report and Recommendations of the Governor's Commission to Revise the Public Employee Law of Pennsylvania, *GERR*, No. 251, July 1, 1968, pp. E 1-3.

[25] See Arvid Anderson, "Strikes and Impasse Resolution in Public Employment," *Michigan Law Review* LXVII:5, March 1969, pp. 943-970. For a different viewpoint see the article in the same issue by Theodore Kheel, "Strikes and Public Employment," pp. 931-943.

strike for public employees nor in any way that they go on strike. Real collective bargaining for public employees can take place without the right to strike and has in many states. I am advocating experimentation with a limited right to strike given procedural safeguards and prior use of voluntary procedures. If "no-strike" laws are unenforceable, as seems to be the case where powerful unions choose to strike, and if the results stemming from granting a limited right to strike are not intolerable, public policy makers should know this and have experimental data available to guide them in developing new collective bargaining legislation.

Grievances

A subject not mentioned at all to this point is grievances. Many strikes result from unresolved grievances. Municipal employers should be responsive to the need for meaningful grievance procedures, not only to improve employee morale and prevent disputes, but also to serve as an effective means for pointing out areas where management needs improvement.

Negotiated grievance procedures are becoming commonplace in public employment. There is a trend toward use of final and binding grievance arbitration, an institution which has served with great effectiveness in the private sector.[26] Such procedures can eliminate sources of conflict in public employment which might otherwise lead to strikes.

Conclusion

In conclusion, it appears that many more strikes could be avoided than is now the case by affording all public employees collective bargaining rights and encouraging widespread use of dispute settlement procedures whether or not public employees have the right to strike. The determining factor in avoiding strikes will be the speed with which governments move to eliminate the causes of strikes and provide sound collective bargaining laws and improved wages and working conditions for their employees.

[The End]

Can Public Employees Be Given the Right to Strike?

By JOHN F. BURTON, JR.*

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I WILL DISCUSS several related questions concerning public sector employment relations. Because most of my evidence is drawn from the Brookings Institution *Study of Unionism and Collective Bargaining in the Public Sector,* I will reflect that study's scope, and focus on labor relations

[26] Courts in Wisconsin and other states have declared binding grievance arbitration agreements legal and enforceable. WERC arbitrators have issued approximately 50 awards and at least 200 contracts in Wisconsin containing binding arbitration clauses.

* This paper was prepared as a part of a *Study of Unionism and Collective Bargaining in the Public Sector* which is being conducted by the Brookings Institution with financial support from the Ford Foundation. The views are the author's and not

experience at the local level of government. An occasional allusion to other levels of government may intrude my comments, but I accept no responsibility for mail delays, flight cancellations, or mutinies on sea or land.

Precedents

Can public employees be given the right to strike? It's nice to begin with an easy question, which results from my insistence on a strict reading of the word "can." Many foreign governments have legalized the right to strike for certain employees, and there are no federal constraints on states or localities seeking to legalize public employee strikes. Indeed, in some states public employees can now legally strike. Vermont apparently restricts municipal employee strikes only if they endanger the health, safety, or welfare of the public. Montana prohibits strikes in private or public hospitals only if there is another strike in effect in a hospital within a radius of 150 miles. What Vermont and Montana *can* do, so can others.

Is there an effective way to stop public sector strikes? This more troublesome question has been thrust upon us by the recent surge in illegal public sector strikes. These strikes *could* be virtually eliminated if society were to indulge itself in repressive sanctions. At one time in England, horse thieves were hanged and pickpockets' hands were severed.[1] I have no doubt these common law devices, generously applied, would severely dampen strike activity. But no sane society would utilize these techniques. Even the much less serious penalties which have been enacted in an attempt to end public sector strikes, such as instant dismissals or prohibitions on wage increases for strikers, have proven to be illusory, largely because most public officials shy from their use or find that—as a practical matter—amnesty must be granted to end a strike. The more sophisticated sanctions now on the wax, such as suspension of the dues checkoff for unions which encourage illegal strikes, may slow the growth of strikes, but hardly promise to be a "cure" for the strike problem. Our entire experience with attempts to preclude public sector strikes suggests that the goal could only be achieved with considerable effort. But could this effort be justified in terms of the benefits inherent in a strikeless public sector? This leads to a most troublesome question:

Should public employees be given the right to strike? The predominant response to this question is "no." The dominant reason seems to consist of four parts: (1) there is a "normal" political process in which appropriate decisions are made by taking account of voters' wishes and of the particular interests of any active and legitimate group in the population—including a public sector union. (2) Strikes by public sector employees are incompatible with this "normal" political process because the strike is an *economic* weapon which is taboo in an arena where only *political* weapons are permitted. (3) Public sector strikes are also inappropriate because public services are essential—which makes

*(Footnote * continued.)*

those of the officers, trustees, or staff members of the Brookings Institution or of the Ford Foundation.

Charles Krider provided helpful comments on an earlier draft of this paper. Citations and elaborations for some of the points in this paper can be found in John F. Burton, Jr. and Charles Krider, "The Role and Consequences of Strikes by Public Employees," *Yale Law Journal,* Vol. 79, No. 3, January 1970, pp. 418-440.

[1] See Sir Frederick Pollock and Frederic William Maitland, *The History of English Law,* Vol. II, Chapter VIII.

the strike an unusually effective weapon compared to its impact in the private sector. (The essentiality is due to the distinctive attributes of the public sector, such as the inelasticity of demand for the sector's product and the inability of city officials to withstand the public's wrath if services are interrupted.) (4) Even if some public sector services are *not* essential, it is impossible or infeasible to differentiate between these and the nonessential services and permit strikes in the latter but not in the former category. Despite the imposing support within the industrial relations profession for the four-part case for a universal ban on public sector strikes, I am not persuaded. The basis for my skepticism can best be presented by reviewing the four points *in seriatim* in reverse order.

Differentiation Because of Degree of Essentiality

Is it feasible to differentiate among public sector services on the basis of their essentiality? Some states already differentiate. Not only are there the two states which now permit some, but not all, employees the right to strike, there are also three states —Michigan, Pennsylvania, and Rhode Island—which have established compulsory arbitration for policemen and firemen. These arbitration statutes demonstrate the feasibility of differential treatment of various services in the public sector and implicitly recognize the unusually severe consequences of strikes in police or fire services.

Other states are considering legislation which would differentiate among public sector services on the basis of essentiality. For example, the Governor's Commission in Pennsylvania recommended a limited right to strike for all public employees except policemen and firemen.

Perhaps most persuasive is that *in practice* a distinction is emerging between strikes in essential services and strikes in other services. Using as a criterion whether the service is essential in the short run, on an a priori basis local government services were divided into three categories: (1) essential services—police and fire—where strikes immediately endanger public health and safety; (2) intermediate services—sanitation, hospitals, transit, water, and sewage—where strikes of a few days might be tolerated; and (3) nonessential services—street, parks, housing, welfare and general administration—where strikes of indefinite duration could be tolerated.[2] These categories were then used to analyze Bureau of Labor Statistics strike data for 1965-68. The data indicate, first, that strike duration was considerably shorter in the essential services (4.7 days) than in the intermediate (10.3 days) or nonessential services (10.6 days). Second, the statistics reveal that managers distinguish between essential and nonessential services in their use of counter-sanctions. For example, injunctions were granted in 35 per cent of the essential strikes, but in only 25 per cent of the intermediate and 19 per cent of the nonessential strikes. Third, by using nonstrikers, supervisors, replacements, or volunteers, local governments were able to continue partial operation during 92 per cent of the essential strikes, but in only 80 per cent of the intermediate and 77 per cent of the nonessential services. This analysis suggests that public officials can treat

[2] Because my portion of the Brookings Institution study excludes education, the strike data analysis also largely excludes education.

some strikes as critical and others as less consequential, and that it is possible to devise an operational definition of essential services.

The argument that it is impossible or infeasible to differentiate between essential and nonessential services seems refuted since some states make the distinction, other groups have recommended the differentiation, and actual practice in the local government sector reflects the differences among services in their essentiality.

The Consumer's Inelasticity of Demand

Are public sector strikes inappropriate because they interact with certain attributes of the public sector (such as inelasticity of demand for the sector's products) to become an irresistible weapon? The sum of these distinctive attributes is alleged to make public services essential, and essentiality dictates a strike ban. The proper way to evaluate the essentiality question would seem to be to compare the essentiality of the public and private sectors, and decide whether there is enough difference between the sectors to justify a public policy which prohibits all strikes in the one sector but permits most strikes in the other.

There is no significant private sector counterpart to the police and fire services, and I believe the essentiality of these services justifies a policy which presumes that police and fire strikes are illegal. But what of the local government services which I have termed nonessential or intermediate? Are these services, as a group, distinguishable from the private sector in terms of inelasticity of demand for the product—or of management's ability to tolerate a strike?

I know of no empirical evidence demonstrating differences in the elasticity of demand for the product in the public as opposed to the private sector. Lacking such evidence, I remain an agnostic concerning the existence of the differential. I realize the differential is fully supported in the literature by incantation and casual observations. But casual observations in this area are readily producible. For example, one concern often expressed by state and local governments when they are considering an increase in taxes in order to improve public services is that the proposed tax increase will cause employers to move to other jurisdictions in a search for lower taxes.[3] That may sound—to those of you from state universities—like a rationalization for low faculty salaries, but to me it sounds like the reaction to be expected when the demand curve of firms for public services is fairly elastic.[4] And, as long as we are in the realm of speculation about the relative elasticity of demand for public and private services, I will add that it is not obvious to me that New York City isn't pricing itself out of the market for taxpayers (whether they be individuals or manu-

[3] For an evaluation of one aspect of this concern, see John F. Burton, Jr., *Interstate Variations in Employers' Costs of Workmen's Compensation: Effect on Plant Location Exemplified in Michigan,* The W. E. Upjohn Institute for Employment Research, 1966.

[4] Determining the elasticity of the relevant demand curve for a public sector service, such as higher education, is a complex task. There are probably three demand curves that must be considered: students (who pay tuition), individual taxpayers, and corporate taxpayers. Also, so long as bargaining in the state and local sector is not conducted on a national basis, the important elasticity is for the demand curve facing individual jurisdictions (states or cities), not for the aggregate demand curve. The national demand for higher education may be inelastic, but individual states may easily price themselves out of the market.

facturing establishments or corporate headquarters) any less rapidly than the United States steel industry is pricing itself out of the world market for steel. If these examples don't convince you about the relative elasticities of demand in the public and private sectors, they don't convince me either. But that's the point I want to reassert —we have no solid evidence which justifies a conclusion that the demand for public services is more inelastic than the demand for private services.

While convincing data on the inelasticity of demand in the public sector is unavailable, there is a limited amount of data which can be used to evaluate other assertions concerning the distinctive characteristics of the public sector. For example, it is argued that public pressure on city officials forces them to make quick settlements when strikes occur, thereby giving the striking employees an undue advantage. The 36-day strike which just ended in Atlanta provides evidence that exceptions to such a rule must exist. Also, in recent years, city officials in Kalamazoo, Michigan, were able to accept a 48-day strike by sanitation men and laborers; Sacramento County, California, survived an 87-day strike by welfare workers; and a three-month strike of hospital workers occurred in Cuyahoga County, Ohio.

As indicated before, from 1965 to 1968 the average duration of all local government strikes in the intermediate and nonessential services was approximately 10.5 days. To be sure, this average is only half the average duration of private sector strikes during these years, but I believe the intersectoral difference is misleading since all of the public sector strikes were illegal—and many were ended by injunction—while presumably a vast majority of the private sector strikes did not suffer from these constraints. It thus appears that, with the exception of police and fire protection, there is no marked difference between public officials and their private sector counterparts in their ability to accept long strikes. If this is so, the case for a public policy which differentiates between the public and private sectors in the right to strike is further weakened.

Distinguishing "Economic" and "Political"

Is the strike in the public sector inappropriate because it is an economic —as opposed to a political—weapon? The assertion that the strike is an "economic" weapon which is incompatible with the "political" process used to reach governmental decisions seems particularly specious. Although as an economist I would stridently oppose the notion that I could be replaced by a political scientist, I am nonetheless exceedingly skeptical that a conceptual—let alone an operational —distinction can be made between "economic power" and "political power." Indeed, one respected industrial relations scholar has based his concern for the appropriateness of the strike in the public sector on the view that it is a political weapon.[5] Unless the task of clearly defining "economic power" and "political power" can be accomplished, there is no basis to condemn the public sector strike because it falls in one category but not the other.

The "Political Process" Argument

Is there a "normal" political process in which decisions reflect voters' wishes and the particular interest of legitimate pressure groups, including public

[5] Jack Stieber, "Collective Bargaining in the Public Sector," in Lloyd Ulman (editor), *Challenges to Collective Bargaining,* Prentice-Hall, Inc., 1967, p. 83.

sector unions? Any notion that there is a "normal" process which provides an alternative to the strike seems a gross oversimplification. In the Brookings Institution study, we are attempting to determine the methods that public employee organizations (primarily unions) use to influence decisions concerning working conditions. Our field work reveals a number of alternatives to the strike which cannot readily be lumped under the rubric "normal" political process. These methods by which unions gain influence include:

Dissemination of Information.—Unions often affect decisions on items such as wages by providing relevant information. Information is sometimes provided directly to public officials, as when unions testify at budget hearings or provide the results of their own wage surveys. Sometimes the information is directed at the public in order to generate pressure on officials to grant union requests. The police in several cities have run newspaper ads arguing that the crime tide warranted higher police salaries.

Direct Action Short of Strikes.—Unions have engaged in a variety of disruptive tactics designed to influence public officials. Work slowdowns are common (including the refusal by Detroit policemen to write traffic tickets, thus reducing city revenue). Excessive diligence at work can also be disruptive: hospital interns in Boston engaged in a "heal-in," and prescribed all possibly useful tests for patients.[6] The direct action also may be aimed at the public in the hope that an enraged citizenry will force public officials to grant the union's demands. Sanitation workers released slum-bred rats in the best sections of Memphis in order to dramatize the living conditions forced on the workers by their inadequate pay.[7]

Legal Action.—Employee organizations have brought lawsuits to protect their members' rights. Detroit firefighters forced the city to promote workers in accordance with city ordinance by this route.

Independent Political Action.—Numerous public sector unions have endorsed candidates, made campaign contributions, and provided party workers in attempts to win friends and influence politicians.

Conjunctive Political Action.—Public sector unions have formed coalitions with other elements of the community in order to place additional political pressures on public officials. In Memphis and Atlanta, AFSCME's locals of sanitation men elicited support from the Negro community and various civil rights and church groups. The welfare workers in New York and Chicago sought their clients' support in their struggles with city officials. The most powerful allies available to public employees usually are private sector craft unions. However, there is considerable variation among public employee organizations in their access to this source of influence, ranging from craft unions—which generally receive considerable cooperation from their private sector counterparts—to civil service associations, which generally receive little private sector support.

Patronage.—In some cities, unions have entwined themselves in a patronage system with their nominal

[6] 193 *Government Employee Relations Reports* B-6, 1967.

[7] For a catalogue of imaginative techniques of "community involvement" used in Memphis, see 341 *Government Employee Relations Reports* B-6, 1970.

employer and with a political party. The unions gain limited influence over some issues (such as wages) in exchange for political and financial support of the patronage system. This sort of influence would vanish if the unions were assiduously to pursue a goal of providing job security for their members, since this goal would undermine the patronage system.

Third Party Intervention.—In some states, unions can affect decisions on working conditions by calling on neutral third parties such as fact finders or arbitrators. Fact finders may help galvanize public support for union demands, and—if compulsory arbitration is available—the union may be able to force favorable action from the recalcitrant employer.

This list of six methods by which public employee organizations can influence working conditions is not necessarily exhaustive, nor should it be inferred that a particular organization only uses one of these methods at a time. But the cataloging surely suggests that there is no "normal" political process which is the alternative to the strike as a method for public employees to influence decisions. If we are to evaluate the propriety of strikes in the public sector, we should consider the advantages and disadvantages of each of these methods of influence relative to the advantages and disadvantages of the strike; we should also consider the propensity to use these methods if strikes are legal, if they are illegal but nonetheless occur, and if they are illegal and effectively suppressed.

Such an evaluation is difficult because of the complex and dynamic aspects of public sector unionism, and due to the value judgments which must inevitably be made concerning these various influence methods. A full evaluation is one of the tasks that still remains in our Brookings Institution study. I will make two tentative observations. First, it is only weak public sector unions—which have traditionally relied on dissemination of information as a source of influence—which will be confined to "socially acceptable" influence methods by a strike ban. They may, for example, turn to legal action and reliance on third-party intervention if they do experience some increase in their total influence. Second, those unions which begin to develop significant strength because of rising support from employees or for other reasons—but which are legally denied the strike weapon—are likely to turn to "socially unacceptable" influence methods. They may, for example, increasingly rely on direct action, of which perhaps the most disturbing form is involving the entire community in a labor dispute by transforming it into a racial confrontation.

I believe that most public sector unions are going to become strong whether or not we legalize the strike. Because the alternative to the strike for a strong union is not the "normal" political process, but a greater reliance on a mixture of influence methods with many unattractive aspects, I believe that the strike should be legal for most local government employees.

[The End]

The Right to Strike in the Public Sector

A Discussion

By DONALD J. WHITE

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Comments on Papers by John F. Burton, Edward B. Krinsky and Arthur M. Kruger

THE TREND of public employee strikes in the United States has been skyrocketing in recent years.[1] This has lead some informed neutrals, like Professor Charles M. Rehmus, to say that the question of whether government employees should have the right to strike "... is largely irrelevant.... Legally or not, they can and do strike."[2]

In the context of the present immaturity of labor-management relations in the public sector, however, much of the strike activity seems to stem from managerial indifference and ineptitude—factors which hopefully will soon disappear.[3] The central question is whether or not in its mature stage the system of industrial relations that is being designed and is emerging in the public sector will turn to the strike as the method to determine wages and conditions of employment despite the evidence that collective negotiations without the strike weapon presently is the clear preference of public policy,[4] that polls show that the public at large does not favor the removal of anti-strike legal safeguards in the public sector,[5] and that labor and management in the private sector are showing increasing interest in substituting procedures for the strike in resolving contract disputes.[6]

From the analytical work that he has done thus far for the Brookings *Study of Unionism and Collective Bargaining in the Public Sector,* Professor Burton believes "... that the strike should be legal for most local government employees." The work is excellent,

[1] "Between 1958 and 1968, the number of government employee strikes per year rose from 15 to 254...." See S. C. White, "Work Stoppages of Government Employees," *Monthly Labor Review,* December 1969, pp. 29-34.

[2] Michigan Municipal League, *Municipal Management Labor Newsletter,* January 1970.

[3] An example of the current immaturity is shown by the remarks of the head of the Federal Aviation Administration who said recently that his agency had "not worked hard enough on labor-management relations" in the past, largely because of the federal law prohibiting strikes by government employees. See *The New York Times,* April 17, 1970.

[4] Bok and Dunlop, *Labor and the American Community,* New York: Simon and Shuster, 1970, p. 329.

[5] Advisory Commission on Intergovernmental Relations, *Labor-Management Policies for State and Local Government,* 1969, p. 59.

[6] In a recent survey, 42 per cent of the management representatives and 64 per cent of the union representatives indicated they would be willing to consider final and binding arbitration of contract disputes rather than to risk a strike, subject to the specification of certain conditions pertaining to the arbitration. See Jack Stieber, "Voluntary Arbitration of Contract Terms," paper at the Annual Meeting, National Academy of Arbitrators, Montreal, Canada, April 8, 1970.

but it does seem to raise at least the following questions:

(1) Even though the strike duration and related data do provide a rough measure of differences in essentiality, will there not still be the interminable controversy of which the Taylor Committee spoke over the question *at the margin* as to which services should be permitted to have the legal right to strike?[7]

(2) In particular, with respect to the "intermediate services" category, where Professor Burton says strikes of a few days might be tolerated, would such short strikes really be adequate to permit the strike to play the balancing role it has played in the private sector where, as Professor Livernash has so well shown, it has been the long strike option that has been the effective factor?[8]

(3) In view of the fact that the public employee strike brings pressure on the public employer *indirectly* through generating community pressure on the politician for the resumption of services rather than through direct economic pressure on both parties as in private industry, how are essentially uneconomic settlements to be avoided?

(4) Must it necessarily be true that "... those unions which begin to develop significant strength... but which are legally denied the strike weapon are likely to turn to 'socially unacceptable' influence methods"? Is this not rather what happens typically when the community defaults on its obligation to provide adequate procedures for determining organizational, recognition, good-faith bargaining and impasse resolution problems? In New York City, for example, where the provisions for procedures are quite well developed, there has been little if any turning to such "socially unacceptable" influence methods, but the opposite appears to have been true in the so-called "backward areas" of the country.

(5) What is to be done about the situation of a strike of teachers, for example, which might last from four to six months and might not in any strict sense affect directly the health and safety of the public but which obviously would result in far greater costs for the community than any benefits that might be gained from allowing the conflict to continue?

(6) What about the range of questions, like school decentralization and various overall governance questions, which are too vital to the community to be left for determination by the economic muscle of a particular interest group?

The foregoing questions suggest that it would seem unwise indeed to let the question of whether or not to legalize the strike in the public sector be unduly influenced by the fact that today "... militant direct and coercive mass action is becoming an 'in' thing."[9] Moreover, I am

[7] After extensive hearings on the subject, the Taylor Committee stated: "To begin with, a differentiation between essential and nonessential governmental services would be the subject of such intense and never-ending controversy as to be administratively impossible." See Governor's Committee on Public Employee Relations, *Final Report*, State of New York, March 31, 1966, p. 18.

[8] E. R. Livernash, "The Relation of Power to the Structure and Process of Collective Bargaining," *Journal of Law and Economics*, University of Chicago, 1963.

[9] The quoted phrase is from E. Wight Bakke's stimulating paper, "Collective Bargaining in the Public Sector," April 8, 1970, available from the Labor Education Center, The University of Connecticut. Professor Bakke further stated: "In such a social atmosphere militancy will be encouraged." He predicted, however, that the use of the strike by public servants is not going to be legitimized.

aware from personal experience as an arbitrator and fact finder in public employee disputes that many public employee organizations today need effective protection against the "unilateralism" of some public employers. But notwithstanding present trends, I wonder if it would not be shortsighted to look simply to the legalization of the strike in the public sector as a remedy instead of redoubling our efforts to perfect procedures and to impress the public, and public administrators, with the overwhelming need for improved public management and policies.

It is on these latter considerations that Professor Krinsky lays greatest stress in his paper. His prescriptions cannot be faulted. He approaches the question of legalizing the strike as a matter for experimentation. The latter might be hard to arrange, but it would be a most sensible approach. It should be noted, however, that Krinsky's proposals concerning the strike are carefully hedged. Not only does he posit only a limited right to strike with procedural safeguards and prior use of voluntary procedures, but also he would couple with the experiment a collateral test of the use of the lockout and temporary or permanent subcontracting of work by the employer involved.[10]

Krinsky also observes, "The absence of a federal public employee law for nonfederal employees deprives many public employees of any collective bargaining protection." Perhaps here there might be a fruitful role for legalizing the strike, that is, perhaps consideration might be given to enactment of a federal statute specifically legalizing the strike by nonfederal public employees in any jurisdiction in which there do not exist duly adopted procedures for determining organizational and recognition questions, for requiring good-faith bargaining and for handling impasses in contract disputes.

Professor Kruger's lucid exposition and analysis of Canadian arrangements provide valuable perspective for a largely American audience. The Canadian experimentation should be watched closely to see if any of the Canadian approaches might be productively used in the United States. Although it might be too early to assay the strike versus arbitration alternatives provided in Canada for impasse resolution, the following comments would seem to be warranted now:

(1) The groups in Canada which have thus far chosen the strike option include two—the Post Office employees and air traffic controllers—which have already shown in the United States, by means of short, illegal work stoppages, that they have the capacity to bring the public to its knees far short of the point at which the strike itself might serve to yield economic and equitable settlements. The lesson would seem to be that innovative procedures, not legalization of strikes, are required for attaining viable results in the United States.

(2) Most public employees, on the Canadian criterion, would probably prefer binding arbitration arrangements to the strike as the method for dealing with the finality issue in contract disputes.

(3) If the strike is to be legalized, especial care will have to be devoted

[10] Professor Burton also has called for the enhancing of a local government's ability to resist the strike through the enactment of a statute prohibiting public employers from signing away their right to subcontract. See Burton and Krider, "The Role and Consequences of Strikes by Public Employees," *Yale Law Journal,* January 1970, p. 440.

to defining and limiting the scope of bargainable issues, to providing special safeguards in some sectors, for example, education, to designating employees who are not to be permitted to engage in strikes, and to achieving truly viable bargaining units. It is an interesting question as to whether or not United States public employees, especially at the local level, would find the Canadian-type arrangements attractive if, in exchange for the right to strike legally, they had to accept all facets of the arrangements presently operative in Canada. **[The End]**

The Right to Strike in the Public Sector

A Comment

By MELVIN K. BERS

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SHOULD STRIKES by public employees be legalized? It seems to me that an answer should hinge on an assessment of the practical consequences of rescinding the bans in terms of, for example, (1) the incidence of strikes, (2) the balance of bargaining power, and (3) the ultimate impacts on government wages and other employment terms. Each of the speakers recommended or implied support for relaxation of the no-strike rule. Yet the discussion tended to touch only tangentially on these key issues.

The possibility exists that the legal status of the strike is not of crucial importance. One can infer this view from the comment that strikes will occur whether or not they are legal, and from the statement that "no-strike laws are unenforceable, as seems to be the case where powerful unions choose to strike. . . ." (Krinsky). That the Condon-Wadlin Act was unenforceable seems to have been generally accepted, judging from public discussion preceding enactment of New York's Taylor Law. But it is interesting that the strike ban was retained, nevertheless. The putative unenforceability of such bans requires a closer look.

It is certainly true that many employee groups have struck with impunity and that many of these have made substantial gains. The success of these strikes has encouraged others to commit themselves to this strategy, despite its illegality. Perhaps the greatest encouragement to potential strikers is the prospect of success, and the greatest deterrent, the prospect of failure. At least with respect to this point, experience in the private sector is instructive. For only a quarter to a third of all private employees is their right to strike of substantial practical value. And only these tend to exercise it. The rest are faced by private employers so positioned, by technology, scale of operations, and other factors, as to be able to defeat strikes regularly. The basic power positions, rather than the formal legality of the strike, determine the incidence of private strikes, and the impact of the strike on the terms of employment. The inference is that the ultimate role of the public strike rests on the same basis. But its dimensions cannot be

assessed until there has been a further evolution of governmental policy, extending beyond automatic reactions in defense of a law to a more fully considered stance in relation to concrete strike crises and the disputed issues.

Early public strikes tended to be confined to situations in which the employees were provoked by sharp deterioration of conditions to which they had become accustomed to accept as a right. Public support for strikers was a major factor in the successes registered. But the surprise of governments and their lack of experience in such crises also figured importantly. Where demands are of a different sort, seeking advance to new and higher ground, governments which capitulated to strikes in the past may choose to resist by mobilizing the very considerable resources at their disposal. It remains to be seen which are the powerful employee groups if governments are inclined to defeat strikes and have a mandate from the public to do so.

It is unclear that strike bans are unenforceable by governments fully committed to defending them. Enforcement does not require jailing strikers or their leaders or even more extreme measures which John Burton alluded to. It can operate more conventionally by maintaining services and by hiring replacements, if necessary, a course likely to be favored by public opinion where strike demands are seen as out of line. The ban is least enforceable where strike demands are widely viewed as justifiable. An argument for relaxing it can be made in terms of allowing governments honorably to make concessions in such cases, a point developed further, below.

Rescinding the strike ban for employee groups in nonessential government services does not eliminate the fundamental decision facing government employers, whether to concede or to resist strike demands. The same decision must be made in legal strikes by nonessential employees and illegal strikes by essential employees. I agree with Burton that it may be possible to array government functional agencies or government services in some rough order of essentiality. But I am wondering about the practical significance of the distinctions, and also about the soundness of justifying extension of strike rights to particular public employee groups by excursion through the concept of elasticity of demand and by certain other references to events in the private sector. In this connection, the following points should be noted:

(1) Food, clothing, and shelter, all provided in the private sector, have high "essentiality." But with respect to the mechanics of the strike, "essentiality" has different relevance in the two sectors. Tests of power between employers and unions in these industries do not turn on "essentiality," and settlements are typically reached through processes that do not inflict damage on the consumers by depriving them of the good or service. The same is not true of strikes in airlines or privately run transportation services, but here the moral may be that such strikes ought to be regulated by norms appropriate to governmental services rather than according to those prevailing in the private sector.

(2) To the extent that the wage impact of strikes is at issue, elasticity of produce demand can impose limits. Where demand is most inelastic in the private sector, unions which can strike effectively have accumulated impressive wage premiums. Are these proper models for emulation by the public sector, simply because demand for certain governmental services is not demonstrably less elastic?

(3) Strikes in the private sector tend to be self-limiting in scope and, relative to the economy as a whole, narrow. There is little, in the main, to be gained by private employees from extending a strike beyond industry lines. It is notable that in certain cases where this does not hold, as in some secondary boycotts, the right to strike has been abridged in the private sector.

(4) The public strike is not inherently self-limiting in this respect if, for example, we see a particular governmental service as equivalent to an industry. Street, parks, housing, welfare, and general administrative services have been classed as nonessential, and the argument has been made that strikes of long duration could be tolerated in such cases. Yet, if long strikes are tolerated in any single case of this sort, and this endurance by government and the public defeats the strike, the obvious next move by the employees is to combine forces in a more general strike—that is, to enhance essentiality, and hence the sanctions imposed by the walkout. In the practical employment of strike strategy, therefore, prior distinctions between essential and nonessential services may disappear. It is unclear how tolerable such conglomerate work stoppages may be in state or local government.

We are still in an early stage of the new era in public employment relations. While existing differences between treatment of strikes in the two sectors may not be fully appropriate, it seems to me that a "go slow" attitude toward relaxing the public sector ban is warranted. In this connection, Ed Krinsky's assessment of the potentialities of mediation, fact-finding, and related procedures is persuasive. He has made an impressive case for initial resort to these procedures and implicitly for a certain patience in allowing them to develop and, hopefully, to generate viable bases for public employment relations.

Relaxation of the strike ban along the dimension of essentiality has its attractions, despite the reservations expressed above. But my feeling is that first steps toward acknowledging a formal role for the strike should be taken along a different course, especially one which would buttress rather than compete with the development of procedures seeking peaceful settlements and the establishment of fair labor standards in the public sector. My preference is for permitting strikes where employers have committed unfair labor practices or "extreme provocations," where these are defined to support a constructive code of morality in dealings between government employers and employees, and also reasonable wage and other employment practices.

In such extremities, strikes are likely to occur, whatever their legal status, and are most likely to receive public sympathy and the support of other employee groups. If relaxation of the strike ban is in order, it would seem wise to relax it first where the ban itself is the least tenable and there government, mandated to support the rule, is especially vulnerable to defeat. Such a course, I believe, would go a long way toward meeting John Burton's point concerning the danger of "socially unacceptable" influence methods, since wholehearted resort to such methods is most likely to occur where employees are justly outraged. In addition, the scheme would afford government at the highest level the opportunity to show good faith by effectively repudiating indefensible actions by intermediate public officials, without undercutting commitments to defend against strikes or strike demands it cannot condone.

[The End]

Is Industrial Relations Experience Useful to the University Administrator?

By JOHN W. McCONNELL

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WHEN I WAS A GRADUATE student under Wight Bakke at Yale, the research pattern at the moment was "participant observation." I became Wight's first "participant observer." It became a habit and here I am still at it. Unfortunately, the participating has pushed the observing to the background. After flying a university by the seat of my pants for the last eight years, with little time for serious reflection, I feel hopelessly inadequate for the task assigned—namely, identifying those aspects of industrial relations theory or practice which seem to have relevance for university relations.

Any effort to give organization and meaning to facts requires a theoretical structure or frame of reference. There are many very revealing theories which have evolved in the industrial relations milieu. I was raised, academically speaking, on Wight's goals, roles, rewards and punishments and mutual survival. The use of these concepts in analyzing human situations yields rich insights into the processes of group relations. Others which come readily to mind and have relevance to the university scene are Harbison's accommodation, Whyte's interpersonal relations, and John Dunlop's industrial relations systems and more recent theories of power structures and social dynamics. Any one of these could be applied to the processes of university governance with resulting enlightenment and understanding. In some ways this is what Clark Kerr has done in his Marshall Lectures as he assesses the applicability of the theories of Marshall and Marx to modern society, including the university campus.

It is obvious that definitive works on the university as a social institution have yet to be written. The state of the art in institutional characteristics of universities is about where our knowledge of corporations was before Berle and Means and Sumner Slichter. The creation of a sound theoretical framework so necessary for productive analysis must await more comprehensive descriptive studies. Hence, any effort to discuss the university as a system of relationships, power structures and traditional behavior would require several years of research. Fortunately, such efforts are under way in the Carnegie studies, in Corson's governance of universities, and others.

University relations are much more complex than industrial relations. At one time I thought it incredible that one corporation, like a brewing company, for example, would find it necessary to negotiate with as many as 17 different unions. This is relatively simple when compared to threading one's way through the power structure of a university.

The University, the Corporation: Administrative Differences

Perhaps the logical point of departure is to point out some of the differences between university adminis-

tration and business administration. Universities and business enterprises are both corporations, their legal existence is based upon charters granted by the political sovereign existing at the time of their founding. They each have governing boards and corporate officers with legal responsibility for the property and management of the enterprise. They are similar also in that to a more or less extent the boards delegate the administration of the organization to paid managers or administrators. Although by law the actual operation of a business and a university could follow a common path, in practice, the divergence between a business organization and a university is rather fundamental. Charles Frankel in the *Saturday Review* (November 2, 1968) said:

"There is a fundamental respect in which the administrators of a university are in a different position from the managers of a company. The university administrators cannot create a total plan of work, define jobs within it, and then assign individual workers to them. Of course, now that labor unions have the power they have, managers can't do this as easily as they once could either . . . . The product of a factory is a corporate product to which individuals contribute. The product of a university is many separate, individual products for which the corporate arrangements provide protection and support, both for which the individuals have the basic responsibility."

In short, the administrators of a university—contrary to the management of a business enterprise—do not have control of the product, the schedule of work, hiring and layoff of employees and discipline for just cause. These functions have all been delegated to the substructure. Imagine the consternation on a university campus if the trustees should promulgate an administration-rights clause, patterned on the management-rights clause of a typical labor agreement. For example:

"The University administration retains the sole right to manage the institution, including the right to decide upon the number and location of campuses, the subjects to be taught, the methods of instruction, the schedules of classes, the control of students and the quality of products; to hire, layoff, assign, transfer and promote faculty and students; and to determine the hours to be worked, subject only to the specific limitations on these rights as are expressly provided for this agreement."

Although some academic institutions have been managed with the concentration of control comparable to that of a business enterprise, I doubt that one would find, even in the distant past, any university in which power was exercised exclusively by the administration. Authority in universities has been subdivided among a number of groups—schools, departments, centers, faculties, students, administrative officers, committees and boards in almost endless succession. The very pertinent question, "Who's in charge here?" is impossible to answer except with reference to a specific issue.

The organization of the university would be consistent if the structure really represented line relationships with a customary delegation of authority downward through echelons of administration, faculty, nonacademic employees and students. But, despite the bylaws, this is not the way a university works—it is a web of democratically organized echelons often operating in the opposite direction to the traditional lines of authority, that is, upward through the hierarchy

rather than downward. An example is the political nature of a campus which requires emphasis on due process in the civil sense for students and, on occasion, for faculty—as compared with industrial practice where management initiates a discharge subject only to the grievance procedure, a procedure which universities may use with employees but not with students.

Power Devolves to Students

The growth of student power has democratized the campus. Decision-making has been opened to students as well as faculty so that major issues are resolved between the adminstrators and faculty and students by political processes rather than administrative decision or negotiated agreements.

Let me further illustrate the difference between the political process and the industrial process by citing two issues which have incensed the students. First, the case of the inexperienced graduate students who teach rather large sections of an introductory course. Arrangements for instruction in introductory courses have customarily been decided upon by the departments. Assume that students have been organized to "do something" about this situation. Where students have been officially given a place in the university senate, or other academic decision-making committees, the issue may be solved by political means such as the presentation of facts through debates, conferences, bloc voting. On a more conservative campus, an occupation of the dean's office may lead to a negotiated settlement which the dean must implement by putting pressure on his department chairman and providing the budget necessary to change the teaching assignments in these courses. Further complications could develop in which the organized graduate assistants make common cause with undergraduates to make changes by negotiation. The second issue and process can be illustrated by using the controversy over ROTC. It has been dealt with on some campuses by political action in governing bodies. On others, demonstration and negotiation have produced change. Occasionally, both political process and negotiation are mingled in the search for a resolution of the issue. I have cited these cases, however, to illustrate that relationships in a university involve a commingling of political and industrial structures and processes, making comparisons between university relations and industrial relations very difficult. If a university chooses to respond to student power by creating political structures to resolve issues—as many are doing these days —there will be even fewer similarities with industrial relations.

On most campuses, I suspect the hybridization of the decision-making processes is moving rather rapidly. Campuses are becoming politicized. Corporate bargaining is giving place to town meeting, or representation-type political activity.

Until recently, most universities—at least public universities—had a three-tiered governmental structure. There were the trustees, the president; the deans and the faculty in a senate; and a student government organization. In recent years the structure has pancaked. The president, deans and faculty now share their power with students. Some universities have a unicameral government on campus plus the board of trustees. At least one Canadian university has consolidated all policy-making in one board consisting of trustees, administrators, faculty and students. Obviously, relations among these four separate entities operate according to principles different from those in in-

dustrial relations and somewhat different skills are therefore required in exercising executive authority.

Collective Bargaining: A Stranger on Campus

The university community knows little of the tactics of collective bargaining. Negotiating with students is criticized on campus as well as off as weakness—a selling out. My one adventure in solving an issue of sectioning a course in political science by arbitration was the cause of strenuous opposition by department chairmen. The chairmen's viewpoint was that determining the number, size and staffing of sections was their responsibility. Resolving a dispute over sections by the arbitration process took away their power and resolved an academic problem through non-academic channels. This situation was reminiscent of foremen who, in the earlier stages of collective bargaining, resented and protested against the bargaining process which reduced their authority.

I have found much less opposition to change brought about by political processes than through collective bargaining. Some observers have felt that a settlement reached by negotiating a set of demands proposed by an organized group of students appears more threatening to tradition and status considerations than reaching a similar conclusion by the political process involving students in the formal decision-making structure. One can speculate that, on the basis of industrial relations experience, stronger and more adaptable organizations will emerge from the collective bargaining approach than from expanding academic democracy. Certainly, past adventures in industrial democracy did not produce institutions with much survival value and the politicalization of campuses in South America holds up a warning finger to those who seek broader participation of students in the decision-making process.

One of the significant aspects of university relations which emphasizes the dissimilarities with industrial relations is the difference in the dependence upon affiliation with the institution. Wight Bakke's "Mutual Survival" depended upon a basic attachment of workers to the company. It was the worker's source of livelihood. A worker had to have a job to support his family. Perlman's basic thesis of trade unionism is the search for job security. This critical factor is absent from student groups. They are not tied to the university in a fundamental way. Their stake in the continuation of the enterprise, in its ability to achieve public acceptance and a permanent place in the community, is relatively thin compared to the worker's attitude toward his job and his company. This lack of continuity of student groups and particularly of student leadership contributes to the anarchistic outlook of militant students as well as their inability to operate through durable agreements.

There are several other observations I will make briefly indicating areas where the campus setting produces relationships substantially different from those in industry. The third context in John Dunlop's trilogy is described as the power relationship of the enveloping social structure which materially influences the in-plant relationships. The phenomenon of the campus is that the campus activists are influencing the enveloping structure. Not only has the concentration of student groups from many campuses changed both law and custom in the external world, but the campus itself becomes the focal point of a war against the whole social fabric. The closeness of the campus and its acces-

sibility to mobile groups of radicals makes it a readily available medium for the expression of protest against society in general.

Students' Idealism and Activism

Historically, the basis of the labor relationship within the business enterprise was essentially economic. There were few, if any, non-negotiable demands in collective bargaining. These were largely issues related to union security. All other demands had a price and could be bargained out. Campus relationships are, for the most part, disdainful of economic matters. The ideology of students is moral and political and seems to stem from frustration at the slowness with which changes can be made in society and on-campus. The early success of student activists in breaking down racial barriers in Southern cities created an expectation that mass protests could as readily change any law or custom which seemed to students restrictive of personal freedom or the violation of a very simplistic moral code. But the inability to get much response from the military-industrial complex or from the university steeped in tradition builds up emotional pressure for which there has not yet appeared to be a rational outlet. The result is the increasing demonstrations of student-massed power resulting in the wholly irrational objective of shutting the universities down. Paradoxically, the broadening of participation in the decision-making tends to slow down the process, and hence may exacerbate the very condition which led to frustration in the first place.

As a way of bridging the chasms which seem to be emerging among the several constituent groups having a direct connection with the university, a number of presidents have stressed the concept of the university as a community. It is not unusual, of course, to refer to the university as a community of scholars, but modern usage implies not a community of the elite but of the whole body of people. At least one university has included representatives of its nonacademic staff in the university senate in addition to faculty, students and administrators.

Creating a personal identification of staff members with an institution is a laudable goal of administration. Some business organizations have made heroic efforts to do this for decades, indeed, reference to "one happy family," while successfully achieved in a few instances, was more often subject to ridicule either as a transparent public relations gimmick or a reflection of the naïveté of an uninformed and remote corporation executive. A paradox becomes apparent immediately. Groups of nonacademic employees are organized into unions and do, in fact, engage in collective bargaining; hence, providing membership for these groups in a decision-making body such as a university senate as a way of giving expression to the principle of community adds another element of confusion to university structure.

On the one hand we speak of the community. In the present sense we are thinking not of a Greek city-state ruled by the elite, but of a New England town in which democracy is virtually complete. As traditionally used, the concept of community has been identified with the intellectual pursuits of the university. However, the university is also a corporation with a highly complex financial administration, plant and equipment worth millions of dollars, and specific services to be performed. As Dr. Murray Ross, the retiring president of York University, says, "To confuse these two quite different functions

and assume they can be performed by a single body of students, faculty and community representatives, is, simply stated, to place increased power in the hands of administrators."

The Need for Perspective upon Which to Base Change

To conclude, I fear that present approaches to university government attempt to put new wine into old bottles. The use of existing concepts derived from civil government or corporate government including labor relations may indeed constitute a drift into impractical and ineffective procedures for administering very complicated organizations. Expediency may permit no other course. There is need, however, for studies of university structures in depth as well as imaginative invention of new decision-making processes to improve the psychological climate as well as the administrative efficiency of our universities.

[**The End**]

SESSION II

Effects of the Structure of Collective Bargaining in Selected Industries

The Railway Industry

By BEATRICE M. BURGOON

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FOR THE LAST SEVERAL YEARS everyone has been acutely aware of labor problems in the railroad industry. Three times in the last seven years an act of Congress has been required to settle disputes. In evaluating the labor relations situation in this industry, I am going to discuss three major points: first, the historical development of the structure and pattern of collective bargaining in the railroad industry; second, the impact of technological change; and third, the current bargaining situation and possible changes ahead.

Historical Development of Structure and Pattern of Bargaining

Workers on the railroads were among the first in American industry to achieve successful organization. In May, 1863, the Brotherhood of Locomotive Engineers was organized. Organization of other railroad workers followed through the remainder of the century, always along relatively narrow craft lines. By the early years of the 20th century the foundation was laid for a high degree of union organization based on clearly defined crafts.

The first written labor agreement known to exist in the railroad industry was a contract between the New York Central & Hudson River Railroad and the Brotherhood of Locomotive Engineers. That document, dated 1875, contained some of the basic principles which still apply today to pay and work rules for operating employees. One of the most significant features of this first contract, however, was that it carried no termination date. Thus, it was to remain in force until modified by agreement of the parties. The lack of a termination date has continued to be characteristic of labor agreements in the railroad industry. Proposals could be made by either party for negotiations on changes in specific provisions, but these, if agreed upon,

became amendments to existing contracts. This practice is undoubtedly a prime factor in the continuity of many of the provisions in railroad agreements. Consequently, long before the present Railway Labor Act, craft organization was an established pattern in the industry and labor agreements were continuing instruments. The Railway Labor Act simply conformed to existing practice in adopting the same approach to both union organization and contract negotiations.

Railroad collective bargaining, during this same period (1863 to 1926) changed in structure. Local bargaining on the small independent railroads which first characterized the industry, gradually developed into system-wide bargaining, as consolidations of these independent roads became common during the late 1800's. Then, in the early part of this century, concerted movements by certain unions to institute modifications in contracts on a wider basis, affecting more than one system, led to regional settlements which established certain new rules and pay rates for each of three geographic areas—the East, the Southeast, and the West. In response to this concerted union action the carriers established regional conferences to carry on negotiations for the railroads in each of the three sections of the country. This development was soon followed by informal coordination of the three carrier regional groups to act jointly in all major negotiations, while the organizations moved directly to national committees. As a result, subsequent settlements had the effect of establishing national rules and pay rates for some 95 per cent of the industry.

It was not until many years later, in 1963, that the carriers, as a final step, established the National Railway Labor Conference to consolidate the handling of labor relations through a permanent industry-wide bargaining structure. It should be understood, however, that when specific issues are bargained nationally, the settlements are incorporated, not into a single agreement, but into the hundreds of contracts which govern labor relations in this industry. Some of these contracts are system-wide but many others are applicable only to a particular part or even a single division of a railroad. Despite the broad uniformity in pay and certain other major provisions brought about by national bargaining, all of these individual contracts may contain different work rules which apply locally. Furthermore, it must not be overlooked that a substantial amount of bargaining is carried on between individual carriers and organizations concerning local rules and working conditions, which results in modifications of local agreements.

One additional factor in the collective bargaining background of this industry is significant. The lasting effect on labor relations of federal control of the railroads during World War I cannot be overemphasized. That control brought about a true nationalization of work rules and pay rates for railroad employees. Standard rules governing work jurisdiction, hours, and operations, as well as the entire pay structure, were incorporated in the railroad contracts across the nation before the federal government returned control of the railroads to private operators. Many of these provisions, including detailed statements of the work jurisdiction of various crafts, remain virtually unchanged today in most contracts.

It was against this framework of a well-established collective bargaining structure that the Railway Labor Act was passed in 1926. The principle of continuing contracts, as I have indicated, existed long before the Act

and was incorporated into it. What is now known as the "Section 6 notice" established the method for making a change in specific contract provisions. Similarly, the existing pattern of organization by crafts was adopted by the Act.

The emergency disputes settlement procedures of the Act were, however, a new approach. In 1926, railways were virtually the sole means of land transportation in the United States. The government considered rail strikes unthinkable. The essential purpose of the procedures established by the Act was to provide a means of settling disputes without strikes. In that respect it has had a substantial record of success. Data cited in recent testimony before Congress shows that, since 1937, some 74 per cent of all national disputes have been resolved by voluntary agreements and 20 per cent more have been settled through collective bargaining following recommendations of Presidential Emergency Boards. This is in addition to literally thousands of disputes settled without a strike in local negotiations. This success is often overlooked because of a few dramatic instances when the emergency provisions of the Act have failed to resolve a dispute, and a national crisis has resulted.

In view of this long-established bargaining history and the successful operation of the Railway Labor Act over many years, one may well ask, "Why does this relationship now find itself surrounded by so many problems?" In reply I would say that, despite their relatively high degree of success, probably the 1926 emergency dispute provisions should be reexamined in the light of 1970 conditions. More importantly, however, I would point out that these seemingly insoluble recent disputes are reflections of certain growing stresses on the collective bargaining relationship and the collective bargaining structure in the industry.

Impact of Technology

Perhaps the greatest single stress on the collective bargaining structure has come from technological developments, primarily during the last two decades.

The introduction of diesel locomotives had a major impact. By connecting diesel units in a series it was possible to achieve far greater tractive power than with a steam locomotive. Further, all the diesel units in combination could be operated by one engine crew, while steam locomotives, when more than one was used to move a train, had each required separate crews. This greater potential in tractive power permitted the movement of increased tonnage in longer trains at faster speeds. Moreover, diesel locomotives required far less mechanical servicing than had steam locomotives. This allowed them to make longer continuous trips and required fewer units to be in operation to maintain the same amount of service. Moreover, steam engines had often been substantially rebuilt in railroad shops, while diesels could more readily utilize replacement parts.

Other technological advances occurred. Improved roadbeds, heavier rails, and new developments in equipment also contributed to increased train capacities and speeds. Wider use of automatic traffic control systems made possible more efficient operations and reduced the need for telegraphic communications. In railroad yards, there was a similar trend toward automated devices such as car retarders and classification controls. Many branch lines were abandoned, since the operation of such lines often became unprofitable when the proportion of freight transported by rail declined as other modes of trans-

portation developed. Passenger service was drastically reduced as airlines and private cars replaced the train for travelers. Consolidations and mergers, too, meant the abandonment of trackage and a reduction in the number of repair facilities.

The impact on employment of all these changes can be highlighted by a few comparisons.

Even though the amount of freight carried has increased, employment in the industry is now nearly 75 per cent below its peak of 2 million reached in the 1920's. More importantly, over 50 per cent of that decline has occurred since 1950. The pressures on a collective bargaining relationship in such circumstances are obvious. Let us add up the elements of the problem: labor organization was along strict craft lines; work jurisdictions were carefully defined; many of the technological changes resulted in substantial modifications or even elimination of some job functions; labor agreements were continuing instruments whose basic elements were established a half-century ago when the industry's technology was different; and there was a drastic reduction in job opportunities for all crafts. Given these conditions, the recurring crises in railroad labor relations of the past few years were almost inevitable.

Let us analyze the impact of the employment changes more particularly.

Among operating employees, the impact of dieselization fell most heavily on the firemen. There is no need to belabor the firemen's dispute here. It is sufficient to point out that, in this case, the impact threatened the elimination of an entire craft, together with a union organization which had existed for nearly 100 years. Moreover, firemen were the junior craft to engineers. In most circumstances, firemen had been able to anticipate eventual promotion to engineer and, with increasing seniority, an opportunity to achieve the higher earnings of that craft. The virtual elimination of the firemen's job function meant, in addition, the elimination of the engineer-in-training opportunity. The changes have also severely reduced job opportunities for other operating employees. Engineers had fewer runs available, conductors and brakemen lost the largest number of jobs when passenger service declined, while switchmen and brakemen saw some of their yard functions taken over by automated devices.

In the railroad shops, employment of workers on the railroads dropped even faster than the general trend, a decline of 61 per cent between 1950 and 1967. In the course of this decrease, employment of boilermakers and molders declined more than 80 per cent; blacksmiths' job opportunities dropped almost as much; the number of machinists, too, fell more than 50 per cent.

Another significant employment impact of technological advance fell on communications employees. As automatic block signals, new train signal devices, and centralized traffic control systems multiplied, the telegraphers, who once operated the principal means by which train movements were controlled, no longer were required to perform that function. As a result, employment of telegraphers dropped by more than 50 per cent between 1950 and 1967.

Clearly, technology has had a drastice effect on railroad employment. More importantly, that effect has been disproportionate on different crafts.

In this great loss of employment opportunity which affected every craft in the industry, though some more than others, we find the essence of the problems now encountered in the bargaining relationship.

Current Situation

Now let us look at the impact of these changes on railroad collective bargaining in the context of the present situation, a situation which can best be described by citing illustrations of a series of frustrations now apparent in the industry's labor relations.

An obvious problem arises from the drastic reductions in employment. In an industry where seniority is the key to job advancement or to preference in assignments, the drop in employment tends to keep such opportunities constantly just beyond reach, if indeed the employees are able to retain their jobs. A recent study which showed that shopcraft employees averaged 49 years of age illustrates the effect on the workforce. Thus, concern for job security and for protection of craft job rights have become difficult issues in negotiations, often becoming complete roadblocks to settlements as, for instance, in the case of the firemen.

As a second example of current frustrations, let us consider the pay problem, highlighted by the two recent shopcraft disputes.

For a period of some 30 years, beginning in the early 1930's, there existed in the railroad industry a long, stable, coordinated bargaining relationship. It probably was the longest such stable relationship in American industry. Although it was not coordinated bargaining in the current sense, it signified a united approach on both sides. Individual crafts sometimes bargained separately and even may have differed strongly from each other in particular instances. Nevertheless, in part through the Railway Labor Executives Association and through the Railway Employees' Department for the shopcrafts, strong central leadership was exerted and, in general, the unions coordinated their efforts.

National bargaining on pay rates during this period brought a broad consistency throughout the industry. The operating employee brotherhoods usually bargained independently but, for almost the entire period of 30 years, some 14 to 17 nonoperating employee organizations bargained as a unit. Comprised as it was of a wide range of skill groups, the nonoperating unions had to compromise their separate goals to achieve a united front in wage demands. In reaching that compromise, it appears that the unions determined that the interests of all could best be served by equal cents-per-hour across-the-board increases. Railroad management, concerned primarily that it should not be whipsawed between unions, also desired uniform pay adjustments and went along with the type of increases proposed in union demands. Thus, for some 30 years, railroad negotiations resulted in equal cents-per-hour pay adjustments for all railroad employees. By the 1960's, the resulting wage compression brought about an impossible situation as between skill levels within the industry and in relation to comparable skill levels in other industries. The organizations had compromised too much, too long.

By the mid-1960's management representatives, too, recognized that the pay structure had become compressed, but their position has been that a situation which developed over a 30-year period must be adjusted gradually. The carriers have consistently taken the position that it is essential from their standpoint that the same pattern should be followed for all unions. They have insisted that settlements with the various crafts or groups of unions must result in the same cost to the carriers even though details of any individual package may differ. Only in that way, they have contended, can equality of treatment for all employees be maintained.

The first break in the cents-per-hour bargaining approach and, unfortunately,

in labor unity, appeared in 1964. Since that date, the cracks in the bargaining structure have widened. In 1964, for the first time in many years, the principal nonoperating employees did not negotiate as a unit. The Railway Employees' Department, representing the six shopcrafts unions, bargained separately from the other nonoperating employees. In the course of those negotiations, however, three of the skilled crafts (the machinists, the electricians and the sheet metal workers) insisted on, and received, a percentage increase rather than the cents-per-hour adjustment negotiated for the other crafts.

The pressures on the shopcrafts' bargaining stucture then became more clearly evident in the next two bargaining rounds. In 1967, all six shopcrafts still negotiated as a group. A principal issue was a request for substantially higher increases for skilled employees to correct the wage compression, in addition to a general wage increase. Negotiations foundered on the inability of the parties to agree on which employees were entitled to skill differential pay. Morover, union unanimity on the share of the package to be allotted to the general increase, rather than the skill increase, was hindered by the fact that the proportion of various skill levels differed substantially among the organizations.

By 1968, the shopcraft unions had abandoned their former structure for bargaining purposes. The machinists, electricians, sheet metal workers, and boilermarkers and blacksmiths filed Section 6 notices, which emphasized a skilled pay increase, separately from the other two shop unions. As all of you know, by the end of the negotiations that group had split further, with the sheet metal workers refusing to "sell a work rule" in return for a higher pay adjustment.

A third illustration of current frustrations in the industry may be found in inter-union relationships. Certainly the overall unity has gone. There are other examples of disunity in addition to the division within the ranks of the Railway Employees Department which has just been cited. The Railway Labor Executives Association, for years the base for united union action, recently split on the issue of compulsory retirement legislation for rail workers. The struggle became so bitter that five of the brotherhoods, including two of the largest, left the RLEA to form a new group called the Congress of Railway Unions. Among the operating employees, too, there is a split between the firemen and engineers which began in 1964, the same year as the shopcrafts first took different paths. In the engineers' contract settlement in 1964, a new arbitrary payment was agreed upon, referred to as "lonesome pay," to provide extra pay for engineers who worked without firemen. Since then, the split has intensified with the engineers' and firemen's unions now engaged in a struggle for control of an apprenticeship program to train future engineers. There has been only one matter in the last several years on which the railroad unions negotiated on a unified basis; that occurred in 1968 when five separate health and welfare plans were merged into a single plan applicable to all unions. The plan was amended by joint action in 1970.

In summary, the current picture in the industry is one of considerable turmoil, centering in job dislocations, pay problems, and divisiveness among the labor organizations.

Recent Developments

Nevertheless, one recent development may well provide a springboard for changes in railroad bargaining. Within the structure itself, while the unions

appear to be moving in the direction of less coordination in negotiations, there is a new trend toward mergers in actual organization. Within the last two years, several major union mergers have occurred. The telegraphers joined the railway clerks to become the Transporation-Communication division of that organization. The firemen, after unsuccessful attempts to merge with the engineers, joined the conductors, trainmen, and switchmen to form the United Transportation Union, representing all operating employees except engineers. Two organizations of yardmasters also merged. If this trend should continue, it might provide a potential for solving some of the inter-union problems.

One other possible development should be mentioned. Historically, because of the continuing nature of railroad agreements, negotiations have sometimes concentrated on rules changes separately from wage changes. The parties have recognized this situation by their references to "wage movements" or "rules movements," respectively, in certain past negotiations. The recent shopcraft settlement, in which a long-standing rule was given up in return for more money, may well start a new more flexible bargaining practice, a practice which would combine wage adjustments with modifications in work rules. If the other crafts accept the same approach, the years ahead may see significant changes in traditional railroad work rules.

Conclusion

I will conclude with one or two personal comments.

The parties in this industry are highly sophisticated in labor relations. They have a history of a hundred years of collective bargaining behind them. While it is true that the last few years have been filled with difficulties in railroad bargaining, there is no doubt in my mind that these parties have the capacity to deal with the problems that are facing them. At stake is the preservation of effective collective bargaining in the industry. It may well be that the parties should now reexamine their bargaining structure in order to adapt it to present problems.

In that connection, the crumbling of unity on the labor side seems most unfortunate. This is not the time for disunity. Whether the recent trend toward union mergers continues or not, the fact remains that the railroad unions must seek and find a device for coordinating their efforts if effective bargaining is to be maintained.

Finally, I would like to comment on national emergency disputes in the railroad industry.

It seems clear, after the experience of the last few years, that the emergency provisions of the present Railway Labor Act must be strengthened. Neither the public nor the government will tolerate national railroad strikes. It is also apparent, therefore, that any new procedures will have to provide a means for final determination of disputes.

Final decision in labor relations usually means arbitration. Unfortunately, since arbitration is an adversary proceeding, the parties tend to position themselves for their best advantage, hoping to gain more from arbitration than they could expect to attain in the bargaining process. To the extent that this occurs, it has the effect of leaving some otherwise bargainable issues unresolved so that they can be used in the adversary proceedings.

You are all aware, I am sure, of the recent Administration proposal for new emergency procedures for transportation disputes. As a representative of the Labor Department I do not feel free to comment on the proposal in general. I do, however, call your attention to one new idea contained in

the proposed legislation, namely, final offer selection. Briefly, this provides that each party shall submit a final offer and an alternative final offer to the Secretary of Labor, which shall then be exchanged betwen the parties. If there is no agreement after five days of negotiations on the final proposals, a three-member panel may be appointed to hold hearings and then to select *that one of the four final offers* it finds to be most reasonable. That award will be final.

It might well be that such a procedure will force the parties to bargain to achieve the most complete agreement possible, leaving only the narrowest issues in dispute, since their final offers must be reasonable to avoid rejection by the panel. There is no middle ground available to gain a more favorable decision from the panel, since the selectors' decision *must* be one of the four offers.

This procedure, if it will encourage bargaining and avoid the problems of adversary proceedings in arbitration, and will correct the lack of a final determination under the present Railway Labor Act, is certainly worthy of the most serious consideration.

[The End]

The Construction Industry

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THIS PAPER examines the structure of collective bargaining in construction and the relationship of bargaining structure to some aspects of the economic performance of the industry. "Bargaining structure" is understood to include the following aspects of industrial relations:

Centralization—those issues which are negotiated centrally and those negotiated locally, and also those issues which are bargained on an industry rather than a sector basis.

The Parties—those parties who are at the bargaining table, and those others, if any, who are bound by the agreement.

Ground Rules—those rules by which the collective bargaining process is conducted, including the sequence of negotiations, the process of ratification of the agreement, and the establishment of patterns in the settlements.

I. INTRODUCTION

There has been considerable displeasure in some quarters with aspects of the current economic performance of the construction industry—including supposedly unjustifiably rapid escalation in wages and other costs, declines in efficiency in production, extensive work delays due to shortages and strikes, and others. Many observers have linked these alleged failures of the industry to its industrial relations system, and, more specifically, to the bargaining structure itself.[1] Certainly, the recent

[1] See, for example, U. S. Chamber of Commerce, *Chaos in the Construction Industry,* Washington, D. C., Chamber of Commerce, 1969; Thomas O'Hanlon, "The Stranglehold of the Building Trades," *Fortune,* December 1968; "The Case Against the Unions," *Fortune,* January 1969. The President of the United States in Executive Order 11242 (issued September 22, 1969) establishing the Construction Industry Collective Bargaining Commission, speaks of

experience of nearly full employment has placed substantial strains on the bargaining process in construction. There have been serious difficulties (such as prolonged strikes) associated with collective bargaining itself, while more general problems (for example, inflationary tendencies) may have been acerbated by the bargaining structure. The successful operation of an expanding economy requires a fuller understanding of the processes by which full employment has been associated with economic behavior in construction —behavior that is undesirable to so many elements of our society. Section II of this paper outlines the structure of bargaining in construction. Section III discusses problems arising from the structure of bargaining. Section IV analyzes the contribution of bargaining structure to more broadly induced problems. Section V returns the previous discussion to the more general context of both the entire industrial relations system and product markets of construction.

II. COLLECTIVE BARGAINING IN CONSTRUCTION: FRAMEWORK

The size and complexity of the construction industry is a major determinant of the industry's bargaining structure. More than three million jobs are provided by employers who, because of turnover, employ more than six millions workers each year. There are hundreds of thousands of firms. The place of work shifts among sites. The industry involves many different sectors, including the construction of commercial buildings, industrial plants, power plants, transmission lines, apartment complexes, single family homes, bridges, dams, highways, and maintenance work of all kinds. Firms are specialized, normally, to particular aspects of work in a single or group of related sectors. Some firms operate in a national market; others rarely work outside a single locality. Different major sectors of the industry respond either cyclically or counter-cyclically to general economic conditions, but in all local areas the work is unstable over periods of a few years and often independent of national conditions in the industry. Work in some crafts is seasonal, job attachment to a single employer is never great, and seniority is almost unknown. Unions exist, in large part, to bring a measure of stability in work conditions into this exceptionally variable work environment.[2]

Collective bargaining agreements in construction are characteristically negotiated between a local union (or district council) in a single craft and the employers of that craft as represented by an association.[3] There are, however, many exceptions to this pattern. In some branches of the industry nationwide agreements exist (especially pipe lines, sprinkler systems, and elevator construction). In others, regional agreements embracing many states have been

(Footnote 1 continued.)
the "pressing problems" of the industry and relates them in part to bargaining structure. The purpose of the Commission is to provide a means by which "union and employer groups may cooperate with each other and the government in the solution of collective bargaining and related problems of the industry" (Statement of the President, September 22, 1969).

[2] See U. S. Bureau of Labor Statistics Bulletin, *Manpower in Construction* (forthcoming in 1970).

[3] See John T. Dunlop, "The Industrial Relations System in Construction," in Arnold R. Weber (editor), *The Structure of Collective Bargaining*, Chicago, Graduate School of Business, University of Chicago, 1961, pp. 255-278, for a very useful and extensive analysis and description of bargaining structure in construction. (Changes in the structure of bargaining, and problems which have arisen since Dr. Dunlop's discussion, are treated in this paper. The reader would do well to read Dr. Dunlop's article in conjunction with this present analysis.)

established (for example, among the boilermakers, for dredging work, and in some ironworker agreements). In some areas, local unions are so large that entire states or regions of states are covered by a single contract with a single local. The structure of bargaining also varies greatly among the different regions of the country. In the West, bargaining in a regional or metropolitan-wide area has become the normal case for most crafts. In the rest of the country local bargaining is still the rule.[4]

The National Union's Function

The role of national union and national contractor representatives in local collective bargaining is limited. For the most part, wages and conditions of work are negotiated without the participation of national unions or associations. When work stoppages threaten, the national authorities may be involved. Currently, most of the 18 international unions have authority in their constitutions to approve local strikes (and thereby the issues over which the strike may occur), but in many, the authority exists only when strike benefits are requested. The power of an international union to intervene in local negotiations is rarely exercised even when it exists. This results in part from political reasons internal to the union, but also because Title I of the Landrum-Griffin Act has generated law suits by local unions and their membership against international officers intervening in local situations. National contractor associations have no power to intervene in local disputes and are poorly staffed to do so.[5] In consequence, the concern of national authorities with the broader context of a local bargaining situation is rarely introduced into local negotiations.

The structure of bargaining is further complicated by the existence of the national agreement. Most international unions have either negotiated or adopted a standardized agreement for the national contractor. Normally these agreements are short documents providing that the contractor will do union work, subcontract all work union, and meet the local wages, fringes, and other conditions of work. In return, the national contractor is given assistance from the international union in manning his job and in settling disputes which may arise in the course of a job. Agreements of this type are to be distinguished from those that establish conditions in sectors of the industry in which there is not local bargaining, such as in pipeline construction. Further, national agreements are much more important in some branches of the industry than in others. In construction of industrial plants the national agreement is of very great significance. For example, the national agreement between the National Constructors' Association (NCA) and the United Association of Plumbers and Pipefitters includes specific wage scales and working conditions which may differ from those in local agreements. Furthermore, the national agreement nor-

[4] The business agent of a local building trades union has perhaps the most critical external administrative role in the building trades union organization. Among other functions, the business agent negotiates collective bargaining agreements and polices the trade to enforce the agreements' provisions. The importance of the business agent and the strength of the unions in dealing with many small employers is such that charges of one-sided bargaining have often been leveled at construction. Such charges ignore the wide range of contractors' prerogatives which continue to exist (including the right to hire and fire men on short notice as job conditions require).

[5] The Mechanical Contractors Association of America, for example, whose local chapters negotiate with both plumbers' and pipefitters' local unions, has only a small national staff in New York City and employs no collective bargaining representatives (although the executive director himself sometimes assists local chapters at their request).

mally binds the contractor to the conditions of the local agreement, but not to the local contractors' association and/or bargaining unit. In consequence, contractors on national agreements sometimes work through local strikes or lockouts, and, in other ways, also may appear to undermine the position of local contractors' associations.

Special problems exist on the employers' side of the bargaining table relating to the choice of representatives. In many areas, either the Associated General Contractors (AGC) or an organization of general and/or specialty contractors (for example, a builders' exchange or a building trades employers' association) negotiates agreements with several crafts. Where some such organization asserts an overall policy direction, the employers present a more united bargaining front than otherwise. In other areas, each craft union bargains with its own employers individually or with an association. In the larger cities, in which numerous specialty contractors may exist in each branch of the industry, bargaining is most often very decentralized. In some areas there is so much movement of contractors in and out, and the volume of work done by local builders is so small compared to that done by outside contractors, that the employers' side of the table must effectively be reassembled at each negotiation. The continuity of organization and representation on the union side normally far exceeds that of the employers in such situations.

The Structure and Economic Conditions

The structure of bargaining is related in several ways to economic conditions. In periods of slack economic activity in construction, the unions will sometimes agree to negotiations as a group, or agree to follow a pattern set by a joint negotiating committee. In better times, each local is likely to pursue its own advantage independently of the others. This is not simply a question of the degree to which a pattern—once set—is followed, but extends to the composition of bargaining teams. In fact, the structure of bargaining among the crafts in a local context can be remarkably flexible. In times of economic weakness the unions drift under the protective wing not of their national associations, so much, as of the local building and construction trades council. In times of economic strength, they seek to split up the corresponding employers' joint groups and to bargain individually with the association of their own employers.

Finally, in some branches of the industry there exist special mechanisms for settling disputes. The Council on Industrial Relations of the Electrical Contracting Industry is a national joint body which, since 1921, has arbitrated disputes over both the terms and administration of contracts submitted to it by local parties when a strike threatened. Since most local unions are bound to the CIR to resolve disputes short of strikes, the electrical branch of the industry has been almost strike-free for years. Other branches have national dispute-settlement mechanisms as well,[6] but none with the effectiveness of that in the electrical industry.

III. STRUCTURE OF BARGAINING—THE PROBLEMS THAT ARISE

Work Stoppages

Construction is a strike-prone industry. Rarely does the proportion of

[6] For example, the National Disputes Adjustment Plan between the National Constructors' Association and the Building and Construction Trades Department, and the Industrial Relations Council of the plumbing and pipefitting industry.

estimated work-time-lost due to work stoppages in construction in any year fail to exceed (usually doubling or tripling) the national all-industry average of man-days idle as a percentage of annual estimated working time.[7] Many stoppages are due to jurisdictional disputes, but these are normally brief and involve few workers.[8] Strikes at the termination of a contract, however, are often long and involve many workers. The interdependence of the production process is such that, after a few weeks, a strike by a single trade will (with some exceptions) cause a halt to the work of other crafts, so that the total loss of time may far exceed that which occurs in the craft striking.[9] The bargaining structure has helped to generate this strike-proneness in two ways: First, contract termination dates of the several crafts are normally scattered throughout the winter and spring, so that strike may follow strike in succession. Second, exceptionally bitter strikes sometimes occur over the structure of bargaining itself. Thus, in 1964, in Cleveland, a series of strikes accompanied the withdrawal of several crafts from what had been a joint bargaining structure first established in 1947. For the most part, the succession of strikes is the more common problem in construction, and one which threatens the industry in many localities each year.

Leapfrogging

The succession of contract termination dates, coupled with traditional rivalries among the crafts, creates a pattern of leapfrogging of settlements which is especially serious in the full-employment context. Each craft may seek to better the settlements achieved by the other. In some cases, unions which have previously reached agreement demand that further increases received by other trades either apply to them retroactively, or that their own agreements be reopened. Such insistence by some crafts may lead to long and bitter disputes over wages (as occurred in Buffalo last summer). During inflationary periods, this problem is acerbated by the wage leadership exercised by the mechanical crafts (including plumbers, pipefitters, electricians, and sheet metal workers). These crafts normally deal with an association of their own employers, involving many small shops, often specialized in commercial and industrial work. The relative price inelasticity of this type of work, coupled with the relative ineffectiveness of the contractors' associations at the bargaining table, exerts a significant upward pressure on wages generally. Other crafts are under strong pressure to achieve settlements large enough to maintain traditional earnings differentials with whichever crafts are obtaining the

[7] U. S. Bureau of Labor Statistics, *Handbook of Labor Statistics, 1969,* Bulletin No. 1630, Washington, D. C., U. S. Government Printing Office, 1969, Table 144. From 1957 to 1967, time lost in contract construction by work stoppages annually averaged 0.5 per cent of total estimated working time, versus 0.2 per cent for all industries. Time lost due to seasonality and other aspects of the production process far exceeds that lost due to strikes. See *Seasonal Unemployment in the Construction Industry,* Report and Recommendations of the Secretary of Labor and Secretary of Commerce to the President and Congress, Washington, D. C., December 1969.

[8] Jurisdictional disputes arise inevitably in an industry in which wage rates and other conditions of work differ by occupation, in which mechanics are organized into labor unions on craft lines, and in which production processes and materials are constantly changing: "Jurisdiction is substantially a reflection of both product market and labor market factors, and jurisdictional disputes arise no less on account of conflicts among contractors than as a result of union craft rivalries." Work cited at footnote 3, at p. 260.

[9] The additional loss of work due to the shutdown of projects is normally reflected in statistics of man-days lost due to strikes.

highest settlements. Resistance to change is increased by the common procedure of submitting proposed contracts to union membership for ratification.

Imposition of Commercial and Industrial Building Conditions on Other Sectors of the Industry

Construction is composed of many separate sectors, connected in large part through input markets. Labor organizations often have organized several branches of the industry in the same geographic area, but may bargain collectively only with the larger firms (or their representatives). In some areas, conditions negotiated with the larger firms (normally specialized in one or two branches of the industry) are applied to other branches as well. Thus, Dunlop comments, "In some localities, such as San Francisco, construction is divided into separate wage contours only by craft, while in most localities some of the various branches of the industry such as heavy and highway or pipeline construction also constitute separate wage contours by craft."[10] The imposition of conditions accepted by firms in one branch of the industry on another branch is often quite expensive to the second branch. Homebuilding is—potentially at least—a casualty of a pattern of bargaining which applies industrial and commercial building wages and conditions to residential work. In many areas, homebuilding is largely unorganized, but in some major metropolitan areas the work is, or has until recently, been done by union men. Even where homebuilders are represented with general contractors in the negotiations with the basic trades (including carpenters, equipment operators, laborers, and masons)—and they are excluded in many areas—they are usually "junior" partners on the employer side. Interestingly, it normally remains much easier for international unions to provide for separate wage rates and conditions in different branches of the industry, including homebuilding, than it is for local unions to do so.[11]

IV. IMPACT OF THE STRUCTURE OF BARGAINING ON PROBLEMS RESULTING FROM OTHER CAUSES

The Current Inflation[12]

Wage settlements in contract construction in some areas have been rising very rapidly compared to those in other industries in recent years.[13] Large settlements have been the result of the interaction of two major factors. First, economic conditions in the industry have been favorable to high settlements. There has been a large increase in the volume of private commercial and industrial work and in public building work—sectors of the industry which are highly unionized, involve the more skilled mechanics and the performance of intricate work, are the domain of the larger contractors and, finally, are the least price-elastic of all construction markets. In addition, relative price changes among inputs have been, in large part, favorable to labor-intensive production, especially since interest rates (the price of elapsed time in completing a project) have risen most rapidly. Generally speaking, the industry has been caught up in a war-time inflation without the imposition of wage and price controls for the first time in this century.

[10] Work cited at footnote 3, at p. 257.

[11] *Ibid.*, at p. 260.

[12] Space prohibits a detailed analysis of construction wage behavior in recent years. For a more extensive discussion see D. Q. Mills, "An Economic Analysis of Wage Determination under Inflationary Conditions in the Construction Industry," forthcoming.

[13] Construction is so large an industry that the large settlements reached in some cities and given great publicity have affected average earnings in the industry far less than is generally understood.

Second, the decentralized bargaining structure of the industry is conducive to high settlements. As mentioned previously, leapfrogging by craft and area allows a continuing search for a wage ceiling. Thus, bargaining mechanisms to push for higher rates exist in the industry. The militancy of union membership has fueled the search for higher wage settlements and inflationary economic conditions generally have sustained them.

Constriction of the Unionized Sector of Construction

The conditions of high employment and high wage settlements in commercial and industrial work in recent years have narrowed the range of operation of the unions and their contractors. The rates negotiated in the larger cities (where applied also to homebuilding) and labor shortages in some crafts have increasingly left homebuilding and other smaller scale work to non-union firms. The strongly unionized sectors of the industry have been expanding in size, but the unions have simultaneously reduced their control of some branches. Were economic conditions now to alter radically, the industry would find itself, in many areas, locked into wage increases it could not sustain, and the unions would be excluded—at least initially—from certain sectors of construction.[14]

V. BARGAINING STRUCTURE IN PERSPECTIVE

Despite whatever opinion the reader may have formed from the preceding discussion, the structure of industrial relations in construction is not ill-adapted to the conditions of the industry, but reflects directly the organization of the product market. Specialization of contracting firms is dictated by economic advantage,[15] but specialization requires flexibility in the operation of the firm. Flexibility is of critical importance to the firm, for it may have to expand or contract rapidly as market conditions change, or move significant distances in search of work. The craft union supports the specialization of production by performing functions which stabilize the industry. The union enforces standards of work and compensation, participates in the formal training of men, refers men to work at the contractor's request, and, in general, maintains a level of stability in the labor market as a whole which is adequate to allow the direct employment relationship (between individual employer and employee) to be extremely unstable. The craft union structure, therefore, may be said to allow exceedingly flexible employment relationships to exist for a highly skilled work force.

The collective bargaining structure arising from the industrial relations framework described is necessarily complex and shifting. There is a sense in which much of the structure is fluid, and only the parties themselves have stability.[16] New conditions in the industry often generate not only new responses, but new bargaining structures.

[14] A similar situation occurred in the aftermath of World War I. See William Haber, *Industrial Relations in the Building Industry,* Cambridge, Massachusetts, Harvard University Press, 1930.

[15] Consider, for example, the structure of construction enterprises under centrally planned economies. Contracting by specialized enterprises is retained as the most economically sensible organization of the industry. See Kang Chao, *The Construction Industry in Communist China,* Chicago, Aldine Publishing Company, 1968; Joseph S. Berliner, *The USSR Construction Industry,* Washington, D. C., Council for Economic and Industry Research, 1955. For the historical development of specialization of firms in this country see work cited at footnote 14.

[16] There is currently relative stability in the parties on the union side, but consider-

Periods of extreme economic pressure or quite unusual circumstances have previously generated national mechanisms in construction to respond to the demands. Most recent have been the Atomic Energy Labor Relations Panel established in 1948 and the President's Missile Sites Labor Commission (1961-1967). The President has now established the Construction Industry Collective Bargaining Commission in an attempt to cope with the demands of the full-employment economy. The Commission has many avenues through which to seek improvement of the bargaining structure, including the provision of a greater role for national authorities in local disputes and the strengthening of negotiation mechanisms between the parties nationally.

[The End]

The Maritime Industry

By JOSEPH P. GOLDBERG

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THE MAIN FEATURES of the bargaining structure in the offshore maritime industry appear to have withstood the ravages of time and the uncertainties of the winds, storms and calms which have surrounded the U. S. flag merchant marine in the 35 years since collective bargaining relationships have been firmly and virtually universally established in the industry. Only for a brief period in the 1950's was this structure viewed as the accompaniment of a substantial measure of stability in labor-management relationships. Generally, the characterization has been an opposite one. In 1961, a Board of Inquiry set up under the national emergency strike provisions of the Taft-Hartley Act described labor relations in the industry as deriving from "chaotic conditions and archaic practices" which were associated with the "long history of labor negotiations in this industry expiring on non-uniform dates, with scores of non-uniform agreements between the management and labor units, with recurring necessities of 'catching up' in inequities between the different craft unions, and with drastic splits between different factions within the union and shipping associations themselves . . . many attempts have been made in the past, and even while our Board was in session, to form coalitions for bargaining purposes. Differences in interest, in goals and in basic economics between type of ships and geographic areas of operation, present serious obstacles to pattern bargaining which is characteristic of so many important industries."[1]

The general import of this view has been reasserted in connection with the contract strikes and individual ship tie-ups which occurred during the

(Footnote 16 continued.)
able flux among the employers. At the national level, for example, the newly reformed National Joint Board for the Settlement of Jurisdictional Disputes does not now include the Associated General Contractors, but other employers' associations, some previously outside the mainstream of national relationships in the industry, are now members of the Board.

[1] Board of Inquiry, Reports of July 2 and September 1, 1961.

following years. Yet, some of the attributes of this confused and unstable situation appear to have been eliminated during this period, such as nonuniform contract expiration dates and obstacles to pattern bargaining. Does the maritime bargaining structure in fact preclude meeting the requirements of the bargaining relationship constructively?

Outlines of Structure

If the diversified and fractionalized maritime collective bargaining structure can be characterized as involving craft union structure, it is a structure which is unique to the offshore maritime industry. It includes long-established unions of supervisory licensed personnel, an exceptional situation. It includes coastwide bargaining units, rather than local units. Further, it is diversified as between the Atlantic and Gulf, and the Pacific Coasts.

Custom and status have been basic elements in the job structure on board ship, and the traditions of the sea are hard held to, reinforced as they are by statutes and collective agreements. The deck complement of licensed officers viewed themselves as preeminent in the scale of relationships when the transition was made from sail to steam. With the introduction of steam and the requirements of new skills and experience, the engineers, often with land-based experience, were brought on board, but in a separate department. The radio operators were similarly accommodated in a separate status removed from the others, and with a slower attainment of licensed officer status.

The developments for unlicensed seamen followed the same pattern. Men with deck ratings of boatswain and able seamen, derived from sailing ship days, were viewed as experienced and skilled hands. The arduous and unskilled work of shovelling coal into furnaces and, later, the less arduous work of tending the boilers and pumps and cleaning machinery with the use of oil as fuel, was assigned to ratings in the engine department separate from the deck department. The stewards' department developed separately, too, out of the growth of specialized departments on board large, fast steam vessels.

Union organizations paralleled these occupational distinctions, and have remained fixed in the case of the licensed officers, and for the unlicensed seamen on the West Coast. The East Coast, however, has parallel organizations in the National Maritime Union and the Seafarers International Union which combine representation of the separate departments in a single organization. The autonomy of the West Coast unlicensed unions has, however, not stood in the way of their bargaining together, although the specific terms of their agreements have been tailored to their respective views of necessary conditions, while the costs of contract settlements have been uniform for all three.

The diversity in management organization involves more than the paralleling of diversity in union organization. The management structure is also the result of divergent historical factors, economic interests and areas of operation, and varying degrees of adherence. Collective bargaining on the East Coast has been focused through two sets of management organizations. The separate Maritime Service Committees for dry cargo and tanker companies, respectively, have a common chairman, so that there is some coordination despite differences in working conditions and rules reflecting different economic and operating factors. This long-established machinery, formerly associated with the now superseded American

Merchant Marine Institute, has represented basically the major East Coast subsidized companies. While negotiations are coordinated, individual member companies enter into individual contracts.

The settlement pattern is generally followed in the individual contracts signed by member and nonmember companies with the National Maritime Union and the officers' unions. The American Maritime Association basically represents unsubsidized companies, both in negotiations and in legislative activities. The economics and politics of these companies have diverged in the past from those of the subsidized companies. Originally an informal group to negotiate with the Seafarers International Union, the Association was organized in the past decade. It came to play a strategic role in several negotiations, particularly as the unions of licensed officers utilized this organization for leverage in their negotiations with the subsidized group.[2] The West Coast Pacific Maritime Association includes all U. S. flag dry cargo ship operators in its membership, and bargains directly for these, entering directly into contracts which bind all its members, subject to majority of vote of its members. Any member failing to authorize or to accept the contract is required to resign from the Association, and any member who violates the terms of the contract is subject to suspension or expulsion.[3] A further distinction between East and West Coast is the role of the Pacific Maritime Association in negotiating the coastwide longshore contract on behalf of both U. S. operators, stevedoring companies and foreign flag lines, whereas on the East Coast longshore negotiations are conducted on a port basis, with the pattern set by the East Coast International Longshoremen's Association and the management group in the Port of New York, the New York Shipping Association.

The cohesiveness of the West Coast employers has been an evolutionary process since 1949. There have been splits among U. S. flag operators in offshore negotiations, and, in longshoring negotiations, differences among U. S. and foreign flag operators, and between ship operators and stevedores. With greater participation by ship company executives during the past decade, this cohesiveness has increased. But efforts to establish joint East and West Coast management bargaining have not been generally successful. Such efforts have generally petered out to an awareness of parallel approaches, rather than joint negotiations. While not wholly accountable, the separate union coast-wide structures have undoubtedly contributed.

On the East Coast, the Maritime Service Committee negotiates with six unions: the Masters, Mates and Pilots; the Marine Engineers Beneficial Association; the American Radio Association and the Radio Officers Union; the Staff Officers Association; and the National Maritime Union. The related Tanker Service Committee negotiates for its members with the same unions, but the members also negotiate with a number of independent labor associations structured on a company basis. The American Maritime Association negotiates with four of the same unions as does the Maritime Service Commitee, but with separate locals of the MEBA, and with the Seafarers International Union, Atlantic and Gulf Coasts in place of the National Maritime Union. On the West Coast, the Pacific Mari-

[2] U. S. Maritime Administration, *Seafaring Guide and Directory of Labor-Management Affiliations,* 1969, pp. 1-3.

[3] Pacific Maritime Association, *By-Laws as Amended,* 1967.

time Association negotiates with seven seamen's unions: the Masters, Mates and Pilots; the Marine Engineers Beneficial Association; the American Radio Association; the Marine Staff Officers; and three autonomous unions of the Pacific Coast District of the Seafarers International Union—the Sailors' Union of the Pacific, the Marine Firemen's Union, and the Marine Cooks and Stewards. Add to the variegated pattern the fact that the West Coast tanker operators negotiate individually with the Sailors Union of the Pacific for all unlicensed seamen on their ships.

The bargaining structure has thus been oriented toward coast bases, with companies operating from the Atlantic, and Gulf Coast, and from the Pacific Coasts as either members of associations, or following the patterns set by the associations. Association bargaining on a coastal basis developed simultaneously with the recognition of the unions. Association bargaining, matched by coast-wide union organization has served to provide all ship operators with a labor force at basic uniform labor costs, with variations in resultant costs pending on the special character of the ships and trade of the individual company, and its ability to control optional costs, particularly in the matter of overtime earnings. The union-run hiring hall, jointly administered as to seniority and entry provisions, has assured a regular supply of seamen to man ships. Particularly in the case of unlicensed seamen, these have served to furnish a pool of labor for industry-wide employment. Licensed officers have more generally been regularly employed by individual companies.

Industry Climate

Any assessment of the past and prospective effect of collective bargaining structure in the maritime industry must include a congeries of factors too numerous for explicit treatment in this paper. Mention of some of these will serve to indicate some of the variables which are operative, while only the main influences will be discussed in detail. On the ship operation side, the factors include trade levels and trends; international ship operations and shipbuilding; domestic shipping trends and competition with land transport; governmental subsidy policies and other aid programs, and their administration; changes in ship technology and in intermodal operations; changing competitive patterns; and changes in corporate structure. On the labor-management side the factors include prospects for job opportunities, manning changes and altered job requirements, and the attendant costs of labor force adjustments; the protection of the union's jurisdiction, the role of union leadership and union policies, and the changing composition of the labor force. This is not an exhaustive listing.

The major realities confronting the parties to bargaining in the U. S. flag merchant marine have been the post-war decline in the volume of cargo carried, the growing obsolescence of U. S. flag ships, and the decline in job opportunities. While the volume of U. S. foreign trade quadrupled between 1950 and 1968, the U. S. flag share dropped steadily from 40 per cent to 6.4 per cent. The drop in U. S. participation is emphasized by the absolute decline of 50 per cent in the volume of cargo carried on U. S. flag ships. The number of active privately owned ships dropped from 1,145 in 1950 to 967 in 1969. But even more significant is the fact that two-thirds of the presently operated ships are war-built ships, most of which are expected to be withdrawn from operation within five years. Job opportunities which declined by one-half

between 1947 and 1950, have ranged from 56,600 in 1950 to about 46,400 in 1969, with the prospect of further substantial declines as obsolescent ships are withdrawn.

Government policies for replacement of the 300 ships operated under subsidies have been adopted, but have lagged and shifted. A ten-year ship replacement program started in 1955 has produced 180 ships built or placed under construction, since the program began. A combination of limited appropriations and uncertainties and redirection of the ship construction program explain the lag. Originally based on construction of conventional freighters, the program was redirected toward automation of conventional freight ships. With the entry of an unsubsidized container ship operator into the North Atlantic trade, the emphasis in the program turned from manning savings to the benefit to be derived from intermodal transport through container ships and barge and lighter carrying ships. Despite the construction lag, the new ships represent the largest concentration of modern, technologically advanced ships in operation in the world today. Unsubsidized domestic and tramp operators benefited from government vessel exchange programs, under which they obtained vessels from the government reserve fleet. These were renovated, upgraded, and converted in some instances into container ships which were operated successfully in the domestic trades, from which two domestic operators extended their operations into the transoceanic trades.

The impact of change in the maritime industry has been apparent in other respects too. Competition has been stimulated to a degree nonexistent in the industry in many years, with the entry of the unsubsidized U. S. flag container operators into the oceanic freight trade. Subsidized operators are seeking to meet this competition and to extend and alter their former fixed trade routes. The possibility of going off subsidy in the highly productive, container trades, with their larger carrying capacity and fast ship turnaround is being seriously considered, particularly since this would permit more flexible operation in tapping markets than is available under subsidy regulations. The rapidity of change, diversification of investments, and the extension of intermodal transport approaches to shipping have made ship operations a subject of interest to nonshipping investors. Already undergoing merger, consolidation and diversification, the shipping industry has more recently become a focus for merger with land-based freight companies and conglomerates.

The success of U. S. container ships in capturing a dominant position in the North Atlantic and Trans-Pacific trades in the first flush of containerization remains to be tested. Foreign flag competition is active, and substantial foreign flag container ship construction is underway or contemplated.[4] This development is not without uncertainties for the maritime unions, however, for one container ship or barge carrying ship can carry the equivalent of 5 conventional ships during a year.

The overriding uncertainty over declining job opportunities has persistently confronted the maritime unions in the postwar period. The role of the hiring hall, and the joint determination of seniority and entry into the industry, have served as a means of balancing labor force to labor re-

[4] During the second quarter of 1969, U. S. flag container ships carried 58 per cent of the container cargoes in the North Atlantic trades, and 64 per cent of the U. S.-Far East container trade. U. S. Maritime Administration data.

quirements. However, these have been upset by the need to staff up additional ships for the Korean and Viet Nam crises in which sea transport has played a major supply role. The temporary dislocation produced shortages, particularly among licensed officers, with a reluctance to leave shoreside employment for the temporary and inadequate facilities provided by the hastily activated ships from the reserve fleet. With the lay-up of the majority of these ships, the effects of the imbalance have become apparent. These have been heightened recently by the acceleration of the trend toward ending passenger ship operation in the face of the growth of passenger travel by jet transport, resulting in operating ship losses which even operating subsidies to meet foreign wage cost advantages did not balance. The recent lay-up of five passenger ships on the East Coast has added to the employment problems, particularly but not solely for the passenger catering personnel.

The major concern of the maritime unions has been with the maintenance and protection of job opportunities. Their efforts in the labor-management relationship have been coupled with the active support given ship management in seeking government assistance. These efforts have been thwarted by divergent, competing and, as a result, self-defeating efforts by subsidized and unsubsidized groups of both management and labor.

In the first decade after the end of the war, the unlicensed unions on the East and West Coasts set the patterns for bargaining, with decreasing intensity of so-called whipsawing of gains. In the late 1950's and early 1960's, relations were exacerbated among the unions when there was active rivalry over representation rights on new ship operations or where shifts in corporate or management operations suggested loopholes in existing representation rights. Contributing to these influences, was the growing militancy and concern with security of the licensed officers' unions. Generally following the patterns set by the larger and forceful unlicensed unions in the decade after the war, there was new leadership in the licensed unions which were now actively seeking to set their own patterns. To this was added two additional elements, the effort to make the unsubsidized operators an additional focus of pattern-setting to counter the established pattern-setting by the subsidized operators and the unlicensed unions. Added to this was the new drive toward modernizing the merchant marine through ship automation, a policy receiving the active support of ship management and the federal government. Automation might alter job and manning requirements, affecting relationships both between licensed deck and engine officers, and between licensed and unlicensed unions.

The ship automation program was introduced in response to the appearance of Japanese and other foreign flag automated ships with reduced crews. The awareness that change was esssential to maintain the competitiveness of U. S. flag ships, and the need for reducing the mounting costs of operating subsidies was apparent to both labor and management. The employment impact of automated ships was apparent also: larger, faster ships would permit replacement of two ships by one, with reduced manning. Only an assured merchant marine program, with expanded shipbuilding requirements could stem the further decline in jobs, and this was a continuing union goal. The unions were prepared to accept automation with manning reductions, but insisted that these be the result of negotiations with individual companies in terms of opera-

tional requirements, as had been contractually established in the postwar period. The impact on the engine room complement was greatest, and both the engineers and the NMU sought to minimize reductions and protect jurisdiction over remaining jobs. Tentative job reductions were agreed to, but difficulties arose and individual ships were tied up when some operators insisted on greater reductions, following the guides suggested by the Maritime Administration. The tentative scales were charged as being inadequate by union showing of substantial overtime required for the reduced work force. Partial upward adjustment followed. On the West Coast, the manning issue was settled initially without too much difficulty, but a dispute resulted in a coast-wide tie-up in 1969 when the union charged that the contract manning provisions were being undercut through management efforts to obtain Coast Guard approval for a lower manning scale on a new fully automated container ship.

Contract negotiations have also been difficult, particularly in 1961-62 and in 1965. The former saw two separate Taft-Hartley national emergency proceedings on the East and West Coast, respectively. The negotiations in 1965 involved a protracted strike, which resulted in the application of the 3.2 per cent guideposts in contracts which also contained most favored nation clauses. These subsequently resulted in an escalation of costs through arbitration, despite efforts of both arbitrators and union leadership to restrain the movement. But the overriding concern with protection of job conditions, coupled with internal union pressures, forestalled these efforts. The relatively ready achievement of agreement in 1969 stands as evidence of the ability of union leaders to act jointly, adhere to a joint position, and work out differences with one union which felt that inequities had to be eliminated, particularly those involving ship matters. The elimination of the "me-too" clauses, as the most favorable nation clauses came to be designated, also derived from experience. Helping, also, was the knowledge that governmental intervention would, at best, be left to the minimum of mediation.

Prospects

The most pervasive element at present is the industry support, from both management and labor, as well as the bipartisan support, for the Administration proposal for revising the Merchant Marine Act of 1936. In summary terms, the proposal sets a ten-year program for building 30 ships per year. Construction and operating subsidies would be given to both presently subsidized dry-cargo operators, and to unsubsidized operators, particularly for now uncovered bulk-cargo ships. The incentive of the multiple ship program is coupled with shipbuilding modernization to result in a phased reduction in the level of construction subsidies. The problem of government determination of "fair and reasonable" costs in administering operating subsidies, a factor in the difficult 1965 negotiations, would be eliminated through the use of a wage index geared to leading industries to determine allowable subsidy in years other than the base year when direct comparisons are made with foreign costs, with protective provisions for both ship operators and the government.

The assurance of a continued and expanded program is viewed as all-important, despite the evident ramifications for shipboard employment opportunities. For even with the assurance of a ten-year program, when enacted, the present-day 967 U. S. flag fleet will decline to about 630 actual ships by 1980. For the foreign

trade fleet, it has been projected that the present 56,700 job opportunities will decline to 39,100 by 1980 under the Administration program, rather than to the 28,400 projected if the current ten-ship program is continued.[5]

The awareness that job opportunities will continue to decline has been anticipated in the results of contract negotiations carried on during the past decade. These have included improved and extended leave arrangements for both licensed and unlicensed seamen, with additional leave for men on the fast-turnaround container ships. This results in both time off or additional earnings and, where utilized, provides additional job opportunities for replacements. Pensions have been liberalized, both as to amounts and as to length of service, with 20 years of qualifying service and no age limit required. In addition, provisions have been made for fixing minimum continuing contributions to pension funds, and for accelerated funding of liabilities, taking into account the anticipated decline in jobs and the willingness of operators to replace their ships. Manning provisions on new ships remain the subject of individual company and union negotiation, with some agreements setting forth explicit manning requirements. Union jurisdictions have been protected, covering both company, subsidiary and other operations, and the sphere of work jurisdiction on the individual ship.

On the West Coast, the unlicensed unions have obtained agreement to possible shoreside employment as the condition for eliminating some additional jobs on the container ship of one company. Each union now has its own training facilities for entry and upgrading, which serves both as a means of controlling the inflow of new men as replacements for retirees and as a means of retraining men for the requirements of the new shipboard operating and cargo-handling equipment.

All of these factors may be said to reinforce the jurisdictions of the respective unions. In the process, however, they make for a measure of security out of which there can continue to be a growing effort at joint approaches to the problems of the industry.

There are other trends affecting the structure of bargaining which have developed that have implications for the future. The licensed officers' unions, engineers, deck officers and radio operators alike are reorganizing their union structures, with the particularism of port localism, even of East and West Coast divisions, increasingly eliminated. The engineers and radio operators have progressed farther toward national conditions, but the deck officers are also proceeding in this direction.

It remains to be seen whether these developments can aid in the development of national employer arrangements for collective bargaining. There would still remain the structural coast-wide arrangements for the unlicensed unions. Organizationally and operationally the industry is in a state of flux. There is the possibility that the U. S. fleet can recoup its position in world trade, given the maintenance of its present priority in the burgeoning container trades. But it will have to face already evident and growing

[5] House Committee on Merchant Marine and Fisheries, 91st Cong., 2nd Sess., Hearings on H. R. 15424, H. R. 15425 and H. R. 15640, The President's Maritime Program, 1960-70, Part 1, pp. 16, 18.

This assumes that employment will be given to two men for each job, rather than 1.5 to 1.65 ratio of recent years. This factor reflects vacations, illnesses and other off time periods requiring replacements. The increased factor in future years reflects the short turnaround time in port for container, barge carrying and bulk carriers.

foreign competition, and government assistance will continue to be necessary. There is need for labor-management cooperation in this endeavor. The groundwork is here, in conditions, in joint support for the Administration's proposals, and in the recent indications of ability and willingness to negotiate together. The bargaining structure has not prevented these developments, but it remains a constant potential vehicle for difficulties. The present trends would be strengthened if a new structure were superimposed by agreement of all of the parties, with the assistance of the AFL-CIO leadership. An organization like that developed for voluntary joint agreement to meet the outstanding problems of the construction industry, could serve as a means for consideration of the many mutual problems facing the multifarious organization in the maritime industry. The past efforts of George Meany and Lane Kirkland in seeking joint approaches in maritime may not have been successful, but renewed efforts could well bear fruit in the present climate. **[The End]**

Effects of the Structure of Collective Bargaining in Selected Industries

A Discussion

By WILLIAM E. SIMKIN

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A Discussion of Papers by Beatrice M. Burgoon, D. Quinn Mills and Joseph P. Goldberg

THE THREE very excellent papers have given us a good and accurate background of the structure of bargaining in the three industries. Some of the problems and results of such bargaining have been explored.

I have a few random observations.

The first is that the planners of this meeting must have deliberately selected three of the most troubled industries in the economy as respects labor relations.

Railroads

Although I do not pretend to be a railroad expert, I am somewhat perplexed by B. Burgoon's generally optimistic report of success in railroad bargaining. Seventy-four per cent settlement of national disputes by voluntary agreement sounds impressive but few other industries can be found with a worse record. The figure of 20 per cent settlements after Presidential Emergency Board procedures does not portray the delay, toil and travail that accompanies that process. And this record of Emergency Boards is in sharp contrast to only 29 Taft-Hartley Boards in all industries except railroads and airlines over a 23-year period. I do not want to minimize

the importance of railroads or railroad employees. However, it is not a well-known fact that there are more employees in the transportation industries covered by the Taft-Hartley Act than by the Railway Labor Act, as amended. Trucking, inter-city and local bus systems and the maritime industry outnumber railroads and airlines. When all other industries are added to transportation, it is apparent that Taft-Hartley exposure to disputes —even big ones—is very much greater than Railway Labor Act exposure. I did a rough calculation once and the ratio was something like 20-1 and probably higher. Moreover, let us not forget that the only three compulsory arbitrations in modern times involved railroads.

Although Joe Goldberg's analysis generally excludes the longshore milieu, it is well-known that maritime labor relations have been in a bad state of repair for many years—particularly along the East and Gulf Coasts.

Construction

The construction industry typically has a strike record three or four times the national average. All indications are that this industry will outdo itself in 1970. About 128 strikes are in progress today and we have not yet reached the peak of the construction bargaining season.

Thus, it is quite clear that we should not judge the health of the nation's bargaining structure solely or primarily on the basis of the rather sick examples that are before us.

Is the structure of bargaining in these industries a primary cause of trouble or do the problems create the structure? Which comes first—the chicken or the egg? I have no good answers to the question but a few points can be explored.

One matter, implicit in at least two papers is the possibility that bargaining by craft may be a structural problem.

There is no doubt but that separate bargaining by craft includes the possibility of whipsaw tactics.

This has occurred at various places in the construction industry. However, it is not a universal pattern. Building Trades Councils exist in many areas with some ebb and flow over the years as to extent of craft coverage and degree of cooperation among the crafts. Even in the absence of a Council, whipsaw tactics of important magnitude do not appear to be the major problem.

In railroads, a major problem has been created because of a long-run, quite rigid adherence to a uniform pattern applied to the various unions. It is rather generally recognized that quite strict adherence to patterns in railroads created an inequitable relationship that came to a head in the shopcraft case.

The Maritime Industry

In the maritime industry, it is not quite accurate to classify bargaining as craft bargaining. The only rough equivalent of craft bargaining (engineers, mates and radio personnel) exists among the officer groups that would not have bargaining rights in most industries. The large unions (the National Maritime Union and the Seafarer's International Union) are competing unions substantially identical to industrial-type unions in manufacturing. In maritime, it is necessary to look behind the formal structure. In a fluid situation of frequently changing informal liaisons, cooperation, and feuding, it is important at any moment to know the current "lineup" of the various officer unions with Joe Curran or Paul Hall and with Teddy Gleason of the Longshoreman.

In short, it would be gross oversimplification to conclude that the bargaining problems in these three industries are traceable solely or even primarily to craft structure. It would be correct to say that this is part of the problem. Solutions to this aspect of the picture are not easy to find or effectuate.

On the employer side, strong employer associations exist in railroads but not in the other two groups. Employer associations in construction are notoriously weak for reasons noted by Quinn Mills, and formidable obstacles stand in the way of acquisition of greater strength. In maritime, the only really strong association is the Pacific Maritime Association and it has not been as potent since the death of Paul St. Sure. It is not just a happenstance that both maritime and longshore on the West Coast have had a much better record than on the East Coast and Gulf Coast. Much as we may dislike bigness, effective employer organization is essential.

As respects inflationary trends, at least two of these industries are major culprits.

Even during the best days of the guideposts, the construction industry never gave even lip service to stabilization policies. Correction—it was the wrong kind of lip. More recent trends are too well-known to require amplification; and the repercussions on skilled trades elsewhere become stronger every day. However, it is quite unfair to say, as many tend to do, that the rather astronomical construction increases that you read about are a nation-wide pattern. Except within a generally limited geographical area, there is less pattern behavior in construction than in almost any other industry that you can name.

In maritime, in the mid-1960's, the officer unions wrapped the flag around themselves and embraced the 3.2 per cent formula. For them, it was a good formula, partly because they put everything but the kitchen sink into the base. Previously, they had usually bargained percentage increases in basic rates. The 3.2 per cent above total compensation (as it was defined) meant about double that figure on basic rates. Subsequently, application of "me too" clauses covering alleged inequities among these unions resulted in increases that probably equalled or exceeded the negotiated 3.2 per cent. The last negotiations were peaceful in large part because of the size of the package. The major problem in this industry, of course, is the rapid decline of the American merchant marine. The unions have sought and obtained huge concessions in pensions and other fringes to cushion the loss of jobs. Absent the job-loss factor, the maritime unions undoubtedly would have been much more conservative in their demands.

The railroad industry has been far less wage inflationary than the other two. Whether this is due to the generally depressed state of the industry and the general absence of modern subsidies or to the slow and creaky nature of disputes settlement, or both, is a matter of some speculation.

Incidentally, appraisal of railroads and the maritime industry exposes the flaws in our too-easy division of bargaining in the private and public sectors. The government's consistent position that a nation-wide railroad strike cannot be tolerated means that private industry has more realistic "public sector" connotations than many of our public employee disputes. And, in maritime, by reason of subsidies to part of the industry, you and I as taxpayers are footing more than half the wage bill on the subsidized vessels. It is becoming increasingly evident that there is no sharp private

sector versus public sector distinction. There is a wide band of a private to public spectrum.

Also incidentally, I note the "plug" by B. Burgoon for "final offer selection." I should like to see it tried a few times. It is a worthwhile idea. But it is not a panacea. And, I'm not enamored by the specific formulation of the recent proposal. I should not choose to be one of the arbitrators between two formidable antagonists who might well decide to play Russian roulette with the idea.

It may appear that I am a pessimist about these three industries. That is not quite the case. There are no easy solutions, but the collective bargaining process does result in some interesting ups and downs. There is a tendency for real improvement and progress when the picture gets black enough. Conversely, the so-called good relationships have a tendency to go sour—at least for short periods of time. I have dubbed it the "Yo-Yo Theory" of labor relations. Let us all hope that these three industries are beginning an up-cycle. [The End]

Effects of the Structure of Collective Bargaining in Selected Industries

Remarks

By NEIL W. CHAMBERLAIN

Columbia University

WE MIGHT BEGIN by searching for common elements in the three excellent papers which we have just heard. I think I can see three areas where they focus on somewhat comparable problems. First, in one way or another, they face the issue of what is or should be the appropriate bargaining unit for decision-making. In some instances, broader units are fragmented as local interests come to the fore, and in other instances there is a consolidation of local interests into a wider bargaining base as this seems to serve immediate objectives. This, of course, is a matter which involves the problem of centralization versus decentralization, and, as such, it has its counterparts on the local, national, and international political scene. Is there something we can learn from the larger political contexts within which such institutional processes as union-management decision-making take place? I would like to see more delving into the meaning of some of the events which have been so carefully described by our authors, drawing on materials from other fields if these should prove instructive.

Second, in all three industries government has been an important element in the bargaining process or in the industry itself, as regulator and as market. Subsidies have been present in all three industries—indeed, have been necessary to the survival of one. All three have been subjected to considerable regulation at one level of government or another. In some in-

stances, government regulation may indeed have adapted to industry interests. An intriguing and important question is thereby raised as to the role which goverment does and should play—directly or indirectly—in the contract terms which develop. That difficulties are involved in uncovering the data, as well as in analyzing them, goes without saying—but the need cannot be escaped.

Third, each industry has been characterized by managements which have largely been resistent to change (despite occasional signs of life such as the movement to containerization) and by unions which have largely accepted this complacent philosophy as long as they got "theirs." Issues of moment are raised as to whether and how and why such attitudes have been able to persist.

Unions' Course of Action

Within the special environment of defensiveness and protection (which, in one degree or another, characterizes these three sets of relationships), it is understandable that the traditional search of business unions for an augmented bargaining power (a large slice of the pie) should lead to the recurring fractionalization integration of bargaining units, as circumstances suggest. But from a position outside this parochial self-interest view it is transparent how all this maneuvering in collective bargaining is unconcerned with the more basic and longer-run economic decisions of firm and industry. Without having to take any responsibility for the economic effects of their actions, unions move in and out of bargaining structures as suits their temporary advantage.

We have long held that the strength of American unions has been their detachment from management, which is to say from economic decision-making. Lack of any responsibility for the consequences of their actions has, we have argued, been their strength, the element which has allowed them to drive with vigor on behalf of the special interests of their members. I suggest that the time has come when that position should be reexamined from the viewpoint of the welfare of society, whatever the advantage it may carry to unions. The importance of the issue is underscored by the extension and expansion of collective bargaining into the public sector.

Societal Considerations

To be somewhat more explicit, I raise the question whether our whole structure of economic decision-making is not undergoing a serious reexamination with respect to how well it is performing its social functions. I suspect we are searching for new forms of economic governance which will more nearly reflect social values in contrast to private gains. The unions—at least as much as business, and perhaps more so—are now hanging on to their hard-won privileges and advantages, champions of the status quo rather than of change.

It is entirely understandable that this should be so. They have done their job well, most of them, and have achieved on behalf of their members an expanded share of social and economic advantages. My point is simply that the time has probably come when industrial relations experts should raise their sights above the byplay going on within our existing institutions to examine more critically challenges which the performance of the larger social system is raising with respect to those institutions. **[The End]**

Federal Programs and Industrial Relations

By JAMES D. HODGSON

Secretary of Labor

TONITE I COME TO YOU as a traveler from that troubled Olympus on the Potomac. Travelers from Olympus are normally afforded more attention than they deserve: among other goodies, an audience often expects to be treated to a rendering of well-honed megathoughts. Now I understate when I say Olympus is a troubled place these days. Megathoughts, well-honed or otherwise, are hard to come by. Occasionally, our combination instant-genius-and-court-jester, Pat Moynihan, will unburden himself of a few—these are usually concealed in confidential memos to Zeus. Concealment and confidentiality are somewhat relative terms in Olympus—usually relative to the readership of *The New York Times* and *Wall Street Journal.* But, should the *Times* and *Journal* give the Mother Hubbard treatment to *these* remarks, the cupboard would prove as ever bare. To most of us, contemporary troubles in Olympus profit less from metaphysical musings than from the grind of applied effort. At the time of his inaugural, the President observed he wanted a working cabinet. He's got one—in spades.

So tonite I thought I might share with this distinguished group an account of these workings; an account, at least, of what is going on down at the corner of 14th Street and Constitution Avenue, in that greying pile of granite known as the Main Labor Building.

From the time he moved into his panelled office on the third floor, George Shultz provided the nation with a performance and perspective that I believe can be characterized as truly distinguished. He assembled a group of *wildly* unalike lieutenants and provided them with a team leadership seldom matched in the Department's half-century history.

The result of these efforts is being increasingly noted and remarked. Last month, *The National Journal,* for instance, observed that never before in its history had the Department been such a "mover and shaker" as in the past year. Some might wryfully observe that it was often a case of the Department moving and others shaking. But no matter—momentum exists. So tonite let's review something of the source and direction of that momentum.

The Role of the Labor Department

From the beginning, the Secretary often stated that the functions of the Department of Labor may be divided under three broad headings: the work place, the labor market and the bargaining table. Let's review how the Labor Department's role, so defined, fits into the total picture of national domestic policy concerns. As we do this, I will highlight some of the projects and legislative proposals the Department has undertaken to provide improvements for the American worker.

This Administration has singled out a number of domestic areas of national interest for special attention. Briefly, they are: inflation and employment; minorities and the disadvantaged; qual-

ity of the environment; and, lastly, the trend toward growing alienation of the American people from their government. I would like to elaborate on the actions of the Department of Labor in each of these areas.

INFLATION AND EMPLOYMENT

The labor market activities of the Department of Labor have important ramifications both for national economic policy and for the civil rights posture of this Administration.

It is generally recognized that the chief burden of attaining economic stability and orderly growth lies with fiscal and monetary policy. Postwar experience of the United States and other countries indicates that the traditional fiscal and monetary policies have done much to moderate severe economic cyclical swings. Nonetheless, experience proves that aggregate economic policies often fail to solve problems of specific groups, regions, and industries—contemporary problems such as the persistently high unemployment rate among young people, particularly among minorities, come to mind.

This circumstance strongly suggests that if we are to come closer to achieving our nation's economic goals, additional measures to increase the efficacy of fiscal and monetary policies are needed. Manpower programs are potentially among the most rewarding of these measures. Such policies operate directly to increase employment and productivity while reducing pressure on prices and wages. A phenomenon my friends in aerospace science would call "synergistic serendipity."

But, manpower policies *can* be tailored to the needs of specific groups within the society while having a broad impact when viewed in the aggregate.

To make manpower programs more effective, our first major task was the reorganization of our manpower administration activity. Under Arnie Weber's sure-handed direction, bureaus were streamlined or merged. Lines to the field and to state and local agencies were shortened to speed delivery of services in an activity that absorbs about 90 per cent of the Department's budget. Goal emphasis was shifted from income transfer to employment and employability.

Through the President's Commission on Collective Bargaining in the Construction Industry, on which I serve, we began to take a hard look at that industry with its horrendous labor and manpower problems; devices for improved labor relations climate have been developed; a mediation program has been put into effect. Someday we may even be able to breathe some economic realism into the collective bargaining patterns of the industry.

To hit at the industry's acute skills shortage, vocational education and job training programs have been singled out for special attention. We are in the process of expanding enrollment in these programs by 50 per cent over the next few months. Meanwhile, apprenticeship programs are being revised and expanded.

MINORITIES AND THE DISADVANTAGED

In equal employment opportunity for the industry we are making a real breakthrough. An agreement entered into by the plumbers' union and the National Constructors Association—an agreement negotiated by the Department of Labor—will provide *journeyman*-level jobs for minority group members.

The controversial Philadelphia Plan has provided a thrust prompting several cities to develop their own minority employment programs for construc-

tion. The Philadelphia Plan, I believe, correctly reflects the civil rights posture of this Administration—a posture directed at insuring every American citizen an equal opportunity to prove himself in the competition of the work world, thus to share fully in economic benefits of our society.

We have recently expanded these concepts to nonconstruction industries. By Administrative Order (Order Number Four) government contractors must establish goals and timetables to remedy deficiencies in minority employment.

In a more technical manner, we have begun to establish computer-assisted job banks in a number of cities—15 thus far, with a total of 50 slated by the year's end. Accurate and speedy information about job openings and available job applicants is the objective. These banks appear to be providing an unexpected bonus: they are proving especially useful in placing the disadvantaged.

We have not ignored the legislative route in our labor market activities. Congress now has before it what we consider to be a major and highly significant new piece of legislation: the Manpower Training Bill. The key words for this bill are *decategorization* and *decentralization*. Under the bill, it will be possible for state and local governments to respond to locally identified needs. Washington gets out of the act. From an economic policy viewpoint, this bill would give us an excellent counter-cyclical weapon. It provides a triggering mechanism for automatic expansion of training programs if an undesirable unemployment rate persists over time.

We have moved, too, to strengthen the nation's unemployment insurance program. Legislation on this subject is out of date. If Congress acts, coverage would be extended to an additional five million workers. A new and creative federal-state relationship would result. A federal program of extended benefits would be triggered into operation when the national rate of insured unemployment reaches 4.5 per cent for three months. It's a good bill.

All this adds up to one thing: the Department's labor market activities have focus. They are an integral part of this Administration's anti-inflation and employment program.

THE ENVIRONMENT

Now let's turn to the concern of the Administration for environmental quality. To a worker, environment means the work place. When we speak of dangers to health and safety created by man because of this pollution of the environment, we cannot ignore dangers inherent in the work environment.

The level of occupational deaths, injuries and illnesses in this nation is shocking. This is one sphere where no progress is being made. In fact we're backsliding; last year, 14,000 workers were killed in industrial accidents, two million suffered disabling job injuries. The Department of Labor put in the Congressional hopper a wide-ranging Occupational Safety and Health Bill. It would represent this country's first comprehensive job safety and health legislation. No greater environmental step forward could be made than for Congress to enact this bill. We believe it will.

CITIZENS' ALIENATION

Department of Labor activities reflect not only the substantive policies, but the style of the national administration. It embodies non-intervention in purely local matters and a sharing

of power with the states and localities. The thrust of this style is to reverse the trend toward a feeling of alienation and distance which so many Americans have come to feel towards their federal government.

The policy of the Department towards the collective bargaining table is a reflection of this Administration's overall policy. We offer the helping hand, not the strong arm.

We believe that the issues of the bargaining table are fundamentally matters to be determined by the parties themselves. Theirs is the responsibility. We desire to be helpful; but we shall not substitute our judgment for that of the parties. The judgment of private citizens—not the judgment of federal officials—should prevail in the conduct of private affairs.

Where a true national emergency situation develops, however (as in the railroad dispute), we will use everything at our command—including Congressional action—in order to safeguard the safety and welfare of the nation.

To this end we recently sent a proposal to Congress for broadening Presidential options in national emergency disputes in the transportation industry. There is no contradiction here—we are not proposing to increase federal intervention in labor-management relations. To the contrary, by the form of our proposal we seek to forestall the imposition of federal intervention by creating inducements for the parties to settle their own disagreements.

Perhaps the major emphasis of this Administration's attempt to make government more responsive to the desires of the governed is what the President has called the "new federalism."

In essence, the "new federalism" calls upon us to act as one nation in setting the standards of fairness, and then to act as congeries of communities in carrying out those standards. We are *nationalizing equity* as we *localize control.* Yet, we retain a continued federal stewardship to insure that national standards are attained.

The best way to explain a theory may be to cite examples. There are a number of examples among Department of Labor programs.

Welfare

Take welfare. A national sense of fairness says that a man who is working ought to make more than a man who is not working. A national common sense says that a working man who makes less than a man on welfare across the street will be inclined to stop working.

To introduce that element of fairness in our family assistance proposal, we aim to assist the working poor in a way that will make it profitable to work.

But to permit diversity, to encourage localities and states to make their own decisions on their welfare programs we provide an income floor, but no ceiling. It is up to the states and cities to administer most of this program—but administer it consistent with national goals and to decide for themselves how much more they may be able to do. *National fairness, local diversity.*

Manpower Training

Take manpower training, really a classic example of this "new federalism." On the national level, we recognize the need for training people for new and better jobs, and the need to fund this activity. But most labor markets are local in scope—this is where the action is, and this is where the best judgment concerning the use

of resources should be. We propose to handle this situation by providing incentives for state and local government and private sponsors to get into the act. Again, *national fairness, local assumption of control.*

Safety and Health Standards

Another example where Department of Labor activities are reflective of the Administration's "new federalism" policy is in safety and health standards. On the federal level, the President's proposal would set up a National Occupational Safety and Health Board—but its standards are to be adopted and administered by the states. Again, *national standards, local administration.*

National Equality in Employment

Attaining our national goal of equal opportunity in employment is another example of the "new federalism." In our Philadelphia Plan, we put this concept into practical action in the construction industry for the first time—and not without considerable controversy.

So we see a clear pattern in the foregoing examples—a concern for fairness in a national policy, a concern for diversity as a people, a recognition of federal stewardship.

We believe that in time the broad concepts of the Administration implemented by the programs we have developed in the Department of Labor will set a new direction for the welfare of the American working man. Better opportunities for employment; more productive use of our manpower resources; stronger machinery for collective bargaining; more employment opportunity and income for minorities; local administration of programs—all will improve the quality of life and the standards of living for the American workman.

Through the years the Department of Labor has been criticized for many things—for having a narrow focus, for overemphasis on a limited constituency and for reacting rather than initiating action. We believe that under former Secretary Shultz these deficiencies were being turned around.

This past year and a half has brought into focus the front-row position of the Department of Labor in dealing innovatively with major domestic concerns of our day. The Department has reached a position in its history where it fills a vital role in national domestic policy. This, we feel, is as it should be.

[The End]

SESSION III

Manpower Policies: Lessons for the U. S. from Foreign Experience

The British Experience

By GARY B. HANSEN

Utah State University

DURING THE PAST DECADE, most advanced countries have developed manpower policies consisting of an employment service, facilities for vocational training and retraining, and programs to foster the mobility of labor and/or industry. These policies have three main objectives: (1) to help eliminate human resource waste; (2) to facilitate the most efficient utilization of human resources; and (3) to remedy imbalances (shortages or surpluses) in the labor market between industries or occupations and between geographic regions.[1]

Background of British Manpower Policy

Like many other nations, Great Britain has developed its manpower policy with these objectives in mind. The result has been the creation, during the 1960's, of a wide variety of programs.

The special problems of the British economic system have been the driving force behind this upsurge of British innovative activity. These problems include limited manpower reserves in primary industries, a low rate of saving and investment, a tradition-bound system of industrial relations that has hampered the most efficient use of both human and non-human resources, and recurring balance of payments difficulties that have led to a "stop-go" economic policy.

The first years of the 1960's were dominated by concern over the deterioration of the balance of payments position, and the vocational training implications posed by the rapid increase in the number of school leavers about to enter the labor force—the fruits of the postwar baby boom. The government's response, called "voluntary" economic

[1] A. P. Thirwall, "On the Costs and Benefits of Manpower Policies," *Employment and Productivity Gazette,* Vol. 78, November 1969, p. 1,004.

planning, was the creation of the National Economic Development Council (NEDC) in 1962; the passage of the Industrial Training Act by Parliament in March 1964; and the adoption of policies to stimulate vocational training in the depressed areas.

The first task of NEDC was to study the implications of an average annual growth rate of 4 per cent for the period 1961 to 1966. Published in 1963, their report suggested that such a growth rate would cause a shortage of skilled manpower in nearly all industries.[2] The Council recommended that vocational training programs be expanded and that these programs be linked to programs of labor mobility and manpower utilization. For the first time a manpower policy which included a direct and substantial government involvement was perceived as a vitally important link in the nation's chain of economic development.[3]

The Industrial Training Act established the legal foundation for the creation of a unique national system of vocational training, which was applicable to all industries except the Crown (that is, public employment), to all levels of employment within industry, and to workers of all ages. Henceforth, vocational training was to be carried out on an industry-by-industry basis under the direction of specially created Industrial Training Boards.

The main objectives of the ITBs are "to see that a sufficient number of people are trained, to make recommendations about content and standards of training, and to see that the financial burdens of training are fairly spread throughout the industry concerned."[4]

In August, 1964, the government announced a new and expanded scheme of financial assistance to firms in depressed areas, euphemistically called Development Districts or Areas. Henceforth, the ministry would provide grant assistance toward the cost of approved manpower training to firms setting up new factories in Development Districts, firms in these districts who were expanding their factories, and firms in these districts who—though not expanding—were involved in substantial retraining of workers as part of measures necessary to prevent a reduction in employment.

New Policies of the Labor Government

Within six months after the passage of the Industrial Training Act, the Labor Party came to power. Elected on a platform of promoting economic growth, the new government decided to bring the existing economic planning machinery more into the orbit of the government. A Department of Economic Affairs was created and work begun on the preparation of a "National Plan." The Plan, which was published in 1965, set forth the government's objective of attaining a 25 per cent rate of growth of the GNP for the six years from 1965 to 1970.[5]

The industrial survey, undertaken as part of the planning exercise, indicated that the proposed growth rate could not be achieved under existing circumstances. Consequently, "new policies to raise industrial efficiency and economise manpower" were nec-

[2] National Economic Development Council, *Growth of the United Kingdom Economy 1961-1966,* London, HMSO, 1963, p. 25.

[3] National Economic Development Council, *Conditions Favourable to Faster Economic Growth,* London, HMSO, 1963, p. 1.

[4] Joseph Godber, "The Industrial Training Act," *The Industrial Training Act: Report of the BACIE Conference, London, 29 April 1964,* London, British Association for Commercial and Industrial Education, 1964, p. 4.

[5] *The National Plan,* Cmnd. 2764, London, HMSO, 1965.

essary.[6] There was an apparent "manpower gap" with a demand for 800,000 new laborers and only 400,000 likely to become available without changes in policies:

"The inquiry revealed the need for large movements of labour, with three major sectors—agriculture, mining and inland transport—requiring some 400,000 less workers; other industries, including aircraft, textiles, clothing and footwear, 200,000 less; while other sectors were estimated to require an extra 1,400,000 workers, the major claimants being mechanical and electrical engineering, construction, public administration, health, education and other services. There have been large movements of labour in the past. But with total manpower going up very slowly in the next five years it is particularly necessary to get labour redeployed from where it can be spared to where it is needed. It is important that this redeployment should be planned so far as possible in advance."[7]

The National Plan stated that the solutions to the balance of payments deficit, the improvement in industrial efficiency, the closure of the manpower gap were "by economies in the use of labour, through productive investment and in other ways, and by using more fully the labour reserves in the less prosperous regions." The Plan provided for a system of redundancy compensation, the continued development of the Industrial Training Boards, a further extension of Government Training Centers, improvements in the Employment Exchanges, and various other measures to help facilitate worker mobility. In addition, the government planned a system of wage-related unemployment benefits.[8]

The Plan envisaged the operation of the manpower policy through a cooperative effort on the part of the government, the Economic Development Committees for each industry set up under the National Economic Development Council, the Industrial Training Boards, and the regional Economic Planning Councils. Comprehensive information on the availability of and need for skilled labor provided by these groups would be used to assess training needs, to guide companies considering the establishment of new plants in the various regions, and to help bring about "an efficient redeployment of labour." The ideal, stated the Plan, "is that with any redundancy notification to a worker should also be a notification of the new jobs available to him."[9]

The government's redeployment program resulted in new legislative enactments and infused new resources into established programs. Redundancy payments and adult retraining facilities were to provide incentives for workers; employment services were to facilitate the movement; and the Selective Employment Tax was expected to goad employers into cooperating.[10]

The failure to eliminate the balance of payments deficit in 1966, and the drastic economic measures subsequently required, invalidated many of the assumptions and figures in the National Plan—although not the concept of planning. In the view of the government, it was more than ever necessary to pursue the action program in the plan, including those parts dealing with manpower.

[6] *Ibid.*, at p. 4.
[7] *Ibid.*, at pp. 4-5.
[8] *Ibid*, at p. 10.
[9] *Ibid.*, at p. 11.
[10] John and Anne-Marie Hackett, *The British Economy: Problems and Prospects*, London, Allen & Unwin, 1967, p. 221.

The Redeployment of Labor and the Depressed Areas

Although primarily intended as a means of raising revenue and reducing demand in the short term, one of the main objectives of the Selective Employment Tax (SET) was to encourage "economy" in the use of labor in services and thereby "free" labor for needed expansion in manufacturing and export industries.[11] SET provided for a premium (refund of tax plus an additional sum) to be paid to employers in the manufacturing industries and for the tax to be refunded to employers in fishing, mining and quarrying, transport and communications, agriculture, horticulture, and forestry. Employers in construction and the service sector, including distribution, were to pay the tax without receiving a refund.

The imposition of the same rate on full-time and part-time workers proved to be a marginal disincentive to the employment of part-time workers in the industries which paid the tax without refunds; therefore, in 1967, a partial refund was introduced, payable to employers in those industries with part-time employees.

Another modification in SET permitted greater selectivity between different industries and regions. This was the "Regional Employment Premium," incorporated in the 1967 Finance Act which was intended to draw business away from areas which had inflationary pressure and stimulate expansion in the Development Areas by reducing wage costs. In 1968, the additional premium paid to employers in manufacturing industries was discontinued, except for employers in Development Areas.

The attempt to improve the employment balance between the more and less prosperous regions has, in the view of several observers, contributed to some improvement in the relative pattern of unemployment in the Development Areas, although increased structural difficulties in certain industries and areas (for example, coal in the northern region, and shipbuilding in the Northeast and Scotland) make the pattern difficult to interpret.[12] The first report on the effect of SET on the distribution industry, where it constitutes a net tax burden, claims that it has played a "major role" in producing an "abnormal" rise in productivity. The report also claims that SET has speeded up changes in distribution which would have taken place anyway, such as a reduction in the number of sales clerks and an acceleration of self-selection and self-service.[13]

The economic development program, however, has created some artificial administrative barriers between areas with not very different economic conditions—often geographically neighboring areas. This has fostered a number of meaningless moves of industries over an administrative borderline. In some instances they were lured away from areas equally in need of economic development. The government has attempted to cope with this problem by developing a policy for the so-called "intermediate areas."[14]

Public Employment Service

The employment exchange system of Britain—an old and well-established

[11] The principles of SET were incorporated into the Finance Act and the Selective Employment Payments Act, both adopted in 1966.

[12] "Manpower Policies in Britain," *Employment and Productivity Gazette,* Vol. 77, August 1969, p. 721.

[13] "The Effects of SET," *Economic Progress Report,* March 1970, pp. 1-2.

[14] "Work cited at footnote 12, at pp. 721-722.

organization—became an active instrument of manpower policy under the National Plan. Innovations and reforms introduced in 1965 and thereafter include:

(1) The payment of unemployment insurance benefits by mail at 55 Employment Exchanges, combined with weekly attendance at the office to prove unemployment.

(2) The location of the job placement and unemployment compensation activities in different premises.

(3) The adoption of a policy of upgrading the physical facilities.

(4) "Area Management" has been adopted in 40 areas, which places six local offices of the system under the supervision of one area manager. Hopefully, this will provide for better coordination of services, improved relations with firms, and improve the coordination of employment work over wider areas.

(5) The establishment of special arrangements for handling the placement work involved in cases of mass redundancies.

(6) The development of a "steering scheme" for encouraging workers to go to firms of particular importance for the national economy.

(7) The Occupational Guidance Service was created on an experimental basis in March, 1966. Prior to this time, the Employment Exchanges had provided job placement services, but little attempt was made to provide vocational guidance through the use of psychological tests such as the GATB—widely used by United States employment services. The Occupational Guidance Service has proven so successful that it is being systematically expanded to cover the rest of the nation.

Britain also has a separate Youth Employment Service which provides occupational guidance to young people under age 18. This body is administered jointly at the national level by representatives from the educational and manpower interests, and at the local level by the local education authorities. The successful development of the Occupational Guidance Service has generated considerable pressure to merge the two systems into an all-age occupational guidance service under a single agency.

Redundancy Payments and Unemployment Compensation

In order to encourage readier acceptance by workers of the need for change in industry, the government promoted the passage of the Redundancy Payments Act of 1965. The Act gives the workers a right to lump-sum payments if their dismissal (singly or collectively) is attributable wholly or mainly to redundancy (in the sense of a reduction in their employer's needs for a particular kind of labor), or who have been laid off or put on part-time for a substantial period. Payments must be made by the employer, who, in turn, can claim a rebate from a central Redundancy Fund representing an average of just over 70 per cent of the total payment. The fund is financed by a surcharge collected on an employers' National Insurance contribution. In 1968, payments from the fund averaged $652 per worker (roughly 10 weeks' wages), and were made to about 264,000 workers who became redundant.

Redundancy payments have not only provided compensation for loss of job—reducing hardship in individual cases—but have also induced a readier acceptance of the change in employment necessitated by economic change:

"It seems to have had a major influence on the attitude of trade unions to redundancy and technical prog-

ress; in place of the former insistence on no redundancies under any circumstances, or the generally observed rule of "last in, first out," a much more flexible attitude is now usual. It has also resulted in the employment services being informed of impending redundancies so that it has an opportunity to find suitable alternative work or to take other counter action with the least possible delay. This co-operation between employers and the employment service is an important step towards improving the service."[15]

In October, 1966, the government responded to the recommendations of the trade unions by introducing a scheme of earnings-related supplements to the basic flat-rate unemployment and sickness benefits under the National Insurance system. The supplements amount to about one-third of the workers' average weekly earnings between $21 and $72 per week, and increased the benefit level from roughly 40 per cent to 60 per cent of the average income of a married male worker with two children.

While the redundancy and unemployment benefits have ameliorated the financial burden of redundancy and redeployment, some observers have suggested that the incentives ought to be weighted more heavily toward getting redundant workers into more productive jobs. Another concern is that the unemployed workers may be using their "eased situation" to be more choosy in accepting offers of new jobs.[16]

Training and Retraining

Surely the most imaginative of the new manpower programs adopted in Britain during the past decade are those related to training and retraining, particularly the new industrial training system created by the Industrial Training Act.[17]

In the six years since the Industrial Training Act became law, 26 statutory Training Boards and the statutory Foundry Industry Training Committee, encompassing two-thirds of the labor force, have been established. At the present rate of progress, the 30 or so ITBs planned for all sectors of British industry will have been established by the end of 1970 or early 1971.

Interestingly enough, one of the initial objectives of the Industrial Training Act—that of insuring that the financial burdens of training are fairly spread throughout the industry concerned—may well turn out to have been a red herring. The complexities of attempting to accomplish this objective in a fair and equitable manner, and the emergence of a body of informed opinion that it is less important than initially thought, is leading to a reconsideration of the future role of the levy-grant system. This, as it turns out, has proven to be a blunt but effective instrument for making training a vitally important concern of British management, getting everyone concerned about the economics of training, and providing a mechanism to impose standards and facilitate manpower planning.[18]

Whatever else it may or may not accomplish, the machinery created by the Industrial Training Act has generated a meaningful national training consciousness in Britain. For the first time the general public and busi-

[15] *Ibid.*, at p. 723.

[16] *Ibid.*

[17] For a more extended treatment of the development of the Industrial Training Act see Gary B. Hansen, *Britain's Industrial Training Act: Its History, Development and Implications for America,* Washington, The National Manpower Policy Task Force, 1967.

[18] Michael Oatey, "The Economics of Training with Respect to the Firm," *British Journal of Industrial Relations,* Vol. 8, March 1970, p. 20.

ness managers have become aware of the importance of training. The challenge of the past six years has been to channel this newly awakened awareness into desirable and constructive training activities.

This has been accompanied by a heightened interest in the economics of training. Where there was a virtual dearth of information on the subject prior to 1964, the levy-grant machinery has led to the initiation of a substantial amount of research on the subject. Cost-benefit analysis of training has assumed a new and respectable role in British management and academic circles; the British lag behind the United States in this work is rapidly being overcome. Indeed, some recent British studies offer new insights even to long-time American students.[19]

Although the activities associated with the development and operation of levy-grant systems have received the most publicity both in Britain and abroad, the functions of the ITBs other than those directly related to the levy will, in my judgment, prove to be the most significant in their contribution to increasing the level and effectiveness of occupational training in Britain. Several of these have implications for the United States.

The Many Functions of ITBs

Among their functions, the Industrial Training Boards collect manpower and training information (and financial information concerning training) from firms within their jurisdiction. This has enabled the Boards (and ultimately the government) to begin for the first time to assemble some reliable data on occupational training—something which we have not yet achieved in the United States. Work is also under way at the ITB level and within the Manpower Research Unit of the Department of Employment and Productivity to obtain the necessary information to provide continuing and accurate assessments of current and future manpower requirements by occupations and specific skill content. Considerable attention is currently being given to manpower planning and forecasting at the level of the individual firm.[20] While these are clearly long-term exercises and the benefits will not be realized for years to come, they represent an essential component of any effective manpower policy.

The ITBs are developing realistic training standards and some excellent training syllabuses. They are also placing considerable emphasis on the development of management training. In the process, they are developing radical new approaches to training (for example, the module approach adopted by the Engineering and Construction ITBs) which hold the promise of drastic reorganization in the training given many workers.[21]

[19] Brinley Thomas, John Moxham and J. A. G. Jones, "A Cost-Benefit Analysis of Industrial Training," *British Journal of Industrial Relations,* Vol. 7, July 1969, pp. 231-264.

[20] For an example of the work see Central Training Council, *Company Manpower Planing,* London, HMSO, 1969.

[21] The "module system," adopted by the Engineering ITB is based on the identification of craft skills needed in the industry by a process of analysis on the basis of a module of time needed to learn them (the "training" module) and a module of time of experience needed to develop them (the "experience" module). After the first year of basic training (off-the-job) common to all engineering craft apprentices, a selection is made in each individual case of the skill modules to be learned and of the experience modules to follow them. In this way, it is hoped that firms, identifying their own needs and capabilities and interests of their trainees at the end of the first year, can select the most suitable combination of training for their skilled craftsmen. For a more detailed description of the module system see:

One of the most promising activities of the ITBs is the provision of technical advice and assistance on training matters to individual firms. Britain's experience suggests that exhortation or even the threat of penalties are not enough to bring about improved training. The ITBs have found that no other success can overcome the failure to provide adequate training advisory services to the individual employer—particularly the small or medium-sized firm without the resources or knowledge to translate training recommendations into meaningful training practice. The Boards are also serving as a focus to identify training problems within given industries and are promoting experimental, and demonstration, and other research of common value to the industry.

The ITBs are providing, for the first time, a legitimate and comprehensive mechanism for facilitating the exchange of training experience and techniques between firms and industries. The collection and dissemination of information and techniques of good training practices through the publications and advisory services of the Boards and the periodic meeting of Board staff members both formally and informally are having a substantial influence on raising the level of training competence throughout industry. Similarly, the ITBs have promoted inter-firm cooperative training ventures on a much wider scale than was possible before the passage of the Industrial Training Act. This has been a tremendous boon to small and specialized employers who, acting alone, were unable to afford the cost or provide the expertise to develop effective training programs.

While the government held out great hopes for the Industrial Training Act as the primary means of providing vocational training and retraining, the first efforts of the new ITBs, once they became organized, were to improve the training of new entrants into the labor market. The retraining of workers, for the time being, was carried out in the expanded system of Government Training Centers. These centers, most of which were holdovers from the accelerated vocational training programs initiated during World War II, had been providing intensive six-month training courses for adults in a number of skilled trades, particularly engineering and building construction. By January, 1971, there will be 55 GTCs in operation, with 13,400 training places. Twenty-seven of the GTCs and 44 per cent of the training places will be located in Development Areas. However, the provision of facilities and the organization of retraining still lags far behind that necessary to bring about the redeployment of labor projected by the economic planners. Then too, the ultimate relationship between the GTCs (as vehicles for adult retraining) and the Industrial Training Boards—which have been charged by the Industrial Training Act to carry out training and retraining for *all* workers in their respective industries—is still to be worked out.

Prices and Incomes Policy

The more efficient use of labor was also considered in the context of the government's prices and incomes policy. The "White Paper on Prices and Incomes Policy," published in April, 1965 (Cmnd. 2639), recognized that pay increases above the norm of 3-

(Footnote 21 continued.)
Engineering Industry Training Board, *Training for Engineering Craftsmen: The Module System,* 1968. For a good description of the new approach to training in the construction industry see Herbert A. Perry, "New Training Plan in Britain's Construction Industry," *Monthly Labor Review,* Vol. 93, February 1970, pp. 27-31.

3½ per cent could be acceptable where the employees concerned made a direct contribution towards increasing productivity in the particular firm or industry. Although the principle was set aside temporarily during the subsequent economic crises in 1966 and 1967, the government has reaffirmed its support for collective bargaining agreements which promote productivity. The National Board for Prices and Incomes has also endorsed the view that negotiation machinery in industry should be constituted to promote questions of pay and productivity being considered together. It is hoped that the parties will seek to improve their incomes in a non-inflationary way by entering into agreements about specific measures for the improvement of productivity. The hope is that such agreements will not create precedents which will ruin the entire stabilization policy.

Other Manpower Measures

Two additional manpower measures have been adopted since 1967. These are the changing of the name of the Ministry of Labor to the more glamorous title of "Department of Employment and Productivity" and the creation of the Manpower and Productivity Service (MPS). The government hoped that the new title would call attention to its efforts to modernize the British economy by encouraging the introduction of new methods and the grouping of productive resources into more efficient units.

The new MPS is an extension of the old industrial relations service which has long acted on the local level as advisor to industry on personnel and industrial relations problems. The work of the service—supplemented by the Commission on Industrial Relations which was established in 1969—and the proposed Industrial Relations Bill now before Parliament represent an attempt to develop more effective machinery for promoting productivity and reducing unnecessary strife in the industrial relations system—thereby indirectly achieving a better functioning of the labor market.[22]

The British Experience: Lessons

In considering the lessons to be learned from the British experience in developing an active manpower policy during the past few years, three conclusions stand out.

The first conclusion is that the full range of manpower policies and programs should have been available for use when the need for a "shakeout" and "redeployment" of resources first became manifest. The measures undertaken in 1966 and 1967 to achieve external and internal balance in the British economy resulted in a substantial rise in the level of unemployment. If the new manpower policies had been available in 1960 or earlier, such drastic economic measures might not have been necessary. As it was, the absence of these policies or their incomplete development, made the manpower problems of the 1960's more difficult to resolve.[23]

[22] For a brief review of the first 11 months' activity by the Manpower and Productivity Service see George Cattell, "MPS: Proponent and Agent of Change," *Employment and Productivity Gazette,* Vol. 77, December 1969, pp. 1,106-1,108.

[23] This point has been well stated by the Manpower and Social Affairs Committee of the OECD: "The British experience in attempting to achieve the necessary restructuring of the economy and the labor market shows that the machinery for an effective manpower policy cannot be established in a short time. It takes several years to build new institutions, both physically and organisationally, to engage and train the necessary personnel—employment service administrators, industrial training staff and research workers—and to infuse them with

The second conclusion is that the creation and expansion of a substantial number of agencies and programs with manpower dimensions have generated serious problems of coordination and rationalization. The overriding need to expand programs on all fronts in order to cope with the pressing problems seems to have left little time to devote to the broader task of "making sense of manpower policy." In this respect, Britain has followed the path of the United States, for our manpower policies and programs have been created on a piecemeal *ad hoc* basis without much thought to the integration of the components within a logically planned and coherent national manpower policy. Just as United States policy makers are currently facing the necessity of rationalizing a disparate collection of manpower programs and policies into a meaningful whole, so British manpower experts are now recognizing the need to initiate the same process.

It is to the credit of the British that, although they still have some way to go in developing an active manpower policy in the fullest sense of the word, they have attempted to create a broader and more comprehensive framework for their manpower policy than is the case in the United States. This is especially true in the area of vocational training. The Industrial Training Act, unlike our MDTA and related legislative enactments, provides a general manpower training framework which covers *all* age groups, levels and categories of training, and degrees of advantage or disadvantage. I do not think we can develop an effective manpower policy in the United States until we adopt equally broad-based approaches to our manpower problems.

The third conclusion is that it may be unrealistic to adopt the concept of the Industrial Training Board in the United States, given our greater size and more complex but looser structured industrial relationships. Nevertheless, the development of a manpower training advisory service patterned after those developed by the Industrial Training Service and Industrial Training Boards in Britain does have direct application here. Indeed, one wonders why the development of such a service has never before been given serious consideration in the United States. The failure to provide meaningful manpower training advisory assistance to employers—at a time in our history when concern for the disadvantaged and unemployed has become paramount in our thinking—is unconscionable. This concern has been met with a large array of programs to develop employability at federal expense. How much more effective would the MDTA-OJT and JOBS programs be if the British system existed? How many more small and medium-sized employers could be drawn into meaningful manpower training programs and, at the same time, improve their own training competencies if training advisory assistance could be provided to them by a similar agency? We have devoted much time and vast sums of money seeking to create programs designed to reclaim and develop our human resources. But we have omitted a vital part of that mechanism—a realistic and *effective* means of helping the employer do his part of the job. It is true that Xerox and Ford and General Electric are quite capable of providing the ex-

(Footnote 23 continued.)
the new spirit and the working methods needed for the implementation of an active manpower policy." Work cited at footnote 12, at p. 721.

pertise to do this job, but what of the thousands of firms not on the *Fortune* "500" list. What of the neighborhood garage and the employer with less than 250 employees? A check with the state employment service offices and the conditions under which they are placing WIN (Work Incentive Program) slots will suggest ample failure, as will a followup study of the quality of training received by JOBS trainees. If the task is really bigger than the National Alliance of Businessmen is capable of handling through the corporate giants, then there is a need for manpower training advisory services on the part of a large number of the employers invited to participate—or, more importantly, of those who could be invited to do so if such assistance were available.

Of equal importance is the need to improve vocational training in industry on a more general basis.[24] Although the desire on the part of industry to obtain training advisory assistance has been less well documented, there are strong indications that this is the case.[25]

Rather than provide technical training assistance on the basis of "crash" programs or hired "consultancy" support, which has limited impact and is very expensive—and which is applicable only to those federally subsidized programs for the disadvantaged—we should develop a professionally competent manpower training advisory service under public auspices on a broader and more permanent basis. Such a manpower training advisory service could assist *all* employers desirous of using its services to help identify and resolve their training problems and to improve their training competencies. The cadre of training development officers thus created to operate in the various states and communities could serve another vitally needed function—that of providing an effective linkage between employers and the vocational education establishment. They could help articulate and integrate—on a realistic and continuing basis—the training needs of employers with the institutional vocational education programs and curricula in the public schools. Such a service, if operated at the state or federal level, would contribute more to the *improvement* of manpower training in the United States than most of the changes now being advocated in Congress—and at considerably less expense. Or stated another way, it could help insure that the federal funds being expended for manpower training in industry result in a much higher quality of training than is now the case. **[The End]**

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[24] Task Force on Occupational Training, *A Government Commitment to Occupational Training in Industry,* Washington, U. S. Government Printing Office, 1968; Richard Perlman, *On-The-Job Training in Milwaukee —Nature, Extent, and Relationship to Vocational Education,* Madison, The University of Wisconsin Center for Studies in Vocational and Technical Education, 1969; Bureau of National Affairs, *Training Employees,* Washington, 1970; John Iacobelli, "Training Programs of Private Industry in the Greater Cleveland Area," Doctoral dissertation, University of Texas, 1969.

[25] The author is currently conducting a statewide study of manpower training in Utah. The preliminary findings of this study suggest that employers both need and want training assistance and they would like to see such a service provided by a public agency.

The Scandinavian Experience

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THE CONCEPT of "manpower policy" is a recent one. Coined in response to the requirements and problems of the last 15 years, the phrase serves to demarcate current interests from prior absorption with labor and social problems. Unhappily, it has not been used with the precision necessary to project this contrast. Speakers and writers have freely employed the term loosely to refer to a variety of programs, limiting or extending its meaning to serve their own tastes. No lexicon exists to differentiate the varied phrases in the field.

The need for sharp distinctions in meanings will arise when tests begin to be made of the adequacy of our total national system of manpower measures. In the meantime, these contrasts will be drawn in international comparisons. Otherwise, our terminology will obstruct both appreciation and understanding and limit our insights into the ways pursued by others.

As an example, consider the way in which the phrase "active manpower policy" is employed in this country. It slipped into our vocabulary without careful preparation as a word-of-art in the Secretary of Labor's manpower reports. American authorities coopted this term in 1963 on the occasion of the oral examination of American policies and programs by the Organization for Economic Cooperation and Development (OECD) Manpower and Social Affairs Committee. It appeared to them to be a more exciting title for the programs than existing ones. But its adoption here brought changes neither in policy nor attitudes. It carried a specific meaning to the members of the OECD Manpower and Social Affairs Directorate who fashioned the phrase to reflect their broad view of the objectives and contents of a national manpower policy. The 1964 OECD Council policy statement on the subject clearly recorded this meaning. The phrase conveys the amalgamation of ideas wrought from those underlying the Swedish "active labor market policy" and the philosophy expressed in the International Labor Organization (ILO) resolutions and recommendations on a "full, productive and freely chosen employment policy" emerging in 1961 and finally approved three years later.

The United States never implemented these views specifically though it had approved and voted for the OECD Council resolution. Moreover, no effort was subsequently made in this country to test the propriety of the use of the term "active manpower policy" for the bundle of manpower programs initiated and administered in this country. Nor have we itemized the changes required to conform to the basic characteristics of such a program. Nevertheless, we continue to use the heady phrase for a collection of discrete and token efforts at dealing with our total manpower challenge.

Origins of Manpower Measures: Labor and Social Policy Until 1935

The need for such distinctions becomes apparent when one realizes that many measures and tools currently employed in this program originated

in an earlier era. Often, the recent innovation provides funds for functions which had been acknowledged but which had not been at all—or only modestly—discharged. The resort to established institutions serving the work force called for their reorientation and reorganization and changes in priorities to serve the new ends. But the innovators and legislators, particularly in this country, in their impatience and overpowering sense of urgency bypassed existing agencies and created new ones. The consequent dual system of services produced problems for the bureaucracies, clients and communities. We have since witnessed continuing efforts to integrate these agencies into single systems. Unfortunately, the administrators seeking to make these consolidations have not always kept in mind the diverse objectives of these agencies nor allowed for these plural functions in the new organization. In no small part this deficiency is due to the lack of both careful analysis and explicit formulations of the different objectives and concepts of responsibilities.

Those manpower measures which antedate the 1930's endeavored to ameliorate or correct abuses in our industrial system—aiming to protect the weak; prevent inappropriate employment of the young and women; correct deleterious working conditions; uproot the abuses of private employment offices; and facilitate the placement of those who found it difficult on their own to obtain jobs. The unemployed received relief in some communities; others obtained public employment on work relief or public works projects. Other measures lifted the degrading and repressive hand of the poor law; subsequently, the federal and state governments passed assistance, public welfare, and social insurance legislation. In the 1930's labor relations legislation protected employees in their efforts to organize and bargain collectively. Minimum wage and maximum hour legislation established employment standards for the private sector. Housing legislation initiated programs for the construction of private and public housing.

These measures were individual, and were discreet in character. Each addressed itself to a specific abuse, failing, or the necessity to aid the weak in the community or the labor force. They covered different groups. Some addressed themselves to employees solely; others, to the unemployed; and still others to dependents and nonparticipants in the labor market. Social in character, they accented maintenance and regulation. Rehabilitation and upgrading remained minor themes. The government was the protector and regulator—not the active agent in guiding the economy. Presidents of the United States, until Roosevelt, had little use for economists and abjured intervention.

Basis for Modern Manpower Policy: Government Guidance, Intervention

A major change in attitude and philosophy took place in the latter part of the 1930's and in the war and early postwar periods. These shifts provide the foundation for the distinctive functions of modern manpower policy and its separation from social, community and industrial relations policy systems.

Fundamental to this transformation is the assumption by government of major responsibilities for surmounting depressions and, later, guiding the economy toward national objectives. Sweden was one of the first to do so. Precedents for this action can be found in earlier programs implemented in the 1920's and '30's. In the '30's, she deliberately and formally introduced countercyclical economic programs which reinforced market forces for economic recovery and helped end the decade with a minimum of unemploy-

ment. Norway followed a similar course. The United States made limited efforts in this direction at the end of the '30's long after Keynes visited our shores. The nations of Northern Europe became aware of the existence of backward regions and Great Britain started on its area redevelopment program.

But it took the wartime experience to convert the laggards and spread the conviction that governments through their policies and programs could restore the economies, maintain relatively stable levels of economic activity and underwrite full and high employment. Later, the governments identified national economic growth as a common purpose. The countries also rounded out the list of economic and social objectives including improvements in the distribution of income, balanced regional rates of growth, reduction of working hours, improved standards of living and greater satisfaction of collective needs.

The governments in the postwar years became the means for realizing defined national objectives. They devised national programs to promote these goals and chose instruments and measures to reach these ends. Both Norway and Sweden were in the vanguard of the nations pursuing this course. The Marshall Plan did much to intensify these planning exercises by requiring European countries to formulate careful estimates of economic needs and uses of financial and technical assistance. The United States itself followed hesitantly with an uncertain commitment to this new approach by the passage of the Employment Act of 1946.

Both Norway and Sweden placed full employment high on their list of priorities. With the Social Democratic governments at the helm, these goals became and remained preeminent objectives. Programming bodies were organized either as distinct agencies or as part of the Ministry of Finance as in Norway and Sweden. They provided the government with the fundamental data to monitor developments and the projections on which to build policies. Governments deliberately initiated programs and, now, increasingly coordinated the plans of separate agencies into coherent systems. In the early postwar days they resorted to direct controls; later they progressively replaced these measures with general indirect fiscal, monetary and manpower policies and programs as well as guides for private decision-makers to assist them in acting more in concert with national objectives. To effect these goals, governments organized new institutions and services, built new facilities and adopted new laws. The advice and support of the affected private interests were sought both in devising new measures and administering all laws. The hope was to synthesize all elements of the society and economy into a harmonious collectivity.

These programs have been highly effective. Northern European countries, and particularly Norway and Sweden, enjoyed high employment in the postwar years. Their economies have been relatively stable, experiencing only minor setbacks. Growth has been continuous, averaging annually 4.4 per cent for Norway and 3.9 per cent for Sweden. Income distributions have been measurably equalized, though low-income enclaves persist. Both countries reduced regional disparities in income.

Other changes also occurred during the period. Probably the most important was the maturation of the welfare state. The scope of the insured risks broadened and the services became more accessible, varied, and better in quality. Social insurance systems are being integrated with greater

emphasis being placed on rehabilitation and the restoration of individuals, hopefully, to full participation in the community and economy. Social amenities such as housing, and healthy and pleasant surroundings are being promoted. Educational opportunities have multiplied and are being democratized as many new groups now reach schools of higher learning. Preventive measures anticipate personal and social difficulties. Governments provide these services and are replacing, or guiding, private efforts in these fields. These national societies also recognize that all classes require these services and facilities. Public responsibilities originally concentrating on the disadvantaged are being extended to the entire population, though of course the assessments for these social services vary with economic ability.

In this setting, manpower policies took on a new meaning. Increasingly, they gained a separate identity. Both countries perceived that manpower policies would constitute a distinctive bundle of positive policies and programs directed to specific goals. No longer would they be responsive solely to change, be protective in nature, or regulatory in intent. They had to be active and initiatory in character to advance these objectives. Just as the nation's human resources had become ends in themselves, so would they also be agents for the promotion of the nation's well-being. Manpower programs served not only to improve the individual's welfare but also that of the total nation. Manpower measures became instruments for the advance of economic, social and other national objectives. Economic measures, and other steps, had to respect human ends and assist in attaining manpower goals. All policy systems had explicitly to coordinate their efforts and become complementary and supportive of one another.

Manpower Agency in the Economy

The manpower agencies in the two countries developed in somewhat dissimilar ways though they shared many common attitudes and maintained an active exchange of ideas, programs and experiences in the fields of economic, social and manpower policy. The contrasts stem from their diverse needs, variations in philosophy and political settings and the distinctive levels of economic and institutional development. In the manpower field the differences alternately narrow and then widen as each explores its individual solutions. But these policies tend to bear strong similarities to one another, thus enabling their representatives to carry on profitable dialogues and cooperative research.

Both countries at the end of the war accepted central systems of guidance for their economies. Norway made an open avowal of its commitments to national planning. The devastation caused by the German occupancy and the war demanded prolonged dedication to a system conducive to economic growth and stability. The people agreed to extensive government controls and guidance so that significant elements of these programs persist to date. The majority Social Democratic government gained the consent of all interests including the trade unions to a common economic policy and the discipline of a national income policy. Even when these measures were relaxed, the government retained and recurrently employed the machinery and precedents for conditioning the bargainer's attitudes and the contents of the ultimate agreement and direct intervention into collective bargaining. The final settlements have included arrangements on prices for the primary producers and other items, including legislative action and subsidies to forestall consumer price increases.

The situation developed differently in Sweden. The minority Social Democratic government led first to a coalition supported by the Agrarian party. It did not pursue a formal income policy, except for the intermittent use of the wage-freeze and severe restraints. The trade union movement (LO) supported by the employers rejected this instrument of economic policy and insisted on free wage negotiations. Collective bargaining remained insulated from the government's direct control or intervention except for the assistance of conciliators. The LO believed it essential to pursue a responsible policy in the national public interest, and urged the government to effect restraints on its own power by moderating inflationary pressures on the labor market. Manpower agencies were to employ selective measures to bank the fires of inflation and guarantee full employment through specific publicly sponsored or stimulated measures.

Both countries developed wide-ranging and diverse economic programs of general and specific measures to foster their declared objectives. They introduced annual and long-term planning systems to define and coordinate individual government plans and controls and guide the private sector.

At the war's end the manpower agencies operated the employment service and vocational guidance and offered services for vocational rehabilitation. But in the new setting they gained specific responsibilities for the employment-creating activities developed in the 1920's and '30's, namely, countercyclical public works and counterseasonal employment and stabilization programs. Both in Norway and Sweden the manpower agency became the principal agent for stimulating local reconstruction and, later, area redevelopment —including the training of persons for new industries. But in Norway the ties with the central planning groups in the Ministry of Finance remained essentially that of furnishing data on manpower and defining the problems in the labor market. Later, when the work on regional development grew in size and assumed more extensive forms, a newly created department took over this function.

In Sweden, the outlook fostered by the LO laid the basis for the implementation, particularly since 1958, of the active labor market policy. The Labor Market Board's staff has since grown to 5,300 persons; innovations and improvements are continuously being introduced to earn it the important role which it plays in the Swedish public administration of economic policies. It administers programs for cushioning the employment effects of economic reverses, containing inflationary pressures and helping individuals to enter the labor market and others, to adjust to changing employment conditions and job opportunities. It exercises an influence on the general and local levels of employment and the fate of specific groups by participating in decision-making on the Council of Economic Planning, Council for Industrial Policy, Regional Development Committee and by advising the Minister of Finance on the use of frozen investment reserve funds. Often in collaboration with other authorities, it decides on the spending on public works, public investments, additional government orders to private industry and governmental projects, and the awards of subsidies to investments in development areas, sheltered employments and archive work and the arrangements for training. The manpower authority employed these "direct action" tools to meet the rise in unemployment in 1966-8. The persons employed or trained on these projects jumped (in March of each year) from 43,000 in 1966 to 60,000 in 1967 and to

100,000 in 1968 (2.6 per cent of the active labor force). In March 1968, 35,000 were attending adult training courses and 78,650 received training during the fiscal year 1968/1969. In the calendar year 1968, the average "gross unemployed" of 170,000 consisted of 86,000 unemployed and 84,000 employed or trained under the manpower programs.

Comparable functions exist in Norway but many—other than public works and sheltered employment and training—are administered by other authorities. The manpower agency is consulted in some instances as in the case of seasonal patterns on public works, and in most cases on an *ad hoc* informal basis. The principal coordinator is the planning group in the Ministry of Finance; the diverse bodies with which the responsibilities are lodged initiate action. The economic and employment impacts may not be quantitatively different between the two countries but the manpower agency does not regularly or routinely participate in the evaluation of projects and action in terms of manpower policy criteria.

Adult training in 1968 affected 7,800 persons and the special employment measures, during the winter, 3,335 persons. Some 62,700 individuals received unemployment insurance benefits at some time during the year though the daily annual average was 9,517. The work force for a single date in autumn 1968 was estimated as 1,446,-737.

Manpower Policy: An Independent Policy System

Social motivations underlie the early measures of manpower policy. The economic orientation came later. Manpower policy now is a distinctive system with its own objectives, serving concurrently also as an instrument to promote complementary policy systems including economic, social, education, housing and community organization and depending upon them for the realization of its own goals.

Manpower policy objectives in these two countries are both individually and collectively oriented. Each extols the free and rational choice by individuals of productive employment and seeks to facilitate their optimum placement, giving particular attention to marginal groups. The emphasis is upon helping people to attain self-fulfillment and self-reliance. As for the collective aspects, the objectives are to advance the productive full use of manpower resources through appropriate placement, guidance to mobility, adjustment to change and contributions to the other specific economic and social objectives, including economic and price stability. These individual and collective ends are the constant guides for testing measures and practical operations. Sweden and Norway, following the United States pattern, are beginning to make evaluations of the effectiveness of their activities.

Manpower interests in these countries expanded from a preoccupation with the unemployed to the potentially employable, the marginally employed, and now to the employed. The latter may receive help in the form of training and relocation or upgrading to anticipate future problems. Similarly, the earlier emphasis on manual and low skill trades and industries is growing into a concern for the widest range of industries and occupations requiring higher learning and the public services. In Sweden, the Labor Market Board has a virtual monopoly on the employment exchange services for a large section of teachers. Both countries regularly publish a vacancy list for a wide range of occupations. Its services to individual groups vary with their respective needs.

The two national agencies are primarily preoccupied with the external labor market problems. Only guarded efforts have been made to mesh them with those for the internal market. Information is supplied to management and unions; occasional meetings are held to interpret the data and instruct them in their use. But there is talk in both countries of interlocking the statistical systems for the internal and external labor market systems to make them more responsive to their common needs. The work on the computer and personnel manpower planning are advancing these steps. Both countries have advance warning systems on major displacements which trigger off official efforts by the manpower agency for the adjustment of the displaced. The manpower agencies are closely associated with the recruitment of manpower for some large ventures in areas where it is difficult to assemble staffs. They promote seasonal stabilization of construction. Sweden uses a system of starting controls and winter building subsidies. The Swedish Labor Market Board helps enterprises in the adjustment of internal migrants and rural and foreign labor. The public agencies are also in close touch with the personnel management associations. But neither has undertaken major programs for formulating guides for internal personnel policies to bring them into greater harmony with national manpower goals.

These integrated national systems replaced in 1940 in Sweden, and 1959-62 in Norway, decentralized municipal employment systems. The former has by now molded a closely articulated structure with a national orientation while Norway is still evolving one responsive to national policy directives. The latter's principal difficulties have been the local orientation of the staff and the restraints placed by the governmental budgeting system on the powers of the national manpower office to shift staff and rearrange structures. These are currently being considerably relaxed.

Both organizations are supervised by a tripartite board although the Swedish agency enjoys considerable more autonomy from detailed Ministerial direction.

The Swedish agency has built up its staff and resources particularly during the last 12 years. It now commands a large arsenal of resources and powers flexible enough to meet different situations—including the unanticipated. Its open-end appropriations permit it considerable latitude for expansion. Its modest research and informational facilities help it to anticipate developments and forestall difficulties. The Norwegian system has had access to the funds of the Unemployment Insurance plan for stimulating training, sheltered employment, relocation, rehabilitation and also regional development. Comparable assistance comes from the National Insurance institutions, Regional Development Fund, Municipal Banks, Housing Bank and Student Loan's Fund. These have contributed additional flexibility in the development and use of its tools. It is also expanding its monitoring and research facilities to allow for more independent judgments in this field. Both countries employ special commissions and study groups to examine current policies and programs and administrative structures and procedures. Governmental efficiency groups recurrently reevaluate operations together with the administrators to determine the changes needed for greater effectiveness.

The efforts at coordinating manpower policy with the activities in other policy systems is relatively uneven. Joint advisory groups exist in many areas. The manpower agency is able to take initiatives in some fields where existing authorities are slow

to act as in the case of housing for migrants in Norway. Both manpower agencies may secure the help of other agencies by partially financing activities as in the case of adult vocational training, vocational guidance or by offering direct services as in the instance of placements of trainees and students in work study programs. The Swedish ministers of economic, labor market and industrial policies meet weekly to review developments and needs. Comparable coordinating machinery at the operating levels has been proposed in Norway. Neither country has faced up to the challenge of bringing the influence of the manpower agency to bear on the principal policy areas affecting the realization of national manpower objectives.

Manpower Measures and Tools

Labor scarcities have been the preeminent postwar problem as unemployment troubled these countries only in 1957-9 and 1966-8. Reliance for new employees has been primarily placed upon internal migration and shifts from declining to expanding industries, natural additions to the work population and increased participation of women, older persons and the handicapped and other nonparticipant groups and in Sweden, on immigrants. Norway places considerable emphasis on siting new enterprises in backward areas to increase labor participation. Sweden adopted a selective immigration program for non-Scandinavians in 1967, but like Norway, continued a free labor market for members of the Nordic Labor community. Extensive programs obtain for the rehabilitation and reemployment for the handicapped. The same techniques are being increasingly applied to extend the recruitment of other marginal groups. Greater use is, therefore, being made of the health and welfare services to build up the competences of people being trained to enter the labor market. As manpower needs and the dictates of social policy will remain urgent in the 1970's, these schemes will continue to preoccupy the manpower agencies.

Labor market officials aid the school authorities in various ways by providing them with materials, teachers or trainers of teachers in occupational orientation and vocational guidance, and opportunities for practical work experience. These services extend in varying degrees from the elementary to the most advanced schools. More attention is being given by the manpower authorities to the school curriculum in the light of the changing industrial needs and these findings are offered to advisory bodies and administrative officials. Similarly, they have supported the extension of adult education programs. The agencies are directly concerned with occupational orientation, training and retraining of adults including the marginal groups like the handicapped and the new entrants and the unemployed and the employed seeking to be upgraded. Annually, this involves about 8,000 in Norway and 105,000 in Sweden. Trainees receive free instruction and materials, travel costs, maintenance benefits, family support, and other financial aids and services to facilitate the learning.

Full employment is a real commitment in these countries. Where jobs in the regular economic activities are not available, the manpower agency is responsible for creating alternatives such as providing government jobs; training and unemployment benefits are used as a last resort. Norway has placed a strong emphasis on regional development and sponsored the formation of growth centers and areas and industrial states. Sweden is currently considering these measures.

Both countries seek to improve the rates and speed of labor mobility, and insure its correct direction, as they

maintain national wage collective bargaining systems. The employment service must be particularly active in compensating or moderating the effects on mobility of the solidaristic trade union wage philosophy. Therefore, many concrete financial and other aids—including temporary houses—are provided for geographical movement. Last year about 29,000 persons in Sweden, and a somewhat less number in Norway, received mobility allowances. The obstacles to mobility are many in Sweden because of the physical and cultural distance between the forest counties and the industrialized areas in the center and south of that country—and the housing shortages in both. Occupational mobility is facilitated by the aforementioned adult training systems. Considerable initiative exists in producing and disseminating information on available vacancies; both countries now publish magazines listing vacancies which the individual can himself pursue. The self-service technique accelerates job search and reduces its cost, relieves the service of this work and allows it to concentrate on difficult cases.

The employment offices stress client-oriented integrated services helping them with information; guidance and aids for training; relocation and rehabilitation. The organizations stimulate migration where it has been sluggish. The ongoing challenge is to identify barriers and remove them and define areas of excessive mobility to moderate them and reduce their costs to the enterprise, individuals and society.

The social security and welfare systems in both countries are highly developed. In Norway, the social insurance system is being integrated into a single structure. Progress is also being made to create a comprehensive and coordinated social service program. These programs are financing many services needed by individuals and helping the manpower agency restore and rehabilitate individuals to reach their optimum place in society and the economy. In Norway, the unemployment insurance system is increasingly viewed as a program for supplying benefits during the period when the individual and the manpower agency together complete a satisfactory program for retraining, relocation and rehabilitation to restore or establish a person's capacity for economic self-reliance and final job placement. The manpower agency is seeking changes in the rules and regulations in the insurance programs, while supporting the liberalization of benefits, to eliminate deterrents and inhibitions to readjustment for continued employment.

The manpower agencies are responsible for the preparation of plans for the utilization of human resources in a wartime emergency. In Sweden, it also oversees the retraining of persons injured in military service and the training, employment and placement of noncombatant national servicemen.

The varied manpower measures and tools serve to promote economic and price stability, economic growth, full employment, regional balance, and equalization of income distribution. Similarly, they help realize the goals of social policy through diminishing unemployment and poverty and aiding individuals in realizing their occupational goals. Education policy is also enriched by its advice and aids. Housing programs have been made more realistic by tying in plans with prospective and current needs in the labor market.

Conclusion

The manpower policy systems in Norway and Sweden have a number of distinctive positive features as com-

pared with that in the United States. They seek to cover all groups in the population and all sectors—both private and public—and all occupations from the lowliest to the highest. Their objectives are defined and closely related to wide overriding national economic and social ones. Sweden has an integrated well-functioning central coordinating agency in the National Labor Market Board; Norway is evolving one. They are being equipped to monitor developments, test the adequacy of programs in light of needs. They can implement programs suitable to specific immediate needs and have access to the government and the legislators for additional power and resources. Manpower objectives enjoy a very high priority.

The United States cannot boast of these achievements. The objectives of American manpower efforts are circumscribed to a high degree. Its programs and measures are limited in scope and financing, constricting the range of tools to deal with labor market needs. Nor are the funds adequate for more than token efforts in the fields where they operate.

No integrated national system exists and the employment office program is based on state-federal relationships producing the strains of bifurcation. Its parts are dispersed among many federal agencies. The program is not closely coordinated and suffers from bureaucratic tensions and conflicts. The varied manpower authorities tend to be competitive rather than supportive in their outlook. Specific services are distributed in local communities and the relationship of manpower measures to other services is not clear; competition is rife. Many officials spend their time in warding off other bodies or seeking broader scope for their agencies. The old line services have resisted newer orientations and the newer ones seek to establish and maintain their independence.

The need is for an integrated manpower policy system with a clear purpose embracing national economic and social objectives and a central agency for coordination responsible for their attainment. No bill currently before Congress for the reorganization of these services adopts this urgent goal. If these bills are an indication of what will be done, immediately upon the signing of the act we shall have to start drafting a more far-reaching proposal for an effective manpower agency service. **[The End]**

The Canadian Experience

By WILLIAM R. DYMOND

Department of Manpower, Government of Canada

CANADIAN EXPERIENCE with manpower policy and programs may be more relevant to the United States than that of any other country, as we are neighbours sharing the same continent and a tradition of federalism in the exploitation of the economy and in the meeting of human development objectives. Our social and economic objectives are similar although emphases vary. Our governmental frameworks, while differing in many respects, have similar elements.

It would be presumptuous of me to attempt to draw lessons for the United States from Canadian experience in any detailed way. I will leave that up to my audience. From time to time, I will try to draw parallels from which you may gain some insights.

Canada's manpower policy and problems have been shaped by many influences—geography, climate, history, and the example of other countries. Historically, Canada emerged from a pioneer economy in which man lived essentially on the land and through the exploitation of other natural resources to one of full economic maturity in the last two decades. The manpower demands of full industrialization have made an impact on Canada extremely rapidly and with great force.

Specifics

A thumbnail sketch of Canada's manpower situation reveals the following characteristics: a labor force of 8,160,000; as a percentage of employment, manufacturing accounts for about 24 per cent; services, including business, personal and community, 23 per cent; trade and finance, 21 per cent; agriculture accounts for only 7.5 per cent. The other industry groups make up the balance. This kind of employment distribution is typical of a relatively sophisticated and mature industrial economy.

I might add, parenthetically, that to put Canadian economic and financial statistics in approximate United States terms requires you to multiply the numbers by a factor of about ten.

An important characteristic of the Canadian economy, for both employment and manpower policy, is the extremely rapid rate of labor force growth which is by far the highest in the Western industrial world. In the last five years, it has averaged some 3.3 per cent a year. This compares with a comparable rate of 2.1 per cent in the United States.

The rate of unemployment differs consistently in the five economic regions of Canada, as does the rate of employment and labor force growth. In addition, participation rates are lower in the depressed regions, amounting to almost 8 percentage points below the Canadian average in the Atlantic Provinces. In effect, the regional degree of manpower underutilization is a good deal greater than the unemployment differentials suggest.

Compared with an all-Canada average of 4.7 per cent, in 1969, the average unemployment rate for the Atlantic Provinces was 7.5 per cent; for Quebec 6.9 per cent; for Ontario 3.1 per cent; for the Prairie Provinces 2.9 per cent; and for the Pacific Region 5.0 per cent. These regional differences in unemployment rates—while varying marginally—have persisted over the years in spite of marked differences in the average unemployment rate.

Overall Aims

In the long run, the task of manpower policy is to ensure an adequate supply of productive manpower to meet the requirements of the economy so as to narrow the gap between the potential performance of the economy and its actual performance. In the shorter term, it also has the goal of assuring that there is an effective utilization of manpower and so ensuring that manpower is contributing to the productivity of the economy by matching manpower supplies and demands geographically and occupationally.

In recent years, we are beginning to increase our emphasis on manpower policy as a selective instrument of economic stabilization policy;

to assist in improving the tradeoff between inflation and unemployment in periods of inflationary pressure and to assist in absorbing surplus labor in productive activities such as training in periods of recession.

In Canada, we believe that a manpower policy should be "active" and that it should be an integral part of total economic policy in both the short and long term. As the 1964 policy recommendation of the Organisation for Economic Co-operation and Development Council stated, manpower policies are "expansionist with regard to employment and production but anti-inflationary with regard to costs and prices."

The Prime Minister of Canada, in announcing the establishment of the new Department of Manpower and Immigration in 1966, summarized the goals of Canada's manpower policy as follows:

". . . [T]he sustained growth of a highly productive economy depends on more highly trained manpower able to adjust its work to changing conditions and to take new opportunities for more productive and rewarding employment. This is of vital importance to full employment and national growth. . . ."

The emphasis of Canadian manpower policy can thus be described as largely economic rather than social, focusing on increasing the productivity of the labor force in long-run terms and in making a contribution to economic stabilization policy in the short term. This seems to me to contrast with the predominant emphasis of manpower policy in the United States which may be described primarily as social rather than economic as it focuses on the problem of poverty and on marginal elements in the labor force through training and other ameliorative programs. United States policy reflects its times and problems which come to the fore with blacks, ghettos and the social fallout left by the process of rapid urbanization.

Canadian policy is not oblivious to the problems of poverty and of the needs of marginal groups in the labor force and, recently, is moving heavily in this direction. Canadian manpower programs do make a significant contribution to improving the economic position of those in poverty groups and in facilitating the process of levelling regional disparities in Canada. Such objectives can be said to be secondary to the primary objective of facilitating economic growth and stability.

Manpower Policy Since 1966

In 1966, the Government of Canada consolidated all of the main elements of manpower and immigration policy into a single department known as the Department of Manpower and Immigration. Training, mobility and seasonality policy came from the Department of Labour; the Employment Service from the Unemployment Insurance Commission; the Immigration program from the Department of Citizenship and Immigration.

Since that time, significant strides have been made in the development and implementation of new policies and the resources devoted to this area have more than doubled in the intervening years. Thus, in contrast to the policy of the United States at the federal level, manpower policy has been gathered into one department and centralized at federal, regional and local levels under the auspices of a single department of government. This enables us to integrate the various elements of policy as they affect the members of the labor force and the employer community of Canada.

Specifically, Canadian manpower policy embraces the following activities: (1) labor market information and manpower analyses; (2) employment counselling and career guidance; (3) job matching and placement services; (4) adult training programs; (5) labor mobility programs; (6) manpower adjustment services in cases of technological and industrial change; (7) special programs on behalf of the disadvantaged; and (8) selective immigration policy.

The major programs which the Department administers in the manpower and immigration field are designed to meet the objectives of manpower policy as I have outlined them so far.

ADULT TRAINING

In Canada, education is the constitutional responsibility of the provincial governments. Because technical and vocational training is so directly related to the needs of the economy, the federal government in recent years has developed very substantial financial supports for provincial governments in this field. As a result, since 1961, under federal-provincial agreements, the technical and vocational training system of the country developed at a very substantial pace. About $1.2 billion of capital has been invested in less than a decade.

In April, 1967, a new program was introduced, known as the Occupational Training of Adults Program, which is designed to meet the training needs of adults in the labor force. The needs for technical and vocational training of youths and, indeed, all post-secondary educational needs are met to the extent of approximately 50 per cent by fiscal transfers from the federal government to the provinces.

The Adult Training Program is financed 100 per cent by the Department of Manpower and Immigration which purchases training for adult members of the labor force primarily from public training institutions but also from private industry and, on some occasions, from private schools. The program also pays for the "in-school" costs of apprenticeship programs. Training is provided to those selected by our Canada Manpower Centres as requiring training.

It is directed not only to the unemployed—who make up a substantial proportion of those trained—but to the employed and those requiring training to secure more productive jobs than they now have. The program purchases specific occupational training of up to a year's duration and also provides general educational upgrading to enable workers with limited education to develop the more specialized skills required by a modern economy.

Besides paying the full cost of training of adults, the Occupational Training of Adults Program provides for the payment of a living allowance to those trainees with adult economic responsibilities. The Canada Manpower Training Program pays training allowances of $40 per week for single workers to $103 per week, depending on the number of dependents. An additional $21.00 per week is provided for those training away from home. Training is available to persons who are at least one year past the school-leaving age and have been out of school for one year. There is no upper age limit for training.

The new program is doing broadly what it was intended to do. A preliminary benefit/cost study of the program has indicated that for each dollar put into the program, the economy gains between $2 and $3. Since its inception three years ago, the program has trained close to 700,000

men and women. Preliminary estimates from our regular follow-up surveys of graduates indicate that of those trainees graduating from skill and educational upgrading courses, roughly 80 per cent found employment after training while only 40 per cent had jobs previously. Employed workers are earning roughly 15 per cent more income after training than before training.

Expenditures on the program over the past three fiscal years have increased from $145 million to $279 million. In fact, last year and this year during a period of very substantial government restraint on expenditures because of inflationary pressures, it is one of the very few programs of the federal government which has expanded because of its contribution as an anti-inflationary measure and its aid to productivity. Benefit/cost analyses of the program, I might say parenthetically, were very influential in convincing the government of the importance of the program in this kind of context.

It has served to absorb a good deal of the increase arising from anti-inflationary measures and has reduced the amount of unemployment which would otherwise have occurred in some areas by as much as 20 per cent. This year, on average, three-quarters of one per cent of the labor force was in training at any one time under the Program and this figure would rise to one and one-half per cent of labor-force-time in the winter months while dropping to one-quarter of one per cent of labor-force-time in the summer months due to its deliberate seasonal bias which compensates for the marked seasonal fluctuations in the Canadian economy. The percentage of labor-force-time, while it may appear small, is higher than that of any other country with the exception of Sweden where approximately one per cent of the labor force is in training.

On a comparative basis with the U. S., expenditures on adult training in the year 1969-70 indicate that Canadian training expenditures were $240 million, while in the U. S. they were some $539 million. For this fiscal year, the relevant comparisons are $279 millions as compared to $837 millions.

As I suggested earlier, adult training can be a most effective instrument for cyclical and seasonal stabilizing. In general, during periods of economic buoyancy when private investment generates a high demand for labor and skills of all kinds, the flow of unemployed and underemployed workers will slacken and government investment in adult training can become more selective. By the same token, when private investment falters and jobs are few and men are idle, it is sound policy to direct a fair proportion of the increase in government expenditures to adult training which both absorbs an increased flow of the unemployed and raises their productive capabilities for the next period of economic expansion. These considerations apply seasonally as well, and we have made substantial headway in adjusting the volume of training to periods of seasonal slack. In February, the level of training is about four times that of July and August.

In this context, I was pleased to see the provision in the new United States Training Act for an automatic ten per cent increment in the funds devoted to training being triggered by continuing higher levels of unemployment. One would hope that this would be only a precursor of much greater flexibility in gearing training levels as compensation for variations in economic activity.

IMMIGRATION PROGRAM

A major contrast with United States manpower development policy is the relatively greater role which immigration plays in meeting Canadian manpower needs and in contributing to population and economic growth. Since 1967, with the formation of the new department, immigration policy has been an integral part of manpower policy and is a significant program element helping to fill gaps in our economy requiring skilled, technical and educated manpower.

There has been a substantial shift in the role played by immigration policy in recent years. During 1946-1962, only ten per cent of the immigrants were destined to managerial, professional, or technical occupations, while some 30 per cent were in primary and unskilled occupations. In 1967, new criteria embracing a point system related to the selection of "independent" immigrants to labor market needs and educational levels. Under this system in 1968-69, over 34 per cent of all immigrants were destined to the higher skilled occupations and less than seven per cent were in the primary or unskilled occupations.

Geographically too, the distribution of immigrants was highly correlated with economic opportunities within Canada. Immigration patterns reinforced traditional internal migration movements. The regional coefficients of immigration closely resemble comparable ratios for domestic migrants.

In the years since 1946, 3,266,000 immigrants have come to Canada, and the children of postwar immigrants make up a large and significant part of the population of over 21 million. Canada maintains 44 immigration offices in 31 countries. We encourage immigration on a nondiscriminatory basis for those desiring to enter Canada who meet uniform educational and labor market standards. We also provide for the reunion of close relatives of those who have already migrated to Canada.

Manpower Mobility Program

In a country such as Canada, financial difficulties confront workers who need to move from one part of the country to another to find a job. To assist such workers, the Manpower Mobility Program has been developed and is administered by our Canada Manpower Centres. Manpower Mobility grants may be paid to workers who are unemployed or who expect to be unemployed and are unable to find employment in their local area throughout the whole country. Under the Program, three types of mobility grants are available—trainee travel, exploratory, and relocation grants.

Trainee travel grants may be paid to enable a worker to take occupational training in another location and cover the actual travel costs, meals and accommodation. The worker is on an allowance which, as I indicated earlier, is part of the training program.

Exploratory grants are paid to workers who leave their homes temporarily to seek work in another area when there is little or no prospect of obtaining suitable employment in their own locality.

Relocation grants may be authorized to unemployed or underemployed workers who cannot get suitable employment locally and who have continuing jobs confirmed in other areas. These grants cover removal and travel expenses and a reestablishment allowance which can go up to $1,000 or more depending on the number of dependents, as well as grants of up to $1,500 for those buying and selling homes. In the last fiscal year, we were able to find jobs for, and make

relocation grants available to over 7,000 families; exploratory grants numbered some 7,600 and trainee travel grants exceeded 32,000.

The results of the program are most encouraging. Roughly one year after workers were moved through relocation grants, over 40 per cent were still employed in the job to which they moved and an additional 20 per cent or more while having changed jobs are located in the same community to which they originally moved.

While all workers who moved were unemployed at the time of the move, or were on notice of release, close to 80 per cent had full-time employment one year after the move. The median income gain for workers who moved with the assistance of a relocation grant was over $1,000 per year or 25 per cent. Thus it is fair to say that workers who received grants under the program within one year achieved a net increase in income which much more than exceeded the program's financial costs on their behalf.

MANPOWER CONSULTATIVE SERVICE PROGRAM

Another measure provided by the Department to assist both workers and employers to adjust to technological and economic changes is the Manpower Consultative Service. This Service encourages management and unions to work together to solve manpower problems arising from economic, technological and organizational change.

This program has proved itself in practice and has effectively headed off serious manpower disruptions in a very considerable number of particular cases involving technological change and the phasing out of plant operations. It has also contributed, in many instances, to avoiding serious industrial disputes arising over the issue of technological change.

EMPLOYMENT SERVICE

The basic instrument through which all our manpower policies and programs are implemented is the Employment Service which is organized on a wholly federal basis, and whose offices are now called Canada Manpower Centres to symbolize the new concept of the local employment office as the organization through which all manpower programs are delivered to the labor force. These Centres find jobs for workers, counsel them, and help them to meet the manpower needs of employers. While these offices were traditionally a part of the Unemployment Insurance system, in 1966 they were organizationally and physically separated from the administration of the Unemployment Insurance system. This was a fundamentally important step to ensure that the offices served economic objectives and were not simply an arm of the administration of Unemployment Insurance (designed primarily to ensure that workers receiving benefits were exposed to employment).

It is my view that much of the success we have had in Canada in efficiently organizing and implementing manpower policy is because the Employment Service is regarded as the principal institutional vehicle for the delivery of all manpower services to workers and employers and is under the direct operational and policy control of a single federal department responsible for manpower policy. This, as you know, contrasts with the situation in the United States where the Employment Service, while financed by the federal government, varies considerably in its impact from state to state because it is the responsibility of the state governments. Similarly, there is a diversity of institutions which control and implement various aspects of manpower operations and policy.

There is a network of over 350 Canada Manpower Centres across the country. Through these centres, we place people in employment, counsel workers about jobs, or assist employers in securing workers. The programs, which I have outlined, are available to the manpower officer in his work. He can counsel and refer persons needing training to training programs. He can provide financial assistance to move a worker to another locality where employment is available. He can discuss the range of job opportunities open to the worker on the basis of accurate and up-to-date labor market information. On the employer's side, the centres can advise on training programs, the availability of graduates, the workers he can secure from other parts of Canada by means of the Mobility Program, or the workers which he can arrange for recruiting from other countries through the immigration program. Thus, all our manpower programs are tied together and implemented through our area offices in each labor market across the country.

COMPILING CURRENT INFORMATION ON THE LABOR MARKET

Current labor market information on the occupational, geographic and industrial requirements of the labor market and on the changing composition of manpower supplies are basic to all of the decisions made by our manpower services. Labor market information on a current basis is necessary to enable us to select and counsel immigrants, select training courses for adults, counsel workers on available job opportunities, and move workers.

We have put major resources into the development of what I believe is the most comprehensive and modern labor market information system in the world. The system operates on national, regional and local levels. On the manpower requirements side we have developed—in conjunction with the Dominion Bureau of Statistics—a comprehensive monthly Job Vacancy Survey embracing samples of over 30,000 firms to provide us with an accurate and current count of job vacancies. This system is now becoming fully operational and will complement the labor force survey on the supply side of the labor market at a cost of some $1 million per year.

There are many other technical aspects of this labor market system which has developed information to provide a current and accurate basis for ensuring that the Department's programs and activities are continually responsive to the changing needs of the labor market.

This labor market system embraces some 70 economists in the various regional and district offices of our Canada Manpower Centre organization. It is responsible not to the operational and administrative part of the Department, but to the Program Development Service which is responsible for all of the research, development and labor market information work of the Department. In this way, there are stimulating career opportunities available for economists working in the labor market field operations of the Department while, at the same time, having career ladders within a more comprehensive research and development organization.

Maintaining Vitality, Relevancy

In conclusion, I should like to tell you something about our research, development and evaluation work which is embraced by the Program Development Service of the Department. This Service has a budget of some $7 million for work in the fields of research, development, program evaluation, and the labor market information system.

This Service embraces some four branches: Research; Planning and Evaluation; Training Research and Analysis; and Manpower Information and Analysis. The objective of this Service is to ensure that departmental policies and programs are developed, planned and altered (if necessary), to make the maximum contribution to the attainment of departmental goals, and to provide information and analyses vital to the effective operation of discretionary programs.

The Planning and Evaluation and Research Branches carry out fundamental analyses of the function of the economy and the labor market, provide long- and short-range forecasts of manpower needs, and conducts research and developmental activities on departmental programs. We have developed extensive benefit/cost models primarily in the fields of the Occupational Training of Adults Program and the Mobility Program to evaluate the impact of the programs.

The Training Research and Analysis Branch—which has been newly organized—undertakes research to help ensure that our training courses meet the needs of the economy and that the most efficient and effective training methods are used.

The Research Branch undertakes basic and fundamental research in the field of manpower and immigration including long-term forecasting of manpower requirements and supplies; the analysis of high-level manpower and its utilization; the followup of immigrants and their impact on the society and economy; the directions in which technological change affects manpower requirements.

In addition, for each program there is a continuing feedback of information through systematic followup questionnaires month by month. We have, for instance, initiated detailed followup surveys of: (1) workers moved under the Manpower Mobility Program; (2) trainees graduating from the occupational training programs; (3) newly-arrived immigrants; and (4) Canadian students at home or abroad subject to our placement and labor market information programs.

The analysis of the training program, for example, can be used to determine which kind of candidates the programs and investments can most profitably be made on. We can, for instance, determine whether workers in certain courses will, in fact, use this training, whether they will increase their income over time as a result, or are less likely to be unemployed. By comparing their past history with their activities and earnings after a training course or mobility grant, we can judge what kind of workers use the programs to the greatest advantage and which constitute the riskiest investments.

The Analytical Function

Even with less than three years' experience in administering them, we have already considerably altered the selection criteria for some of our programs to bring them into line with individual net benefit estimates. Recently, for instance, we tilted our Manpower Mobility Program in favor of older married workers with larger families, as they are the ones least likely to move on their own and most likely to settle successfully afterwards. We have cautioned our counsellors against unreservedly authorizing relocation to certain labor markets which are revealed, on analysis, as high turnover areas. We have cut out training courses where workers have made little use of the skills afterwards.

In addition, the information these models produce should, through time, provide an indication of the varying

levels of expenditure that are appropriate to use in manpower programs in different periods of the business cycle. I think it is clear that the economic contribution of various manpower programs will vary over the course of a business cycle. It seems fair to assume that, during periods of seasonal or cyclical slack and of higher unemployment, the benefits from manpower resource investments being by definition labor-intensive, will rise relative to that of other programs, and that they will fall—relatively speaking—during periods of economic buoyancy. Such findings can be confirmed (or negated) by individual benefit/cost findings over time and related to the larger macro-economic purposes associated with global monetary and fiscal policies. In pursuit of economic stabilization and growth, governments have an important need to identify what selective activities yield the highest incremental return and, by implication, the greatest impetus to full employment and growth.

In conclusion, therefore, I should like to say that the value of benefit/cost analysis in the manpower field, as I see it, is primarily a rigorous analytical aid to managerial decision-making with, perhaps, some clues as to the appropriate distribution of resources as between programs. It has substantial limitations, particularly with respect to the collective or social responsibility of government as a basis for the substantial revision of human resource development programs. **[The End]**

Manpower Policies: Lessons for the U. S. from Foreign Experience

A Discussion

By LEONARD J. HAUSMAN

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An Analysis of Papers by Gary B. Hansen, Solomon Barkin and William R. Dymond

WHAT LESSONS can be learned from Swedish, British, and Canadian experience with active manpower policies? The papers should have provided more information on the comparability of the economic and social settings among the various countries and on the effectiveness of their respective manpower policies to enable us to respond to the question at hand.

United States Manpower Policy: Flaws

An analysis of the Barkin, Hansen, and Dymond papers and the dinner address of Mr. Hodgson raises questions about the similarity of the objectives of manpower policies in the four countries. In Sweden and Britain, it is clear, for example, that the objective of manpower policy is to guarantee full and free employment to all interested citizens. By contrast, Mr. Hodgson noted four objectives of United States manpower policy: (1) equal employment opportunity for persons in all ethnic and racial groups; (2) a safe employment situation for all work-

ers; (3) efficiently delivered manpower services for the disadvantaged; and (4) a welfare system which would provide for a beter mesh between income maintenance programs and the processes of the labor market. The notable omission from the set of United States objectives is that of full employment. Manpower services must be provided efficiently and access to employment opportunities must be divided proportionately among racial groups—but neither training opportunities nor jobs need to be provided in any particular quantity.

Not only do the stated objectives of United States manpower policy differ from those of Sweden and Britain, but a superficial review of the actions of the present administration suggest that the actual objectives of United States manpower policy differ significantly from the stated ones. In regard to equal employment opportunity, the administration has indeed made an important thrust in the construction industry with its "Philadelphia Plan." But its refusal to request cease and desist powers for the Equal Employment Opportunity Commission, its failure to increase the EEOC's negligible staff, and its go-slow policy with respect to contract enforcement raises questions about its interest in this objective. Similarly, with respect to industrial safety, it has introduced a major bill in the Congress. But it has not pressed for the bill's enactment and, in the coal mining industry, it has retreated from the pursuit of safety by firing a safety-minded director of the Bureau of Mines. Some have said, in reference to the third objective of efficient delivery of manpower services, that the administration is involved in decentralizing the planning and delivery of services more for political than for economic reasons. Decentralization may reduce bureaucratic problems, but will it make the composition of our manpower programs more rational? For example, will an area in the throes of economic decline finance mobility programs to speed its depopulation and decline? The administration has made some progress—by proposing the Family Assistance Program—towards adjusting our income maintenance system to labor market processes. Here too, however, administration reluctance to sharply reduce the high and erratic "tax rates" on earnings (that result from the variety of transfer and tax programs) in response to a Senate Finance Committee request suggests that it lacks serious interest in attaining the fourth objective.

Problems Vary from Country to Country

While it may be evident that our manpower policy is currently directed towards objectives different from those of other Western countries, objectives are subject to change. Then the next question is: do our manpower administrators face problems similar to those that confront the experts abroad? In a sense, yes: most manpower persons are interested in cooperating with the fiscal and monetary authorities to improve the unemployment-inflation tradeoff in the short and long runs. But the more specific manpower adjustment problems vary from one Western economy to the next. Canada has special regional problems that result from its geography and sparse settlement. England has to be concerned with its lagging, slowly adjusting, and not highly productive manufacturing sector. Sweden has to meet the demands of a high pressure and very high employment economy. Consequently, Canada has concentrated its energies on geographical mobility and immigration programs; Britain has used special tax and training programs to move workers among industries; and Sweden

has advanced to upgrading workers to meet the demand for skilled service personnel. By contrast, the United States must focus on its disadvantaged minority groups and primarily devote its manpower resources to bringing persons from these groups into the primary labor force.

One other relevant respect in which the United States differs from some of the other major Western nations involves political and attitudinal questions. Clearly, the Swedish government has been politically prepared to make a greater effort than has the United States government to supplement and support the workings of the market with manpower and fiscal programs. Not only does the Swedish Labor Market Board direct a vast array of conventional manpower (that is, training and relocation) programs, but it also controls many expenditure programs; further, it closely coordinates its efforts with those of agencies concerned with economic affairs to determine the level and location of employment; beyond this, it has made an effort to coordinate its policies with those of noneconomic agencies—like those in the housing area—whose decisions may influence the location of workers. The United States, like Canada perhaps, may not be prepared in the near future to undertake such extensive direct efforts to provide employment to all, because doing so involves providing direct subsidies to blacks and other unfavored minorities and—if the Swedish approach is followed—too much "government spending." If this is true, our government may be compelled to rely on (probably less efficient) tax policies to induce both the movement of capital and the hiring of the disadvantaged by private owners of capital. The authors of the three papers should have spent more time contemplating the United States setting while telling us of the lessons to be learned from the experience with manpower policy in other Western countries. **[The End]**

Manpower Policies: Lessons for the U. S. from Foreign Experience

A Discussion

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THE MARKED INCREASE in unemployment during the first four months of this year indicates that the foreign manpower policies which need to be examined today are quite different from those with which we were concerned during the last half of the 1960's. With today's growing cyclical unemployment, we must place greater emphasis on those aspects of foreign manpower policy which are economic stabilizers and are relevant for an unemployment rate of 5.5 per cent—which we may have at the end of the year—rather than the 3.5 per cent rate which occurred at the end of 1969. The programs particularly relevant for study are the improvement of the

man-job matching process so as to reduce frictional unemployment; increased public employment including the use of manpower programs as substitutes for employment; and improvements in the unemployment insurance system.

The Proper Role of the Employment Service

During the 1960's, the United States Employment Service was reoriented as an agent of an "active manpower policy," to meet the needs of the disadvantaged. While this new role is more desirable and fits more closely the examples discussed in all three of the papers, the traditional role of the Employment Service (ES) as a labor exchange should not be downgraded. The ES must be made as efficient as possible in order to minimize the length of unemployment due to frictional factors such as poor knowledge of job openings or of the availability of skilled labor. In this area the Scandinavians point out the direction I believe we should take.

In his paper, Barkin discusses the vacancy lists used by the Swedes and the Norwegians to make job openings known to the public. Both countries regularly publish a vacancy list for a wide range of occupations and in Sweden magazines are published and available to the public which list types of vacancies and the employers to contact. A step in this direction has been proposed for the Employment Service as the "Job Information Service" in an experimental three-tier operation.[1] But even at this experimental level, we have not gone all of the way in our concept of self-service employment centers. The Swedes do not restrict the "job book" to registered Employment Service job applicants, but make it available in public places. They are in effect saying, "We don't care if we don't count how many job placements we facilitate if we can make them faster, cheaper and easier." Like the Swedes, I think the ES must depart from the continuing need to justify its existence in terms of a *count* of its actions rather than the effects of those actions.

Next, we come to public employment. Both Dymond and Barkin discuss it in their papers, but let me give it added emphasis. It seems to me that our society is no longer willing to accept high unemployment rates. Instead of taking it lying down, the tendency now is to burn it down. This will be most prevalent among those of the disadvantaged whom we have placed in jobs during the upswing of the late 1960's and who are now among the first to be laid off. They have had a taste of the mainstream of American life and, for the most part, have enjoyed it. To tell them once again that it is forbidden fruit may lead to the same types of civil disturbances we experienced during the latter half of the 1960's.

The Most Productive Course

Under these circumstances, we must provide jobs of some kind. Our choices, it appears, are three—public works, makework, and training programs. The first is most desirable since the payoff is in real goods and services. Moreover, the list of socially desirable services which could be performed is almost unlimited. But there will be many persons who do not have the skills to build bridges or run hospitals just as during the late 1960's they did not have the skills to take jobs in private industry. For them, we must pick from the last two alternatives. In neither makework nor training will we have any immediate increase in real

[1] For a description of the three-tier system, see: Charles E. Odell, "Keeping the Employment Service Relevant," *Manpower*, Vol. 2, No. 4, April 1970, pp. 24-26.

production. The advantage of training programs, however, is that if they are well planned, when the economy again begins to expand, the labor force will be prepared to move ahead quickly without the many problems which existed with the so-called hard-core unemployed during the 1960's. Furthermore, as Dymond indicates, the opportunity costs of such training are negligible.

It might be useful at this time to discuss the type of training programs which we should provide. During the upswing of the 1960's the manpower programs in this country increasingly relied on the internal labor market. With such programs as JOBS and MDTA on-the-job training we attempted to give workers an "in" to the private sector. In part, this emphasis was justified in terms of motivating the trainees. More importantly, however, we knew that most of the training in this country is received informally on the job and that advancement often follows. Therefore, we knew that if we could introduce the disadvantaged into a work situation, the normal operation of the internal labor market would do much to keep him in the mainstream.

Meeting the Fluctuations

As our economy turns down, we should realize that we can no longer rely on the internal labor market. As firms lay off the recently hired disadvantaged and more skilled workers are "bumped" down the ladder, informal on-the-job training will be reduced almost to a standstill. We will, therefore, need to turn to institutional training if we are to prepare for the next upswing. This type of training fell from favor during the last half of the 1960's. Yet, it is the manpower program which has been the most evaluated and which generally has been found to have quite high benefit-cost ratios.[2] As industrial relations researchers, we should examine our past studies to determine, as the Canadians have done, what are the most effective and efficient courses and techniques to be used in a renewed effort of institutional training. To paraphrase what Dymond has stated was the case in Canada, "Benefit-cost analyses of the program should be very influential in convincing the government of the importance of the program."

Finally, in those circumstances where there is no alternative to unemployment, we should note that all of the countries discussed in the papers have more elaborate unemployment insurance systems than ours. Unemployment insurance benefits, according to Hansen, were raised to 60 per cent of average income for a family of four in Britain. In this country at the start of the year, only 23 states provided *maximum* weekly benefits of one-half the average weekly wage in covered employment.[3] The Employment Security Amendments (H. R. 14705) presently in House-Senate Conference will extend coverage and duration of benefits, but leave to the states the question of adequacy of the payments. The federalism of the old world as opposed to the "new federalism" obviously is more generous to its unemployed.

I am aware of the historical factors which have made federalization of the unemployment insurance program politi-

[2] For details of these studies, see: Einar Hardin, "Benefit-Cost Analyses of Occupational Training Programs: A Comparison of Recent Studies," in Gerald G. Somers and W. Donald Wood (editors), *Cost-Benefit Analysis of Manpower Policies,* The University of Wisconsin, Madison, 1970, pp. 97-118.

[3] *Manpower Report of the President, 1970,* U. S. Government Printing Office, Washington, D. C., 1970, p. 143.

cally unfeasible and, in this manner, limit the applicability of the foreign experience. There is nothing to prevent the retention of the current state-based system with federal supplements, however. This system, somewhat like the British program, has a precedent in this country in the federal program of Temporary Extended Benefits. All that is proposed here is an extension of federal benefits during the initial entitlement period instead of after it.

In conclusion, we can learn much from foreign experiences with manpower programs. Parenthetically, let me add that they may learn much from our experience as well. As I have attempted to do here, however, we should be selective in our transfer of programs and we must adapt them to our times and circumstances in order to reap their maximum benefits.

[The End]

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