

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

**PROCEEDINGS OF THE NINETEENTH
ANNUAL WINTER MEETING**

**San Francisco, California
December 28-29, 1966**

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Proceedings of the Nineteenth Annual Winter Meeting

**INDUSTRIAL RELATIONS
RESEARCH ASSOCIATION**

SAN FRANCISCO

DECEMBER 28–29, 1966

EDITED BY GERALD G. SOMERS

**INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
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PREFACE

The Nineteenth Annual Winter Meeting of the IRRA stressed current problems and issues in the fields of manpower, labor law and collective bargaining; and gave special emphasis to the effects of technology, increased employment, and the war on poverty.

Two of the sessions, held jointly with the American Economic Association, are not included in these *Proceedings*. The discussion of "Military Manpower Procurement" is to be included in the May 1967 issue of the *American Economic Review*. The panel discussion on "Guideposts and Inflation" will remain in the oral tradition, a condition established by the panelists as a basis for their participation.

A notable feature of the San Francisco meeting was the distinguished dinner address by the Honorable W. Willard Wirtz, Secretary of Labor. Arthur M. Ross, the Association's President in 1966, not only introduced his employer, Mr. Wirtz, but also preceded him with a distinguished presentation of his own, the presidential luncheon address on "Wage-Price Policy."

As in last year's winter meeting, younger members of the Association were afforded an opportunity to contribute to the program through invited papers on their doctoral dissertation research.

The Association wishes to acknowledge its indebtedness to Mr. Ross, the program chairman, to the program committee, to Mr. Laurence Corbett and his local arrangements committee, to the chairmen of the various sessions; and to the speakers and discussants for their contributions to the program and for their prompt submission of the manuscripts included in these *Proceedings*.

February 20, 1967
Madison, Wisconsin

GERALD G. SOMERS
Editor

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PRESIDENTIAL ADDRESS

Arthur M. Ross

SECOND-GENERATION WAGE-PRICE RESTRAINTS

ARTHUR M. ROSS

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

I have called my remarks "Second-Generation Wage-Price Restraints" because it is urgent to begin considering this problem in a long-range context.

The first generation of restraints was initiated by President Truman's Council of Economic Advisers. The prescription that wages ought to be in line with productivity growth was repeated in vague and general terms by President Eisenhower's Council. The policy has been developed and pointed up in more specific terms by the Kennedy and Johnson Councils. It has been expanded to cover prices as well as wages, and numerous attempts to secure compliance have been made. To measure the precise impact of the policy is impossible, but I believe it has been favorable on balance.

It may be that the first generation of ideas has run out of steam, but this doesn't detract from the very real contribution which the progenitors have made; nor does it mean that we have heard the end of wage-price restraints.

The fact is that the underlying problem will not go away. The problem is that cost-push inflation develops from wage policies of unions with bargaining power and price policies of corporations with market power. This process develops as the economy approaches full employment and impels the authorities to cool off the economy while the ultimate goal is still unattained. Thus, we will have to go through 1967 with too much unemployment among Negroes, the unskilled, and others with economic handicaps. If, as I believe, we can work off the inflationary bulge without running into a recession, it will be a triumph for the New Economics. But I regret that it was necessary to cool off the economy because of inflationary trends before we did reach full employment.

The emergence of a second generation of wage-price restraint ideas will take time for a number of reasons.

First, economists aren't yet doing enough work on the problem.

Most economists are still in love with the flaws and ambiguities they have detected in the guideposts, or else engaged in an all-out defense.

Second, the political and technical issues are difficult and controversial.

Third, the views of labor and management with respect to this issue are very negative at the present time; the basic philosophy is anti-interventionist.

It is all well and good to speak about the need that labor and management be involved in the process of establishing standards, but they are not prepared to participate seriously when they see so little to gain.

What is really at stake in wage-price restraint is the difference between having to cool off the economy at 4 percent and letting it expand to a 3 percent unemployment rate.¹ (This statement is oversimplified, but not too badly.) In 1957 and again in 1966, measures were taken to cool off the economy at a 4 percent rate. The 1957 policies engendered a recession and the unemployment ran up to more than 7 percent within a year. We are entitled to hope that we will do better this time, but none of the forecasters is predicting an unemployment rate averaging less than about 3.9 percent in 1967.

The difference between 4 percent and 3 percent is about 750,000 jobs. It is fair to say that industry and organized labor don't regard these 750,000 jobs as very important. At a 4 percent rate, most jobseekers who are really attractive to management are already at work. Most union members are already employed (except for a special situation like the present slump in housing). Profits are good; substantial bargaining improvements are obtainable. The bulk of these 750,000 jobs would go to people who are deficient in education

¹ This is a convenient place to discuss a popular half-truth about the relationship between fiscal and monetary policy on the one hand and voluntary restraint on the other. It is often said that guideposts are not necessary when the unemployment rate is below 6 percent; that they are useful when the rate is between 6 and 4 percent; but that they cannot be effective when the rate falls below 4 percent. Fiscal and monetary restraints must then be used to limit the expansion of aggregate demand, it is said. The only trouble with this reasoning is that it begs the question. Of course fiscal and monetary policy can cool off the economy when the unemployment rate gets down to 4 percent or less. We have seen it happening during the past 9 months. The real question is whether wage and price restraints, together with energetic manpower development policies, would permit a continued expansion of aggregate demand so that the unemployment rate gradually descends to the neighborhood of 3 percent. Obviously this would have to be done slowly, so that supply bottlenecks would not become too numerous and there would be time to build up the qualifications of the disadvantaged jobseekers at the end of the line.

or training or experience or discipline or physical vitality or psychological stability or some combination of these qualities. The remainder would go to women and teenagers who are drawn into the labor force where opportunities are plentiful. Considering these facts—and considering also the bad feeling between whites and Negroes—it is not surprising that labor and management are less than fully committed to securing 750,000 extra jobs at the cost of onerous restraints on their wage and price decisions.

It may be different in the 1970's. Perhaps our social thinking will be more advanced by then, so that this will be viewed as a responsibility. Or alternatively, the situation may be one in which management giving to the Community Chest is now accepted as a responsibility. Or alternatively, the situation may be one in which management and labor will have to choose between informal restraints on one hand and mandatory controls on the other. In that connection we might note that both France and England have resorted to mandatory controls on prices and wages in recent years after becoming discouraged with voluntary restraints.

There is a further reason why an effective second generation wage-price policy will take time to develop. Such a policy could not be based solely on the long-term trend of productivity but would also take cognizance of the aggregate division of national income, the level of profits and other sensitive matters. It would involve intimate collaboration between the government and the principal interest groups for which none of these parties is presently prepared and which would widely be labeled as economic planning or statism in today's economic and political environment. The period immediately ahead is not propitious for social inventions because conservative ideas are in the ascendancy.

Nevertheless, we ought to look ahead and assume for the purpose of argument that we will have a second generation of wage-price policies. What are likely to be some of the principal elements?

(1) Wage-price policy will not be limited to a statement of the long-run productivity trend. This is a very important statistic affecting wages and prices, and not a policy in and of itself. Other matters must be taken into account in any realistic statement of the economic environment in which restraint is sought. It will not suffice to label these as exceptions, deviations, maladjustments, etc. They must be given a place in the model in their own right.

A timely example, of course, is the increase in consumer prices in its relationship to the wage problem. The first-generation guidepost formulation was based on the Schultze-Eckstein-Wilson analysis of the cost-push inflation of the middle 1950's. This episode was generalized into a theory of inflation which was excessively labor-cost oriented, in my view. The reasoning was that if compensation increases could be held down to the gain in productivity, price stability would be ensured. Some prices would rise and others would fall (according to whether the productivity gain in the particular industry was greater or less than average), but the general price level would remain horizontal.

To achieve greater realism, we should recognize that some prices fluctuate for reasons having nothing to do with unit labor costs. Food prices are the most important example. Raw metals and chemicals, especially those with a world market, are another example.

Prices of services such as medical care, recreation, hotels and restaurants and personal services rise steadily in good times and bad. It is true that service prices reflect higher personal incomes for those who participate in the service industries; relatively little capital is used and the productivity gain is only about one percent per year. But these are not labor-cost increases of the Schultze-Eckstein-Wilson variety, resulting from interaction between unions with bargaining power and corporations with market power. They represent the pressure of steadily increasing consumer demand upon limited facilities and a poorly-paid labor supply.

The first-generation guidepost theory held that price increases in the industries with higher labor costs would be balanced by price declines in industries with lower labor costs. The latter would include transportation, communication, mining and many branches of manufacturing. But the fact is that sellers do not cut their prices merely because labor costs are reduced. It is unlikely they can be persuaded to do so, as long as product markets remain firm; and the whole purpose of the New Economics is to keep product markets firm by attaining and preserving full employment. While price increases have been opposed on various occasions, there is no case in which a serious issue has been made of the failure to cut prices.

For all these reasons, wage-restraint doctrines in the 1970's will have to take greater account of the fact that price movements are often disassociated from unit labor costs. Price stability cannot be

taken for granted even if unit labor costs are held constant. To expect regular and identical real wage increases every year would be unrealistic, because all the relevant factors cannot be kept under such tight control.

(2) How should the price-policy objective be defined? The productivity trend is not a full-blown price policy. Studies of price theory and price policy do not support the assumption that there is a close correspondence between productivity experience and price behavior in particular industries. (In fact, we don't have productivity indexes yet for the great majority of specific industries.) If this were the test, then the steel industry should have been expected to increase its prices because the productivity trend in steel has been less than average; yet the government has not been urging the steel industry to increase prices.

Therefore, normative standards of price policy should include other criteria besides productivity gains, such as nonlabor costs, profit levels, capital needs, extent of market power, economic impact of higher prices, etc.

(3) The objective of voluntary restraint is to permit the attainment of full employment opportunity without sacrificing price stability. Perfect results cannot be expected in this imperfect world, so it is fair enough to speak in terms of "reasonable price stability." Still we should be clear about the objective which is imperfectly achieved. Which price level are we seeking to stabilize—consumer prices, wholesale prices, industrial prices, the GNP deflator or what?

If we cannot depend on high-productivity firms to reduce prices, a counterbalance will not necessarily be available to offset higher prices of food and services. It follows that it will not be possible to stabilize the Consumer Price Index altogether, except at the cost of intolerable unemployment, which would be throwing away the baby with the bathwater. Between 1959 and 1964 the average annual increase in the CPI was 1.2 percent, although unemployment was excessive throughout this period. The CPI rose 2 percent in 1965 and 3.3 percent in 1966.

The wholesale index for industrial products reflects basic changes in technology and productivity, wages and costs. It is closely related to our international competitiveness. This index was virtually stable between 1959 and 1964. It advanced 0.8 percent in 1965 and 2.2 percent in 1966.

Thus the CPI has been running about 1 percent ahead of the wholesale industrial index over the past 8 years. The price stability objective of wage-price restraint might therefore be stated as a horizontal level of wholesale industrial prices, coupled with consumer price increases of about 1 percent a year. A concept of reasonable or approximate price stability might allow a one-half percent margin of error—meaning wholesale industrial price increases of not more than 0.5 percent coupled with consumer price increases of not more than about 1.5 percent a year.

If the price-level objective is to stabilize the wholesale industrial price index, it follows that unit labor costs should be stabilized in those establishments which make industrial products. It would not be necessary or possible to stabilize them each and every year, but they would remain approximately horizontal in the long run. Among those sectors of the economy for which productivity statistics are available, manufacturing comes closest to what we are speaking about.

It appears that the productivity trend in manufacturing has improved, relative to other sectors, in recent years. Between 1947 and 1960 the trend rate for manufacturing was 0.5 point below the private economy—2.7 percent as compared with 3.2 percent. But in the 1960–64 period manufacturing ran 0.6 point ahead of the private economy—4.5 percent as compared with 3.9.

For the purpose of argument, let us assume that the productivity trend in manufacturing rises at about 3.8 percent a year in the period to come. If the objective is to stabilize labor costs and wholesale prices in the manufacturing industries, then 3.8 percent could be the long-run standard of compensation increases in money terms.

(4) The long-run standard for *real* compensation is something else again. The first-generation guideposts embodied the same formula for money-wage and real-wage increases on the assumption that consumer prices could be stabilized entirely. If that assumption is dropped, real-wage increases will be differentiated from money-wage increases.

The general principle is that real-wage increases will follow the trend of output per man-hour in the total economy. We have been accustomed to the 3.2 percent guidepost. This is a statement of the long-run productivity trend in the private economy, and I have no quarrel with it. It is true that the 5-year average for 1961–65 came to about 3.7 percent, but this reflected the unusually rapid economic

growth of the period, moving up from a condition of excessive unemployment and unutilized industrial capacity. By the time that 1961 and 1962 have been cranked out of the moving average and 1966 and 1967 have been dubbed in, the 5-year average will be about equal to the trend rate for the entire postwar period. Output per man-hour in manufacturing seems to have turned up, it is true, but this change is balanced by the rapid growth of employment in trade, services, finance, insurance, and real estate, where the productivity trend is rather flat.

While 3.2 is a credible statement of the productivity trend in the *private economy*, the appropriate figure would relate to the *total economy*. Employees of local, State and federal governments now make up 15 percent of the labor force. Public sector personnel demand and receive compensation increases. Like the increases enjoyed by employees in the private sector, these must be paid out of the productivity dividend. At the same time, any increase in output per man-hour in the public sector contributes to the productivity dividend.

The problem is that there is no available measure of product or productivity in the public sector. Output is equated with man-hour input, automatically yielding a zero productivity trend as an accounting convention. I don't know when we will be able to measure product and productivity of government in terms which are applied to other activities, but we cannot go on assuming that the *total-economy* productivity trend is 3.2 percent. If we continue to follow the established accounting convention, a zero trend in government combined with a 3.2 percent trend in the private sector would yield a 2.8 percent trend for the private economy.

(If the productivity increase in government is 1 percent a year, the total-economy trend rises to 2.9 percent. If the trend is 2 percent in government, it is 3.0 percent in the total economy. But if the public sector were to be incorporated in a self-contained and consistent model, a price index for government services would have to be included in the Consumer Price Index.)

(5) Putting these factors together, second-generation guideposts might consist of the following:

- (a) Formula for price stability
 - (1) Money-wage guidepost: 3.8 percent a year on the average.
 - (2) CPI increase: 1.0 percent.

- (3) Real-wage increase: 2.8 percent a year on the average.
 - (4) Productivity trend in total economy: 2.8 percent (continuing to treat the public sector in the established way).
 - (5) Productivity trend in manufacturing: 3.8 percent.
 - (6) Labor costs and prices of wholesale industrial products: level.
- (b) Formula for "substantial" price stability
- (1) Money-wage guidepost: 4.3 percent a year on the average.
 - (2) CPI increase: 1.5 percent.
 - (3) Real-wage increase: 2.8 percent a year on the average.
 - (4) Productivity trend in total economy: 2.8 percent (continuing to treat the public sector in the established way).
 - (5) Productivity trend in manufacturing: 3.8 percent.
 - (6) Labor costs and prices of wholesale industrial products: increase of 0.5 percent.²

(6) It is important to achieve a better understanding of the "real wage gap" which underlies so much of organized labor's dissatisfaction with the first-generation guideposts. The gap opens up when real wages increase to a lesser extent than productivity. Even if workers behave themselves so that the CPI is stabilized, the CPI advances nevertheless. And if money wages advance more steeply than output per man-hour—so that labor costs are inflated—the CPI is inflated even more.

The real wage gap is associated with a "shift to profits"—a change in the distribution of national income as between employee compensation and other incomes. When employee compensation constitutes a smaller share of the total, real wages increase less than productivity. When income distribution shifts away from profits, real wages increase more than productivity. There is a well-established correlation between income distribution and the business cycle, with the share of profits increasing in periods of prosperity and the share of employee compensation increasing in periods of recession.

The problem may not be as great as it appears on the surface, because a comparison between the productivity trend in the *private*

² There is a minor question as to whether this model is stable with respect to the distribution of income as between employee compensation and non-wage income. If the absence of non-wage income in the public sector imparts any instability, the necessary correction to preserve a stable distribution would be extremely small.

economy and the real-wage trend in the *total economy* is not entirely valid. Actually, however, the choice between 3.2 and 2.8 does not make a great deal of difference in evaluating historical experience. Whichever figure is used, the number of fat years is approximately equal to the number of lean years in the period since 1947.

It is true that lean years have predominated since 1960, but that is not surprising. Total compensation of employees rose 33 percent between 1960 and 1965, while corporate profits increased 50 percent. As already noted, the shift to profits is associated with a period of cyclical upturn in which the real growth rate is greater than normal. If we are able to achieve and maintain full employment, the real growth rate will be limited by the rise in output per man-hour and the increase in input of man-hours. (The latter factor reflects the normal increase in the labor force discounted for any decline in man-hours per capita.) The real growth rate under conditions of sustained full employment will be in the neighborhood of 4.3 percent.³

It does not seem likely that the share of corporate profits in the national income would rise at a 4.3 percent growth rate. The 1961-65 period was one in which unutilized manpower and industrial capacity permitted a real growth rate greater than would be sustainable under full-employment conditions. (The average of annual real growth rates was 5.3 percent in this period.) It is significant that there was no shift to profits in 1962-63, a year in which the real growth rate was only 3.8 percent. In fact, the movement was in the opposite direction, with aggregate employee compensation increasing 5.5 percent and corporate profits 4.3 percent.

If there should be a chronic shift to profits even under conditions of sustained full employment, it does not follow that workers can recover their previous income share through aggressive collective bargaining. In the first place, only a minor part of all compensation payments is subject to collective bargaining. In the second place, employers will pass on the higher costs so as to maintain their margins so long as product markets are strong. If the economy moves into a recession (as in 1958), the compensation share of national income will increase and the profit share will decline; but clearly this is not a rational way to redistribute income. It follows that the only effec-

³ This estimate incorporates the following assumptions: a productivity trend of 2.8 percent for the total economy; an average annual increase in the labor force of 1.7 percent; an average annual decline of 0.2 percent in the number of working hours per employee.

tive method of income redistribution would be through fiscal policy. The so-called surplus profits could be taxed and expended for programs of collective consumption primarily benefiting wage and salary earners.

This last thought reflects my judgment that it will probably not be feasible to induce price cuts in the face of strong market demand. The practical object of price policy will be to stabilize industrial prices, not reduce them.

(7) I have been speaking about the relationships between wages, prices, productivity and profits in a wage-price restraint enterprise which might come to maturity in the 1970's. But although economic understanding is crucial, statistics and correlations do not constitute a policy or a program. A viable program will have three other elements. The basic relationships will be translated into specific applications in the light of the particular circumstances of any given year. The principal interest groups (such as industry, labor and agriculture), and the most directly affected government agencies will be involved along with the Economic Advisers. There will be periodic appraisal of price and wage developments in the light of the specific objectives which have been formulated for a particular period.

The first-generation guideposts are incomplete in that they are limited to an exposition of long-term relationships. They do not handle specific short-run problems which are certain to arise from time to time. It will not be practical to anticipate in advance every contingency which might have an effect on a wage-price restraint program.

Therefore an annual economic review will be essential for bringing together long-run objectives and short-run contingencies. Suppose the cost of living has gone up 3.5 percent? Suppose that raw material prices have shot up through the ceiling on world markets? Suppose the government decides that every family should be assured an annual income of at least \$3,000? Suppose a massive effort to rehabilitate urban slums is launched? Suppose that a medium-sized war breaks out? Suppose that payroll taxes are increased substantially in order to finance a corresponding increase in social security benefits? Suppose that the wages of agricultural workers and low-paid service workers are substantially increased through an amendment to the minimum wage law? It would be impossible to ignore the impact of these developments on price and wage policy in the private sector.

Therefore, the terms of price and wage restraint should take the form of specific conclusions emerging from the annual economic review between the private-sector interest groups and the governmental authorities. The statement of conclusions should be the government's responsibility rather than a negotiated tripartite agreement.

Similarly there should be a quarterly post-review of results, an appraisal of how they line up against the objectives for the year.

Let me end up with a word about the role of the university economists. The proponents of the guideposts as well as the skeptics ought to be thinking about the wage-price policies of the future.

The proponents keep reminding us that the unit labor costs must be held in line in order to stabilize the price level. That is an important observation, but not an income policy. It is too early for talented people to lock themselves into a defensive posture which doesn't deal with the real problems of translating economic relationships into policy.

The skeptics have laid their fingers on the soft spots of the first-generation guideposts. It is hard to find a labor economist (unless he has writer's block) who hasn't written at least one article pointing out that the various exceptions to the guideposts are vague from an operational standpoint, that you can't control the building trades unions, that it is inequitable to put so much pressure on the basic metal industries, that the American labor movement is decentralized and can't control the behavior of its constituent unions, and so on. These are important points; they have been made. I wrote my first guidepost article in 1963, and I was by no means the first in line.

Let us stop belaboring the obvious and have some new thinking on wage-price policies.

DISTINGUISHED DINNER SPEAKER

The Honorable W. Willard Wirtz

WHERE THE TRUTH LIES

W. WILLARD WIRTZ
Secretary of Labor

It reflects my respect for the Industrial Relations Research Association that I started several months ago preparing remarks for this evening on a subject which seemed to me worthy of the Association's high tradition: John Maynard Keynes Revisited, or Through the Looking Glass Darkly with the Council of Economic Advisers.

Then, several days ago, I received the program for this 19th Annual Meeting. When I found my remarks sandwiched (or bottled!) in between a "Social Hour" and Dinner on one side and a "Smoker" on the other, there came back to me—from earlier academic exposure—the protocol of programming these annual between-the-holidays gatherings of learned societies: that the daylight sessions are devoted to the dissertations of those with something to dissert, while those invited to participate by virtue more of their notoriety than their knowledge are put down for the evening—on the theory that the shades of night deal mercifully both with the lines in ladies' faces and with those in their husbands' speeches.

Accordingly:

Ever since Arthur Ross came to Washington, a little over a year ago, the press has been full of reports about two developments in government: the "flight of the intellectuals" and "the credibility gap."

Knowing this could not be entirely Arthur's fault, even wondering a little whether the "gap" is the creation of the President (of the IRRA, that is) or the press, I arranged to monitor a couple of meetings recently—in a quiet, unobtrusive, unconstitutional sort of way, with a little help from J. Edgar Kennedy.

One was a meeting at which Commissioner Ross and his BLS colleagues were discussing the release, scheduled for the next day, of the monthly unemployment and Consumer Price Index figures.

The other, taking place twenty-four hours later, was a gathering of the Washington newspaper men who had now received these two releases and were trying to decide how to play them.

These are interesting tapes—and the public has a right to know. So I make this report.

You are entitled, however, to know these three things:

First, both tapes are unfortunately garbled, so that it is impossible to tell just who is saying what.

Second, the two tapes have gotten mixed up, so that it is also impossible to tell which is the record of which meeting—and I have time for only one—I don't know which.

Third, as some of you know, in addition to being an eavesdropper, I am an edict of an iniquitable habit developed in the course of listening to an unwanted amount of other people's public speaking which occasionally gets in the way of my own. This is the habit of jotting down, instead of the speaker's monumental message, his minumental metaphors—the little slaps of the tongue every speaker makes when he gets as tired as his audience was from the beginning. In the contemporary "tell it all" custom of Washington's carpet-bagging literati, I feel a responsibility to disclose the results of the past several years' harvest of this habit, and have accordingly taken the liberty of interlading this transcript with a few of these germs of wisdom—all completely authoritic and footnoted.¹

Herewithal,² then, the edited transcript of *either* a pre-press-release conference in the BLS offices *or* the post-press-release gathering of reporters about to file their stories on that same release.

A voice that probably isn't either Commissioner Ross' or that of the AP or UPI wire service man—but, of course, could be—comes in: "You know, I've been keeping my ear to the grindstone recently,³ and I tell you we've got to do something to get a toe-hold in the public eye."⁴

There is quick assent:

"I agree! It's time to hitch up our trousers and throw down our gauntlets."⁵

Then an eager question:

¹ The accidents in this particular paragraph are all common usage along the Potomac, except for "germs of wisdom"—a felicitous coinage (date unrecorded) of the incumbent Director of the Federal Mediation and Conciliation Service at a meeting on November 2, 1962.

² Also common usage, especially among law school drop-outs.

³ A distinguished member of the Washington Bureau of the New York Times, March 21, 1963. Previously reported in the June 1963 National Academy of Arbitrators Newsletter.

⁴ Heard at a public meeting in Washington, March 9, 1966. But subsequently denied by the perpetrator, a well-known leader of the bureaucracy, and therefore not identified—on advice of counsel.

⁵ Reported, second hand, on March 5, 1963, by Informant RK, as having been "made before a large political gathering in Washington recently." Subsequent research confirmed this report.

“Have you got any plans underfoot?”⁶

And a quick reply:

“Yes I have. Look at these figures here: a 2.6% annual productivity increase rate, a 3.5% annual increase in prices, and almost 4% unemployment. If this keeps on, we’ll all go down the drain in a steam-roller.⁷ Why don’t we just switch the figures around? Why, with 4% increased productivity, 3.5% unemployment, and a 2.6% price increase for the year we can get this country out of the eight ball⁸ and make an honest man of J. Maynard Keynes in the boot.⁹ It may not work, but let’s take a flying gambit at it.”¹⁰

The first reaction to this is one of outrageous¹¹ outrage:

“Wait a minute. That kind of business gets my dandruff up.¹² And when I smell a rat, I nip it in the bud.¹³ That idea doesn’t have a Chinaman’s chance in Hell.”¹⁴

But as the obvious sense of it all begins to impress everybody, dissent dissolves into mere cautiousness:

“Let’s don’t go off the deep end of the reservation.”¹⁵

“If we try this we’re likely to have a bear by the horns.”¹⁶

“We’ve got to be careful about getting too many cooks in the soup,¹⁷ or somebody’s going to think there’s dirty work behind the crossroads.”¹⁸

⁶ A representative of Sears Roebuck Co. at a White House meeting on March 30, 1966.

⁷ A management spokesman in the long-shore negotiations, February 4, 1965. Cf. D. P. Moynihan, June 11, 1964: “We’re being sold down the drain.”

⁸ Anon but not apoc; i.e. I have lost the source note, but recall it clearly.

⁹ A Building Service Union representative. June 10, 1966.

¹⁰ An Assistant Secretary of Agriculture, on the phone. October 1, 1964. “We have to deal with the whole gambit of this affair.” By the ninth Secretary of Labor, at an April 3, 1966 dinner of the President’s Advisory Committee on Labor-Management Policy.

¹¹ The tenth Secretary of Labor. October 10, 1965 (circa).

¹² A well-known corporate executive, as reported by Informant SF by letter dated September 21, 1964.

¹³ See footnote 5, supra.

¹⁴ The Assistant Secretary of Labor for Manpower, in private (?) conversation. April 4, 1966.

¹⁵ A General Electric representative at the October 25, 1966 meeting of Advisory (to the Secretary of Labor) Committee on Pension and Welfare Plans.

¹⁶ N. Thompson Powers, Assistant to the Secretary of Labor, January 9, 1964.

¹⁷ A decent regard for the opinions of mankind (and for my own future) precludes *exact* attribution here. The *time* was during the 1964 Railroad Case negotiations.

¹⁸ The Director of the Federal Mediation and Conciliation Service. June 9, 1964. Note: “Federal Mediation and Conciliation Service”—Telegram from TWU representative, September 11, 1961.

The argument goes on from here more or less *ad nauseum*,¹⁹ until finally the obvious leader of the plot makes his telling pitch:

“OK. OK. Let’s grasp this nettle by the horns.²⁰ CPI, CPS, who knows the difference? Sure, somebody’s likely to rear up on his back.²¹ But I know every cranny and crook²² in this town, and they’re all the same. It’s just a matter of whose ox is being goosed.”²³

This does it. The decision is made.

The tape ran out shortly afterward. But you have here, ladies and gentlemen, the story of how *either* the BLS staff *or* the Washington labor press corps used Credibility Gap to win a critical victory for Lyndon B. Johnson *and* John Maynard Keynes and contribute to the unprecedented record of 69 months of uninterrupted expansion of the American economy.

If apology for this vignette of contemporary politico-economic history is called for, I remind you of Adlai Stevenson’s improvement, when he was asked how he liked his job, on the old story of the Indian fighter who crawled into the frontier fort with three arrows in his back and was asked whether it hurt. “Only,” he answered, “when I laugh.” “My job,” the Governor added, “only hurts when I don’t laugh.”

So does mine.

Perhaps, though, there will be some to wonder whether this has all been meant as purest jest.

I suppose not quite all—and that I may appropriately say a little more about the *problems of communication* that become increasingly relevant and important as a nation, newly equipped with fantastic electronic paraphernalia, simultaneously—and not entirely coincidentally—turns away from a traditional philosophy of determinism and toward the acceptance, instead, of responsibility for controlling the human course and inventing the future.

¹⁹ See footnote 11, *supra*.

²⁰ This one is illegitimate.

²¹ From the floor at the 1966 Convention of the Chemical Workers in Montreal, October 18, 1966.

²² A successful candidate for the Maryland legislature at his deficit dinner, November 1966. (Original form: “I think I deserve to win. I went to every cranny and crook in this district.” Inaccurately reported by others present as: “I went to every nook and crook. . . .”)

²³ The Administrator of the Neighborhood Youth Corps, January 11, 1966. His quick recovery and subsequent assertion of deliberate intent to put it this way should be noted but not necessarily credited.

Best, certainly, to leave it as errant nonsense that statisticians or scribes might perpetrate a monstrous hoax by tinkering with the national arithmetic. Some non-cooperative computer would blow a fuse!

Harder, though, to avoid the implications of the truth that the adoption, in the 1964 tax cut, of Keynesian politico-economics is only a reminder that from here on national economic policy will be made by decision-makers—all of us—in reliance not on what we know first hand but on the reported cogitations of the computers.

The policies of laissez-faire were wrong, but they had the utility—which a democracy finds a compensating advantage—of being easily understood.

We complain about the “new math” our children are getting at school. Our not understanding or being able to help with it is diminishing our usefulness and therefore our stature as parents. Yet we understand even less the new math of the fiscal and monetary and budgetary policies we have ourselves adopted—and it seems to diminish our stature as citizens.

This is no idle concern.

The decision to base policy-making on statisticians’ measurements of the national condition and on the reports of these measurements through the public media, depends for its validity on the measurements and reports being both accurately made and accurately understood. These are different things. There is no communication of truth unless it is heard as well as told. If it is hidden in a haystack of tabular exhibits or back of the obituaries on page 37, it isn’t any part of the significant truth.

It is not, for example, just a question of whether the monthly nation-wide, seasonally adjusted unemployment figure is arrived at by statistically sound procedures and accurate computations. It is equally important that whatever is significant about unemployment be measured, and that whatever is relevant be included in not only the measurements but also in the subsequent report.

It is right, and important for a variety of reasons, that this nation-wide unemployment index be kept carefully. It was not right that until recently *only* that nation-wide figure was developed or reported. The *local* figures, that tell what ought to be done where, were at best loosely assembled; and even then they were for “standard metropolitan statistical areas” and averaged in the slums and the suburbs

together—concealing, until there were riots, the real condition in the slums.

The “seasonal adjustment” in these figures facilitates the economist’s analysis of the general economic condition and simplifies the reporter’s job. It makes it easier to say, in the dangerous shorthand of communication, by headline and five-second spots on thirty-second television newscasts, that things are “better” or “worse.” But the way this adjustment has been handled has resulted, as a practical matter, in turning attention away from a factor—serious seasonal unemployment—which can be changed, and which every other comparable country has done more about than we have.

It is interesting, and significant, that there has been so little notice that the 1960 census figures contain a serious “undercount” element, failing to include or disclose tens, perhaps hundreds, of thousands of adult males—probably mostly non-white—who are known to be part of the population. If this seems only a statistical matter, it is worth pointing out that one reason for this “undercount” is that payments under the Aid For Dependent Children program are denied, in many states, where there is a man in the house. Full development of this discrepancy between the figures and the known facts would be of inestimable policy-making importance.

The false economy of measuring only what is most cheaply measured has resulted in defining “unemployment” as including only those “actively looking for work and unable to find it” and as excluding those (“non-participants in the work-force”) who have given up even looking, and therefore present the most serious cases. It is even worse that funds necessary to make “job vacancy” studies have been denied—out of misguided concern that the results would be offset against the unemployment figures.

There will be no better place than this to express my personal gratitude and the Nation’s debt to the Commissioner of Labor Statistics and the Assistant Secretary of Labor for Manpower for their achievements this year in making the employment statistics more meaningful and useful.

But the communication of the vital statistics is fully as important as is their computation.

Statistics are dull news—except for the boxscores on doom and disaster, casualty lists or holiday deaths on the highways.

But is it too much to ask that when the national policy is put at

stake, there be a higher standard of communication ethics than readers' or listeners' obsessions? Would the media accept a share of responsibility for promoting a standard of not just a right to know, but an obligation to know?

There is advantage in having a .3% increase in prices or unemployment get several times the front-page attention a similar decrease does. The country needs more to be warned of its dangers than told of its successes. It is a different thing though if the fires of inflation are fed by constantly playing down every indication of stability and magnifying every sign of possible instability. One television announcement of the 0.1% November consumer price increase—the smallest in six months—was confined to the newscaster's statement that "prices rose in November for the tenth consecutive month."

Nor is there excuse for the country's having been told persistently the less-than-half-truth that it was American labor's insistence on wage increases that "broke the guidelines"—when the fact is that *price* increases have exceeded those limits much more seriously than have wage increases?

It is worth asking what standard of "credibility" it is that inspires or permits an editor to persist in protesting the alleged inflationary effects of the paper imbalance of the Government's "administrative budget" when he knows (and knows most of his readers don't know) that only the much more nearly balanced "national incomes account budget" bears any relationship to national economic stability.

Perhaps it is all too complicated, so that the inevitable price of letting reason rule a complex society is the non-participation of most people in the decision-making. Perhaps it is too much to expect that sophisticated issues of monetary and fiscal policy be decided by those so unfamiliar with decimal points that 3.9% sounds like almost ten times as much as 4%. Perhaps effective communication is impossible across the credibility gulf that lies between C. P. Snow's two cultures.

We deny this—for we must.

There must be, though, more recognition than there has been so far of the increasingly critical role of communication in the increasingly rational and complex economy and society—so that today in Marshall McLuhan's enigmatic but pregnant phrase "the medium is the message."

Perhaps there should be experiment with such measures as bringing out all vital statistical reports on the same day each month—to

avoid or at least reduce the confusion that comes from reading, one day, that the Wholesale Price index is down; the next day that the Consumer Price index is up; the day after that, that the estimated gross national product for the next quarter is higher than previously predicted; the following day that productivity in manufacturing is increasing but is down in services; and so forth. Maybe a single monthly report card to the public on how it is doing would be better understood.

But any such suggestion is superficial. The problem here is much deeper, and broader, and not limited to economic issues or the habits of computers or professional purveyors of the news.

What makes this all so important now, and so difficult, is the fact of rejection of the old idea of the "inevitability of progress" (which, in its extreme form, left communication only the significance of commentary) and the adoption, instead, of the conviction that the human capacity includes the power to improve the future. With this turn of events and philosophy truth in the forum and "the media" has become as important, especially in a democracy, as truth in the laboratory or the library.

What relevance had truth—or "credibility"—in the public forum while racial bigotry was covered by the convenient dispensation that "equal" included "separate"; while people moving from country or city were required to leave their votes behind; while old-age was considered an irrevocable sentence to penury and disease; while it was counted God's doing, not the majority's, that some people sank into the human cesspools of slums and ghettos; and while the public dialogue couldn't be dirtied by any "obscenity" or "heresy" about birth control?

It is hard to realize how rapidly the whole idea of the human competence to perfect life's pattern has taken hold.

This is not a political speech. But whoever is properly concerned about "credibility"—so that he would reject the credible advancement of what is in fact incredible (racial discrimination, poverty, economic depression, "disproportionment," birth by ignorance or accident)—will note the record of the past three years: a brief moment—as history measures time—in which this country has been asked to face up to the truth

—that boom-and-bust economics *can* be replaced by the economics of constant expansion;

- that civil (meaning equal) rights *can* be translated into civil results;
- that poverty *can* be eliminated and slums eradicated;
- that the franchise *can* be restored to a one-person-one-vote basis;
- that older age *can* be given security *and* meaning;
- that the growth of the population *can* be governed by reason and knowledge instead of ignorance.

These propositions are *right*. Their implementation depends solely on the extent to which *all* participants in the ensuing dialogue regarding them also accept truth as its standard.

In some areas, the new dialogue has been almost completely constructive.

It renews faith in democracy's process that, starting with President Johnson's State of the Union Message in 1965 and his United Nations' address here in San Francisco a little later, the discussion of family and population planning has proceeded with everybody respecting fully everybody else's opinion—and with infinite advantage to the society. This has been a triumph of truth.

It is having a harder time on the civil rights, and poverty, fronts.

Now the lie of "black power" is hurled against the older lie of "white supremacy."

Now the summer patriots in the war against poverty turn away from the inevitable winter campaign that comes in any war worth fighting, and take up instead the shell game of poverty and politics: if the funds for fighting poverty are increased, point at the budget and condemn any further appropriations as improvidence; if the funds aren't increased, complain that the war in Viet Nam is being paid for out of the poor-boxes here at home.

The truth loafed for a long time in this country—and voted "present" on the issue of leaving things as they were. Now—in a time of change—it faces a tougher testing.

So, I suppose, it has always seemed. All of history is the record of the struggle between what is true and what isn't.

I have tried, nevertheless, to suggest here the critical reduction in the permissible tolerance for untruth once it is decided to assert reason instead of determinism as the national philosophy and to accept responsibility for the perfection of life's pattern.

"God," Albert Einstein said once, "is clever; but He is not dishonest." As Man's cleverness increases, his honesty becomes the more critical.

I

**CRITICAL EVALUATION OF
THREE MANPOWER REPORTS**

Richard A. Lester, Chairman

AN EVALUATION OF THE REPORT OF THE NATIONAL COMMISSION ON TECHNOLOGY, AUTOMATION AND ECONOMIC PROGRESS

HERBERT E. STRINER

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There are, in reality, two Automation Reports. One is 113 pages long. The other is 1,789 pages long. The first is the Commission's Report, while the second is the six volumes of technical appendices. A comparison of these two reports reminds me of the lines of poetry, ". . . East is East, and West is West, and never the twain shall meet." Too few of the caveats, and too little of the concern and care of the technical appendices are reflected in the Commission Report. Beyond this, however, the Commission and the problem it set out to examine hardly got to know each other. By virtue of assumptions which the Commission itself established as study boundaries, it prevented itself from ever coming to grips with manpower problems growing out of technological change. Additionally, by its use of inadequate data and methodology, the supports for the structure it chose to build are so weak as to limit the value of key conclusions of the report.

This paper, then, will be concerned primarily with two foci: (1) Commission assumptions which underlie the report, and (2) Data and methodology used in the conduct of the research effort.

In order to meet its legislative charge, the Commission had to be concerned with productivity, rates of innovation and technological change, and the projected impacts of technology upon employment up to the year 1975. Quite properly, the Commission undertook no research in these complex areas but leaned on the existing fund of knowledge, and state of the art.

GROSS AND STRUCTURAL EFFECTS

The key basic assumption of an unemployment level which the Commission assigned to the Bureau of Labor Statistics for its projection of unemployment effects in 1975 is critical in any evaluation of this report. This is so for two reasons. If set too low, it must by definition assume away the unemployment problem. If set too high, it could well take on the cloak of mystical, Jeremiah-like doom that personifies the extremist position which sees little hope for employment tied to production depending upon manpower. The Commission

chose the former course by assuming a 3 per cent level of unemployment in 1975. However, the overall assumption of the meaningfulness of this or any gross measure of unemployment for the problem of technological displacement foredooms dealing with this problem. As so much evidence indicates, the problem is not a gross one, it is one which exists in the interstices and at the edges of our huge economy.

Such interstitial problems call for data, methodologies and monitoring techniques which the Commission could not, and did not, become sufficiently exercised about because of the euphoric paralysis of its initial assumption of the unemployment level in 1975. Interestingly, however, tucked away in a statistical note in Appendix Volume I, page 132, we find that alternative assumptions of unemployment at 3.5 or 4 per cent would lead to different conclusions, especially with respect to differentials of unemployment between 2-digit industries. To which I would add the implied greater difference between 3- and 4-digit industries, if they had the data. This analytical note does not, however, find its way into the Commission Report!

The BLS researchers indicate that an assumed level of 4 per cent unemployed, would result in somewhat more than one million additional unemployed, with over half located in the manufacturing sector. The weakness of the 3 per cent reed is further spelled out in Appendix Volume III, pages 199–200, by the Interagency Task Group on Technological Forecasting in the Federal Government. This group comes up with two conclusions to which I shall return later: (1) “. . . small differences and deviations from the average can be of critical importance with respect to the uses to which such forecasts may be put.”¹ (2) “Long-term (5 to 20 years) forecasting of specific occupational requirements is unlikely to be used or to be methodologically feasible.”²

Now, a brief word regarding the analysis the Commission asked BLS to undertake to determine the interindustry employment effects of technological change. An important tool upon which BLS relied was the input-output technique. For those of us who have been involved in the use of input-output for projection purposes, to look for even a modest sign of caution from the Commission in accepting

¹ “The Role of The Federal Government in Technological Forecasting,” *Adjusting to Change*, Appendix Volume III to *Technology and The American Economy*, National Commission on Technology, Automation, and Economic Progress, February 1966, p. 199.

² *Ibid.*, pp. 195–196.

conclusions based largely upon input-output studies, would be to look in vain. To use input-output for projections of primary, secondary and tertiary employment effects of changes in technology, assuming a given level of economic activity, there are two necessities:

First, there must be a sufficient series of input-output tables to permit analysis of changes in technical coefficients. To date, we only have a 1947 table and a 1958 table.

Second, in addition to a series of tables, they must be so disaggregated as to permit analysis at the three- and four-digit SIC level, or be on the order of about 400 or more sector matrix. The 1958 table has a total of 87 sectors, including 3 dummy sectors.

Though the input-output technique has much promise, I'm afraid that its past budgetary starvation diet serves only to provide an instance of poetic justice. The researcher must once again remind the penny-wise and pound-foolish policymaker of the wisdom of the adage, "No tickee, no laundree." Let us turn now to the process of innovation.

RATES OF INNOVATION AND TECHNOLOGICAL CHANGE

The major burden of the Commission's message on rates of change and diffusion is that though things happen faster nowadays, the lag between discovery and commercial application is still sufficiently substantial so that whatever technology can affect employment by 1975 must already be "in the works." Hence, we cannot, the Commission feels, foresee an innovation about which we have no information currently which could have an important employment impact by 1975. This may be so, but in Mansfield's paper in Volume II, pages 97-132, there are two items which limit quick acceptance of his average lag of 14 years from the process of invention to commercial innovation, assuming the limits of his having studied only 12 innovations in 4 industries. Mansfield warns us of his average, indicating that the range of lag-times for diffusion varied from .9 to 15 years for acceptance by 50 per cent of the logical user firms. Since productivity tends to vary so widely between industries, if the quick innovators are also the higher productivity industries, for example, communications, transportation, chemicals, textiles, glass and printing, then the lag-periods may be cut during the next decade by a considerable order of magnitude. Mansfield also warns of the fact that the rate of techno-

logical change can be altered significantly by government decision to allocate more resources to development and utilization.

The Commission accepted research findings which indicate that the lag-period from invention to commercial use has gone from 30 years *prior to* World War I to 16 years *between* World War I and War II, to 9 years *since* World War II. But, I do not know why the Commission failed to ask aloud, if during the next decade, this almost logarithmic function may not continue to operate. And, if so, what the implications may be for displacement and employment policies.

PRODUCTIVITY

Though the Commission Report warns that "output per manhour is not, of course a measure of technical progress alone,"³ it does not shrink from an almost immediate acceptance of this measure as an adequate guide. But, this index is one of the most difficult and mischievous ones in the entire field of index numbers, both with regard to construction as well as credibility.

This audience is well aware of the gaps in hours-worked data and value-added data, and knows of the serious shortcoming of the output-per-man-hour productivity index. I would rather dwell, then, on the problem of aggregation. I contend that for any policy dealing with technological change, productivity indexes must relate to specific industries! The very crux of the measurement of technological impact is the fact that it is for *each industry* that it must be measured, not in the aggregate! This is entirely missed by the global viewpoint of the Commission Report. Fabricant in his "Measurement of Technological Change"⁴ alludes to this problem.

Nobody is preparing current statistics on productivity by individual industries covering a substantial number of industries. I do not know why there should be such a lack of vital statistics. We need to have some idea of the spread among different groups.

In the Appendix Report, Volume II, page 101, John Kendrick's work is cited which gives a very rough indication of the type of industry spread which existed for the average annual rates of output per unit of labor inputs for various sectors in the private economy for the period 1899-1953. It varied from .7 per cent for anthracite coal to 5.1 for tobacco.

³ *Technology and the American Economy*, p. 2.

⁴ U. S. Department of Labor, July 1965, p. 17.

The productivity index used by the Commission must, by definition, miss the whole point. Technological change and its consequent employment and other economic impacts are by their very nature highly uneven among industries. To measure the problem, and design mitigating programs we either build brick by brick, or we do not build at all.

We are therefore confronted with an overwhelming need for the sort of specific industry and local data which we are now producing in only limited quantities. This is so for productivity indexes, input-output tables and forecasts of technological innovation and diffusion. Our data and analytical forms are out of keeping with the problems which confront us and with which we seek to cope. This point is not entirely lost on the Commission or completely absent in its Report. The problem is, that one doesn't begin to be made aware of its importance until page 99 of the Commission's 113-page Report. The Report is developed with a relatively mild sense of urgency pervading, and only towards the end are we introduced to the fact that many of these conclusions are based upon terribly inadequate, inappropriate, and inconclusive information. One has the feeling that after the main effort to quiet our fears concerning technology has been made, the Commission has made sure that all bases have been touched to minimize its being called out by an eagle-eyed umpire.

THE "SHAPE-UP" HYPOTHESIS

A major contention of the Commission Report is that given a sufficiently high and sustained rate of overall economic growth, the general level of unemployment can be reduced well below 4 per cent. The Commission looked upon the reduction of the unemployment rate of 5.1 per cent in August 1964, when the Commission was chartered, to 4.0 when the Report was completed at the end of 1965, as ample evidence that a continued high level of economic growth would reduce the unemployment level further. This aura of optimism was placed within the framework of what the Commission referred to as a "shape-up." The employed tend to be those near the beginning, the unemployed near the end of the shape-up line. The Report stated further that, "Only as demand rises will employers reach further down the line in their search for employees."⁵

During the 10-month period following this Commission conclusion,

⁵ *Technology and the American Economy*, p. 23.

the economy maintained its peak level of activity, but the general level of unemployment remained so close to 4 per cent as to be statistically undifferentiated. What is truly interesting is the shift in the unemployment rates for those at the head of the shape-up as opposed to those toward the end of the line.

First, let us define this shape-up line. The beginning would include the prime age group and be white, let us say, the white male, 25 years of age and over. The end of the line is probably the Negro, but especially the younger worker, both white and nonwhite, in the sixteen- and seventeen-year-old grouping.

As we all know, during the period since issuance of the Commission Report, the economy has continued to expand. Average weekly hours in manufacturing stood at 41.2 in January 1966, and by October of this year it had risen to 41.4. The highest point reached during the Korean period was 40.7 in 1952. The Consumer Price Index during this same period has risen over 3.5 percentage points. The labor market had tightened to the point where by October 1966 over $\frac{1}{2}$ of those unemployed were unemployed for 5 weeks or less, the lowest proportion since 1953. In contrast, the number of long-term unemployed (15 weeks or longer) declined by 200,000 over the year! Those at the head of the line showed a drop in the unemployment level, which by its magnitude was really less a drop than a tightening. The white worker went from an unemployment rate of 3.5 per cent in January 1966 to 3.4 per cent in October. Those males 25 years of age and over dropped for the same period, from a rate of 2.5 per cent to 2.1 per cent.

Did all of this augur well for the end of the line? In a word—NO! The level of unemployment for the nonwhite group in January 1966 was 7.0. By October 1966 it had risen to 7.6. And, for the sixteen- and seventeen-year-old group, both white and nonwhite, during the same period, the unemployment rate remained at 14.7 per cent. For all teenagers, the data show that although they comprise only $\frac{1}{10}$ th of the civilian labor force, they account for $\frac{1}{3}$ rd of the unemployed.

Unhappily for the shape-up hypothesis, neither the physical nor the social and economic world is a set of simple, linear relationships. After all, we have discovered kinked curves and discontinuity functions in economic theory, and they do exist in the real world. Lack of transportation from ghetto areas to distantly located jobs, some union restrictions on minorities, apprenticeship quotas, lack of social

graces, bias, and educational gaps which are so wide that few employers will envision themselves as becoming involved in remedial programs, *really* do exist. On page 103 of Appendix Volume VI, the General Electric Company paper also supports the view that the shape-up is a slim reed to lean on. They specifically point to the increase in overtime as a result of the unemployability of the unskilled, untrained worker.

Let me pose an alternative to the shape-up hypothesis. I'll call it the GIM (Got It Made) hypothesis. Simply put, it means that when you can sell easily and the market demand is high, there is a point at which it is just too painful to deal with difficult types of people or problems. A case in point is a successful GIM-type department store I know of which gave up handling major appliances simply because it was too difficult to get mechanics and servicemen, including truck drivers. I also wonder how many shape-up theorists are doing some of their own maintenance work around the house because they do not like the looks, mannerisms or work habits of the people at the back of the shape-up line?

JOB-DESCRIPTIONS AND PROJECTED MANPOWER REQUIREMENTS

A vital task given by the Commission to BLS was that of estimating projected requirements in 1975 for employment by major occupation groups. These projections were made and conclusions we are familiar with were arrived at. But these BLS projections are not capable of filling the real needs of the Commission, at least as I see them. As Lee Hansen so well demonstrated in his paper a year ago at these meetings, BLS projects "actuals" rather than "requirements," despite the use of the term "requirement." The projection represents an inevitable outcome of the economic environment that the projection is attempting to capture. The occupational requirements used by the Commission are a distribution implied by the assumptions and no more. This statement is, of course, so obvious that one might question why I bother to make it. The reason grows out of my contention that the Commission's inclusion and use of the BLS "requirements" data for 1975 explicitly are supposed to indicate "new job requirements and the major types of worker displacement . . . likely to occur during the next ten years."⁶ The Commission chooses to answer by accepting a series of assumptions which have assumed away the very problem

⁶ *Technology and the American Economy*, p. 27.

it is investigating. Unemployment is assumed to be 3 per cent, no major changes in technology are envisioned as being possible in terms of anything less than roughly 14 years, and the categories of occupation are so broad as to defy any meaningful discussion about skills or job descriptions.

As most of us who have had any dealings with job titles and descriptions know, there is a serious, unstudied problem of having up-to-date descriptions of what people actually do on a job as opposed to what a job title tells us they do. Are there serious implications for the acceptance of current occupational projections for designing new manpower, educational and unemployment policies? Of course there are!

COULD THE COMMISSION REALLY SUCCEED?

Was this Commission or any similar Commission, in a position to really deal with the assigned problem? I believe not.

The effects of innovation and dissemination of technology on employment are, I believe, a micro phenomenon, not a macro one. To study it and its various implications, we must have data which are designed for entirely different categories than much of our current series, and we must use our methodologies in a manner consistent with micro phenomena. The fact is that minute errors which cancel out so nicely in aggregate analysis often represent extremely large numbers of people in the absolute sense. It is these people, though, who are the *raison d'être* of much of the current legislative effort dealing with training, education, welfare, and manpower policies. To deal effectively with these types of problems, where the employment implications of technology are quite probably at the very margin in so huge an economy, on the basis of a 10-year projection of highly aggregated industry groupings, assuming a model with a 3 per cent unemployment rate, is to miss the problem entirely. Given the dismal state of our disaggregated occupational data, the large, aggregate orientation of our methodology, and the 10-year planning horizon, the findings of the Commission were hardly a surprise and of very limited value.

If we are to understand, measure, and develop programs to alleviate the social and economic effects of new technology, we must:

1. Design a new relationship between education and economics as never before. Effective utilization of manpower and minimization of undesirable effects of technology must be bound to new educational and training processes. In the Commission Report there is

no new ground broken in this direction. Indeed, the so-called "expert's" report, by J. D. Finn, on *The Emerging Technology in Education*,⁷ refers to "future" innovations which, apparently unknown to him, have already been translated into hardware being used in schools. I refer to the so-called "Talking Typewriter," or the Edison Responsive Environment Learning System, developed by Professor O. K. Moore, University of Pittsburgh, and R. Kobler, McGraw-Edison Company.

I suspect that a key problem concerning innovation and technology is that our educational system is as unreceptive to such change as our industrial leaders are eager to utilize more productive capital. For those worried about problems of technological change, I heartily endorse this area of research and analysis.

2. Develop a new perspective of planning. I doubt that 10- or 15-year planning horizons really make much sense. I think they are usually used as a device for putting off decisions, or concealing ignorance, or inadequacy. I would prefer a three- to five-year horizon as an operationally more significant planning goal. It is long enough so that it does not call for some naive assumption of the speed with which things happen, but it is short enough so that it forces us continuously to face up to what we must begin to do in terms of real time commitments.

3. Develop data which are sufficiently detailed and up-to-date. This is especially the case with respect to production functions and job descriptions.

As economists and manpower specialists we have a special responsibility to Commissions such as the one under discussion. Though we may feel compelled to be of help in guiding Commissions during the course of their responsibility, we may also be the only ones who can forcefully indicate shortcomings in data or research which seriously limits the worth of their conclusions. The profession must not equivocate. It should take a strong lead when in a position to do so and point out the relatively low marginal cost of data and research, the nature of which is a necessity in the understanding of the factors affecting employment, of which technology is but one.

4. Conduct ongoing evaluations of innovations, by suitably small industry groupings, so as to be aware of incipient change as well as stages of change for already perceived shifts in technology.

⁷ Appendix Volume IV to *Technology and the American Economy*, pp. 33-53.

The development of policies to deal with technological and other factors affecting employment can only be based upon continuing, detailed industry studies, disaggregated productivity indexes, quinquennial input-output tables and up-to-date job descriptions. These, in turn, must be viewed from demographic and other vantage points.

In closing, to expect too much of Commissions is unfair. Not to learn from their experiences would be unfortunate. In the case of this particular Commission, I believe that its greatest contribution is in pointing up the glaring deficiencies which exist in our current efforts to understand and deal with problems growing out of technological change. This unhappy state of affairs can only be altered significantly by the provision of more funds for the sorts of programs I have suggested. It may be less expensive, in dollar terms, to have an occasional Commission exercise instead, but I have the feeling that it is an alternative which is infinitely more costly to our society.

THE EMPLOYMENT SERVICE TASK FORCE REPORT

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The past half decade has witnessed a dramatic reorientation of public policy with respect to manpower development and utilization. Increasing recognition of the crucial role of human resources in economic growth and concern for the social problems of unemployment, poverty, and racial discrimination have converged in a search for programs to promote the fullest development of individual potentials and the effective matching of men and jobs. The obvious relevance of the Public Employment Service to the pursuit of these ends has encouraged both academicians and policy makers to examine the Service and to offer suggestions for enhancing its effectiveness. The latest in a series of such examinations¹ is the report of a Task Force appointed by the Secretary of Labor late in 1965 to review the operations of the Federal-State Employment Service and "to consider what is needed to improve its operations as the front-line agency for translating manpower, education and training, and war on poverty policy into operational reality."²

* I am grateful to William Papier, Director of Research and Statistics of the Ohio Bureau of Unemployment Compensation, for the many valuable suggestions he made during the preparation of this paper.

¹ See, for example, Leonard P. Adams, "The Public Employment Service" in Joseph Becker (ed.) *In Aid of the Unemployed* (Maryland, The Johns Hopkins Press, 1965), pp. 193-226; William Haber and Daniel H. Kruger, *The Role of the United States Employment Service in a Changing Economy*, (Kalamazoo: The Upjohn Institute, 1964); U. S. Congress, 86th, 2d session, Senate, *Report of the Special Committee on Unemployment Problems* (Washington: Government Printing Office, 1960), pp. 107-110; U. S. Congress, 88th, 2d session, Senate, Committee on Labor and Public Welfare, *Toward Full Employment: Proposals for a Comprehensive Employment and Manpower Policy in the United States*, (Washington: Government Printing Office, 1964), pp. 92-97; U. S. Congress, 88th, 2d session, House of Representatives, Committee on Education and Labor, *The Role and Mission of the Federal-State Employment Service in the American Economy*, (Washington: Government Printing Office, 1965), pp. 1-3, 69-71.

² *Employment Service Review*, U. S. Department of Labor, Manpower Administration, February, 1966, frontispiece. The Task Force was chaired by Dean George Shultz, with Professors Arnold Weber and Daniel Kruger as Vice Chairman and Executive Secretary, respectively. Its twelve other members included management, labor, and public representatives. The group met six times prior to the submission of its unanimous report on December 23, 1965.

PRINCIPAL RECOMMENDATIONS OF THE TASK FORCE

The central thesis of the Task Force report is that the Employment Service must be revitalized to play a more prominent and effective role in developing and implementing an "active manpower policy." To this end, the Wagner-Peyser Act of 1933 should be amended to give legislative cognizance to the new responsibilities imposed on the Employment Service by contemporary manpower problems and by recent legislative enactments. Specifically, the Service must be thought of not as a simple "labor exchange," but as a comprehensive "manpower services center" serving *all* workers and employers, providing effective counseling and testing services, offering specialized services to groups with abnormal labor market difficulties, cooperating with other agencies involved in employment and manpower problems, and assuming responsibility for the collection, analysis, and dissemination of labor market information.³

Many of the Task Force recommendations designed to implement this definition of the Employment Service mission were simply exhortations for the more effective prosecution of functions already being performed. Others, however, called for organizational or administrative changes to facilitate better performance, the most significant of which were those calling for a completely separate identity for the Employment Service, those designed to improve the quality of operating personnel, and those directed at improving the inter-area clearance system.

The Task Force recommended administrative separation of the Employment Service from unemployment insurance at the Federal, State, and local levels. At each level there would be different executives for the two activities, each with his own staff and line of authority, although reporting to an administrative head of an overall agency. Moreover, it was proposed that local employment offices be physically separated from unemployment insurance claims offices, "with reasonable proximity maintained so as to minimize the inconvenience to claimants and job seekers."⁴ To emphasize this divorce, and also to give recognition to the expanded functions of the Employment Service, it was recommended that the Service be financed from general revenues rather than from the Federal Unemployment Tax,

³"Employment Service Task Force Report," *Employment Service Review*, February, 1966, pp. 7-10.

⁴*Ibid.*, pp. 11-12.

except for the estimated costs of administering the "work test" for unemployment insurance applicants.⁵ Finally, it was proposed that a separate advisory and review committee be established for the Employment Service at the national level and in each State.⁶

Emphasizing the need for higher professional competence among Employment Service personnel, the Task Force urged the Secretary of Labor to use his present authority to require minimum qualifications for State professional personnel that would justify higher salaries than currently prevail. As an additional step in this direction, it was proposed that the Wagner-Peyser Act be amended to require salaries of state personnel to be commensurate with those paid for comparable jobs in public *and private* employment in the State. Increased emphasis on training and on the development of career opportunities in the Employment Service were also advocated. One of the specific recommendations was for Federal "Employment Service Trainees," who would pursue a two-year training program in State and local offices, after which they would be either reassigned to the national or regional office, or, if mutually agreeable, transferred to the State. The Task Force also recommended arrangements to facilitate the appointment of State employees to Federal positions and to permit transfer among State agencies without loss of pension and other employment rights.⁷

In order to improve the process of inter-area clearance, the Task Force proposed the creation of a nationally coordinated network of "multi-market clearance centers." Each local office would be required to list with the relevant center all job vacancies in shortage occupations remaining unfilled for 15 days, and all applicants for such jobs who have been unemployed for 30 days or who request to be so listed. To facilitate the efficient operation of this system, it was recommended that high priority be given to the development of electronic methods for storing, analyzing, and retrieving information on job vacancies and applicants.⁸

One full section of the Task Force report was devoted to suggestions for improving the collection and dissemination of labor market information. For example, one such proposal was that each metropolitan local office have a labor market information officer, and that smaller offices designate one or more staff members to perform this

⁵ *Ibid.*, pp. 23-24.

⁶ *Ibid.*, pp. 27-28.

⁷ *Ibid.*, pp. 15-18.

⁸ *Ibid.*, pp. 23-24.

function in addition to their other duties.⁹ Noting the need for integrating the efforts of the Employment Service with those of other government and private agencies, the Task Force urged the Employment Service to assume the role of coordinating placement efforts under all government training programs and to develop more effective liaison with reputable private employment agencies. It also proposed legislative authority for the Service to contract with non-government agencies for the performance of special manpower services, such as special counseling, placement, or research activities.¹⁰

AN APPRAISAL

The appraisal one makes of the Task Force report depends on his frame of reference. If preservation of the existing structure of a Federal-State Employment Service is a major desideratum, the recommendations must be evaluated in the light of that constraint. On the other hand, if no holds are barred and the question of political expediency is not considered, it is difficult to avoid the conclusion of the Commission on Technology, Automation, and Progress: that outright nationalization of the Service is essential.¹¹ Not that nationalization would automatically create the ideal employment service; but surely it would permit a direct approach to most of the requirements that the Task Force could attack only indirectly, *viz.*, higher qualification and salary levels for operating personnel, more effective training and professional development programs, a more efficient interstate clearance system, and increased opportunities for employment service personnel to transfer among, national, regional, and State offices.

The substantive arguments against nationalization of the Service seem to me to be hardly persuasive. That local employment offices must be responsive to local needs and conditions is clearly true, but it is by no means obvious that nationalization would prevent the achievement of this adaptability. Local offices would continue to be staffed by members of the community, and administrators of State and regional offices would continue to be knowledgeable about and sensitive to the peculiar characteristics of the areas for which they

⁹ *Ibid.*, pp. 19-22.

¹⁰ *Ibid.*, pp. 13-14.

¹¹ National Commission on Technology, Automation, and Economic Progress, *Technology and the American Economy*, (Washington: Government Printing Office, 1966), pp. 51-52.

are responsible. There could be as much operational diversity and as much experimentation as the situation called for and as Federal administrators were imaginative enough to permit. To the argument that a Federal bureaucracy would stifle local initiative and experimentation, it can be countered that a centralized system would at least fix responsibility for the effectiveness of the Service. As things now stand, the Federal agency can lament the shortcomings of State administration, while State administrators complain about inefficiencies generated by Federal red tape and controls.

But whatever the merits of a national system, it is almost certainly not politically feasible at the present time. In appointing the Task Force, Secretary Wirtz urged them to adopt a unanimous report. Even if federalization had been acceptable to all of the members, which is doubtful, the proposal would have had little chance of being implemented. It is noteworthy that of all those who testified in the joint hearings on the Manpower Services Act of 1966¹² only Andrew Biemiller of the AFL-CIO stressed the desirability of a completely Federal Service, and even his statement was more nearly a lament for a lost cause than a serious proposal for action.¹³ On this issue, we would seem to be the victims of ideology, tradition, and vested interests.

Accepting the constraint of a Federal-State System, there can be little doubt that the Task Force focused on some of its most

¹² Early in 1966, two bills were introduced in both houses of Congress to amend the Wagner-Peyser Act: the Clark-Holland "Manpower Services Act of 1966" (S.2974/H.R. 13037) and the Administration's "Employment Service Act of 1966" (S.3032/H.R. 13362). While each incorporated many of the Task Force proposals, the former went considerably farther than the latter in increasing the powers of the Federal partner in the Federal-State system. Joint hearings on the bills were held in March and April (U. S. Congress, 89th, 2d Session, *Manpower Services Act of 1966 and Employment Service Act of 1966*, Joint Hearings before the Subcommittee on Employment and Manpower of the Committee on Labor and Public Welfare, United States Senate and the Select Subcommittee on Labor of the Committee on Education and Labor, House of Representatives, Washington, Government Printing Office, 1966. This reference will hereafter be cited simply as *Hearings*.) After a series of amendments in Committee and on the floor of the Senate, the Manpower Services Act was passed by the Senate on June 29 and referred to the House Committee on Education and Labor. It did not go nearly so far as the Task Force recommendations in separating employment service from unemployment compensation functions, and it retained the Unemployment Insurance Tax as the means of financing the Service, although authorizing additional appropriations from general revenues through 1969. Significantly, it authorized the Secretary of Labor only to *recommend* minimum qualification and salary standards for State personnel.

¹³ *Hearings*, pp. 301-303.

crucial problems. Most of their proposals, of course, are by no means novel.¹⁴ A "new mandate" for the Employment Service seems clearly desirable in order to adapt its legislative charter to the multitude of assignments that have devolved upon it. An even more important reason is to counter the constant carping of the private employment agencies, which, if they could, would limit the availability of the public service to those whom the fee-charging agencies cannot or will not serve.¹⁵

The need for higher salaries for professional personnel in State agencies should be apparent from the average State salary ranges for selected employment service occupations shown in Table 1. Not only are average salaries low—the average starting salary for an employment interviewer is only 15 per cent higher than the entry rate (GS-3) for a clerk-stenographer in the Federal Civil Service—but the variation among the States is staggering. In California, the starting salary for employment interviewers at the beginning of 1966 (\$6,120) was more than 70 per cent higher than in West Virginia (\$3,540). In New York, the salary range for Research and Statistics Director was more than twice as high as that of Rhode Island.¹⁶

¹⁴ See, for example, *The Role and Mission of the Federal-State Employment Service in the American Economy*, *op. cit.*, pp. 1-7.

¹⁵ See statement of Richard S. MacQuown, Chairman, Committee on Legislation, National Employment Association, *Hearings*, pp. 327-381, especially p. 335.

¹⁶ Source cited in Table 1, pp. 6, 7.

TABLE 1

Mean Minimum and Mean Maximum Annual Salaries of Selected Occupations in State Employment Services,* January 1, 1966.

Job Title	Mean of	
	Minimum \$	Maximum \$
State Director of Employment Service	10,669	13,412
Local Office Manager	6,408	8,099
Employment Interviewer	4,910	6,150
Director, Employment Security Research and Statistics	9,441	11,880
Labor Force Analyst	5,973	7,583
Employment Counselor	5,736	7,233

* Including District of Columbia, Puerto Rico, and the Virgin Islands.

Source: Department of Health, Education, and Welfare, Division of State Merit Systems, *State Salary Ranges of Selected Classes of Positions in Employment Security, Public Welfare, Public Health, Mental Health, Civil Defense, Vocational Rehabilitation, Emergency Planning, January 1, 1966*. (Washington: Department of Health, Education, and Welfare, 1966, processed), pp. v-vi.

TABLE 2

Relation of State Salary Level to Educational Attainment and Separation Rates of Employment Interviewers Appointed in Fiscal Year 1965.

Item	50 States	25 States with Highest Salaries	25 States with Lowest Salaries
Salary range	\$3,540-6,600	\$4,551-6,600	\$3,540-4,512
Median salary	\$4,532	\$4,988	\$4,260
Number of appointments	2,913	1,856	1,057
Per cent college graduates	59.1	67.8	43.9
Per cent with no college	18.9	14.5	26.8
Per cent separated before end of fiscal year	12.7	11.6	14.8

Source: Department of Health, Education, and Welfare, Division of State Merit Systems, *Analysis of Appointments, Separations, Promotions: Public Assistance Caseworkers and Employment Security Interviewers* (Washington: Department of Health, Education, and Welfare, 1966, processed). Computed from data in Tables 15, 19, 23, and 29.

The problem of salaries, of course, is reflected in the inability of many state agencies to attract and retain competent personnel. Of the close to 3,000 new appointees as employment interviewers in the 50 State agencies during fiscal year 1965, only three-fifths were college graduates and close to one-fifth had no college training at all (Table 2). In the 25 states with the highest salaries for employment interviewers, these proportions were 68 per cent and 14 per cent respectively, while in the bottom half of the distribution only 44 per cent had college degrees and over a fourth had no college. Nationally, one-eighth of the new appointees left their jobs before completing a full year of service. Moreover, the persons who left tended to be better qualified in terms of educational attainment and civil service examination scores than those who remained.¹⁷

While there is no question of the need for substantial upgrading of personnel, it is doubtful that the Task Force proposals would produce the desired result. The Secretary of Labor already has the authority to require States to adopt minimum qualifications for professional personnel¹⁸ and has presumably not been unmindful of the problem under consideration; yet it has persisted. It is not clear how explicit reference to this authority in the statute would significantly alter the situation. The basic problem, of course, lies in reconciling the need for higher salaries for Employment Service personnel with the preservation of a rational salary structure within State

¹⁷ Source cited in Table 2, p. 11.

¹⁸ "Employment Service Task Force Report," *op. cit.*, p. 16.

government. Both sound principles of personnel administration and statutory provisions in many States make it questionable that salaries of particular categories of employees can be raised substantially relative to those of other State employees—some of whom would be in the same agency.¹⁹

The recommendations of the Task Force that have generated the most controversy are those designed to give the Employment Service a separate identity. In part, these proposals stem from a desire to improve the “image” of the Service that results from its identification as the “unemployment office.” In part, they are intended to improve the efficiency of the Service by assuring the functional specialization and professional integrity of employment interviewers and counselors, who are frequently called upon to double as claims-takers in offices where unemployment insurance and employment service operations are combined under a single manager.²⁰

While there is considerable *prima facie* validity to the logic of the Task Force, it is difficult to avoid the conclusion that their specific recommendations on these matters went somewhat too far. There is not complete agreement that the separation already achieved in the largest metropolitan areas has produced any perceptible improvement in operations,²¹ and there are clearly significant disadvantages in the form of increased costs and increased inconvenience to unemployment insurance claimants. But even if separation is desirable in the larger offices, it does not follow that it is feasible or wise in all offices, which the Task Force set as an ultimate goal. There are over 500 local employment offices in the United States with 5 or fewer employees, and as many as 1000 with a staff no greater than 10.²² Many of the witnesses before the Senate and House subcommittees pointed, with varying degrees of restraint, to the folly of attempting to separate offices of this size.²³

The Task Force recommendation that the Employment Service be financed primarily from general revenues also seems to be questionable. Giving up the assured source of funds from the unemployment insurance tax for the vagaries of Congressional appropriations

¹⁹ See *Hearings*, pp. 136, 140, 524.

²⁰ *The Role and Mission of the Federal-State Employment Service in the American Economy*, *op. cit.*, pp. 37–38.

²¹ *Hearings*, p. 137.

²² Testimony of Wilbur J. Cohen, *Hearings*, p. 106.

²³ *Hearings*, pp. 106, 130, 137, 139, 336, 523.

seems too great a price to pay for whatever nebulous advantages may lie in that course of action. Moreover, employers may be more inclined to use the Service when they feel that they are paying for it via the Federal payroll tax than they would if it were financed from general revenues. This is not to deny the desirability of supplementing unemployment insurance tax funds from the general revenues; but there is already limited precedent for that practice.

REACTIONS OF STATE EMPLOYMENT SECURITY ADMINISTRATORS

On the issue of separation of employment service and unemployment compensation activities, as well as on many of the other elements of the Task Force recommendations, it is possible for informed men of good will to disagree. There is a remarkable lack of hard evidence on the relation between alternative organizational forms and functional efficiency. Indeed, it is not entirely clear what kinds of evidence would provide definitive answers to some of the relevant questions. In the absence of such evidence, it seemed appropriate to examine systematically the judgments of persons experienced in the operation of the State employment Security agencies. Accordingly, brief questionnaires were sent to the 50 State administrators,²⁴ asking them to register their agreement or disagreement with the major recommendations that had been made for improving the Employment Service. The returns are summarized in Table 3. The State administrators are evenly divided as to whether separate employment service offices have improved operations in cities where they have already been established.²⁵ But a substantial majority (three-fourths) oppose the Task Force goal of separating all offices. The proportions hostile to separate financing, separate administration, and separate advisory

²⁴ In the two States where the Employment Service and unemployment insurance are administratively separate (Arizona and Wisconsin) the questionnaire was addressed to the director of the Employment Service. Returns were received from 45 States. About half the respondents were career personnel in the sense that they had moved up to administrator from other positions in the agency. Median length of service as administrator was about five years.

²⁵ There is a substantial difference, however, between administrators from industrial states (at least 22 per cent of total employment in manufacturing) and those from non-industrial states. Of the 24 administrators in the former category, 10 agree with this proposition, seven disagree, and seven are undecided. The corresponding numbers for the non-industrial states are six, nine, and five. (The State from which one return came could not be identified.) The significance of this difference lies in the fact that administrators from the industrial states are likely to have had more extensive experience with separated offices.

TABLE 3
Attitudes of State Employment Security Administrators toward Selected Task Force Recommendations.

Recommendation ¹	Strongly agree	Agree	Un-decided	Disagree	Strongly disagree
1. Need for new legislative "mandate"	21	21	2	1	0
2. Physical separation of metropolitan offices has improved E. S. operations ²	5	11	9	11	6
3. Physical separation of all offices as long range goal	0	7	4	11	23
4. Separate administration of E.S. functions	4	13	1	10	17
5. Financing from general revenues ³	4	12	5	18	5
6. Separate advisory committees ³	3	9	5	22	5
7. Low salaries inhibit effectiveness of E.S.	16	25	0	3	1
8. Authority of Secretary of Labor to prescribe minimum qualifications and salaries	1	8	3	16	17
9. Assignment of Federal Trainees to State and local offices ³	2	16	5	14	7
10. Provision for shifting personnel between State and Federal offices and among States ³	5	24	5	6	4
11. "Multi-market clearance centers" coordinated on national basis ³	3	23	4	13	1
12. Compulsory listing of job vacancies by government agencies and government contractors	5	14	3	16	7
13. Authority for State agencies to contract with non-government agencies for certain specialized manpower services	2	18	5	10	10

¹ The wording of the questions shown here is considerably condensed. In the questionnaire, the statements were either lifted verbatim or carefully paraphrased from the Task Force Report. The only exceptions are Item (8) (see text footnote 26) and Item 12, which was not among the Task Force recommendations.

² Not answered by three respondents.

³ Not answered by one respondent.

Source: Questionnaire survey. See text footnote 24.

councils are somewhat smaller, ranging between about 50 and 60 per cent.

While virtually unanimous in recognizing the evil of inadequate salaries, three-fourths of the administrators nevertheless take a jaundiced view of the imposition of minimum qualification *and salary* standards by the Federal government.²⁶ The other Task Force proposals designed to improve the quality of personnel are more congenial to the respondents, although slightly more of them oppose than favor the proposal that Federal trainees be assigned to State and local offices.

The responses of the administrators reflect a fairly widespread recognition of the need for improving the interarea clearance system. The almost two-to-one majority favoring the Task Force proposal for nationally coordinated "multi-market clearance centers" is especially noteworthy because the proposal clearly involves strengthening the Federal role vis-a-vis the States. There is substantial (although not majority) support for the use of some compulsion in inducing employers to list job openings with the Employment Service. Two-fifths of the respondents think that government agencies and private employers holding government contracts should be required to list vacancies with the Service. Although the Task Force did not make this recommendation, it is one that has been considered in several Congressional hearings.

The most interesting aspect of the results of the survey is the diversity of opinion among the administrators. On literally every one of the issues there is some sentiment on each side, and unanimity is approached only on the assertions that a new legislative mandate for the Employment Service is needed and that unduly low State salaries limit the effectiveness of the Service. Thus, there is no evidence of an unwavering "party line" among the State administrators that one might have assumed from the testimony of those who appeared before the Congressional subcommittees. To the administrator who made a rather unfriendly comment about the "cloud 9" ideas of the "task force academicians and theorists,"²⁷ one might gently point out that some of his practical fellow-administrators are equally gulty.

²⁶ It should be noted that the statement to which the respondents were invited to react differs from the relevant recommendation of the Task Force. The latter emphasized the setting of higher *qualification* standards by the Secretary of Labor, with the expectation that these would lead to higher salaries.

²⁷ *Hearings*, pp. 133, 143.

THE TASK FORCE REPORT IN PERSPECTIVE

With the exceptions that have been noted, there is not much question that implementation of the Task Force recommendations would operate to improve the general effectiveness of the Employment Service. It would be naive, however, to suppose that they constitute the ultimate in the development of an "active manpower policy." In the first place, for reasons that have been explained, there are limits to which some of the basic problems of the Service—particularly the low salaries of operating personnel—can be ameliorated within the confines of a Federal-State system.²⁸ But more fundamentally, good organizational structure can at best be permissive; it does not itself produce results in the absence of an adequate program. If the Employment Service is indeed to become the chief agent for implementing a "positive" or "active" manpower policy, there needs to be a real national commitment to such a policy, and, as Wight Bakke has pointed out, this has existed in the United States only during periods of national emergency.²⁹ Despite the strides in this direction represented by the legislation of the past several years, there is a long way yet to go, as the recent provocative analyses by Bakke and by Richard Lester³⁰ have shown.

Although space does not permit an elaboration of this issue, one example may be cited. If the Employment Service is to be successful in its "outreach" program and in catering to the needs of the "disadvantaged," more thought has to be given to developing specialized work opportunities for such persons. The Swedish experience with "sheltered workshops" and other types of "sheltered" employment suggests one approach.³¹ Consideration might also be given to programs of subsidy to private employers to cover part of the wages of "poor risk" employees.

The point is not simply that the needs of such persons cannot adequately be served without programs of this kind. Equally important is the fact that when the Employment Service attempts

²⁸ To the extent that academic economists agree with this judgment, perhaps they might be urged to expose themselves to the charge of political naivete by pressing more vocally for a national system, despite the apparent hopelessness of the cause. Politically unfeasible proposals of today, after all, do have a way of becoming tomorrow's reality.

²⁹ E. Wight Bakke, *A Positive Labor Market Policy*, (Columbus: Charles E. Merrill Books, 1963), p. 20.

³⁰ Richard A. Lester, *Manpower Planning in a Free Society*, (Princeton: Princeton University Press, 1966).

³¹ *Ibid.*, pp. 127-129.

conventional placement for individuals on the margin of employability, it jeopardizes its ability to function as a "mainstream" manpower agency. The "image" problem of the Employment Service is not exclusively a product of its designation as the "unemployment office."

The foregoing is not intended to disparage the Task Force report. Their mission, after all, was to examine the operation of the Employment Service and not to take a critical view of total manpower policy in the United States. It is important to recognize, nonetheless, that the *effectiveness* of the Employment service is not solely a function of its *efficiency*. A great deal depends on the total milieu within which it operates.

THE 1966 MANPOWER REPORT OF THE PRESIDENT AND THE SECRETARY OF LABOR

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I take it that my assignment here is to supply an appraisal of the *Manpower Report for 1966*.¹ This is a task calling for both space and expertise. Fortunately the editors have been niggardly enough with their space to foreclose much testing of the expertise. Moreover, given the size and complexity of the document, I shall have to be selective, which means that I cannot do it full justice. This should be borne in mind in relation to any adverse comments, none of which should be allowed to obscure the highly competent efforts of the many minds who contributed to its preparation. One can say, too, that the manpower field is only just beginning to come into its own, that it still lacks rigorous definition, and that it does not possess those qualities of a closed system that characterize statistics of income or of international trade. As far as manpower is concerned, a counsel of perfection is a counsel of despair. In other words, we should not ask for the impossible, but should be grateful for the progress already attained.

BACKGROUND AND HISTORY OF THE REPORT

Properly to understand and evaluate the *Report* requires some appreciation of its origin and *raison d'être*. It will come as no surprise to the well-informed that it was ordered by Congress as an annual affair, through Section 104 (now Section 107) of the Manpower Development and Training Act of 1962 (Public Law 87-415).² It will also hardly be news that MDTA was Congress' way of responding affirmatively to the thesis that structural factors were important to the persistently high unemployment rates of that time, and in any case

¹ The full title is *Manpower Report of the President and A Report on Manpower Requirements, Resources, Utilization and Training by the U.S. Department of Labor* (annual), hereafter cited as simply "the *Report*."

² *U.S. Stat. at Large*, 87th Congress, 2nd Sess., 1962, vol. 76, at pp. 23-33. Through Public Law 89-15 (1964) MDTA was amended so that Sections 103-104 of Title I now became Sections 106-107.

to the contention that something had to be done about unemployment, especially among disadvantaged groups.

In deference to the structural thesis, Section 101 pointed to (1) shortages of skilled persons, (2) the plight of workers with obsolete skills, (3) the coming influx of youngsters into the labor force in the decade ahead, and (4) the number of unemployed persons in need of training and skills. This was the period, it will be recalled, when the automation scare was at its height, when assertions were common that the unskilled unemployed would never again find jobs, and when the public conscience began to be aroused by revelations of the hard facts of the Negro's plight.

Given this general background, the closing declaration of Section 101 is worth quoting:

"It is therefore the purpose of this Act to require the Federal Government to appraise the manpower requirements and resources of the Nation, and to develop and apply information and methods needed to deal with the problems of unemployment resulting from automation and technological changes and other types of persistent unemployment."

In a word, then, technological change causes either net unemployment or some unemployment—the language can be read either way—and the government should study labor demands and supplies, using the information acquired to devise measures for reducing structural unemployment. This task was made the responsibility of the Secretary of Labor, who is to transmit his findings to the President each year, who in turn reports to the Congress. In March, 1963, the first *Report* was issued.

Comparison of the first *Report* with the present one yields some relevant impressionistic judgments. In the former, the President's own section, issued over the signature of President Kennedy, one finds a detailed and cogently reasoned analysis of manpower problems and methods of attack. In times of trouble, one expects to find in the utterances of public figures a strong note of the oracular, replete with admonitions to mend our ways. But here it is surprisingly subdued. The Department's section, furthermore, concentrates heavily upon trends in employment and unemployment, the impacts of movements in productivity and final demand, and projections of labor demands and supplies by occupation and industry. In the 1966 version, President Johnson's section is shorter and terser, dwelling strongly upon con-

crete accomplishments and specific lines of needed action. In turn, the Department's text pays greater attention to particular problems—the costs and consequences of unemployment; the difficulties confronting youngsters and disadvantaged groups; and the special field of farm labor. I sense a stronger note of moral imperatives throughout. Also, the 1966 version reflects the shift in economic conditions between 1962 and 1965: the drop in the unemployment rate, overall and particularly for experienced workers; and the emergence of local shortages of skilled workers.

So far as the original declaration of purposes of MDTA in 1962 is concerned, there can be little quarrel over principles. The issue was, and remains, one of emphasis. Surely it is important at all times for the nation to know how efficiently its labor markets are operating, to know how the vulnerable groups in the labor force are faring, and to know how well the various special programs have worked out. Indeed, within the economics profession there has never been any real dissent on these counts. The basic issue in 1962 was a different one. Specifically, it was whether structural troubles, rather than a continuing shortfall of total demand, were the *main* reason for the unsatisfactory unemployment rates of the time. If they were, it followed that demand expansion could not take us very far. In consequence, an active manpower policy would be the basic method for bringing down the unemployment rate. But if this were not the case, active demand policy was the first line of attack. Instead of standing as a competing alternative, a program for manpower would be complementary, dependent for its own success upon expansion of demand, helping to smooth the expansionary process, and at the same time addressing itself specifically to the plight of the most vulnerable groups in the labor force.

That the advocates of demand management won the battle for policy is now history, and that their policy has worked, and on the whole has worked well, is now a matter of record. But history has its ironies, and one of them is that the very success of demand policy has brought manpower policy into its own. Now that the 4 per cent floor to the unemployment rate has finally been broken through, manpower measures have acquired commanding importance, as the 1966 *Report* rightly contends.

In saying these things, I do not mean to suggest that no special manpower programs were needed in 1962. At that time it was

solely a question of diagnosis and of prescription. For a Keynesian in particular, it was imperative to combat the odd notions that demand deficiency had little to do with the case, that demand expansion accordingly could do little good, hence that more public spending and a tax cut were not worth bothering about if not downright immoral. But many of us who urged the Keynesian medicine were also aware at the time that measures were needed to upgrade the quality of labor supply, if the Negro were to overcome the handicap of deficient education so long imposed upon him, and accordingly find his way to a decent job.

APPRAISING THE 1966 *Report*

The *Report* can be considered from three points of view, each dependent upon a particular group of readers. Of the latter and on the terms of the statute, the most important is the Congress itself. The others would be the scholarly community and the general public. Each has a special interest that conceivably the *Report* can serve. These interests differ substantially, calling accordingly for diverging standards of judgment.

Consider the Congress first. Legislative intent is never easy to determine, but in enacting MDTA in 1962 presumably Congress ordered an annual report on manpower for three reasons. One, it was concerned with the subsequent effectiveness of the statute itself. Two, it wanted continuing information about the operation of labor markets, together with analytical interpretations of the evidence obtained. And three, the Congress wanted an adequate basis on which to judge the need and nature of further legislation.

It must be said at once that a conscientious member of Congress can get a great deal from the *Report*, for examples, the recommendations of the administration for new legislation together with a supporting rationale; the scope of current manpower problems and changes; and detailed and conveniently organized discussions of specific questions of current importance. Among the latter will be found a lengthy account of the position of the young in the labor market, which is linked to a review of current programs and an evaluation of the role of education; an extended discussion of farm labor problems, including impacts following upon termination of Public Law 78; and a valuable analysis of the costs and consequences of unemployment.

However, if our conscientious Congressman reads the *Report* with care, he might well conclude that *any* unemployment is a moral outrage, one that warrants *any* (or almost any) "large scale and many-pronged efforts—difficult and expensive as these may be—to bring the hard-to-employ into employment" (p. 65). Further, he will not encounter any analysis of the effects of, say, minimum wage legislation or social security taxes upon the employment opportunities of low productivity labor. Further, he will not obtain any guidance regarding the comparative effectiveness—relative to costs—of one program versus another—or regarding the comparative potentials of federal programs versus organized local efforts resting upon private initiative. Nor will he find a workable definition of "full employment" as a policy goal formulated to take into account competing objectives of comparable importance.

For the same reason, he will find no help regarding the most critical problem of all: the comparative effects on the rate of change in the price level of forcing the unemployment rate still lower—toward, say, 3.5 per cent, 3.0 per cent, and, while we are at it, 2.5 per cent. The reason for these deficiencies lies in the unarticulated major premise of the *Report* itself: that unemployment is simply bad. Hence it is always worthwhile "to do something" about it, invariably through more spending for more federal programs. This is an indiscriminate and not a selective strategy. Given the slack in the economy in 1962 and the lack of much reliable knowledge at the time, an experimental and free-wheeling approach made sense. By now we should know more about which programs yield the greatest returns per dollar. We should also be aware that displacement effects can be much more serious when we add new programs to an already overloaded economy and educational and training system. Finally, we ought to take cognizance of the harmful effects, at today's levels of employment, of accelerated wage- and cost-push processes, which are to be distinguished from the bottleneck problems that special manpower programs are intended to relieve.

The roots of the difficulty here, I think, are basic. If the Congress is to pass judgment upon manpower issues and policies, it must have access to the competing opinions of experts, opinions that are backed up by analytically developed evidence and that are developed with due regard for the interconnections between the manpower sector and the rest of the economy. I emphasize *com-*

peting opinions because the issues here are central and complex, and involve conflicts of values as well as conflicts of scientific interpretation. That is why the Congress, in developing legislation, divides itself into special committees, assigns experts to both the majority and minority members, conducts hearings, and issues reports. This method has stood the test of time because it is the only way to produce genuine deliberation and well-conceived statutes. The reason why it works is that it develops issues that call forth debate.

The *Report* as such fails to yield the necessary insights because *in natura* it is a partisan document, prepared by the Executive branch to support what it is doing and what it wants to do. This is natural, inevitable, and no cause for alarm. But because of necessity it includes a goodly amount of special pleading, the *Report* is necessarily a *pot-pourri*—a mixture of exhortations, implicit and explicit normative statements, some implicit theorizing about cause and effect relations, some well-conducted technical analysis, and a massive assemblage of data. Looking at it as a whole, one gets an impression of the unity of, and moral necessity for, all current efforts, and the suggestion that these efforts are almost an unequivocal success. The reason is that the *Report* consists of an *ex parte* pleading of a case. As such it bears a close similarity to a well-worked brief in an adversary proceeding—a sophisticated argument in behalf of a cause, fortified by a formidable marshalling of evidence intended to support that cause.

This characteristic derives automatically from the inherent nature of the relationship between the Executive and the Congress. There is no point in quarrelling over it. But it can be remarked that studies of a strictly scientific type—often impressive ones—also emerge from the Executive branch. One example would be the national income analyses of the Department of Commerce; another, the sample studies of low-income families prepared by the Bureau of the Census; another, the studies of the aged and of poverty produced by the Social Security Administration; and still another, the findings of the Bureau of Labor Statistics regarding wage supplements. Here enthusiasm and indignation are sentiments that are left for the reader himself to develop. The reason should be obvious: the studies themselves are not tied directly to a specific legislative purpose but are addressed primarily to the professional community.

Accordingly, I conclude that the *Report* is a different kind of

document from research reports of the kind just noted; that it has a different ruling purpose; and that because it is so tinctured with *ex parte* pleading it is useful but inadequate as a basis for legislative judgment. In saying all this, I do not for one moment suggest that the *Report* is bereft of highly competent analysis or lacking in value as a very convenient compendium of essential information. More than this, I happen to agree with many of the value it affirms and with many of the measures taken in their behalf. But these concessions in no way disturb my verdict.

Consider next the scholarly community. For this group, the great utility of the *Report* derives from its special analytical sections and its ample and very well-organized statistical appendix. For the latter, there is no single published substitute. Also, I have found both the text and the appendix to be very valuable for teaching purposes. Particularly is this so for dealing with questions such as long-run shifts between blue- and white-collar employment and their significance for unionism; trends in labor-force participation rates; and structural differentiations within employment and unemployment through and across time.

The last group of potential users of the *Report* are the press and the general public. Within the public as such, any significant impact is to be doubted, except for an occasional layman or high school teacher in social science who might wish to inform himself about specific questions. What is more likely to reach the public are newspaper accounts when the *Report* is issued each year. These will convey bits of important information more or less uncritically, but are more likely to stress the legislative recommendations and program justifications of the President and the Secretary of Labor. In these respects the *Report* serves a useful purpose. But it is to be doubted that its findings are frequently going to make page one.

Let me turn now to some additional comments about the *Report*. It will be recalled that in 1962 the President's Committee made a number of valuable suggestions for improving employment and unemployment statistics.³ Among those, one urged the execution of the BLS proposal for current occupational statistics, with special attention to rapidly expanding occupations. Another recom-

³ President's Committee to Appraise Employment and Unemployment Statistics, *Measuring Employment and Unemployment* (Washington: GPO, 1962), R. A. Gordon, Chairman.

mended that the Department of Labor carry out its proposed program to develop job-vacancy data.⁴ There is no issue among the experts regarding the desirability of these innovations; the sole question is their feasibility. In any case, my examination of the *Report* reveals nothing regarding either topic. The occupational data presented are still grouped according to the traditional nine Census categories, and no series are presented to show the behavior of rapidly growing technical occupations. Nor do I find any reference to the program for job-vacancy statistics, although I understand that pilot studies have been under way for over a year. Yet it seems reasonable to expect to find both topics considered in a report concerned with manpower.

Along the same line, now that MDTA has been on the books for four years it ought to be possible to provide time series for both institutional and on-the-job training projects, including placements, outlays, and characteristics of trainees. However, the tabulations provided are limited to 1965 and say nothing about expenditures, placements or attributes of trainees. Yet data of this kind would seem highly pertinent to a report designed to inform Congress fully about operations under MDTA.

Finally, let me consider a technical question concerning some of the material in the statistical appendix, specifically the lack of a table of standard errors or alternatively a cautionary footnote about the interpretation of the fine-grid data for participation and unemployment rates. For some of the small cells involved, the standard errors are likely to be quite large, while the year-to-year movements may be sufficiently subject to sampling variability to make it difficult to assert much about real changes as opposed to artifacts deriving from sampling and measurement procedures.⁵ I recognize, of course, that there is great pressure to have these detailed statistics available, and that for many users the provision of reliability estimates or at least a warning note would be a futile

⁴ *Ibid.*, pp. 199-205.

⁵ For example, consider nonwhite females of ages 18 and 19 on page 168. Roughly 350,000 females represent the full universe for this group. On a monthly basis, I estimate roughly that the household sample cohort here involves about 255 persons, of which about 102 were considered to be in the labor force. On a yearly basis, as in the *Report*, these figures would be increased by a factor of between three and four because of sample rotation. One would like to know the error range for the participation and unemployment percentages given, as well as the inter-year range of percentage points that could be associated with sampling variability.

act. But since we are dealing with estimates from a small sample, I still think such information is appropriate.

SUGGESTIONS AND CONCLUSIONS

In discharging my duty as a critic I have stressed the negative. Accordingly, I feel some obligation to supply a few constructive suggestions in tentative form. If accepted, they might lead to minor changes in the *Report* itself. More likely they would give rise to special studies.

My first suggestion links to the fine-grid problem just discussed. I start from the premise that the chief justification for the present detailed estimates is concern for the relative economic positions of nonwhites, particularly the Negro. I believe that more can be learned about this basic question from selective, local, and regularly recurring detailed surveys in depth than from the present national household sample. In other words, why not choose a few major urban centers in which nonwhites are an important proportion of the population, and then proceed to probe them intensively under common criteria, on a basis allowing for systematic comparisons of whites and nonwhites through time? As I understand it, this is what the Survey Research Center of the University of California at Berkeley is already doing for a single community, the city of Berkeley.

Essentially, what I am proposing is that the comparisons be standardized statistically, so that the effects of *current* discrimination can be isolated from those deriving from discrimination *in the past*, in order that we may learn more about both influences. Among other consequences, past segregation has thrust an undue number of Negroes into unskilled blue-collar jobs, through restriction of fair educational and vocational opportunities and through the adverse wealth effects of persisting family poverty. We already have considerable evidence about the effects of segregation in the past, but obviously we would like to know more about the current impacts of this evil legacy upon the present labor-force distributions of nonwhites.

Moreover, we also know that unskilled blue-collar jobs as such are highly vulnerable to unemployment and are characterized by low earnings, simply because of the nature of these jobs regardless of the color of their incumbents. What is needed here is a separa-

tion of these job-status effects from color or discrimination effects as such. In this way, we could learn more about the extent of *continuing* discrimination, hence about the effects of current measures to reduce it.

One way to do this is to standardize the comparisons of whites with nonwhites by establishing statistical groups in like status. If recurring detailed samples were collected for a few important metropolitan centers, the needed statistics could be developed. To illustrate, we could determine the relative vulnerability of Negroes relative to whites for those in comparable occupational and industrial groups, cross-out by age and sex. By distribution of the chosen cities between north and south, we could isolate the importance of the regional factor. Furthermore, we could measure the degree of discrimination for groups at varying levels of educational attainment.

By creation of these statistics, then, we should be able to accomplish two fundamental purposes. On the one side, we could establish the dimensions of the legacy from discrimination in the past; and on the other, the continuing significance of discrimination today, separately from the operation of job-status and other non-color effects as independent influences.

My second suggestion is that the *Report* should contain the improved occupational statistics recommended by the Gordon Report, and that it should present longitudinal statistics on the MDTA training programs. In my judgment, the old occupational categories badly require reformulation, all the more so if we are to learn much about the effects of technology on labor demands. And if Congress is to judge the results of MDTA, surely it ought to have at hand a continuing flow of pertinent data.

DISCUSSION

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As the sole discussant on this program, I cannot hope to do justice to all three papers, with which to a considerable extent I agree. At the same time, I rejoice in having something of an advantage over the authors, each of whom had to center his remarks around a particular report. What I propose to do is to make a series of points that are relevant to the papers and at the same time are focused on certain central issues in manpower policy and in the interpretation of unemployment trends.

THE NEED FOR A SUSTAINED MANPOWER POLICY

There is no question, as Hildebrand points out, that the advocates of demand management won the battle for policy in the course of the first half of the sixties. He goes on to suggest that "history has its ironies, and one of them is that the very success of demand policy has brought manpower policy into its own."

I agree, but I also look forward to the day when we shall take it for granted that manpower policy has an important role to play in *both* tight and loose labor markets, that its emphasis but not necessarily its scope must shift somewhat as we move from one labor market situation to another, and that a successful manpower policy is not something that can be turned on and off with every shift in the economic wind.

Assuredly, in a loose labor market manpower programs will play a role secondary to that of demand management. Moreover, since employers will not be hiring to any appreciable extent and qualified workers will be available for most occupations, retraining programs will probably have to be conducted predominantly in an institutional setting, with the goal of preparing trainees for occupational shifts which they can successfully achieve as demand management leads to economic expansion. In such periods, I would suggest, there may have to be greater relative emphasis on retraining displaced experienced workers than on expensive and prolonged training programs for the disadvantaged, whose employment needs may have to be met

through greater use of emergency public works and work relief programs than we witnessed in the early sixties.

In a tight labor market, characterized by vigorous recruitment and growing labor shortages in a variety of occupations, we can expect to rely more heavily on on-the-job training programs, both subsidized and unsubsidized, but we cannot expect OJT programs to take care of all the training needs of the disadvantaged, many of whom will not meet employer selection standards and will require remedial education before they can qualify for vocational training. Nevertheless, with OJT programs taking care of a major part of the training needs of the more qualified workers at a lower public per capita cost per trainee, a larger proportion of public expenditures can be directed toward the more prolonged and costly programs for the disadvantaged.

The point that I should like particularly to stress, and that is often neglected by economists, is that a successful manpower policy requires a sustained program of *investment*—in facilities and in the training of teachers and administrative personnel—and that adequate facilities and teachers will simply not be available for high quality programs if appropriations are subject to sharp and unexpected fluctuations. Thus far our training and retraining programs have been pitifully small in relation to the need, and we have barely made a beginning on programs geared to the special requirements of the disadvantaged. I would urge that this is no time to cut back on overall federal expenditures for manpower programs and that, if we opt for reducing expenditures on programs geared to the disadvantaged, we shall indeed be making the poor pay for the war. Moreover, since programs must be planned and carried out at the local level, it seems to me particularly important to stop treating allocations of funds to local communities as if they were a means of putting out fires. In California, we have witnessed the rather ironic situation in which Oakland and Watts were regarded as the danger spots and were allocated the lion's share of federal training funds for the present fiscal year, whereupon riots actually broke out in the Hunters Point and Fillmore areas of San Francisco.

THE LATEST EVIDENCE ON STRUCTURAL UNEMPLOYMENT

We have gone through something of a cycle in the debate over whether or not there has been an increase in structural unemployment. Studies by Kalachek and others in the early sixties seemed to refute

the then widely held view that structural unemployment was increasing, but it has become increasingly clear that these studies relied too heavily on an analysis of what was happening to occupational and industrial differentials in unemployment rates and were too prone to assume that 1957 was the year when the trouble began.

We now have a keener appreciation of the fact that the impact of technological and structural change will not necessarily show up in occupational and industrial unemployment differentials, for what should have been the rather obvious reason that the more qualified workers who are displaced from their former jobs do succeed in making occupational and industrial shifts, particularly in an expansionary environment such as that of the last five years, when the unemployment rate for adult males has fallen to an encouragingly low level. In fact, in view of all the evidence that has accumulated in recent years, I find it difficult to understand why Striner, in his paper, seems to attach so much importance to the need for more adequate and refined projections of unemployment differentials between industry groups. He is doubtless justified in criticizing the National Commission on Technology, Automation, and Economic Progress for assuming away the problem of a possible long-run increase in the impact of technological change on employment opportunities by asking the BLS to base its projections for 1975 on the assumption of a 3 per cent unemployment rate, but I do not agree with his interpretation of the projections discussed in Appendix Volume I, p. 132, which are concerned with the differential impact of 3.5 and 4 per cent unemployment rates on *employment*, and not with unemployment differentials. The BLS researchers estimated that, at an assumed 4 per cent overall unemployment rate, total employment in 1975 would be a million less than at a 3 per cent rate, and more than half the difference would be in manufacturing. This is not equivalent to saying that over half the difference in unemployment would be in manufacturing, as Striner implies. To some extent the difference in manufacturing employment could reflect slower growth, rather than labor displacement, and to the extent that workers had been displaced from manufacturing jobs, some of them could have shifted to other industries and perhaps later experience unemployment as trade or service workers.

What seems to me to be becoming increasingly clear is that technological changes have a trickle down impact—from the workers whose jobs are immediately affected to the more disadvantaged job

seekers, and particularly to those with little or no previous work experience. This interpretation is supported by various types of evidence, from the growing number of case studies of the impact of automation in particular establishments to the results of very recent analyses of changes in unemployment differentials. R. A. Gordon has now extended and brought up to date his earlier work on structural unemployment, with results that indicate a relative worsening of the labor market position of teenagers (particularly nonwhite teenagers), to some extent of women under 45 years of age and high school dropouts, and to a striking extent of persons with no previous work experience.¹ The picture for nonwhites as a whole is mixed, with a substantial relative deterioration in their position occurring before 1956, but not after, subject to the possible qualification that their position may have begun to deteriorate again in 1966. As for occupational changes, the relative position of blue-collar workers—the group that was supposed to be particularly jeopardized—has improved, as compared with that of white-collar workers and particularly with that of service workers, to which a good many displaced blue-collar workers have probably shifted.

Also of interest in this connection is the recent National Industrial Conference Board study by Michael E. Levy—whose results I have thus far seen only in newspaper accounts—which indicates, among other things, that there has been an increase in structural unemployment among Negroes, teenagers, women, and the old.

A good many analysts have come to stress the point that increasing problems of structural unemployment are now stemming primarily from changes occurring on the supply side of the labor market, but I would argue that it is important to keep in mind the fact that the difficulties of the groups whose relative supply is increasing can be traced to a considerable extent to changes on the demand side that are eliminating the kinds of jobs they can fill.

If the trends analyzed in the Gordon and Levy studies continue, we must anticipate a gradual increase in the relative emphasis on the disadvantaged in our manpower programs—a change which has in fact been occurring. Moreover, much more attention needs to be paid to possible ways of modifying rigidities in the wage structure which impede the employment of the young and inexperienced. One such

¹R. A. Gordon, *The Goal of Full Employment* (to be published). See particularly Chapter 6.

possibility might be a differentially lower federal minimum wage for teenagers. And I would argue, much as Parnes does in a footnote in connection with the case for federalization of the public employment service, that, although the political obstacles to such a change are great, "academic economists . . . might be urged to expose themselves to the charge of political naivete by pressing more vocally" for it. To quote again from Parnes' footnote, "politically unfeasible proposals of today, after all, do have a way of becoming tomorrow's reality."

THE IMPACT OF INDUSTRIAL DECENTRALIZATION

Another obstacle in the path of adjustment of labor demands and supplies, which we have barely begun to notice and to which we must give far more attention in the future is the impact of industrial decentralization within our large metropolitan areas. As I pointed out in a recent brief article on the situation in the San Francisco area, to a very large extent Negroes are "trapped" by residential patterns in the cities of San Francisco and Oakland, while most of the industrial development in the area during the last 15 years or so has been occurring around the southern rim of San Francisco Bay. A recent, and as yet unpublished, analysis of the U.S. Bureau of Labor Statistics, indicates that 62 per cent of the value of industrial building permits in metropolitan areas throughout the country from 1960 to 1965 were for locations outside the central cities. Efforts to open up job opportunities for Negroes within the central cities thus can scarcely be expected to meet the entire problem, which will require coordinated efforts to see to it that Negroes can acquire adequate housing outside the central cities and/or low-cost public transportation to jobs in the areas where industrial development is occurring. And, I might add, with a bow in the direction of the subject of Parnes' paper, I am reasonably certain, as has been emphasized in several recent reports, that the public employment service could do a considerably better job than it is doing of transmitting information about job orders and job applicants between the various local offices within the large metropolitan areas.

DEFICIENCIES IN MANPOWER STATISTICS

Finally, I would like to add a word or two to what George Hildebrand has said about deficiencies in our manpower statistics. We

could do a far better job of compiling and reporting statistics on the results of our manpower programs. In fact, in certain respects we are not doing as well as some of the European manpower agencies, despite the fact that European government agencies are usually starved for statistical appropriations compared with ours.

The placement record in MDTA institutional training programs, for example, is reported in terms of the percentage of all enrollees completing training during the course of a calendar year who are employed at the end of that year, by sex, color, age, education, and the like. These are very gross statistics. They tell us nothing about how long graduates from training programs typically had to wait before they were placed. I would urge that statistics be compiled on the percentage placed within, say, 15 days of the completion of training, the percentage placed within 30 days, and the percentage placed within three months, by various trainee characteristics. In addition, the data should reveal how many were placed in training-related occupations, as compared with other occupations—a practice which was followed in earlier reports on the MDTA program, but not, for some reason, in the 1966 report, which merely indicated that most of the employed 1965 “graduates” had been placed in training-related occupations.² I would suggest, also, that all these statistics be compiled, so far as possible, by occupation for which the trainee was trained, so that it would be possible to determine which types of training seemed to result in the most rapid placement.

Next, I would urge that we adopt the practice which has been followed for some years by the Dutch Government, that of sending each graduate of a government training program a questionnaire inquiring about his employment status a year after completion of training. Although the Dutch, with their small numbers of trainees, attempt to reach all graduates, the follow up could be conducted on a sampling basis in this country.

If these practices were adopted, we would have a far more revealing set of operating statistics on the results of the MDTA institutional training programs. Follow-up surveys of OJT graduates should be conducted, also, and similar placement and follow-up statistics should be compiled for Neighborhood Youth Corps, Job Corps, and other

² *1966 Report of the Secretary of Labor on Manpower Research and Training Under the Manpower Development and Training Act of 1962* (Washington, D.C.: Government Printing Office, 1966), p. 18.

anti-poverty programs with a training content. Moreover, all these statistics should be brought together in the President's Manpower Report, so that we could get a better idea of the overall impact of government training programs.

These improved operating statistics would not, of course, remove the need for independent follow-up and cost-benefit studies by outside research groups, but they would have the great advantage of providing us with prompt and comprehensive data on the results of our manpower programs.

II

CURRENT CONFRONTATIONS IN LABOR LAW

Benjamin Aaron, Chairman

COLLECTIVE BARGAINING AND THE ANTITRUST LAWS

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A central aim of the antitrust laws is the promotion of competition. A central aim of collective bargaining is the elimination of competition—according to classical trade union theory, the elimination of wage competition among all employees doing the same job in the same industry.¹ Given these disparate aims, the antitrust laws and collective bargaining will almost inevitably tend to clash. To harmonize them, the type of competition which the law is intended to foster must be carefully distinguished from the type of competition which union-employer bargaining can properly displace. The Supreme Court's last major effort to draw the demarcation line produced the *Pennington*² and *Jewel Tea*³ decisions of 1965.

Even more than other leading Supreme Court decisions, I find that *Pennington* and *Jewel Tea* provide a sort of Rorschach test for their commentators. The observer looks into the Justices' opinions and sees reflected those elements of the labor-antitrust problem which have always fascinated him. Since I participated as union counsel in these cases, I suspect I am peculiarly disposed to this reaction. Nonetheless, I believe some of the most novel and potentially most significant thinking of the Court can best be understood in light of the union arguments in the 1965 cases. So I will risk the charge of egocentricity, and begin there.

EARLY LIMITATIONS ON ANTITRUST LIABILITY

Prior to *Pennington* and *Jewel Tea*, two quite different legal theories were thought available to shield labor activities from anti-trust attack. First, and best known, was the so-called "union exemption" established in the *Hutcheson*⁴ case. Activity immunized against injunctions by the Clayton and Norris-LaGuardia Acts, read to-

¹ See, e.g., Sidney and Beatrice Webb, *Industrial Democracy* (London: Longmans, Green, 1902), pp. 173-177.

² *United Mine Workers v. Pennington*, 381 U.S. 657 (1965).

³ *Local 189, Amalgamated Meat Cutters v. Jewel Tea Co.*, 381 U.S. 676 (1965).

⁴ *United States v. Hutcheson*, 312 U.S. 219 (1941).

gether, was not to be deemed an offense under the Sherman Act. The effect was to exempt from antitrust regulation peaceful, nonfraudulent union conduct in the course of a labor dispute, as long as a union acts in its own interest and does not combine with nonlabor groups. The corollary to this, however, as *Allen Bradley*⁵ made clear, was that labor organizations lose their immunity when they “aid nonlabor groups to create business monopolies and to control the marketing of goods and services.” Only when “acting alone” are unions exempt from Sherman Act coverage.

When do unions “act alone”? Presumably when they strike, picket, or boycott. When a union is engaged in organizational battles, therefore, the *Hutcheson* doctrine serves it admirably. But when a union has finally won recognition from an employer or group of employers, and enters into a collective bargaining relationship, can it any longer be said to be “acting alone”? Or do its agreements now become subject to scrutiny under the antitrust laws?

This problem might be finessed if unions could resuscitate and amplify a second (and older) theory limiting antitrust liability. In the *Apex Hosiery*⁶ opinion Justice Stone had said that the Sherman Act was intended to outlaw only “restraints of trade” as understood at common law, that is, restraints on “commercial competition in the marketing of goods or services . . . so substantial as to affect market prices.” But “an elimination of price competition based on differences in labor standards” was not prohibited.

Now, *Apex* itself dealt with a sit-down strike, obviously involving a union “acting alone.” If Justice Stone’s words could be taken at face value, however, they totally removed from antitrust coverage restraints on competition “based on differences in labor standards.” This was not a matter of a statutory “union exemption”; the Sherman Act, as written, would simply not apply to a certain class of restraints. Employers, or employers in combination with unions, would be as free as unions “acting alone” to halt competition grounded in wage differentials.⁷ In short, the Sherman Act would be confined to restraints on the product market, and the labor market would be beyond its ken.

⁵ *Allen Bradley Co. v. Local 3, International Brotherhood of Electrical Workers*, 325 U.S. 797, 808 (1945).

⁶ *Apex Hosiery Co. v. Leader*, 310 U.S. 469, 495, 500, 503 (1940).

⁷ On the immunity of agreements among employers dealing with labor standards, see *Kennedy v. Long Island Railroad Co.*, 319 F.2d 366 (2d Cir. 1963), cert. denied, 375 U.S. 830 (1963).

PENNINGTON

In *Pennington* it was alleged that the United Mine Workers and the major coal producers had conspired to drive smaller, less efficient operators out of business by establishing a uniform industry-wide wage rate higher than the small producers could afford. If true, the allegation would make it hard for the UMW to rely on the *Hutcheson* exemption for a union "acting along." Yet the competition which was to be eliminated was competition "based on differences in labor standards," and thus arguably the *Apex* doctrine came into play. Moreover, wages are at the core of those subjects about which unions and employers are required to bargain under the National Labor Relations Act. These so-called "mandatory bargaining subjects," the unions argued, should be equated with Justice Stone's "labor standards." Surely a matter on which the labor laws compelled bargaining could not be the basis of a prosecution under the antitrust laws!

Inherent in this argument, of course, was the notion that the "purpose" of any wage pact is irrelevant—even if the purpose is to liquidate competitors. This proved the fatal flaw. But the flaw is perhaps more apparent in the abstract than in the concrete; it is probably easier to say a union and employers may not have a "predatory purpose" in a wage agreement than to determine, in any given case, what *is* the purpose. And the history of judicial assessment of union "purpose" is hardly reassuring.

At any rate, Justice White in delivering the opinion of the Court in *Pennington* was plainly troubled by the union argument, but he didn't buy it. He conceded that the bounds of the duty to bargain under the National Labor Relations Act have "great relevance" in considering the scope of labor's antitrust immunity.⁸ He then proceeded, however, to turn the union argument into a boomerang as applied to *Pennington* by introducing the new concept that the statutory duty to bargain exists only on a unit-by-unit basis. Unions and employers must negotiate about the wages and employment standards of workers in a particular bargaining unit, but apparently not about the standards outside a given unit. Thus, a union "forfeits" its antitrust "exemption" when it is "clearly shown" that it has agreed with one group of employers "to impose a certain wage scale on other bargaining units."⁹ Moreover, a union is "liable" if it becomes a party

⁸ 381 U.S. at 665.

⁹ *Ibid.*

to an employer conspiracy to eliminate competitors, even though the union's role is limited to securing certain wages, hours, or working conditions from the other employers.

This approach immediately raises a fistful of new questions. To begin with, Justice White suggests a distinction between the union's loss of antitrust immunity and its commission of a substantive violation.¹⁰ Does this mean an agreement with extra-unit implications merely removes the exemption, without necessarily resulting in a *per se* violation? If so, what added elements must be shown to establish an offense? As you know, the Supreme Court long ago declared that only "unreasonable" restraints on trade run afoul of the Sherman Act.¹¹ It may well be that resort to the "rule of reason" will enable the courts to exercise considerable flexibility in dealing with "extra-unit" agreements. A substantive violation might require a "predatory intent," a definite "purpose" to impede or destroy business competitors. The trial court on the remand in *Pennington* in effect so held.¹² I would contend this result is supported by the practical demands of meaningful collective bargaining; as we shall discuss in a moment, there are times when it is simply unrealistic to insist that an employer has no valid interest in the wage scale a union gets from the employer's competitors.

Another inquiry is whether the Supreme Court was proposing a special evidentiary standard in declaring that the extra-unit agreement must be "clearly shown." The Court explicitly refrained from passing on the sufficiency of the evidence in *Pennington*. Before a union can be held liable for the acts of an agent, "clear proof" of the authorizing of the acts is required by the Norris-LaGuardia Act, one of the statutory bases of labor's antitrust exemption. I recognize the desirability of finding some way to insulate union-employer bargaining from ill-founded inferences of "conspiracy" by overly suspicious or credulous juries. But I confess I think it takes a bit of stretching to extend Norris-LaGuardia's agency provision far enough to cover the antitrust evidentiary question. Nonetheless, the district court which handled *Pennington* on remand expressly held that Norris-LaGuardia makes

¹⁰ See also *Local 189, Amalgamated Meat Cutters v. Jewel Tea Co.*, 381 U.S. 676, 689 (1965).

¹¹ *Standard Oil Co. of New Jersey v. United States*, 221 U.S. 1 (1911); *United States v. American Tobacco Co.*, 221 U.S. 106 (1911). *Cf.* *Chicago Board of Trade v. United States*, 246 U.S. 231 (1918) (trading rules for commodity exchanges)

¹² *Lewis v. Pennington*, 59 LRRM 2423, 53 LC ¶ 11,371 (E.D. Tenn. 1966).

“clear proof” necessary to establish predatory intent.¹³ Perhaps it would be more straightforward to say that a proper reconciliation of antitrust and labor policies calls for the Sherman Act to be interpreted, without reference to Norris-LaGuardia, as requiring evidence of an explicit union-employer agreement to force competitors out of business before a case could go to a jury. Mere knowledge that some marginal operators could not pay the prescribed industry wage scale would not, in itself, be sufficient.¹⁴

The practical implications of *Pennington's* new unit-by-unit bargaining rule are illustrated by the so-called “most favored nation” clause. This is a fairly common provision in labor contracts, especially in the construction industry, requiring the union to give the signatory employer the benefit of the most favorable terms the union subsequently accords any other employer. In actual operation, naturally, the usual effect is to freeze labor standards at the level of the initial contract. In the language of *Pennington*, the union has agreed, at least impliedly, “to impose a certain wage scale on other bargaining units.” This undoubtedly is a form of restraint, but is it not just another way of advancing the accepted labor policy of taking wages out of competition? In any event, a union recently charged an employer with a refusal to bargain under the National Labor Relations Act for insisting on a “most favored nation” clause, and the General Counsel of the National Labor Relations Board issued a complaint “to place the issue before the Board.”¹⁵ The General Counsel acted quite correctly, considering Justice White’s dictum that mandatory bargaining is confined to working conditions in an individual unit. But the Board should not feel itself foreclosed by *Pennington's* sweeping talk about units (which may command the assent of only three Justices)¹⁶ from making an independent appraisal of the problem.

What, after all, is more natural than for an employer to want assurance that his competitors will have to match any concessions he gives the union? As long as we endorse the policy of eliminating competition based on wage cutting, I see no reason to boggle at a

¹³ *Ibid.* See also *United Mine Workers v. Gibbs*, 383 U.S. 715 (1966).

¹⁴ Justices Douglas, Black, and Clark, concurring in *Pennington*, apparently would regard the wage agreement under such circumstances as “prima facie” evidence of a violation. 381 U.S. at 673.

¹⁵ 63 BNA, Labor Relations Reporter 199 (Nov. 7, 1966).

¹⁶ The three concurring Justices made no mention of unit-by-unit bargaining, and simply declared that a union-employer agreement to set a high wage scale for the purpose of forcing marginal producers out of business would be in violation of the antitrust laws.

means so well adapted to attaining that end. Indeed, I find it hard to imagine how collective bargaining could stay healthy if discussion were choked off on some of the most vital subjects—the competitive position of various firms in an industry, the demands the union will make in other negotiations, and so on. And I see no essential difference between permitting discussion and permitting agreement, so long as there is no specific purpose of killing off competition. I find unpersuasive Justice White's argument that a union cannot be allowed to "straitjacket" itself in subsequent bargaining by commitments to "favored" employers in earlier negotiations. Those commitments may be the price the union has to pay to get the concessions in the first place. The employees in the original unit will hardly complain. The employees in the other units are more likely to gain than to lose when a "floor" is placed under wages. In the long run, upholding "most favored nation" provisions would probably do no more than hasten what the labor economists in this group know better than I is the usual result of union organization anyway, namely, the gradual "leveling" of wage rates throughout an industry.

The plight of the employer charged with an unfair labor practice because of *Pennington* underscores another important aspect of this decision. Its impact falls not so much upon organized labor as upon the institution of collective bargaining. Indeed, Justice White stressed that a union acting unilaterally, in furtherance of its own policies, still has the right to seek uniform wages in an industry. It is only when this is done pursuant to a union-employer agreement that antitrust issues arise. But *Pennington* applied literally may seriously hamstring collective bargaining as an instrument for coping with today's critical problems in industrial relations. For example, management's need to introduce technological improvements to increase productivity and meet competition is countered by labor's anxiety over the possible loss of job security and craft skills. Reconciling these opposing interests through attritional reductions in force, retraining allowances, and so forth, may be severely hampered if employers cannot be reassured on what will be demanded of their competitors.

The "most favored nation" clause can stand as a symbol of a whole range of activities which may be broadly classified as "pattern bargaining"—efforts by either unions or employers to obtain uniform labor contracts governing separate bargaining units. Since I have no time to deal with the many questions presented, let me just mention

two typical issues: Is it an antitrust violation (or an unfair labor practice) for two or more unions to coordinate bargaining policy with respect to different units of the same business? Is it an antitrust violation (or an unfair labor practice) for employers, in the absence of a formal multi-employer unit, to adopt common bargaining strategy or tactics, for instance, to agree upon joint lockouts in case one employer is struck?

JEWEL TEA

In *Pennington* a key question was whether a labor agreement dealing with wages would violate the antitrust laws if its purpose was to put certain competitors out of business. The answer was "yes." In *Jewel Tea* the question was quite different. Was it a violation of the Sherman Act for a butchers' union to compel a grocery chain to agree to a limitation on the hours fresh meat could be sold, after the union had entered into a multi-employer contract containing such a restriction? In essence, as viewed by a majority of the Court, the problem was one of characterization: Did this clause involve wages, hours, or working conditions, legitimate subjects of collective bargaining, or did it constitute a forbidden restraint on the product market?

The Court split three ways, with three Justices in each group. Justice White, Chief Justice Warren, and Justice Brennan found that the marketing hours restriction, which in effect defined the butchers' working hours and their job content, was "intimately related" to labor conditions. Thus the union's effort to secure the provision through arm's-length bargaining in pursuit of its own labor policies, and not in furtherance of a union-employer conspiracy, was exempt under the Sherman Act. Justices Goldberg, Harlan, and Stewart concurred for the same reasons that led them to dissent in *Pennington*. They accepted the union argument that agreements dealing with mandatory subjects of bargaining are wholly outside the antitrust laws. Justices Douglas, Black, and Clark dissented in *Jewel Tea* on the ground the operating hours limitation was an obvious restraint on the product market, and was not needed to fix employees' working hours. The multi-employer collective agreement itself was considered sufficient to show an illegal union-employer conspiracy to impose the marketing hours restriction on the holdout chain.

No single opinion in *Jewel Tea* represents the views of a majority of the Court. Rather than focus on the decision itself, therefore,

I am going to examine two long-standing legal issues on which *Jewel Tea* has revived debate.

First, if a union is protected by *Hutcheson's* exemption for a union "acting alone" when it strikes an employer over a particular bargaining demand, does it follow that a collective agreement granting that demand, even an agreement signed by a *group* of employers, is likewise immune to antitrust scrutiny? It has been argued that it would be an intolerable paradox to sanction economic warfare while outlawing the peace treaty.¹⁷ The anomaly may not be decisive; the Supreme Court, for example, accepts the anomaly that state right-to-work laws may be invoked against union security agreements but not against strikes to obtain them.¹⁸ On the other hand, certain language in *Allen Bradley* could be read to mean that a union commits a violation only when it participates in a *preexisting* employer conspiracy.¹⁹ Although Justice White would not immunize the agreement in *Jewel Tea* merely because it was between a union and a *single* employer, he emphasized that the union was acting in pursuit of its own labor policies and not at the behest of any employers.²⁰ This adds some weight to the notion that the source of the impulse for a particular provision may be crucial. A clause which would be barred by the antitrust laws if sought by employers may remain within the "union exemption" if sought by a labor organization. My difficulty with this is that I am skeptical about maintaining a neat dichotomy between union- and employer-motivated contract provisions. One side raises a problem in negotiations; the other proposes a solution; the first party modifies the suggestion. To whom do we ascribe the final product? I doubt whether the "source" test can be conclusive, although evidence of a clause's source may occasionally aid in determining its relation to working conditions.

The second problem spotlighted by *Jewel Tea* is what standard should be used to distinguish between agreements properly concerned with wages, hours, and other components of the labor market, and

¹⁷ Cox, "Labor and the Antitrust Laws—A Preliminary Analysis," 104 Univ. Pa. L. Rev. 252, 271 (1955). See also *Republic Productions v. Musicians*, 245 F. Supp. 475 (S.D.N.Y. 1965). *But cf.* Report of the Attorney General's National Committee to Study the Antitrust Laws (Washington, 1955), pp. 297-299.

¹⁸ *Retail Clerks Local 1625 v. Schermerhorn*, 375 U.S. 96, 105 (1963).

¹⁹ *Allen Bradley Co. v. Local 3, International Brotherhood of Electrical Workers*, 325 U.S. 797, 809 (1945).

²⁰ *Local 189, Amalgamated Meat Cutters v. Jewel Tea Co.*, 381 U.S. 676, 688-690 (1965).

agreements improperly concerned with the product market. Unlike the wage contract in *Pennington*, which in and of itself involved only a restraint on the labor market, the contract in *Jewel Tea* involved both a restraint on the labor market (a defining of the butchers' working hours and their job content) and a restraint on the product market (a restriction on the hours for selling fresh meat). Justice White assumed that if the agreement had dealt directly only with the product market (a fixing of a price schedule for the meat, for example), with any benefit to the employees merely an indirect consequence, it would not have been immune to the antitrust laws. What saved the *Jewel Tea* provision in his eyes was that the marketing-hours restriction was "intimately related" to wages, hours, and working conditions. The trial court had found as a fact that self-service meat sales were unfeasible, and therefore a limitation on operating hours was necessary to preserve the butchers' jobs and working hours.

In sustaining the agreement's exemption from the antitrust laws in this situation, Justice White at one point seemed to be "weighing" the employees' interests in labor standards against the admittedly adverse effects on product competition.²¹ Apparently for Justice White, any showing of an "immediate and legitimate" employee concern would be enough to tip the scales to the side of the union. My reaction to this approach is rather mixed. First, any reintroduction of the pre-Norris-LaGuardia judicial technique of "balancing" the social pluses and minuses of union objectives must be viewed with some apprehension. But, second, if such balancing is to be indulged in, it should not be just an armchair exercise. A dozen years ago Archibald Cox observed that there was "no reliable information on the extent or economic importance of union efforts to shelter employers from competition in the product market."²² As well as I can tell, things stand today as they stood then. If *Pennington* and *Jewel Tea* are to presage a resurgence of labor antitrust litigation (so far there has been surprisingly little), it would indeed be unfortunate for the Court to have to resolve some of the legal issues posed without more enlightenment on the economic realities. This is especially true in view of the improved tools for empirical research that have been developed in the past decade. I should hope that some of the economists and lawyers in the present group would be ready to work together to provide the necessary enlightenment.

²¹ *Id.* at 691.

²² Cox, *op. cit.* *supra* note 17, p. 272.

CONCLUSION

Pennington establishes that unions and employers violate the anti-trust laws when they execute a labor contract whose purpose is to eliminate competitors, even if the agreement deals only with wages, hours, and working conditions. My feeling is that in the absence of such a predatory purpose there should be no substantive violation, regardless of whether antitrust "immunity" is lost because the contract covers labor standards outside a particular bargaining unit.

Jewel Tea indicates that even a direct restraint on the product market is exempt from the antitrust laws if the restraint is also "intimately related" to wages, hours, and other components of the labor market, at least where the union securing the agreement is acting on its own and not at the behest of employers. If the Court is hinting at a possible return to some effort to "weigh" the workers' stake in their job standards against the public's stake in a competitive economy, I suggest there is an urgent need for empirical data to enable the courts to strike a reasonably informed balance. Antitrust policy too readily tends to become a special branch of moral philosophy, and involvement with labor questions is likely to aggravate that tendency. "Weighing" interests here is risky business at best, but in any event the operation should be performed as far as possible with the humbler, and more appropriate, instruments of economic analysis.

SECTIONS 8(a) (1) AND (3) OF THE LABOR ACT
IN THE WAKE OF THE LOCKOUT DECISIONS:
OF BALANCING, HOSTILE MOTIVE,
DOGS AND TAILS *

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THE PROBLEM OF REDUNDANCY

More than thirty years have elapsed since the passage of the Wagner Act in 1935. It is somewhat surprising, therefore, to find that a fundamental problem implicit in its structure has not yet been resolved. Indeed, the problem has only recently been confronted.

The problem is one of redundancy. In constructing the employer unfair labor practices of section 8, Congress was astute to protect against erosion by the courts of the section 7¹ rights of employees. It sought to accomplish this by enacting both a blanket protection, now section 8(a)(1), which makes unlawful any "interference with, restraint, or coercion" of employees in the exercise of their section 7 rights, and, at the same time, the particularized protections in what are now sections 8(a)(2), (3), (4), and (5).²

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¹Section 7, 49 Stat. 452 (1935), as amended, 61 Stat. 140 (1947), 29 U.S.C. §157 (1964), provides:

Employees shall have the right of self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and shall also have the right to refrain from any or all of such activities except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized in section 8(a)(3).

²Section 8(a), 49 Stat. 449 (1935), as amended, 61 Stat. 140 (1947), 29 U.S.C. §158(a) (1964), provides:

It shall be an unfair labor practice for an employer—

(1) to interfere with, restrain, or coerce employees in the exercise of the rights guaranteed in section 7;

(2) to dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it . . . ;

(3) by discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization . . . ;

(4) to discharge or otherwise discriminate against an employee because he has filed charges or given testimony under this Act;

(5) to refuse to bargain collectively with the representatives of his employees, subject to the provisions of section 9(a).

The legislative history of the Wagner Act makes clear the congressional purpose in this double protection of employee rights. The purpose was to shore up the general protection with the particularizations and to shore up the particularized protections with the general. The particularized protections were necessary, in Senator Wagner's words, because "long experience has proved . . . that courts and administrative agencies have difficulties in enforcing . . . general declarations of right in the absence of greater statutory particularity."³ Conversely, as stated elsewhere in the legislative history, the "blanket unfair labor practice" of section 8(1) "is necessary, since the courts may emasculate or construe very narrowly some one of the following specific unfair practices."⁴ The legislative history is, moreover, replete with assertions that the four specific unfair practice provisions were not intended to limit "in any way . . . the broadest reasonable interpretation" of the "omnibus guaranty of freedom" contained in the first.⁵

A moment's reflection will demonstrate the problem of redundancy here. Either 8(a)(1) occupies the field, in which event, once its contours are established, the other four subsections become irrelevant, or each of the other four occupies its particular field, in which event 8(a)(1) becomes irrelevant in the areas of overlap. Neither of these alternatives has, as yet, established supremacy. But the problems inherent in a blanket provision which covers all that particularized provisions cover, and then some, have been brought into a sharpening focus.

THE CONFUSING LESSON OF THE LOCKOUT CASES⁶

The focus has never been sharper than in three cases decided by the Supreme Court in March of 1965—the lockout cases, *American*

³ *Hearings on H.R. 6288 Before the House Committee on Labor, 74th Cong., 1st Sess. 13 (1935)*, reproduced in 2 *Legislative History of the National Labor Relations Act 1935* (published by the NLRB) 2487 (1949) (hereinafter cited as "Legislative History").

⁴ Comparison of S. 2926 (73rd Cong., 2d Sess.) and S. 1958 (74th Cong., 1st Sess.): Memorandum of March 11, 1935, Prepared for Senate Committee on Education and Labor, 74th Cong., 1st Sess. 26-27 (Comm. Print 1935), reproduced in 1 *Legislative History* 1351-52.

⁵ The language quoted is from Senator Wagner's statement before the House Committee on Labor, *supra* note 3. See also H.R. Rep. No. 969, 74th Cong., 1st Sess. 15 (1935), reproduced in 2 *Legislative History* 2924; S. Rep. No. 573, 74th Cong., 1st Sess. 9 (1935), reproduced in 2 *Legislative History* 2309.

⁶ For a fuller discussion of the lockout cases in respects pertinent to this paper, see Oberer, *Lockouts and the Law: The Impact of American Ship Building and Brown Food*, 51 *Corn. L.Q.* 193 (1966).

*Ship Building*⁷ and *Brown Food*,⁸ and their companion case, *Darlington*.⁹

In *American Ship Building* the employer had locked out its employees for bargaining leverage after an impasse had been reached in negotiations for a contract renewal. In *Brown Food* the nonstruck members of a multiemployer bargaining unit had locked out their employees in response to a whipsaw strike; when the struck employer hired temporary replacements, the locking-out employers did likewise. In both of these cases the NLRB found violations of 8(a)(1) and (3).¹⁰ In both cases the Supreme Court denied enforcement of the Board's orders.

The basis of the Court's action in each case was the same. Both 8(a)(1) and (3) require, the Court indicated, a "hostile motive" on the employer's part for a violation to be found. This hostile motive must be proved by affirmative evidence *except where* the action of the employer is "inherently destructive of employee rights and is not justified by the service of important business ends."¹¹ In the latter situation the necessary motive may be inferred or presumed from the employer's act, without more. Sections 8(a)(1) and (3) were thus equated with respect to the state-of-mind element.

This hostile-motive requirement (sometimes described as "anti-union" or "antistatutory") makes more sense as applied to 8(a)(3) than as applied to 8(a)(1). What 8(a)(3) proscribes is discrimination in terms or tenure of employment to encourage or discourage union membership. Both discrimination and discouragement of union membership are present where an employer discharges an active union organizer. If, however, the discharge is motivated by the employee's incompetent performance of his job, the discharge should obviously not be treated as an unfair labor practice. Thus, the employer's motive for the discharge is necessarily in issue. Both legislative history¹² and a substantial body of precedent¹³ support this interpretation of 8(a)(3).

The opposite is the case with respect to 8(a)(1). Its very purpose, as illuminated in the legislative history, is to afford the Board a vehicle for dealing with employer practices which "interfere with, restrain,

⁷ *American Ship Bldg. Co. v. NLRB*, 380 U.S. 300 (1965).

⁸ *NLRB v. Brown (d/b/a Brown Food Store)*, 380 U.S. 278 (1965).

⁹ *Textile Workers v. Darlington Mfg. Co.*, 380 U.S. 263 (1965).

¹⁰ *American Ship Bldg. Co.*, 152 N.L.R.B. 1362 (1963); *John Brown (d/b/a Brown Food Store)*, 137 N.L.R.B. 73 (1962).

¹¹ *NLRB v. Brown*, 380 U.S. 278, 287 (1965).

or coerce" employees in the exercise of their statutory rights *without* running afoul of any of the other, more particularized subsections of 8(a). It undercuts this purpose to saddle 8(a)(1) with a state-of-mind requirement appropriate for 8(a)(3).¹⁴ In no case prior to *American Ship Building* and *Brown Food* has the Supreme Court sought so clearly to engraft the hostile-motive requirement on 8(a)(1).

The lockout cases demonstrate the dilemma confronting the Court in dealing with section 8(a)(1) as it relates to section 8(a)(3). From the standpoint of judicial review, an amorphously stated blanket provision, particularized in narrower provisions but not delimited by them, is a legislative bull in a judicial china shop. The tendency is to deal with the narrower standard at the expense of the broader. In cases of overlap between 8(a)(3) and 8(a)(1), the focus is typically on 8(a)(3). Where 8(a)(3) is found to have been violated, 8(a)(1) is accorded perfunctory, derivative treatment. Even where 8(a)(3) is found not to have been violated, a tendency is discernible in some cases of overlap to deny any independent force to 8(a)(1).¹⁵ While this development is understandable in cases of overlap, the danger inheres that the derivative content given to 8(a)(1) in such cases will qualify it even where there is no overlap.

Carried to the latter length, this development conflicts with the Supreme Court's still viable precedents dealing with independent 8(a)(1) violations. Thus, in *Republic Aviation*,¹⁶ a no-solicitation-rule case, the Court recognized the necessity for the Board to balance the conflicting interests of the employees in their section 7 rights and of the employer in his property rights. Hostile motive was not a required element of the Board's finding of a violation. Similarly, in *Burnup &*

¹² The legislative history of section 8(a)(3) is reviewed in *Local 357, Int'l. Bhd. of Teamsters v. NLRB*, 365 U.S. 667, 682-84 (1961) (concurring opinion of Mr. Justice Harlan).

¹³ *E.g.*, *NLRB v. Jones & Laughlin Steel Corp.*, 301 U.S. 1, 45-46 (1937); *Associated Press vs. N.L.R.B.*, 301 U.S. 103, 132 (1937); *Radio Officers' Union v. NLRB*, 347 U.S. 17, 42-44 (1954); *Local 357, Int'l. Bhd. of Teamsters v. NLRB*, 365 U.S. 667, 674-75 (1961); *NLRB v. Erie Resistor Corp.*, 373 U.S. 221, 227-28 (1963).

¹⁴ See, *e.g.*, *NLRB v. Burnup & Sims*, 379 U.S. 21 (1964).

¹⁵ See, *e.g.*, *Local 357, Int'l. Bhd. of Teamsters v. NLRB*, 365 U.S. 667 (1961); *Textile Workers v. Darlington Mfg. Co.*, 380 U.S. 263 (1965); *Getman, Section 8(a)(3) of the NLRA and the Effort to Insulate Free Employee Choice*, 32 U. of Chi. L. Rev. 735, 759 (1965). *Burnup & Sims*, 379 U.S. 21 (1964), is an obvious departure from the pattern.

¹⁶ *Republic Aviation Corp. v. NLRB*, 324 U.S. 793 (1945).

Sims,¹⁷ a 1964 case in which union activists were discharged in the honestly mistaken belief that they had threatened to dynamite the employer's property, the Court found it "unnecessary to reach the questions raised under §8(a)(3) for we are of the view that . . . §8(a)(1) was plainly violated, whatever the employer's motive."¹⁸

AN INTERPRETATION: SEEKING ORDER IN DISORDER

How, then, can we justify the *American Ship Building* and *Brown Food* equation of 8(a)(1) and (3) with respect to the hostile-motive requirement? At the risk of over-simplification, I intend to essay this task. What the Court was concerned about in the lockout cases was a Board thumb on the collective bargaining scales.¹⁹ While the cases reached the Court under sections 8(a)(1) and (3) only, what really was at issue were the rights and duties of the parties in the process of collective bargaining. The fundamental 8(a)(5) charges had been mooted by the execution of new contracts while the cases were pending before the Board.²⁰ In contrast, what was involved in *Republic Aviation* and *Burnup & Sims* was the right of self-organization. This seminal right requires a stronger degree of protection.

What the Court has been striving to develop is a formula which facilitates a circumscribing of the Board's power where circumscription is in order. The old balancing test was too loose a standard for accomplishing this in collective bargaining situations. It provided the Board with a kind of blank check. The Board could weigh the right to engage in self-organization against the employer's right to run his business, as in the "no solicitation" rule cases, and achieve the purposes of the Act, which are, most basically, to encourage collective bargaining. But when the Board applied the same balancing test to collective bargaining pressures, as in the lockout cases, it thwarted collective bargaining.

The new formula which the Court is evolving seeks to preserve what is good in the balancing test, while weeding out what is bad. At the same time it seeks to accommodate prior decisions of the Court,

¹⁷ *NLRB v. Burnup & Sims*, 379 U.S. 21 (1964).

¹⁸ *Id.* at 22-23.

¹⁹ The concern was presaged in *NLRB v. Insurance Agents' Int'l Union*, 361 U.S. 477 (1960).

²⁰ *Id.* at 306 n. 5. The Supreme Court made it quite clear in *American Ship Building* that its decision in favor of the employer would have been *a fortiori* under section 8(a)(5) by reason of the *Insurance Agents* decision, 361 U.S. 477 (1960). *Ibid.*

premised upon the balancing approach, by means of a new rationalization of the "true" basis for such decisions. The new rationalization may entail two correlative theses. The first is that where 8(a)(1) and (3) overlap in their application to a problem presented, the more particular criteria of 8(a)(3) control. 8(a)(3) is the dog, and 8(a)(1) the tail. The second is that in cases where mere balancing produces an unsatisfactory result because too invasive of free collective bargaining or of management prerogatives, independent evidence of a hostile motive is an essential ingredient of the unfair labor practice.

The Dog-and-Tail Thesis

In cases of overlap between 8(a)(1) and (3)—indeed, between 8(a)(1) and any other subsection of 8(a)—there is strong reason for equating the general provision with the particular. Otherwise, the particular is read out of the statute. If, for example, the elements of 8(a)(3) properly include scienter, the same scienter must be required for 8(a)(1) in cases of overlap. Otherwise, the reason justifying the requirement of scienter in 8(a)(3) would be defeated; all prosecutions in such cases of overlap would be under 8(a)(1), the requirements of which would be satisfied by proof of the elements necessary under 8(a)(3) with the exception of the scienter element. Having found the commission of an unfair labor practice under 8(a)(1), the Board could grant the same relief as under 8(a)(3), since the Court has scotched any notion that the Board's remedial power under 8(a)(3) is greater than under 8(a)(1).²¹

Darlington is particularly instructive on the dog-and-tail point. The Board found the employer's closing of a plant in which a union had just won a representation election to be a violation of 8(a)(1) and (3).²² The Supreme Court reviewed the case on the basis of 8(a)(3) alone.²³ In so doing, however, the Court made it quite clear

²¹ See *NLRB v. Burnup & Sims*, 379 U.S. 21 (1964).

²² *Darlington Mfg. Co.*, 139 N.L.R.B. 241, 252 (1962).

²³ The Court stated: "Preliminarily it should be observed that both petitioners argue that the *Darlington* closing violated §8(a)(1) as well as §8(a)(3) of the Act. We think, however, that the Board was correct in treating the closing only under §8(a)(3)." *Textile Workers v. Darlington Mfg. Co.*, 380 U.S. 263, 268 (1965). Actually, the Board found the closing to violate both 8(a)(3) and 8(a)(1), although the former received the focus of the Board's attention. 8(a)(1) was given the derivative, "tag-on" treatment so frequently accorded it. See note 22 *supra*.

that its decision would have been the same under 8(a)(1), through what may be characterized as an application of the dog-and-tail principle. Mr. Justice Harlan, writing for the Court, stated:

Whatever may be the limits of §8(a)(1), some employer decisions are so peculiarly matters of management prerogative that they would never constitute violations of §8(a)(1) . . . unless they also violated §8(a)(3). . . . We therefore deal with the Darlington closing under [the latter] section.²⁴

It should be noted that the Court did *not* uphold the Board's finding of a violation under 8(a)(3), thus rendering consideration under 8(a)(1) mere surplusage. The case was, instead, remanded to the Board for further findings on the "chilling unionism" issues under 8(a)(3).²⁵

A definitional problem exists, to be sure, in determining when "overlap" between 8(a)(1) and (3) is really present—in determining, that is, when the dog-and-tail principle is operative. But this is a problem of line-drawing, inherent in the law. Where the determination is properly made that the criteria of 8(a)(3) are applicable to a given case, strong reason exists to give those criteria preemptive force.

The logic which supports the equation of 8(a)(1) and (3) in areas of overlap likewise supports the equating of 8(a)(1) and the other subsections of 8(a) in areas of overlap.²⁶ Again, unless the particularized dogs of 8(a)(2), (4), and (5) wag the generalized tail of 8(a)(1), the former will be read out of the statute. The Board will proceed along the line of least resistance, and this will be 8(a)(1).

The alternative to the dog-and-tail interpretation of the lockout cases is that the Court has embarked upon an across-the-board equation of 8(a)(1) and (3) with respect to the hostile motive requirement, intending to apply the latter in independent 8(a)(1) cases as well as in cases of overlap with 8(a)(3). While the Court may, indeed, have started down this path, there is reason to question the propriety of such a course. In any event, the contours of the hostile-motive doctrine must be examined.

²⁴ *Id.* at 269.

²⁵ If the Court had considered the 8(a)(1) question open to the Board despite the overlap with 8(a)(3), it is reasonable to conclude that its remand would have left the Board free to reconsider the case under *both* sections. The fact that the Court limited the remand to the 8(a)(3) questions suggests that the Board cannot control whether a given case is to be reviewed under 8(a)(3) or 8(a)(1) by the choice it makes of the section to proceed under.

²⁶ See, e.g., Getman, *Section 8(a)(3) of the NLRA and the Effort to Insulate Free Employee Choice*, 32 U. of Chi. L. Rev. 735, 758-59 (1965).

The Hostile-Motive Doctrine (with Escape Hatch)

The hostile-motive doctrine had its genesis in the first 8(a)(3) cases to reach the Supreme Court—*Jones & Laughlin*²⁷ and *Associated Press*.²⁸ The “true motive” of the employer was held to be the key to an 8(a)(3) violation.²⁹ The *Radio Officers*³⁰ case in 1954 provided the first occasion for the Court to clarify in definitive fashion the motive requirement of 8(a)(3). The Court held that while it is essential for a violation of 8(a)(3) that the employer’s motive in discriminating against an employee be to encourage or discourage union membership, “specific evidence of intent to encourage or discourage is not indispensable element of proof”³¹ The Court stated that “specific proof of intent is unnecessary where employer conduct inherently encourages or discourages union membership,” observing that this was “but an application of the common-law rule that a man is held to intend the foreseeable consequences of his conduct.”³²

Interestingly, while the hostile-motive doctrine was being developed and refined under 8(a)(3), the so-called “balancing test” was also being formulated and approved under both 8(a)(1) and (3).³³ The two developments traveled a collision course.

Erie Resistor,³⁴ the superseniority case of 1963, provided the Supreme Court an opportunity to attempt a reconciliation of the hostile-motive doctrine and the balancing test under 8(a)(3). The balancing process, the Court indicated, is a means for establishing motive—for “preferring one motive to another.”³⁵ The necessary “hostile motive” could be inferred by the Board through the process of “weighing the interests of employees in concerted activity against the interest of the employer in operating his business in a particular manner”³⁶ Whether one judges this “reconciliation” to be a laborious exercise in judicial obfuscation or an ingenious clarification, it set the stage for

²⁷ *NLRB v. Jones & Laughlin*, 301 U.S. 1 (1937).

²⁸ *Associated Press v. NLRB*, 301 U.S. 103 (1937).

²⁹ *Jones & Laughlin*, *supra* note 27, at 45–46; *Associated Press*, *supra* note 28, at 132.

³⁰ *Radio Officers Union v. NLRB*, 347 U.S. (1954).

³¹ *Id.* at 45.

³² *Id.* at 46.

³³ See, e.g., *Republic Aviation Corp. v. NLRB*, 324 U.S. 793 (1945); *NLRB v. Babcock & Wilcox Co.*, 351 U.S. 105 (1956); *NLRB v. Truck Drivers Union*, 353 U.S. 87 (1957) (“Buffalo Linen”).

³⁴ *NLRB v. Erie Resistor Corp.*, 373 U.S. 221 (1963).

³⁵ *Id.* at 228.

³⁶ *Id.* at 229.

the "hostile-motive-doctrine-with-escape-hatch" which emerges, full blown, in the lockout cases.

The "escape hatch" of the hostile-motive doctrine is formulated in the following language in *Brown Food*:

[W]hen an employer's practice is inherently destructive of employee rights and is not justified by the service of important business ends, no specific evidence of intent to discourage union membership is necessary to establish a violation of §8(a)(3).³⁷

One way of describing, then, what the Court has done in the lockout decisions is to say that it has merely redefined the balancing test. The purpose of the balancing under the new test is to ascertain whether independent evidence of hostile motive is necessary. The new definition requires, apparently, that the scales be more out of balance than was previously required for a violation to be found without independent evidence of hostile motive, sufficiently so that an inference of hostile motive is solidly based. In such cases the employer's conduct will carry "its own indicia of improper intent."³⁸

As I read the lockout cases, employer conduct will carry such indicia in two situations:³⁹ (1) where the employer has no significant legitimate business reason for actions which undercut the section 7 rights of his employees (*Republic Aviation* is the prime example); (2) where the employer does have a significant business purpose, but his actions, nevertheless, are so "inherently destructive" of employee rights as not to be "tolerated consistently with the Act"⁴⁰ (*Erie Resistor* is the prime example).

INDEPENDENT 8(a)(1) VIOLATIONS

A question arises as to whether this new balancing test or hostile-motive-doctrine-with-escape-hatch applies not only to 8(a)(3) cases and to 8(a)(1) charges which fall in the area of overlap with 8(a)(3), but also to independent 8(a)(1) cases. Since the 8(a)(1) charges involved in the lockout cases were of the overlap variety—*i.e.*, the factual circumstances to which 8(a)(1) was sought to be applied were the same as the factual circumstances to which 8(a)(3) was sought

³⁷ NLRB v. Brown, 380 U.S. 278, 287 (1965).

³⁸ *Ibid.*

³⁹ The problem of interpretation is more fully discussed in Oberer, *Lockouts and the Law: The Impact of American Ship Building and Brown Food*, 51 Corn. L. Q. 193, 214 (1966).

⁴⁰ NLRB v. Brown, 380 U.S. 278, 287 (1965).

to be applied—the holding of the Court, narrowly interpreted, reaches only overlapping 8(a)(1) cases.

The propriety of extending the doctrine in mechanical fashion to all 8(a)(1) cases, in the interests of symmetry and ease of review, is subject to question. What is right for section 8(a)(3) is not necessarily right for section 8(a)(1). The legislative history would seem to make this clear, as would the very language of 8(a)(1). What that section proscribes is “interference with, restraint, or coercion of” employees in the exercise of their section 7 rights. In contrast to section 8(a)(3), no hint of a scienter requirement is present here. As stated by the Supreme Court in the *International Ladies’ Garment Workers*⁴¹ case in 1961: “We find nothing in the statutory language prescribing scienter as an element of the unfair labor practices [8(a)(1) and (2)] here involved.”⁴² *Burnup & Sims*, as previously seen, is to the same express effect.

This is not to say that motive is, or should be deemed, irrelevant in all independent 8(a)(1) cases. It is clearly relevant where it operates, for example, to deprive an employer of a privilege he would otherwise have to interfere with section 7 activities, as in the case of an apparently valid no-solicitation rule which is vitiated by evidence of an antiunion purpose in its promulgation or application.⁴³ Similarly, in those independent 8(a)(1) cases which analogize closely to 8(a)(3), the motive apparatus of 8(a)(3), replete with escape hatch, becomes relevant, despite the absence of overlap, usually because discharges or related disciplinary action is involved and a significant management prerogative therefore at stake. An example of such an independent 8(a)(1) case is where an employer discharges employees for engaging in concerted protected activities which are unrelated to any union or unionizing effort.⁴⁴

Despite these reservations, what 8(a)(1) protects independently, with few exceptions, is the right to organize. Since this right is the bedrock of the national labor policy, it merits particularly sensitive protection by the Board. Legitimate employer interest in such cases

⁴¹ *ILGWU v. NLRB*, 366 U.S. 731 (1961).

⁴² *Id.* at 739.

⁴³ See, e.g., *The Wm. H. Block Co.*, 150 N.L.R.B. 341 (1964); *NLRB v. Erie Resistor Corp.*, 373 U.S. 221, 227 (1963).

⁴⁴ See, e.g., *Redwing Carriers, Inc.*, 130 N.L.R.B. 1208 (1961), *on remand*, 137 N.L.R.B. 1545 (1962), *aff’d sub nom. Teamsters Union v. NLRB*, 325 F.2d 1011 (D.C. Cir. 1963), *cert. denied*, 377 U.S. 905 (1964); *Sherry Mfg. Co.*, 128 N.L.R.B. 739 (1960).

is so slight, and illegitimate employer interest so strong, as to deny any valid function to a hostile-motive requirement here. The old balancing-of-conflicting-legitimate-interests test has worked reasonably well in these cases. What that test amounts to is the rule of reason. It affords adequate protection to the employer interests on the scales and has the virtue of relative simplicity. No need exists for the engrafting of a hostile-motive requirement, the real purpose of which is to circumscribe Board power; if the Board finds the employer conduct to be violative, the remedy is merely a cease and desist order which protects the section 7 right with minimal invasion of any legitimate employer interest.⁴⁵ Typically, where the employer conduct reaches the stage of discharge or related disciplinary action, section 8(a)(3), with its prerogative-protecting motive paraphernalia, becomes involved.

Indeed, because of this minimal impact upon management prerogatives, even if the hostile-motive doctrine is extended to such independent 8(a)(1) cases, they should fall in the escape-hatch area where no independent evidence of hostility is required. This is another way of saying that the doctrine, soundly applied, would have no function here, other than to obscure analysis and lengthen opinions. Unsoundly applied, it would have a most mischievous potential, endangering the protection traditionally accorded the seminal right of self-organization.

In summary, then, while motive is relevant in some independent 8(a)(1) cases, hostility to employee rights should not be a required element in all such cases. Perhaps the simplest and safest way to deal with motive in independent 8(a)(1) cases is to treat it as *presumptively irrelevant*, in contrast to 8(a)(3) cases and overlapping 8(a)(1) cases where it may be said to be *presumptively relevant*. If this approach were adopted, the extension of the hostile-motive doctrine, so modified, to independent 8(a)(1) cases would be subject to little objection. The Board, courts, labor bar, employers, and unions would know where they stand, since the traditional handling of such cases

⁴⁵ This distinction between the impact on the employer of a cease and desist order and an order to reinstate with back pay is reminiscent of the Fifth Circuit's old *Tex-O-Kan* rule (*NLRB v. Tex-O-Kan Flour Mills Co.*, 122 F.2d 433 (1941)), rejected by the Supreme Court in *NLRB v. Walton Mfg. Co.*, 369 U.S. 404 (1962). The basis of the Court's rejection was that "there is no place in the statutory scheme for one test of substantiality of evidence in reinstatement cases and another test in other cases." *Id.* at 407. This concern should not be present where the issue involved is the proper interpretation to be given to the language of section 8(a)(1) as distinguished from the different language of section 8(a)(3).

would be reaffirmed. No necessity would arise for a tortured “accommodation” of precedents, such as *Republic Aviation*, on the basis of a dubious inference or presumption of hostile employer purpose.

CONCLUSION

The hostile-motive doctrine is the product of section 8 (a) (3), as to which it makes some sense. Application of the doctrine to overlapping 8 (a) (1) cases makes sense also, since the alternative is to read 8 (a) (3) out of the statute. On the basis of the legislative history of section 8 (a) (1) and a textual reading of its language, the generic engrafting of the hostile-motive requirement on independent 8 (a) (1) charges does not make sense.

Withal, extension of the hostile-motive doctrine to independent 8 (a) (1) cases, pursuant to an interpretation of the lockout cases which gives the doctrine generic 8 (a) (1) application, need have no substantial effect upon existing Board policy if proper play is judicially afforded to the “escape hatch” of the doctrine. If a re-rationalization by the Board in such cases is the sole cost for circumscribing the Board’s power to place a thumb on the bargaining scales in situations akin to the lockout cases, and for protecting significant management prerogatives in 8 (a) (3) cases where 8 (a) (1) has merely redundant applicability, as in *Darlington*, the Supreme Court’s price is not too steep to pay. But mere symmetry is hardly a compelling reason for extending a cumbersome doctrine developed for other cases and purposes to cases where it serves no legitimate function—where, indeed, it may do violence to legislative intent, statutory language, substantial precedent, and clarity of analysis.

In any event, the Court has still before it the problem of coming explicitly to grips with the scope of 8 (a) (1), as related to 8 (a) (3). The Board, invited by the ambiguity which presently enshrouds 8(a) (1), as compared to 8(a) (3), will likely afford the Court the opportunity to provide this clarification.

THE INDIVIDUAL RIGHT TO ELIMINATE EMPLOYMENT DISCRIMINATION BY LITIGATION

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Title VII of the Civil Rights Act of 1964 is the first Federal legislation designed to eliminate discrimination in employment. It established the Equal Employment Opportunity Commission, to investigate complaints based on race, religion, sex and national origin, determine if there is "reasonable cause" to believe the allegations, and attempt to conciliate the matter. If conciliation fails, the individual employee may sue in Federal Court, and the Attorney General may institute a Federal Court suit if he believes there is a pattern or practice of discrimination.¹

This statutory scheme is a result of a series of legislative compromises. The bill proposed in the House of Representatives would have given the Commission powers to conduct hearings and issue orders if conciliation failed. As it passed the House, the hearing powers were removed, and the Commission was entitled to sue in court where conciliation failed. As a result of the "leadership compromise" in the Senate, the Commission was deprived of power to sue, which was vested in the individual complainant and the Attorney General. The Commission retained only the power to ask the Attorney General to sue.²

Supporters of Civil Rights legislation were disappointed at this course of legislative development which, in their view, "watered down" the original conception of a powerful Commission, and turned it into a "toothless tiger." They have supported, and the Commission has supported, legislation which would give the Commission the hearing powers which had been proposed originally in the House

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¹ 78 Stat. 253, 42 U.S.C. Sec. 2000e. The history of the various efforts to cope with employment discrimination at the state and federal levels prior to and contemporaneously with Title VII is admirably described in *Sovern, Legal Restraints on Racial Discrimination in Employment* (1966).

² The legislative developments are discussed in *Berg, Equal Employment Opportunity Under the Civil Rights Act of 1964*, 31 *Bklyn L. Rev.* 62 (1964) and in *Hall v. Werthan Bag Corp.* 61 *LRRM* 2458 (D.C.F.D. Tenn. 1966).

bill. The proposal to give hearing and order issuing powers to the Commission carries with it implicitly the elimination of the individual right to sue. While this is not a necessary consequence of endowing the Commission with cease and desist powers, it is contemplated in present versions of proposed legislation, and does correspond to the statutory structure of the National Labor Relations Board.

We are thus confronted with two competing models for administrative processing of employment discrimination cases; the present statutory scheme with its emphasis on the individual right to sue, and the proposed statutory scheme with its emphasis on the powers of the agency to hold hearings and issue orders. Because of the present political situation, it appears that we will have an opportunity for some time to study the workings of the present system, and its effect on industrial relations under current social and economic conditions. It is the purpose of this paper to provide some material for this evaluation. As a participant in this process, I cannot pretend to complete objectivity. Since one of my overall concerns is the process by which law becomes operative in human affairs, I have attempted, within the limitations of my own role, to examine and describe the operation of the Commission processes in which I am daily engaged. This, hopefully, is more than a diary, though less than a detached report.

I. HOW TITLE VII OPERATES

When a complaint of employment discrimination is submitted to the Commission, it is investigated. This investigation consists of a series of interviews with all relevant parties, and an examination of relevant documents. A report of the investigation is then submitted to the Commission. The Commission reviews the report, and makes a written determination as to whether there is reasonable cause to believe the charges to be true. If the Commission finds cause, all relevant parties are notified and conciliation is attempted. In the conciliation process, the individual charging party is constantly consulted, and the outcome of a successful conciliation is an agreement to which he is a party.

The existence of the individual right to sue permeates this entire process, beginning with the reasonable cause finding itself. Some state agencies in this field have administratively blurred the distinction between investigation and conciliation, with the result that infor-

mal settlements have tended to be weak.³ This distinction, with a reasonable cause finding between the investigation and the conciliation effort, has been maintained by the Commission. There are many pragmatic reasons for maintaining this distinction; it puts the Commission in the strongest negotiating position, as will be described later. But there are arguments of economy and efficiency, which run against the maintenance of the distinction. One argument which has been influential in the decision to maintain the distinction is that the reasonable cause finding, is, for practical purposes, a condition precedent to the maintenance of an individual law suit under the statute.⁴ If the Commission were to blur or abandon the "cause finding" process, it might seriously interfere with the individual's right to sue.

After the finding of reasonable cause has been made, the Commission processes are intimately tied into the industrial relations system on the one hand and the individual's right to sue on the other. The first step after the reasonable cause finding is notification to the parties. Notification is also given to the AFL-CIO Civil Rights Division, to the Construction Industry Joint Council, and to the NAACP in appropriate cases. The conciliator then makes a series of appointments, beginning with the charging party, with whom he discusses the problem and the range of possible remedies.

The conciliator then meets with the respondents. Where both union and employer are involved, he will usually meet with each separately, then bring them together if appropriate. Both union and employer tend to view the Title VII issue as one more episode in their continuing relationship and tend to inject in their joint discussions matters which are not specifically relevant to the Title VII issue. By discussing the Title VII issue separately with each party, the conciliator seeks to keep the discussion focussed on the issues and away from general concerns of the ongoing collective bargaining relationships.

Conciliation conferences tend to follow a pattern, in which the conciliator utilizes the reasonable cause finding and the individual rights to sue to lead the discussion toward possible solutions to the problems of discrimination. The conciliator makes an informal open-

³ See Blumrosen, *Anti-Discrimination Laws in Action in New Jersey: A Law-Sociology Study*, 19 Rutgers L. Rev. 187 (1965).

⁴ As a formal matter, a finding of reasonable cause is probably not a condition precedent to suit. As a practical matter, it probably is. See *Sovern, op. cit.* note 1, at 82-83.

ing statement in which he points out that the primary purpose of conciliation is to achieve two objectives: securing for the charging party and other similarly situated persons the rights to which the Commission has found them entitled, and settling the entire problem by eliminating the risks of litigation under the statute, either by the individual or by the Attorney General. He seeks to achieve these objectives in a conciliation agreement which includes the promises made by respondent to the charging party, and a waiver of the charging party's right to sue. The Commission becomes a party to this agreement, and thereby assures that it will not refer the matter to the Attorney General. The conciliator then introduces the area of discussion by describing the discrimination found in the reasonable cause finding, such as segregated facilities or discriminatory seniority lines.

This introductory statement is moulded in light of the reasonable cause finding and the individual right to sue.

The conciliator represents himself as standing between the respondent and a law suit which may be instituted by the charging party. The reasonable cause finding is treated by the conciliator as a "class" finding, relating, where appropriate, not only to the individual charging party, but other similarly situated persons.⁵ The remedy sought in conciliation, is not only relief for the complainant, but a change in the industrial relations system to eliminate its discriminatory features.

The individual's right to sue is the legal foundation for his right to settle the case. The conciliation agreement can represent a contractual undertaking between legal equals. The quid-pro-quo for the respondent's promises to end discrimination is the individual's waiver of his right to sue. The agreement reflects legal equality between the parties, rather than a willingness on the part of the respondent to do, as a matter of grace, that which the government requests. The requirement that the charging party sign the conciliation agreement, which again flows from the concept of waiver of his legal rights to sue, assures that the Commission will pay attention to his interests, and will not impose a settlement without regard to them.

After the conciliator's opening statement, the respondent usually levels a triple pronged attack on the reasonable cause finding. The dialogue goes like this:

⁵ See *Hall v. Werthan Bag Corp.* *supra* note 2.

RESPONDENT: How could the Commission make a finding without giving me an opportunity to examine witnesses. It's unconstitutional."

CONCILIATOR: "The government does not have to hold a trial type hearing in order to send out a conciliator to discuss the matter with you. If you wish a trial de novo, then you can refuse to conciliate, and you might be sued, in which case you would have a full opportunity to present your case and to cross examine witnesses in the Federal Court."

RESPONDENT: "Your investigator was inexperienced, he did not understand what we told him." (In the alternative, "the investigator said everything was all right.")

CONCILIATOR: "Thank you for your comments. We want to improve the quality of our investigations; but I am here pursuant to the reasonable cause finding, not to review the conduct of the investigator."

RESPONDENT: "The reasonable cause finding is wrong. We don't discriminate, and I want to demonstrate to you that your finding is incorrect."

CONCILIATOR: "I am here pursuant to the reasonable cause finding to discuss solutions with you. I have no power to review the finding of cause, and therefore there is no point in discussing the facts on the issue of whether there is discrimination. Obviously, we must discuss the facts if we are to solve the problem, and I am ready to do that, but not to review the finding of discrimination."

With this last point, the conciliator utilizes the reasonable cause finding to change the subject of the meeting from "whether there is discrimination" to "what will the respondent do about it." The success of this move is crucial to the conciliation process.⁶ The foregoing dialogue which occurs in nearly every case in some form, demonstrates how the right to sue and the reasonable cause finding are utilized by the conciliator in laying a foundation for the solution to the problem of discrimination.

The conciliator then opens a discussion of the specific issues and offers proposals for resolution. These proposals are designed not to

⁶ A respondent who wishes a review of the cause finding under Commission Regulation 1601.19(b).

be treated as an edict of government, but as a basis for discussion in which the respondent may well come up with a more workable proposal which will have the effect of solving the problem of discrimination. Thus the conciliator initiates a kind of tri-partite bargaining between the respondent employer, union and the government or the civil rights organization, if one is involved.

Seen in this light, the reasonable cause finding plus the individual right to sue constitute a rough statutory equivalent to the duty to bargain under the National Labor Relations Act, with the price of a refusal to bargain being the risk of a law suit. This kind of bargaining, in which the individual, if represented by counsel or an organization, is an equal partner, is difficult and complex, but it can be administered successfully.

In this bargaining, the conciliator is not merely a broker, but rather presents the position of the Commission in support of the reasonable cause finding, and attempts to bring his expertise to bear on securing a workable solution. What have been the results of the conciliation process thus far?

Operating with a very small staff, the Commission has successfully concluded some 76 cases; been partially successful in 13; and unsuccessful in 36, as of November 17, 1966.

The major success of the Commission has been in the *Newport News Shipbuilding and Dry Dock* case, where, with the cooperation of the Office of Federal Contract Compliance, the Departments of Defense and Justice, a comprehensive agreement to eliminate discriminatory practices were signed. Other cases in which the shield of confidentiality has been lifted by agreement include *Kaiser Aluminum*, which involved seniority; *Federal Paper*, which involved promotion of Negro employees to over-the-road trucker jobs; General Cable Company, which involved the elimination of seniority lines based on sex; and *Arthur Brothers*, which involved the rescission of discharges of Mexican Americans, and a correction of discriminatory practices.

The Commission has stated its views on segregated facilities; and these views require the elimination of de facto segregation in locker-shower rooms, as well as the elimination of indicia of segregation. Conciliation efforts in this field have been successful except in the area of locker-shower integration where progress is slow.

In cases of discriminatory refusals to hire or promote, conciliation

agreements run the gamut from a pure monetary settlement, no immediate employment or promotion, the "next job," and to "consideration for the next available job." We believe that these settlements reflect a difference in the strength of the reasonable cause findings. The Commission has been finding cause in roughly 60% of the cases, a rate about double that of the NLRB and far in excess of that of most state agencies.⁷ Under these circumstances, some cause findings, and hence some settlements will be stronger than others. While many state agencies have been accused of being too "soft" in their settlement practices (even though they have hearing and cease and desist powers), I do not believe this criticism would be valid of the Commission at this time.

In the South, the Commission has been successful in securing the adoption of the principle of "promotion from within." This principle is an absolute fundamental to the solution of the classic southern employment discrimination pattern where Negro employees were hired for low paying, low skilled jobs, and white employees were hired directly into the better jobs. The principle, embodied in one form or another in most of our conciliation agreements, requires the employer to promote from within, before he seeks to bring people in from the outside. This principle fairly applied, will make the formerly Negro job the entry level job with the employer, and provide promotional opportunities for Negro employees.

The Commission has had reasonable success in improving transfer and promotion rights for Negro employees, by providing for "bump back rights" and "red circling" of rates. It has induced many employers to not only review their industrial relations system, but introduce training programs to provide Negro employees with the skills necessary to take advantage of promotional opportunities.

The two areas of difficulty in the race cases are seniority in plants with stable or contracting labor forces and testing. Both of these areas represent difficult problem areas where respondents, union and employer may insist on a judicial determination of the meaning of Title VII. This concern would not in the initial years of the Commission, be satisfied by an administrative determination.

In the sex area, the conciliators have settled a number of cases of divided seniority lines and segregated job classifications.

⁷ See Blumrosen, *op. cit.* supra note 3 at 224.

A fair proportion of all the settlements took place after suit had been filed under the Civil Rights Act.

This, then, is the process of conciliation, and a capsule summary of its results under the present statutory pattern. What are the implications of the individual right to sue for this process, and for the successful achievement of the objective of the statute?

II. THE INDIVIDUAL RIGHT TO LITIGATE

The classic "liberal view" is that the individual right to sue is not meaningful in the field of social legislation. Individual suits require initiative, knowledge of rights, willingness to undertake delay and expense and possible liability for attorney fees. Many disadvantaged persons are unwilling to complain at all about their condition, much less engage in the serious business of litigation. Thus the individual right to sue is a shadow without substance in this area.⁸

Recent developments under Title VII cast some doubt on this view. First, is the extensive activity under Title VII of the Negro organization, the NAACP and the Legal Defense and Education Fund ("INC. FUND"). These organizations have instituted many suits, possibly as many as 50, under Title VII, and have advised and counseled in many others, during the first year under the statute. The organization of minority group persons for the purpose of asserting legal rights in the employment field is relatively low. Secondly, the sex provision of the Act has worked in such a way that female employees have found it relatively easy to obtain counsel. Counsel, seeing a group of determined ladies (and undoubtedly visualizing a new group of family clients) have taken sex cases and instituted suit in a good number of them. Thirdly, several suits have been settled with substantial attorney fees involved in the settlement. The largest monetary settlement today is the back pay element of a sex case settled for more than \$35,000.

These factors have provided the "assistance of counsel" necessary if the individual right to sue is to work. They demonstrate that the individual under Title VII is rarely alone or unorganized, he is part of a formal or informal organization set up to assert Title VII claims. These claims pressed under the "individual rights" of Title VII are also "group claims" representing the group interests of the minority which has been discriminated against. Thus the individual right has

⁸ *Sovern, op. cit. supra* note 1, at pp. 20, 56, 75, 76, 80.

become a vehicle by which these group interests are asserted.⁹ The group interest has breathed life into what might have been a sterile conception of individual rights to sue.

Another reason frequently given for the administrative process in social legislation is the unfriendly attitude of the courts. It is too early to tell whether this will be a compelling reason under Title VII. Thus far, we have had only one decision on the merits of a case; but virtually every Federal judge who has been confronted with a Title VII matter has strongly urged that the parties conciliate; and many settlements have resulted from this initial judicial response to the case.

A third reason often given is the vast volume of work. This may, at some point, be compelling, but with its sharply limited budget, and its totally unexpected complaint load, the Commission today can hardly be said to be in a better position to undertake this additional work than the Federal Courts. But the objective of this paper is to present evidence concerning the workings of Title VII under the present statutory system, not to exhaustively analyze all the arguments on the subject.

There is one further dimension to the individual right to litigate which should be explored here. The consequence of litigation or the risk of litigation has its impact on the personnel involved in handling the discrimination problem. Where suit has been instituted or is in the offing, it is far more likely that local officials, of either management or union, will be subject to guidance and sometimes outright direction from attorneys or other home office personnel who view the risk of litigation as a serious matter. Since local personnel often have the greatest practical and emotional involvement in their existing employment relations system, the introduction of higher level officials and attorneys is generally advantageous in terms of securing settlements. The intervention of lawyers has, on the whole, contributed favorably to the settlement of cases. The lawyers have not approached these cases with their eye on the distant portals of the Supreme Court, but with the desire to settle and eliminate these problems. Where they have determined to litigate, I doubt that the availability of the Commission as a hearing tribunal would seriously have influenced them.

⁹See *Hall v. Werthan Bag*, *supra* note 2, *Chemical Workers v. Planters Manufacturing Co.*, 63 LRRM 2213 (D.C. N.D. Miss. 1966) *Cowan, Group Interests*, 44 Va. L. Rev. 331, (1958), *Blumrosen Group Interests in Labor Law*, 13 Rutgers L. Rev. 332 (1959) and general 6, *Symposium, Group Interests and the Law*, 13 Rutgers L. Rev. 429-602 (1959).

In the early years they will seek judicial clarification of the meaning of the statute, if the matters cannot be settled.

The existence of the individual right to litigate means that the possibility of settlement, as well as the litigation prospects, are not controlled by the government. Control is shared with the individual. Counsel for the charging party thus has a significant role to play in shaping the nature of settlements under Title VII as he advises his clients, making recommendations to Commission conciliators and sometimes engages in direct negotiations with the respondents. It is this retention of control by counsel which lies at the heart of the Title VII procedures as presently constituted. If they were modified, counsel for the charging party would be less influential in shaping the conciliation and litigation effort. If control of the process rested in the hands of the government, the attorney for the respondent could focus all of his energies on the government,¹⁰ without being as concerned for the charging party as is now often the case. In short, a change in the statutory system would have a subtle effect on all of the relationships which have been described, in a direction which would reduce the individual's control over his own case. This would be one cost of the change, a cost which should be weighed carefully.

III. CONCLUSION

We are in the midst of an organized, bureaucratic and pluralistic society. The identification of the appropriate role for individuals and scope for individual interests in this society is difficult and complex. The issue is being tested at many points in our society. My own view, which I have developed at length with respect to the problem of individual rights in the Collective Bargaining process, is that our society is flexible, resourceful, and wise enough to provide for the meaningful exercise of individual rights within the organizational structures of society. The fear that recognition of individual rights will unreasonably disrupt social processes seems largely an argument by which the managers of organizations seek to maintain a broad area of unregulated discretion to exercise power.¹¹ I have yet to be convinced that this wide discretion is necessary (although I must admit to having waived while waiting for some charging parties to decide

¹⁰ See, e.g. *Electrical Contractors Assn. v. Ordman*, 63 LRRM 2223, (2d cir. 1966).

¹¹ Blumrosen, *The Worker and Three Phases of Unionism*, 61 Mich. L. Rev. 1435 (1963).

whether to accept a conciliation agreement which had been reached only after great effort). Title VII as presently constituted gives us an opportunity to study the processes by which the individual rights under the statute mesh into the collective bargaining process. The political processes have given us a period of time in which to conduct this examination.

DISCUSSION

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Professor Blumrosen sits high upon the pyramid of the Equal Employment Opportunities hierarchy as director of the conciliation effort of that agency. I must examine the same terrain from the vantage point of the worm, having inched my way toward the settlement of a few cases as a part-time consultant to the Commission. Despite these limitations, I would venture to suggest one or two further arguments to support the position implied in Professor Blumrosen's paper; namely, that the Congress should hesitate before endowing the Commission with power to issue orders in cases arising under Title VII of the Civil Rights Act.

The key point, of course, is that an agency like EEOC will work harder to settle cases voluntarily so long as it merely possesses the power to conciliate and not to command. Several advantages may result from continuing to cling to this voluntary process. To begin with, it is worth remembering that discrimination in employment is a moral, as well as an economic, problem and that there is a certain gain, from a moral standpoint, in eliminating discrimination through methods that are not entirely compulsory. This is not to say that minority rights should necessarily be sacrificed, or even delayed substantially, in hope of furthering this ethical goal. But several considerations suggest that it would be premature, if not wrong-headed, to assume that discrimination will be eradicated more rapidly by giving the Commission compulsory powers.

First, despite widespread predictions that the EEOC would prove to be a "paper tiger," the record of successful conciliations speaks otherwise, and further progress can be anticipated if a few court decisions can clarify some critical differences which divide the parties over the meaning of the statute.

Second, the law is subject to serious limitations in seeking to eliminate discrimination in employment. Whether a case is solved by agreement or decree, implementation will necessarily give rise to a host of difficult questions. How much education and training are required to fill a given vacancy? How long a trial period will be provided on each job? How much effort will be made to recruit

qualified minority applicants, and who can be properly called "qualified"? These questions cannot be adequately resolved by legal proceedings. Each issue often presents its own special problems, and the questions arise too frequently to rely upon the time-consuming process of litigation. Moreover, unlike many areas of labor law, neither the union nor the employer will normally be inclined to watch over the other to see that the Commission's order is fully carried out. As a result, the elimination of discrimination will have to depend very heavily on the good faith of the parties, and good faith will generally be harder to come by when the remedy is supplied by a government order rather than a voluntary agreement by the parties.

Third, to allow the commission to issue orders will run the risk of turning the statute into a gigantic grievance procedure in which disgruntled members of minority groups seek to contest management decisions involving individual promotions, assignments, and disciplinary actions. It is doubtful whether many of these charges will be meritorious, let alone susceptible of proof. But a large volume of these cases could easily overburden the Commission, divert its energies from more critical issues, and engender hostility on the part of the unions and managements which are subjected to government investigation in cases of this sort.

Not even the ingenuity of our chairman has sufficed to supply me with any common thread to link all three of the preceding papers. The essays of Professors St. Antoine and Oberer raise very different problems from those suggested by Professor Blumrosen and require a different type of analysis.

My basic question with respect to the Oberer paper goes neither to the conclusion he reaches nor to the logic he employs but to the merits of undertaking an inquiry of this sort. At the risk of oversimplification, I would suggest that there are two major purposes of legal research in the labor field. One objective is to examine a body of prior cases to draw common rules or principles which will help lower court judges, lawyers and other interested parties to predict the outcome of similar cases arising in the future. The second objective is to evaluate the rules, the reasoning, and the unsolved problems of the law with an eye to recommending sound results and possible changes in doctrine.

Most of Professor Oberer's paper involves a synthesis and prediction based on prior decisions of the Supreme Court. Without doubt,

this type of analysis has its place in a careful piece of research. But with considerable diffidence, I would raise the question whether it represents the sort of effort that most needs to be done. To begin with, the Court decides but a few cases involving Sections 8(a)(1) and (3) and only at infrequent intervals. Because of changes in personnel and the tug of new fact situations and new arguments, the doctrines employed by the Court in these cases have been constantly in flux, and it is far from clear that today's dicta will survive tomorrow's cases, at least if it is not demonstrable that these pronouncements are workable and sound. Thus, past cases provide a rather treacherous basis for predicting future results. Even if this were less true, one may also question whether the categories suggested by the Court and Professor Oberer are sufficiently precise to resolve concrete cases. What, after all, is a "significant business purpose" and what tactics can be termed "inherently destructive of employee rights"? To put the matter in a different way, could anyone safely use these categories to predict the outcome of a *Darlington* or *Erie Resistor* if these cases were to arise for the first time next month or next year? After wrestling with the problem of superseniority during the Southern Airways strike in 1962, I would not have felt confident in predicting that this device was more "inherently destructive" than several other tactics which lawfully remain in the employer's arsenal. Nor could I have guessed that the Supreme Court would ignore the effect of a shut-down on Darlington's own employees, so as to enable the Court to escape the knotty question of whether the shut-down was "inherently destructive" of *their* rights.

In short, I wonder whether the most important task for the legal analyst does not lie elsewhere. Whatever the formulae that are used in attacking cases under Sections 8(a)(1) and (3), enduring rules will always reflect a balancing of the various interests involved in each case. If we are to give maximum assistance to a heavily burdened judiciary, our efforts might be better directed to digging out the practical information that can elucidate these interests and analyzing these findings to suggest where the soundest balance lies. Although prior cases cannot be neglected, the author who can provide the wisest and most workable answers to the inquiries just mentioned may well come closest of all to predicting the ultimate resting place of the law.

From this perspective, I have little to quarrel with in Professor

St. Antoine's paper. As he suggests, there is not much to be gained from offering predictions on the basis of the recent Supreme Court opinions. The cases themselves resolve very narrow issues. To be sure, they tentatively put forward certain broader formulations, but plenty of escape hatches have been constructed by the Justices in the event that their pronouncements prove unequal to the strain of future cases. Hence, the opinions offer an invitation to the critic to contribute to the informed analysis which one hopes will ultimately determine the fate of the Court's formulations.

This is hardly the occasion to undertake an analysis of these opinions. Instead, I would merely comment briefly on the methods Professor St. Antoine suggests for appraising the issues involved. In this connection, St. Antoine lays particular stress upon the compilation of empirical data concerning the extent and importance of restrictive practices. I would disagree mildly with part of this prescription. We are unlikely to obtain a comprehensive inventory on the extent of restrictive practices, since much of the relevant information is covert and deliberately kept from view. Moreover, I am not wholly persuaded that such information is critical. After all, we are likely to strike down union efforts to fix prices whether this tactic is employed by one union or by many. On the other hand, it is hard to dispute the need for better information and analysis regarding the importance of these practices in the individual cases where they arise. Consider, for example, the *Jewel Tea* opinion. All Justices were agreed that price fixing through collective bargaining would constitute a violation of the antitrust laws. On the other hand, seven Justices concluded that it was not a violation to restrict the hours of operation at the defendant's meat markets. According to the majority, both these conclusions rest upon a balancing of the union's interest against that of the public. The logic of this balance, however, is not altogether clear. In the former situation, slightly higher prices would have to be weighed against the union's interest in using price fixing both to achieve higher wages and to minimize the threat of bankruptcy among marginal competitors. In *Jewel Tea*, the obvious inconvenience of not being able to purchase meat after 6 p.m. was balanced against the asserted interest of the union meatcutters in not having clerks stand guard over the meat counters during the evening hours. Without necessarily implying that the distinction is untenable, I would suggest that it is not self-evident why a different balance

should be struck in the two cases. On the contrary, merely looking upon the variety and complexity of the interests involved suggests quite plainly that much effort and analysis must be expended if we are ever to draw a satisfactory line between legitimate bargaining and illegitimate market restraints.

The preceding discussion gives rise to one or two concluding observations concerning research in the field of labor law—observations not wholly out of place at a meeting of an organization dedicated to the problem of research. At least two points seem particularly relevant.

If my prior remarks are even half-way accurate, it would appear that the major task of research should involve work that is somewhat more empirical and somewhat less preoccupied with libraries and law reports than has often been the case heretofore. This is not another plea for interdisciplinary projects and massive statistical surveys—although these efforts may sometimes have their place. Instead, the point is simply that most labor law issues, in the end, are intensely practical matters whether they involve the impact of Title VII upon seniority districts, the limits of free speech in internal union affairs, or the effects of replacement following a lockout. These issues may not require an exhaustive empirical study but they surely demand sufficient communication with knowledgeable lawyers, union officials and management representatives to permit a realistic appraisal of the nature and extent of the interests involved and a convincing evaluation of the practicalities of alternative rules and the difficulties of assuring effective compliance. To put the matter more concretely, if the law were now confronted with the problem of superseniority, I should be less concerned with deciding how to describe the type of balance to be struck or with exploring such phrases as “inherently destructive” than with more concrete questions such as how necessary superseniority is in attracting replacements, how divisive are its effects upon the union and the work force, how great is the administrative advantage of outlawing the tactic entirely instead of trying to determine the employer’s motive, etc.

Because such research is time-consuming, and the number of issues almost limitless, it is also important that research proceed with some sense of the priorities involved. In this respect, the course of scholarship seems somewhat haphazard at the present time. Too much effort and duplication are evident in certain problem areas while too

little work goes on in others. To some extent, the reasons for this may have to do with the nature of the stimuli which evoke research in the labor law field. For the most part, such research represents a response to one of a few familiar events: Supreme Court opinions; divisions between circuit or state appellate courts; the promulgation of legal rules which provoke sharp, public criticism by the parties; and—in the field of arbitration, particularly—the personal experience of the scholar. In a very general way, these factors do identify many, perhaps most, of the important legal issues to be researched. But they fail to do a perfect job. For example, it is disturbing to note how few writers have paid attention to the problem of defining an appropriate unit, despite the fact that unit determinations may profoundly affect labor management relations and constitute a heavy proportion of the work of the NLRB. It is also curious that although countless critics have debated the pros and cons of the individual's right to pursue his grievance under a collective bargaining agreement, no one has seen fit to analyze the common law rule which denies any right to the employee who is arbitrarily treated in a plant without a union or a contract.

The point of all this is surely not to question the right of every scholar to choose his own field of inquiry. Instead, my intention is simply to suggest that there may be a need for devoting more time, individually and in unison, to the problem of identifying the most important issues for labor law research and devising methods by which these issues may be investigated with maximum profit.

III

**EUROPEAN EXPERIENCE
WITH INCOMES POLICY**

Adolf Sturmthal, Chairman

SOME TENTATIVE GENERALIZATIONS ABOUT EUROPEAN INCOMES POLICIES *

ADOLF STURMTHAL
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I should like to summarize my view of the European experience in incomes policy in a number of points:

Let me define briefly how I understand the vague term "Incomes Policy." It refers (a) to a set of objectives regarding the appropriate distribution of GNP in either money or real terms: usually the objective is to restrain the rate of increase of money incomes; these objectives need not be specified in numbers but must at least be reasonably precise to allow application of the policy to individual cases, and (b) the policy must include direct government intervention; the implementation of the policy may be left to private agencies provided they can be reasonably expected and are equipped to do so. Thus Scandinavian collective bargaining arrangements can be regarded as instruments of an incomes policy.

Next, the theoretical aspect of the question. I find myself unable to accept the by now conventional distinction between excess demand and cost-push inflation. My doubts refer less to the facts than to the explanatory value of the reasoning that underlies this distinction. If there are oligopolistic power elements on the product or labor markets, their existence can explain cost-push only if:

- (1) Sufficient aggregate demand is maintained so that powerful businesses and unions do not price themselves out of the market; and
- (2) The oligopolists, whoever they are, had retained power to raise prices or wages which they had not used in the past, i.e., they were in disequilibrium and are now moving toward an oligopolistic equilibrium position; or
- (3) New circumstances arose that shifted the equilibrium position to higher prices and higher wages.

Condition (1) needs little elaboration. It implies that the country is committed to maintaining full employment regardless

* The author expresses his thanks to Hugh Folk for comments and suggestions and to Louis Blumengarten for his assistance in making the computations.

of price developments. Conditions (2) and (3) are of a different kind: they have little explanatory value by themselves. Proposition (2) gives immediate rise to the next question as to why the oligopolies were in disequilibrium and what now enables them to move closer to an optimum situation. Proposition (3) leads one to ask what the new circumstances are that changed the equilibrium position. In the absence of answers to these questions, the mere reference to oligopolistic power is neither intellectually satisfactory nor very helpful in formulating policies.

Third, as far as policy-making is concerned the methods of income restraint employed so far are more appropriate for short-term emergencies than for a long-term situation. However, not only is full employment—rather strictly defined—almost universally accepted as a high priority objective of economic policy, even temporary lapses from very high employment levels are politically intolerable. In other words, full employment is supposed to be a permanent feature of the Western economic landscape. Are we then to expect that wage and price restraints, with varying degrees of coerciveness, will be with us equally permanently? Are labor and product markets to function with such restraints? Can unions and businesses be expected to exist as we have known them if unions are not to attempt to obtain the maximum advantages for their members, and businesses for their stockholders, which the markets might enable them to get? It is of course possible to define long-term self interest, properly understood, in such a way that unions and businesses behave according to the guideposts. But to be widely accepted by workers and shareholders, this definition would require a reeducation of minds, a withering away and a redesigning of institutions that would profoundly alter the existing economic systems of the West.

Emergency measures are probably necessary—but, with full employment prevailing in Western Europe for a decade, the observer can only express his surprise that no attempt seems to have been made to find permanent solutions to a permanent problem. Indeed, the main departures from wage and price restraints have been in many cases more of the same medicine: wage and price freezes, supplemented on occasion by stop-go—i.e., deliberately engineered deflationary movements to produce less than full employment followed by another stage of full employment, inflation, balance of

payments difficulties, etc. It is difficult to see the germs of a viable long-term policy in this series of emergency steps.

Fourth, the experience of the last decade and a half does not suggest that incomes policies have been particularly effective in preventing or even appreciably moderating inflationary price developments. A study of changes in labor costs per unit of output in manufacturing based upon actual earnings rather than contract rates indicates the following average annual per cent changes:

TABLE 1
Average Annual Changes (in per cents) of Labor Costs (Earnings)
per Unit of Output in Manufacturing

	1952-58	1958-65
Austria	0.7	2.7
Belgium	....	0.4
Denmark	2.0	3.9
France	4.5	3.2
West Germany	1.8	3.2
Ireland	1.9	2.3
Italy	-1.8	2.6
Netherlands	3.2	3.0
Norway	1.4	1.4
Sweden	2.0	2.0
Switzerland	....	2.0
United Kingdom	3.6	2.3
United States	1.2	-0.8

Source: C. T. Saunders, ECE, "Macro-Economic Aspects of Incomes Policy." Paper presented in Oct. 1966 at a Symposium on the Labor Market and Inflation, organized by the International Institute for Labor Studies, Geneva. The papers and proceedings of this Symposium are to be published in book form later in 1967.

Although the picture is not uniform, it is perhaps not improper to point out that the effectiveness of wage restraints seems to have diminished rather than increased from period to period. This can of course be explained in many ways, not necessarily as resulting from a diminishing effectiveness of restraints. Thus it is conceivable that inflationary pressures were greater in the second period, that manpower reserves (domestic and foreign) were diminishing over time, etc. Nor is the picture uniform. What is more important, it seems to me, is that the countries with (formal or informal) wage restraints do not appear to have fared much better than those without controls in restraining increases in unit labor costs. During the period from 1958 to 1965, the countries with the *lowest* increases in unit labor costs were:

Two countries with some form of controls (Norway, Sweden).

Four countries without controls (Belgium, Ireland, Switzerland, United Kingdom).

The countries with the *highest* increases included:

Three countries with controls (Austria, Denmark, Netherlands).

Two countries without controls (France, West Germany).

I shall leave it to others to decide whether the United States should be included among the countries with or without controls. My own inclination is to put it into the no control group where it assuredly belongs for most if not all of the time. In that case, it should be added to the group with the lowest increases in unit costs bringing that number up to five.

For the earlier period (1952-58), the results are pretty much the same. The five countries with the highest rates of increase include three with controls (Denmark, Netherlands, and Sweden) and two without controls (France and the United Kingdom). The five countries with the lowest rates of increase include two with controls (Austria and Norway) and three without controls (West Germany, Italy, and the United States).

It should be observed that I am including Denmark, Norway, and Sweden among the countries with controls even though these are exerted by way of central negotiations between the employers federation and the trade union federation rather than the government.¹

Quite a different picture is obtained when we study contract rates rather than earnings. The following table illustrates this fact:

TABLE 2
Average Annual Changes (in per cents) of Labor Costs (Contract Rates)
per Unit of Output in Manufacturing

	1952-58	1958-65
Austria	-0.3	0.8
Belgium	....	-0.2
Denmark	0.1	0.6
West Germany	1.0	1.6
Ireland	1.0	1.6
Italy	-2.1	1.3
Netherlands	2.6	2.3
Norway	-1.5	-1.8
Sweden	-0.9	-1.7
Switzerland	....	0.5
United Kingdom	2.9	0.7
United States	....	....

Source: as above.

¹This does not exclude entirely government intervention. See H. A. Turner and H. Zoetewij, *Prices, Wages, and Incomes Policies*, ILO, Geneva, 1966, particularly p. 100, note 1.

Contract rates have thus conformed to the rules where they existed, far better than did effective earnings. Central organizations have observed the rules pretty closely—but the distance between contract rates and effective earnings has widened; moderation at the center has been counteracted by events in the plant.

Let me point out some of the limitations of these data. They relate only to manufacturing except for a few countries where mining and construction are included. Since in general productivity in manufacturing has been rising more rapidly than average productivity in the economy as a whole while the difference in the movement of wage rates has most often been smaller, unit labor costs in the economy may have been rising faster than in manufacturing alone. In most cases, wages but not salaries have been considered while productivity figures are based upon employment of wage and salary earners. Since the proportion of the latter has tended to increase relative to total employment, productivity figures based upon the volume of employment of wage earners alone would show higher rates of growth than those in the tables. Fringe benefits paid by the employer have not been included in the computations. If their importance relative to direct wages has changed, this change is not reflected in the figures.

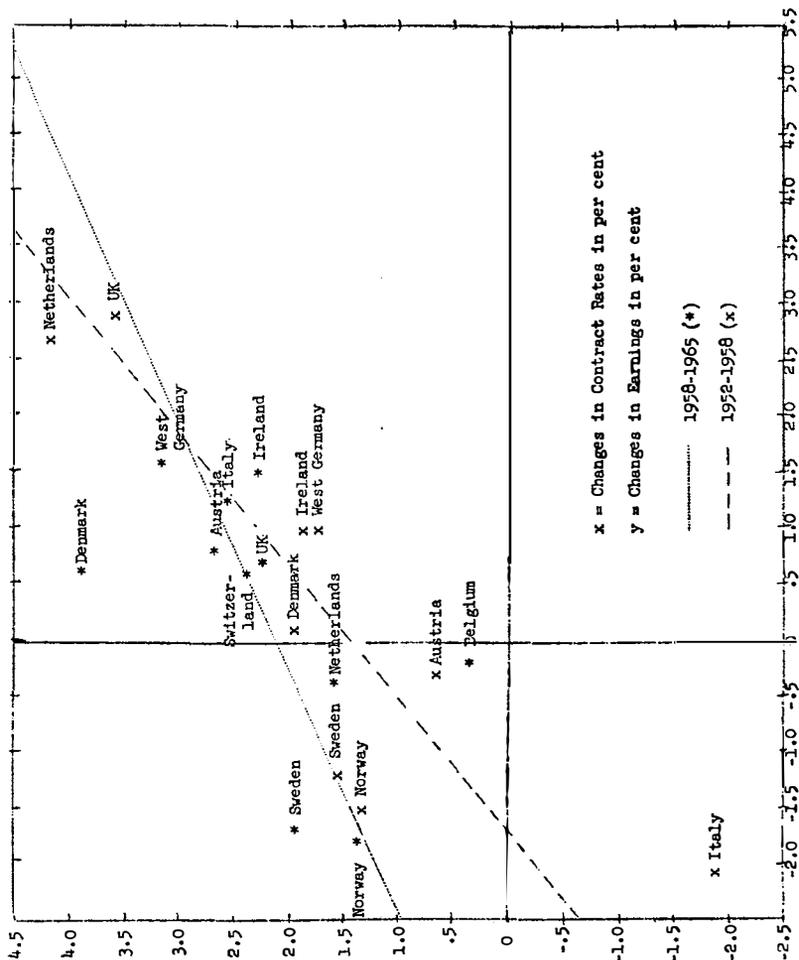
The data are thus far from being perfect, but perhaps they can be taken at least as suggestive.

An attempt has been made on graphs 1, 2, and 3 to establish a relationship between labor cost changes derived from contract rates and those derived from earnings. Graphs 2 and 3 do so for the two groups of countries and two different periods. Graph 1 is devoted to a comparison of the periods themselves.

To begin with, graph 1 may be interpreted to indicate that inflationary pressures were greater in the second than in the first period, as shown by the fact that the y-intercept of the second period is considerably higher than that of the first period. In other words, a zero change in contractual labor costs was connected during the period 1958–65 with a higher annual rate of increase in effective labor costs than during the earlier period. Several alternative interpretations are, however, possible.

Graphs 2 and 3 relate more directly to our problem. The difference in the intercept in both graphs between countries with

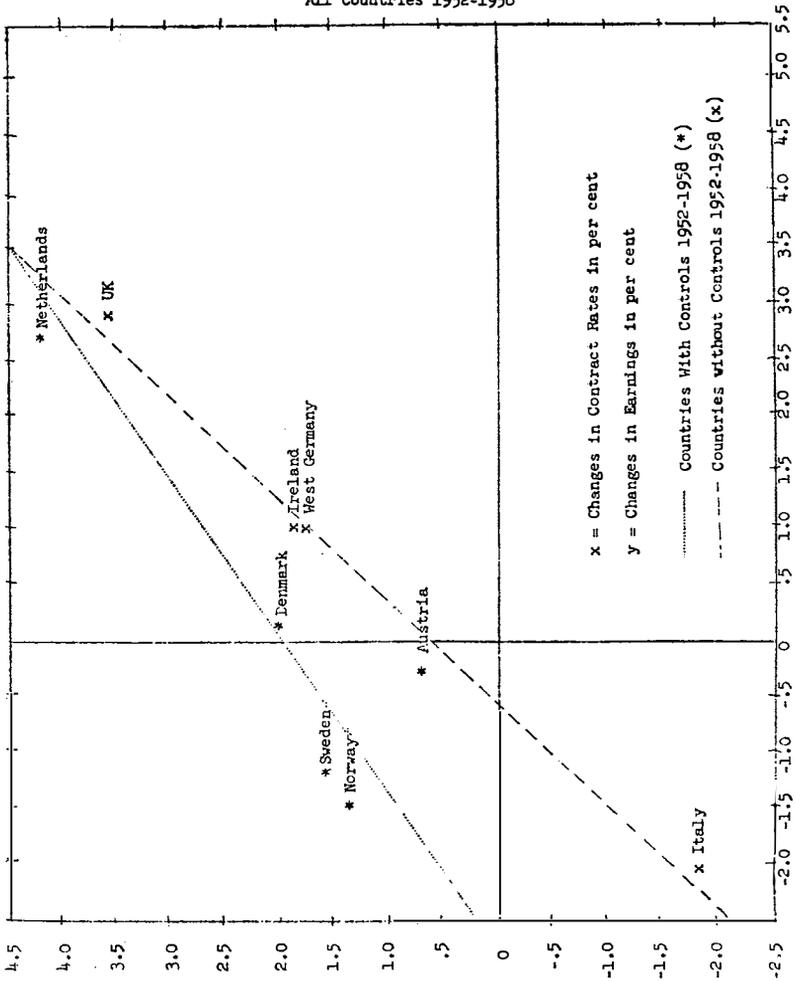
Chart 1
Changes in Labor Costs
All Countries



and without controls suggests that relatively lower increases in contract rates are required in control countries to produce given rates of increases in labor costs based upon actual earnings.² This

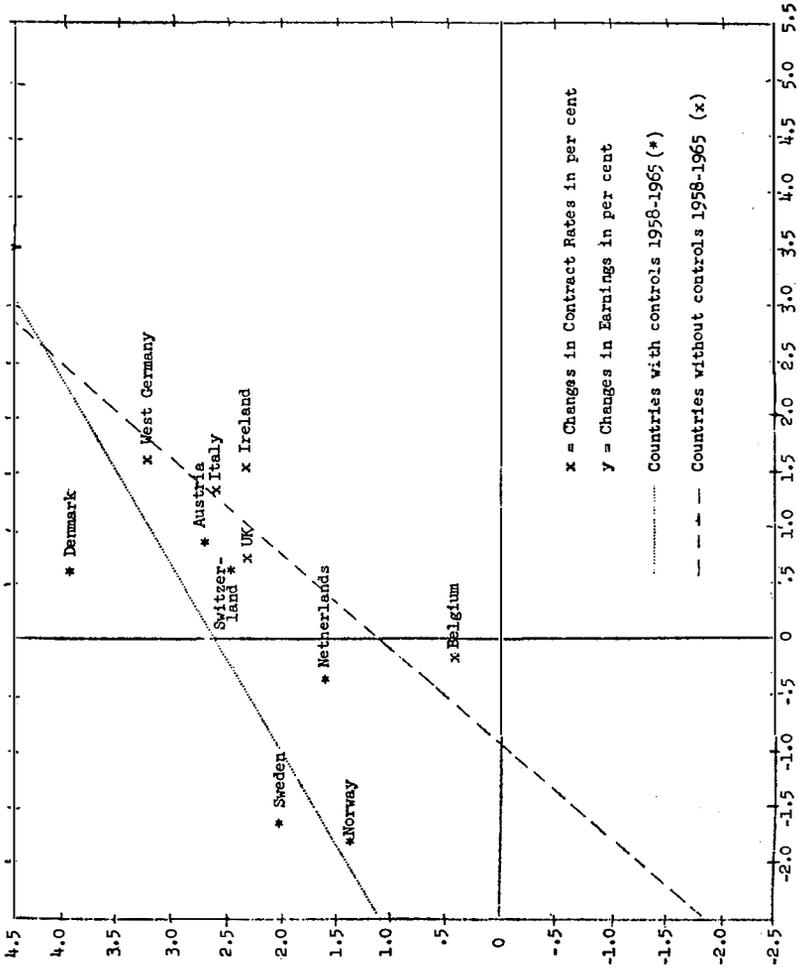
²The y-intercept for countries without controls in the first period (1952-1958) is at 0.61, for the second period (1958-1965), at 1.1. For countries with controls the figures are 2.01 and 2.63, respectively.

Chart 2
 Changes in Labor Costs
 All Countries 1952-1958



relationship is reversed when contractual labor cost increases exceed 3.5 per cent in the first period and approximately 2.6 per cent in the second period. This may mean that controls may have their impact primarily when the rise in actual labor costs is quite rapid, but also that the level of labor costs derived from contract

Chart 3
Changes in Labor Costs
All Countries 1958-65



rates where controls begin to have their impact has dropped over time.

It is perhaps also worth pointing out that labor costs derived from contractual rate changes must be kept exceedingly low or even negative (i.e., productivity changes must exceed increases in

wage rates) if actual labor cost changes are to be kept at two per cent per annum or less.

Needless to say, neither the quality of the data nor the lack of many significant variables permit drawing more than suggestive conclusions. With this very significant qualification, I submit that over the long run incomes policies have not been conspicuously successful in restraining inflationary developments except perhaps by moderating rather sharp increases in labor costs.

Fifth, in whatever terms such policies are couched, whenever they go beyond conventional exhortations for moderation—called “soul massage” in German—they represent at least potentially a form of coercion. They are thus attempts to influence directly the outcome of the operations of the labor market. However, one of the most significant features of economic policy-making in Western countries since World War II has been the effort to get away from this direct and piecemeal “interventionism” of the interwar period. One of the characteristics of this “dirigisme” was the attempt to counteract the operations of the market by operating directly upon the results of the market mechanism. Postwar economic policy-making, instead, endeavors to influence supply and demand schedules which together determine the outcome of the market operations. While “dirigisme” tried to counteract or defeat the market, modern methods use the market mechanism and change the outcome, indirectly and by remove.

The guideposts (just as the modest beginnings of an Incomes Policy in France) are a departure from this new way of handling economic policies. Once again we return to “dirigiste” methods and try to change prices and wages as they emerge from the market rather than the demand and supply schedules that determined prices and wages. The failure of such attempts over the long run and the costs in terms of economic efficiency are too well known to need elaboration.

Since time is short, I shall only briefly refer to the social and political implications of long-term income regulations from above. I shall not dwell at length upon the need for willingness to cooperate in a program of restraints on the union and employers' side. Suffice it to point out that in a democratic society such regulations could hardly be enforced against the will of even a substantial minority.

I am no less worried about the implications of a consensus of the large interest groups and the government. It is probably unpopular to appear to advocate strife or conflict. Yet, not only is there a danger of consensus being obtained at the expense of the unorganized or poorly organized interests or those not represented in the circle that is being consulted; there is also the fact that too much social harmony may inhibit social and political innovation. The corporative state and stagnation are perhaps far distant possibilities for this country or Western Europe. But it is perhaps not too early to point out what problems or dangers can ultimately emerge from a course of action that some countries have embarked upon apparently with a sense that it hardly deserved lengthy public and prior discussion.

INCOMES POLICY IN FRANCE

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The date of origin of French incomes policy is a matter of definition and personal taste. Like General deGaulle, one might say that it goes back more than half a century, to the time when the government embarked on such socio-economic measures as a graduated income tax, family allowances, and other programs involving a redistribution of income. Others might choose to think of it as beginning with wartime and postwar efforts to regulate the movement of prices. If one adopts the definition of Jacque Delors, Chief of the Social Affairs Section of the Planning Commission, that incomes policy has to do with the creation of the conditions for a more harmonious and steadier economic growth, with the concurrence of all the economic parties, a cynic might be tempted to argue that such policy has yet to come into existence, since nothing remotely like a concurrence of interest groups has as yet been achieved.

For our purposes we can take September 1963 as a point of departure, when the Stabilization Plan of Finance Minister Giscard d'Estaing was instituted. In the preceding year, prices had risen by 5.7 percent, wages by 9.3 percent, and the necessity for some restraint was evident. It came in the form of a freezing of prices in the private sector. No restriction was put upon wages except as the government limited increases in the public sector, directly under its control. The expectation was that a firm hand on prices would stiffen employer resistance to granting wage increases.

The new stabilization policy was opposed in principle by both employers and labor, but resistance was somewhat tempered in the first instance by the fact that the bite was not much felt until the following year. By mid 1964 the rise in both prices and wages had been checked, but at the cost of a slowing down in the rate of growth, an increase in the rate of unemployment, and a squeezing effect on the rate of profits. At this point the bruised interest groups became more vocal in their protests.

Recognizing the desirability of providing a rational basis for an incomes policy, if one were to be continued, and something on which the interest groups could achieve a measure of agreement, the govern-

ment had sponsored a broadly-representative Incomes Policy Conference, under the chairmanship of Pierre Masse, the Plan Commissioner, soon after the launching of its Stabilization Program. The conference convened nine times and produced a report which is probably as lucid a discussion of the general problem as has yet been produced. It did not, however, produce any agreement among employer, labor, or farm organizations as to the directions along which the government should move. Succeeding efforts, under other sponsorship, the details of which have been admirably set forth by Professor J. E. S. Hayward in the July 1966 issue of the *British Journal of Industrial Relations*, fared no better. The consequence has been that the shaping of public policy in this field has been almost wholly the work of government architects, with the parties in interest functioning chiefly as ill-tempered critics. This is a state of affairs, to be sure, which is not peculiar to France.

Governmental modification in the 1963 policy has come in the only two areas in which government took direct measures at that time—private prices and public-sector wages. The first relaxation on the *price* front came in Spring 1965, with the introduction of what were dubbed “stability contracts.” These permitted industry some flexibility in price determination, by allowing for the adjustment of individual product prices as long as the average level remained the same. A more important modification followed in March 1966, when a new device, “program contracts,” was introduced. This permits the negotiation between government and individual firms or industries of agreements under which business has greater freedom in setting its prices, in exchange for periodic bilateral review of the factors leading to its price decisions—such considerations as productivity gains, the way in which they have been shared, the updating and expansion of capital investment, R & D efforts, and measures to expand exports.

This liberalization on the price front was designed largely to encourage business modernization and rationalization of its plant, by lessening the squeeze on profits. The government has its eye on the competitive challenge which the Common Market will offer to its own industry, and recognizes the necessity of encouraging increased productive efficiency. Its earlier hope that the price freeze would by itself put pressure on industry to improve its practices had been soon damped by a realization that it takes money to do this, and that its

own stabilization measures were reducing the funds available to business.

Since the *wage* component of Stabilization Policy had not been directed to the private sector, but operated on wages only through the government's own wage-payment actions, it was here that any modifications had to come. Trade unions operating in the public sector were bitter at the obvious discrimination of the government's holding their wage increases firmly in check while leaving unions in the private sector free to bargain what they could from their employers, restrained though the latter were by price controls.

In an effort to lessen this objection, the government in March 1964 adopted a policy applicable to the public corporations, such as railways, Paris transport, coal mines, electricity and gas. In each such corporation a fact-finding body was established, composed of representatives of management and labor and assisted by a staff member of I.N.S.E.E., the government's statistical institute. This body was to seek to obtain all the relevant information with regard to revenues and their distribution, changes in the cost of living, and any other pertinent data. Then, within the framework of the national plan, the government would fix a "wages fund" for each, taking account of any differences in circumstances characterizing one corporation as against another. The fund established would represent the total available for wages and salaries. Its distribution would be subject to negotiation among the parties.

Although the unions were hostile to the scheme, they did not refuse to participate. They drew the line, however, at extending the same arrangement to the civil service generally. In this area the government, while seeking union concurrence, proceeds unilaterally. It also attempts to induce private employers to hold their own wage concessions in line with those which the government grants, thus seeking to convert its own wage practices into national wage policy of a "guidepost" nature.

One other aspect of French incomes policy should be noted. It was agreed, soon after the launching of the Fourth Plan, that the Fifth Plan should be drafted in money as well as real terms. In addition to indicating the sectoral origins of the agreed-upon growth rate, the plan would also indicate the gross money value of that output and its appropriate allocation among claimants, the latter guided by functional as well as equity considerations. Thus in the Fifth Plan

which contemplates an annual 5 percent growth in real terms, it is further assumed that prices will rise by $1\frac{1}{2}$ percent per annum over the five-year period 1967-71, and that the resulting GNP in money terms should be partitioned in a way which will realize a 4.8 percent annual increase in farm incomes, a 6.4 percent in corporate earnings (to permit more investment), a 3.3 percent annual increase in wages, and expanded social investment. These figures are, of course, no more controlling on economic decision-making than any other estimates incorporated in the widely discussed indicative plan, about which there is no time, and probably no reason, to say more here.

These then, in very broad outline, are the present ingredients of French incomes policy. As important as detailing the specific measures, however, is the understanding of the general philosophy which underlies the French effort, and an evaluation of why it works or does not work. As to philosophy, one must be cautious in expressing this as the consensus of some popular or even administrative group or groups; it is more realistically viewed as the sentiment of a few individuals whose functional roles now require them to face the problem of income apportionment as a next stage in the evolution of that national economic planning which began with the postwar Monnet plan. From this point of view, an incomes policy is not looked on as something to curb the cyclical excesses attending economic growth, but as an integral part of the growth process itself, something without which growth would be arrested. It helps to assure a stable economic expansion by helping to provide a stable social and political base for it.

In discussing the philosophy of an incomes policy within this planning context, we cannot avoid some reference to institutional mechanisms and the purposes behind their roles. One consequence of the 1963 incomes conference for which then Planning Commissioner Masse served as chairman was to underscore the lack of statistical information. To ameliorate that condition, a Center for the Study of Incomes and Costs has been established whose chief function is to remedy the data deficiencies. To lessen the possibility of faulty interpretation of the data, or of divergent interpretations, the government has also established a special committee linking representatives of the National Institute of Statistics and Economic Studies (INSEE) and the relevant interest groups.

The nature of the outcome to which such fact-finding activities are expected to lead is not very clear. M. Masse envisaged that the

joint efforts of statistical technicians and interest-group representatives would lead to a form of social contract, which would incorporate a "conscience concerning the future." Others have ventured that such a conception is at least premature. There has, moreover, been some ambiguity as to the government's role, and the role of its creature agencies, in implementing the social conscience which is sought. The new Center for the Study of Incomes and Costs is apparently not itself to serve as the conscience of the parties through its interpretation of the data it develops, but is to encourage and assist the parties in developing their own consciences. Behind this lies a belief in the efficacy of scientifically-based economic analysis in achieving a concert of opinion that reflects the faith of a Social Engineer rather than the skepticism of a politician.

There is further vagueness about the units for which indicative projections will be made. The overall design envisages only global or sectoral estimates of appropriate income elevation, following the lines of the national plan. Lesser units can presumably fit themselves within this larger framework. At the same time, in recognition that particular income decisions might threaten the overall design, it has been said that the newly established Center for the Study of Incomes and Costs will serve as the bridge between general projections and particular decisions, but how such bridge-building will take place, if it does, remains to be seen.

One thing is evident. The government does not intend to be stamped as an authoritarian dictator of prices and terms. Neither does it choose to lay its prestige on the line with respect to private adherence to public policy. It has thus emphasized, in the text of the Fifth Plan, that in the field of incomes policy, as in its indicative planning generally, "the Government, imposing nothing, can guarantee nothing." Behind this verbal screen, at once self-serving and self-denying, the government remains free to employ its considerable pressures without taking responsibility for their success in inducing the wanted private responses.

What now composes the French incomes policy is obviously of recent origin, too recent—except for the price measures—to have had an effect. The relative price stability of the last couple years (consumer prices rising by an annual rate of approximately 2.9 percent during the first half of 1966, and even less the year before) must be mainly

attributable to the effectiveness of price controls with a happy conjuncture of other forces.

But even if we push to the future the impact of the *new* efforts on the money-incomes front, we still require an explanation why, in France, it has been possible to achieve relative price stability by *any* measures without encountering the same cost pressures which other European countries have had to face.

There are several contributory reasons. Perhaps the most important is the weakness of the labor unions. Not much more than 15 percent of the working population is organized, and these are split into three principal and contentious groups. This disorganization has limited labor's role largely to token protests. The employers are as badly divided, though the dominance of the Patronat (CNPFF) in big business at least provides a principal spokesman. Its pronouncements are ineffective to control particular business behavior, however, being comparable to our own NAM or CED in this respect. At times government planners have bewailed the absence of national labor and employer organizations which could negotiate policies binding on their members, but the lack of such concentrated private power also lessens the potential for effective opposition to government measures.

In light of the weakness of the unions and despite the decentralization of industry, if the government can induce employers aggregatively, even though not collectively, to hold a price line, there is already the making of an incomes policy. That is essentially what has happened since 1963. Despite employer grumbling, the price restraints did not really hurt until the following year. Despite the absence of an overall wage policy, the government influenced wage rates generally by limiting increases in the important public sector. Admittedly there was a squeeze on profits, but the government moved quickly enough to relax price controls, but by just enough to release the steam of business protests, justifying this on the functional ground that more self-financed business investment was necessary to sustained growth.

In these actions the government revealed, though it was hardly a secret, that its own powers for influencing and controlling the economy are rather considerable, and that compared to the weakness of private organizations it possesses considerable strength. It does not have such monolithic power that it can ignore the feelings of its constituents and override all opposition from the private sector, but it has a battery of inducements and sanctions—such as subsidies, tax exemp-

tions, access to credit and favorable credit terms—which it can manipulate and modulate to good advantage. And to make these more effective, in the area of price restraints it has shown a flexibility of application that contrasts with the rigidity of the U.S. wage-price guidepost policy. There have been continuing discussions between government and industry before and since the price freeze gave way to a policy of “contractual liberty,” within which business could move more freely.

The consequence of all this has been a balance of pressures in which nothing is really being “tested”—not the potential for growth (which has not been fully made use of) or the government’s income policy or the power of private groups to upset it (in view of the more or less satisfactory standoff between them). The government has given enough to keep down any basic discontent, but not enough to allow the situation to get out of hand. The result is a rate of inflation a little higher than would be desirable but still quite tolerable in view of conditions prevailing in its neighboring European countries. Imports have recently been rising a little faster than exports, but the discrepancy is not great and is being watched.

Participation of business and labor groups in contriving this state of affairs has been noticeably absent; indeed, neither has yet accepted even the idea of an incomes policy, the former fearing the heavy hand of government in its internal decisions and the latter that restraints would rest more heavily on wages than on prices. The lack of strength on the part of either to oppose, and the sapping of their resistance by flexible tactics, has left government free to formulate its own policy, after conversations which are not expected to elicit consensus but principally to reduce the sting of non-consent. It would, philosophically, prefer consensus—a social contract—but practically that does not matter as long as it can retain a generally popular approval of its measures. In effect this means enough restraint to prevent prices from rising rapidly but not so much restraint as to hurt anyone badly.

But if a degree of balance has presently been achieved, there still remains a degree of doubt as to how long that happy situation can be maintained. There are several sources of weakness.

The differential between wage levels in the public and private sectors has been a sore spot for some time, and the policy of the last several years has only served to exacerbate the rawness. Government has felt obliged to be firm with respect to wage increases in its own

bailiwick, but has exercised no direct power over private increases, which have been free to move up according to varying employer profitability. The consequence has been a number of token strikes in the public sector. While unsuccessful in modifying the government's attitude, they do create an embarrassment by continuing to draw attention to a long-standing inequity at a time when the government is openly preaching the need for an equitable incomes policy.

The success of the government's efforts must in the final analysis rest on price behavior. Prices have recently shown some inclination to increase their rate of climb. In part this has been due to the rise in food prices following the E.E.C. farm agreements, coupled with governmental intention of improving farm incomes relative to others. In addition, in July 1966 the government announced increases in gas and electricity rates soon after it had put into effect increases in telephone and postal rates and in the employer's share of social security. Press comment ranged from merely unfavorable to hostile. *Figaro* commented that "the government gives a bad example by raising periodically the prices that it controls," and described the government's own price policy as "incoherent and dangerous."

With respect to private price actions, the government faces a dilemma. On the one hand, it wants to restrain any upward march of prices, which would upset the present uneasy *détente*. At the same time, it is concerned that unless business firms modernize their plants and expand the scale of their operations they will find themselves at a competitive disadvantage with their Common Market trade rivals. To be sure, such additional investment might come from borrowed sources, but that has been precisely what has been happening in the last few years, with the consequence that any further reliance on loans would threaten an unbalanced corporate financial structure. Over the period 1962-1964 investment increased from 29 billion to 33.7 billion francs, but the extent of self-financing declined from 66.6 percent to 57.6 percent.

To meet this situation the government has, as already noted, moved cautiously to permit price increases under a "contractual" relationship with industry that gives it powers of review of the uses made of higher retained earnings. At the same time the problem of the distributive effects of reinvestment has not been solved. Numbers of people, not limited to unionists, are critical of a policy which leaves larger earnings with business which will serve to fatten the profits share at a later

date. The government's unilateral definition of an equitable incomes policy is thus subjected to some buffeting.

The equity consideration is made more important by the fact that, despite overall tightness in the labor market, there are a few pockets of unemployment about which the unions have made public outcry, such as in the shipbuilding industry and in areas where American military installations have been pulled out. The government is made to appear more concerned with profits than with people.

These criticisms may appear relatively minor when compared with the measure of price stability which has been achieved, but in a situation where the balance of pressures can be maintained only if the government gives ground from time to time before the most insistent interest-group pressures, and simultaneously preserves public confidence in its effectiveness on the price front, the stability is at best tentative. It has a better prospect of success than in most countries, however. On C. O. Hardy's thesis of the impossible triad (of the public objectives of full employment, price stability, and collective bargaining, any two can be achieved, but not all three), France is more willing to settle for the first two than are most other western European countries, which are still waging the more difficult (some, like Hardy, would say impossible) struggle for all three public goals.

NATIONAL WAGE POLICIES: LESSONS TO DATE, EUROPE AND THE U.S.A.

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Industrial relations systems are in so many ways unique unto themselves, that it is only with caution and all the usual advance disclaimers that one should attempt to derive lessons from the experience of one country (or group of countries) to be applied to another. Yet, in some respects Western European labor-relations systems are "older" or more "experienced" than ours, and it would be foolish not to try to "learn" something from their experience. Moreover, while caution must be exercised, U.S. and Western European unions and managements both operate within what can be defined as a western-type, market-oriented labor system. Comparisons between countries with generally similar systems can, under many circumstances, be useful. Such comparisons are likely to be much more plausible than those made between the U.S. and countries in different stages of development (the less-developed nations of Asia and Africa) or those in radically different "systems" (the various communist bloc nations).

As one example where such a comparison might be useful, it is clear that public employees have been bargaining on a large scale for several decades in a number of European countries. It would be absurd to believe nothing could be learned from Europe by our unions and managers in the public service where collective bargaining is still in its infancy.

By the same token, anyone familiar with European industrial relations developments in post-war Western Europe must know that the European unions and managers had something to learn about work-site or on-the-job bargaining from the United States. Indeed, in a few important instances this "learning" has gone forward in Europe.¹

¹ The enterprise bargaining developments in France, and to some extent Italy, were clearly influenced by prior developments in America. There appears to be some evidence that several German unions have also sought to apply some of the more dynamic U.S. approaches to plant or enterprise bargaining. Needless to say, these "applications have not been simply imitative. Moreover, they would not have been possible without the dynamic transformation of European capitalism in the past ten or fifteen years."

Perhaps the first and most important lesson to be learned from experience with wage or incomes policies or controls in the post-World War II period is that in terms of quantitative economic measurement, it is difficult to prove anything definitively as to the effectiveness of these control efforts. If it can be assumed that a principal objective of any wage or income policy is to restrict upward price movements to less than they would have been in the absence of such a policy, the available data are not encouraging to the advocates of wage controls.

Regardless of what data one employs, the results are not supportive of the efficacy of wage policy systems. For particular periods one country or another seems to do relatively better, but then, alas, comes a period of deception. A group of international OEEC experts heaped great praise upon the very formal incomes control system of the Netherlands in 1961; but these words were no more in print than the system virtually came apart, and between 1962 and 1965 the Netherlands witnessed a price explosion which exceeded that of most of its western competitors!²

INDEX OF WHOLESALE PRICES, SELECTED COUNTRIES
1950-1965 (1957 = 100)

	1950	1962	1965
U.S.A.	87.7	101.6	103.5
France	72.4	125.7	136.5
Germany (West)	81.8	102.6	107.4
Italy	101.3	99.3	111.3
Netherlands	81.3	96.2	108.5
Sweden	70.9	104.6	119.2
United Kingdom	77.1	107.6	118.4

Source: U.S. Department of Labor. In the case of France, particularly, the problem of "competitiveness" is hard to prove from these figures, since that country went through severe official currency devaluation in these years. Needless to say, other price indexes have an equal claim in evaluating comparative price performance, but these others, too, don't yield any conclusive results. The use of labor cost indexes, perhaps the most important indicator for policy makers, leaves the U.S.A. performance even more impressive. See *Unit Labor Cost in Manufacturing, Trends in Nine Countries*, Bulletin 1518, Bureau of Labor Statistics, U.S. Department of Labor, Washington, D.C., 1966.

² See William Fellner, *et al.*, *The Problem of Rising Prices*, The Organization for European Economic Cooperation, Paris, 1961, esp. pp. 60-61, pp. 388-390. For a later "defense" of this study and its recommendations, by one of its authors, see P. de Wolff, "The OECD—Contribution to the Development of Incomes Policy as an Economic Policy Instrument of Central Governments," Central Planning Bureau (Netherlands), the Hague, 1965. Among other points, de Wolff notes that the experience of the Netherlands was influenced by "inflationary developments elsewhere. A country aiming at price stability and stable exchange rates is in a difficult position in the modern world. . . ."

One could almost conclude from this table that a case could be made that the absence of formal wage policies yielded better price results! Certainly the U.S.A., Italy and Germany which operated without wage policies in most of these fourteen years, have superior records. Of course there were special circumstances one can argue; but, at the least, the case can't be made that countries like the Netherlands or Sweden which have experimented with formal or informal wage policies, pay pauses and the like, have done any better.³

Admittedly comparisons between countries may not be the fairest standard of judgment in weighing the value of wage controls or incomes policies. Ideally, we should judge what might have happened in a given country with or without such controls, but this is virtually impossible. A fairer argument might hold that even a temporary holdback of price-wage movements for a given period of time was worth the effort, in terms of country goals. For a general judgment of the relative success of these systems, the trend since the early fifties in a number of countries operating in a similar economic "world," seems reasonable.⁴

But in any event all the figures in the world don't seem to deter would-be wage or income controllers! There are likely to

³The addition of Canada, Switzerland, Belgium, Denmark and Norway doesn't add much to any determination of whether countries with or without wage or income policies fared better. Taking the Consumer Price Index as a measure, eleven European countries and the U.S.A. and Canada ranked as follows, in total price change from 1953 to 1963:

Switzerland	108.6	-NC	Netherlands	129.4	-C
United States	114.0	-NC	United Kingdom	130.2	-NC
Canada	115.2	-NC	Norway	134.1	-C
Belgium	115.2	-NC	Sweden	137.0	-C
Germany (West)	120.6	-NC	Denmark	140.7	-C
Italy	128.4	-NC	France	150.6	-NC

Source: *O.E.C.D. Statistical Bulletin*, Paris. NC stands for no controls or wage policy efforts during this period; C stands for the reverse. The existence of a wage policy or control system in part or in whole during these 10 years has been interpreted as already suggested in the text. Thus, the Swedish national "single," or "frame" bargain system, which does not involve government directly, is classified as an effort to effect a wage policy or control, as well as the more formal Netherlands system. Technically, the U.S.A. wage guideposts were issued in 1962, but it was only in 1965 that the government began to press them in a more systematic manner.

⁴A broader statistical treatment might include comparative data on relative rates of unemployment, industrial production growth, etc., during these same years. A preliminary examination of this type of data still leaves the case "for" or "against" incomes control quite uncertain in my judgment.

be more efforts at wage and incomes policies, rather than fewer in the future.

If the "figures" don't make a clear case, what nonquantitative conclusions or ideas suggest themselves from the experience of those nations which have experimented with wage policy systems in one form or another?⁵

PARTICIPATION HELPS GAIN ACCEPTANCE OF WAGE POLICIES

In the first place, it does seem that to gain acceptance, a wage control system must allow for participation of labor and management in the decision-making machinery. This can take the Austrian form of a wage-price council with unions and management formally represented on it. It may, in labor's case, merely be sufficient if the union's "party" is in power, i.e., there is a labor or socialist government.⁶ If the government is a coalition affair in Europe, it has generally been deemed wise to place a labor or socialist type in the crucial labor or finance ministry which has responsibility for wage policy.

One of the keys to the successful operation of national wage policy during World War II in the U.S. was its tripartite structure. Under this system, unions and management had equal representation, along with public members, in policy formulation and administration. John Dunlop has argued that one reason for the relative lack of success of the U.S. government's wage guideposts in recent years is that,

Business and labor leaders have little respect for the current guideposts, in part because they had no role in drafting them. In our society interest groups must have a role—not a controlling role—in the formulation of wage-price policy if they are to conform to it. . . .⁷

Enlisting labor participation in the administration of a wage control program has other positive value for government. A part of the pressure from below, which may develop against the controls

⁵ We here include voluntary based efforts such as the so-called "frame" or nationwide single bargain (for private manual workers) effort in Sweden (and to some extent Denmark and Norway) as well as the formal systems employed in Austria or the Netherlands, and more recently Great Britain.

⁶ The quick turnabout of the British Trades Union Congress, which in 1962 unreservedly opposed the National Incomes Commission of the Conservatives and then supported far more rigorous control policies of the Labor government in 1965 and 1966, is a case in point.

⁷ George P. Shultz and Robert Z. Alhier, *Guidelines, Informal Controls and the Market Place*, the University of Chicago Press, 1966, p. 90.

is diverted away from government, and aimed at the top union hierarchy which shares in the responsibility for the "control system."

WAGE CONTROLS RELATED TO OTHER INCOME REGULATION

Sooner or later *simple* controls over *wages alone* are not likely to be long tolerable for the unions. Wage controls provoke a counter labor demand for price control, profits control, dividend limitations and the like. Unless these equity claims are met, the operation of wage controls is not likely to be a durable affair.⁸ This appears to have been met directly in a country like Austria where the same control council, with union representation upon it, has jurisdiction over wages and prices. As the economic advisor to the Belgian Confederation of Christian Trade Unions has observed:

. . . it is well to bear in mind that an incomes policy acceptable to the majority of the population implies an effective prices policy. In this respect prices are clearly of vital importance . . .⁹

Of course, the temptation to "experiment" with wage controls, without establishing formal machinery is great for governments. In part, they assume they can depend upon employers to help enforce wage controls! Patently, to control prices requires more elaborate machinery.

European experience usually reveals that unless other income streams and prices are subject to some control, union cooperation won't be forthcoming. The failure of the British Conservative government to control nonwage incomes, for example, was one of the reasons for the Trades Union Congress, almost peremptory refusal to cooperate in the control program proposed in the early 1960's. The very title of the Conservative government's first proposal—a "pay pause"—helped to defeat it!

This problem of relative equity and the containment of other than wage incomes, has produced strange twists in bargaining relationships in some countries. The Danish Federation of Trade Unions and the chief employers' organization in that country adopted a new procedure for negotiation in 1964, as they agreed "to aim at seeing that this income policy embraces all recipients of income in the

⁸ This has been a common labor complaint against the guideposts in the U.S.A., namely that prices and profits are not seriously subject to any guidelines.

⁹ Quoted in *Non-Wage Incomes and Prices Policy, Trade Union Experience and Policy*, Organization for Economic Co-operation and Development, Paris, 1966, p. 75.

society." It was also agreed that this would involve joint pressure upon the government whose "legislative powers are able to secure this objective." The union had felt that after the 1961 agreement, "those who draw incomes outside of the trade union movement properly speaking succeeded in securing far greater income advances than did the workers . . . The trade union movement wishes there to be no recurrence of this . . ." ¹⁰

A new European literature is now being developed, under pressure from the unions, on the subject of the control of nonwage incomes and prices in relation to wage controls.¹¹

There occurred a similar example of labor's demand for "equal sacrifice" right here in the U.S.A. during the past year. While continuing to express hostility to the so-called guideposts, President Meany of the AFL-CIO has indicated labor's willingness to cooperate in a national emergency "over-all stabilization" program :

If the President concludes there is such a national emergency as to require extraordinary over-all stabilization measures, he will have the complete wholehearted support of the labor movement. This would mean every economic factor—all costs, prices, profits, wages, being equally restrained. All America would be sharing equally the costs and the sacrifices of a national problem.¹²

WAGES, PRODUCTIVITY AND THE COST OF LIVING

Most control systems in Western Europe have, like the U.S. guideposts, taken an average annual productivity increase as one of their base factors. The other major factor influencing the determination of a permissible wage formula has usually been the cost of living. The parties, labor and management, and governments (where they have been involved) have generally anticipated that over time prices are likely to move upwards even where a wage control system

¹⁰ *Economic and Social Bulletin*, the International Confederation of Free Trade Unions, Brussels, November-December, 1964, p. 16. In setting its national wage bargaining time schedules for 1966 the Norwegian Federation of Trade Unions also sought to prevent industrial workers from being disadvantaged vis-à-vis other elements. It fixed bargaining dates so that "the settlements both for agriculture and fisheries should be ready, so that their contents are known before the reply of the LO is given" to the employers. *Trade Union News Bulletin from Norway*, Oslo, January, 1966, p. 6.

¹¹ *Non-Wage Incomes . . .*, *op. cit.*, passim.

¹² President Meany quoted by AFL-CIO Research Director Nathaniel Goldfinger, in *News from the AFL-CIO*, February 14, 1966.

is operating, and that wage adjustments to match price changes as well as productivity increases will be necessary in the interests of equity. Speaking of longer term contracts which have been part of the Norwegian effort at income controls, the chief economist of the Norwegian Ministry of Finance notes:

. . . The wage earners, on their side, have made it a condition for accepting such long contract periods that they should be given a certain guarantee of the purchasing power of their earnings. The guarantee has been in the form of a price escalator . . .¹³

The American wage policy controllers, particularly the Council of Economic Advisers, have been reluctant to admit the cost of living into their permissible wage increase formulas. So long as the cost of living was rising no more than one or one and one-half percent a year, this was not a critical problem. The experience of the past year and a half when consumer prices have been rising at a rate in excess of three percent annually has made this position untenable.

While the Council has yet to accede to these pressures and change its guidepost formula, Secretary of Labor Wirtz has explicitly recognized the changed circumstances. He has accepted "completely" the idea that consumer prices increases must now be taken into account at least partly in any guidepost formula.¹⁴

Of course if one assumes that the promulgation of a national wage policy or guideposts, especially in peace time, is largely a political act to placate the voting public and/or merely buy time, the U.S. efforts may appear astute, in hindsight.¹⁵ Conceivably, the U.S. government can now "amend" the old 3.2 guidepost formula, which has "operated" for 3 or 4 years, to 5% and "buy" a few more years of credibility.

Any single *productivity* formula may also give way, especially if wage or income controls continue beyond a few years. The Dutch found it necessary to shift from a single productivity formula to

¹³ Hermod Skanland, "Incomes Policy: Norwegian Experience," *British Journal of Industrial Relations*, November, 1964, p. 311.

¹⁴ *N.Y. Times*, September 13, 1966. Accepting the old 3.2 productivity guidepost, and recognizing the 3.5 living cost increase in '65-'66, Wirtz felt a 5% annual wage rise might not be "out of line." *N.Y. Times*, November 18, 1966.

¹⁵ Murray Edelman and R. W. Fleming lay great stress on the politics as opposed to the "economics," of various wage control systems, *The Politics of Wage Price Decisions*, University of Illinois Press, Urbana, 1965.

a so-called "differentiated" basis, with permissible wage increases being related to productivity trends within given industries.¹⁶

Again the U.S. may also be moving in this direction, i.e., away from even the single formula which it has "applied" only very loosely to date, anyway. The President's Advisory Committee on Labor-Management Policy in its August 18, 1966 statement, while rendering general support to the effort to keep wages and prices in line with production, added "it is impractical if not impossible to translate the goals reflected in the guideposts into formulae for application to every particular price or wage decision."¹⁷

Even as they hold to a single national bargain approach, the Swedish LO and Swedish employers have, recently, sought to introduce greater flexibility. Under recent agreements they have permitted individual national unions and employers to make their own application of the agreed upon general percentage increase, as between different groups of workers or as between some fringes and direct wages, in their own particular industries.

BALANCE OF PAYMENTS AND WAGE CONTROLS

Looking back at European experience, and judging from the U.S. as well, the mere pressure of domestic inflation may not be enough to bring about acceptance or consensus as regards the application of income controls. Virtually all those European countries which have come to institute wage controls, in one form or another, have been troubled about balance of payments problems.¹⁸

The United States is, again, a faithful follower of Europe, in this relationship between payments' concern and wage controls. While there was great concern about union pressures on prices

¹⁶ *Ibid.*, Chapter 5, and Ellen M. Bussey, "Recent Wage Control Policy in the Netherlands," *Monthly Labor Review*, May, 1964.

¹⁷ *Monthly Labor Review*, October, 1966, p. 1122.

¹⁸ Note the outstanding exception of Germany which since the "miracle" of its economic recovery has enjoyed great balance of payments strength. France seems to have blown "hot" and "cold" in recent years, in talk about incomes policies, reflecting, in part, its ups and downs in balance of payments position. Generally its balance position has been "safe," however, and France has not instituted "formal" controls, as yet. (Informal controls have been applied since the end of 1963 via a price freeze and limits on public sector wage increases. See the paper by Neil W. Chamberlain in this volume.) The unusually widespread importance of the national minimum wage system in France does give that country's government a weapon of wage control not found in other European countries to the same degree. For a recent discussion of inflation, incomes policy and the balance of payments, see H. A. Turner and H. Zoetewij, *Prices, Wages, and Incomes Policies in Industrialized Market Economies*, International Labour Office, Geneva, 1966, pp. 52-54.

in the middle and late 1950's, it was only as national attention was focused on the country's weakened balance of payments position in the early 1960's, that the government "dared" to issue its wage guidelines.

The U.S., at that time, also met another criterion common to Western Europe, in that a prolabor administration was in office by 1962, when the wage guideposts were first formulated. The conservative columnist Arthur Krock clearly recognized the politics of union restraint, early in 1962:

. . . the conservative Eisenhower administration compromised with labor in taking small, cautious steps toward restoring the social-economic balance in the national community, and candidate Nixon's intervention in the steel strike of 1959 ended in results which were praised by the union leaders. Kennedy entered the 1960 campaign with better credentials. Important among these was the strongly pro-labor Los Angeles platform. Hence it is much more probable that a Kennedy than a Nixon administration can influence the unions against a continuance of the inflationary cycle represented by wage and other contract demands exceeding the productivity increase formula . . .¹⁹

FROM INCOMES POLICY TO GENERAL ECONOMIC POLICY

If an incomes policy is in operation for more than a short period of time, as we have already suggested, it may easily lead the unions to demand control over prices and other incomes. Indeed, the logic, given the range of problems involved, is to push on into taxes and other fields.

National wage negotiations in Denmark, for example, have on occasion become the moment when "deals" must be made on tax policy, food subsidies and rent control. The General Workers Union, representing unskilled and semiskilled workers, at the lower end of the urban income scale, took the lead in struggling for a raise in income tax exemptions during the course of the 1962 wage settlement. This same union was also strongly supporting food price subsidies and rent controls. At the same time, the socialist-led government was insisting on a major sales tax to mop up the excess purchasing power it feared the wage settlement would create. The General Workers Union reasoned that increased income tax exemp-

¹⁹ *N.Y. Times*, March 30, 1962.

tions would help offset the effects of the sales tax, particularly for low income workers.

This past year witnessed that rare phenomenon, a major strike in Sweden. It was led by the higher civil servants and high school teachers, all represented by the Swedish Confederation of Professional Associations—SACO. The strike, in a sense, was directed against the settlement of an estimated 8%, which had been earlier negotiated by the LO, the manual workers union.

The SACO had given loud, advance warning that it would not accept any 8% settlement. Again and again it argued that this was particularly unjust for its higher civil servants. On the basis of past performance SACO estimated that living costs would rise around 4%, nullifying half of an 8% increase. Added to this was the fact that a good number of SACO's members were in a marginal tax bracket of 50% or so. Under these conditions half the increase would go to taxes and half for living costs. It was further claimed that this has been pretty much the same case in several other settlements in recent years.²⁰

SACO insisted on a 20% wage increase which it was estimated would have yielded a net real increase of around 6%, for those of its members near the 50% income tax marginal rate.

The other labor federations while not unsympathetic to SACO's position on taxes, resented the latter's effort to inject tax pressures into collective bargaining. The final settlement ran close to 18% for 1966, with a total rise of approximately 33% for three years.

INCOMES POLICY AND WEALTH DISTRIBUTION

There has been about this "pursuit" of an incomes policy in a variety of Western countries during the 1960's, what one student calls "fervent expectations" and a "curious unrealism." It is as though incomes policy were a "magic road" or a "short cut to an ideal economic world of steady prices and uninterrupted growth."²¹

The proponents of incomes policy chose to ignore that they were asking wage earners, and other groups, to accept the existing division of wealth as basically fair and unalterable. The argument went on

²⁰ SACO leaders privately insisted that if the Social Democratic government had provided income tax relief for these groups of the population, as had been earlier urged by all of the major labor federations, the strike threat probably would not have been posed.

²¹ Andrew Shonfield, *Modern Capitalism, The Changing Balance of Public and Private Power*, Oxford University Press, New York, 1965, p. 217.

to add that any effort to get more than one's fair share was self-defeating. As Shonfield says, ardent proponents of incomes policy assume a kind of "new Social Contract" in which different interest groups have accepted their relative positions. But this, in turn, inevitably means that a more sophisticated approach to incomes policy must take in the taxation of capital and capital gains, the distribution of wealth, and like problems.²²

UNION STRUCTURE, TRADITION AND INCOMES POLICY

Judging from the varied experience of European nations it would also seem that some trade union movements are better able to cope with and "endure" incomes or wage control policies than others. Generally speaking, where there is a deeper tradition of worker solidarity and acceptance of the principle that there should be wide power in the hands of the centre of the labor movement (what is called the Federation, AFL-CIO, in the U.S., or the Confederation on the continent), it is easier to operate an incomes policy. One of the attractions of the central wage bargaining system for the Swedish LO was that Federation's desire to be able to provide larger increases for lower paid workers, who might otherwise have been disadvantaged in bargaining by industry or occupation.

The rather long "tolerance" of some forms of wage policy in the Netherlands, Austria and Sweden seems clearly due, in part, to these factors. The "failure" of British efforts at voluntary income controls, on the other hand, seems due, in part, to the fact that the TUC and its affiliates are a less "solidaristic" movement. A TUC mission to Sweden, a few years back, comparing the two labor movements concluded, "The real difference lies in the sense of collective purpose that pervades the Swedish movement: in this sense there is no British trade union movement but only a collection of trade unions . . ." ²³

The statement was almost prophetic. Put to the "test" under a labor government in 1965 and 1966, the British labor movement, and British society, simply proved unequal to the task of trying to operate a voluntary, central, uniform wage policy. Average wage increases went several times beyond the levels acceptable to the

²² *Ibid.*, p. 219.

²³ *Sweden, Its Unions and Industrial Relations*, Trades Union Congress, London, 1963, p. 23.

government and compatible with the country's balance of payments and general productivity position. As an example of the difficulties, on one occasion a committee representing 37 unions in the "engineering" industry negotiated a long-term agreement which appeared compatible with the government wage policy. The ink was not yet dry when one of the 37 unions announced that the terms were unacceptable.²⁴

The failure of the voluntary system led the government to "junk" the voluntary system and move to a freeze.²⁵ In peacetime conditions this is an extreme development for any Western country.

Does the extraordinary British experience have any particular lessons for the U.S.? On the purely trade union side, what is disturbing is that in terms of structure and policies, the AFL-CIO probably more resembles the TUC than any other movement in the world, right down to the crucial characteristic that affiliated unions jealously guard their bargaining power from any central federation intrusion. Again, it is probably true that the TUC and the AFL-CIO more resemble each other, as compared to most other Western European labor centers, in that their members have less of that "sense of collective purpose" characteristic of the Swedish and other movements.²⁶

If, then the U.S. had to operate a serious wage control policy in peacetime, it could probably no more depend on voluntarism than the British.²⁷ As it happens, however, Great Britain is probably

²⁴ *The Guardian* (Manchester, daily), December 14, 1965.

²⁵ Before the breakdown of the system, the Trades Union Congress itself had even attempted to take on the unusual function of "vetting" or passing upon individual union claims before they were pressed upon employers.

²⁶ Lest this be taken too literally, it is well to recall that the great wage drift, over the negotiated national wage formula, which persists in Sweden and other countries, belies any absolute solidarity. In part the drift reflects the push of more skilled workers to take advantage of their superior market position. But the general point that there is less "class" solidarity in Britain than in Sweden, Austria, Denmark and some other continental countries remains true. (Germany would probably be an exception to this proposition.)

²⁷ Even the official freeze does not seem to be gaining full compliance in Britain. At least two white collar unions, in their journals, report, without names, wage increase agreements they have negotiated after the freeze, and presumably in violation of it. See *DATA Journal*—organ of the Draughtsman and Allied Technicians' Association for October, 1966, where it is noted: "Despite the Government's freeze DATA has, nevertheless, been able to reach settlements in recent weeks with a number of firms. Publicity is not being given to these settlements because of the obvious difficulties which might be created. At its last meeting the executive committee of DATA decided to advise members to continue to pursue claims in the normal manner." Similar items are to be found in ASSET, the journal of the Association of Supervisory Staffs, Executives and Technicians.

the only Western country presently confronted with that deep type of economic crisis which stems from seemingly intractable structural and organizational industrial defects. The U.S. balance of payments difficulties are not due, as seems to be the case with Britain, either to relatively low rates productivity or lack of technological innovation. U.S. payments' difficulties stem from the country's position as major source for world investment capital for development and as chief Western defense supporter in the cold-hot war. There has not yet been a really serious need for pressure or tight wage controls in the U.S.; but should these become necessary, we are likely, as in the case of the British, to require rigid and formal controls, much like those in World War II.

EMPLOYER AND UNION ORGANIZATION AND INCOMES POLICY

The nature of organization on both employer and union sides may be substantially affected by the operation of an incomes policy. In a number of Western European countries where employer associations are well organized and already exercising significant influence in collective bargaining, the institution of an incomes policy is likely to increase the associations' power at the expense of individual employers.

A national wage policy almost by definition entails an increase in the power of the top, federation executive of the labor movement. Arguments over an acceptable formula, decisions on exemptions, pressure on government, pressure against strike threats—all these forces tend to enhance the centralizing forces in the movement. Generally, too, the political "side" of the labor movement receives greater thrust as incomes policy spreads into tax policy, full employment policy and the like. This, too, strengthens the central body.

As between unions, those that produce for the export market, and those unions whose bargaining goes forward on a national scale, in the tradition of the goldfish bowl, are likely to feel most pressed to conform closely to wage policy. Government employee unions will also feel the full and direct weight of any national, official incomes policy.

Those unions which bargain in sheltered local markets, as for example the building trades, may find it easier to evade the full rigors of a national wage policy. Swedish employers, for example, have protested against the high wage structure which has developed in the

building industry despite the centralized, uniform wage settlements which have been negotiated in the past ten years. Settlements in excess of the guideposts in the construction industry have been a special target of the Secretary of Labor in the United States.²⁸

The operation of a national wage policy is also likely to have the effect of accelerating the rate of unionization. The formulation and administration of such a policy almost invariably entails some consultation with and role for the trade unions. There are always cases to be presented, exceptions to the general rules, and the like. Without organization, given groups of wage or salary earners are likely to be voiceless in the process. The complaint of the independent Society of Civil Servants, which recently felt the necessity to reconsider its independence from the Trades Union Congress in Britain, is typical, as it judged that the Labour government's "declaration of intent on prices and incomes meant that negotiations must take place through the TUC."²⁹

As the foregoing suggests, the ramifications of national wage policies are apt to be very wide. Their lasting effects on unions, management and industrial relations systems are considerable. Yet they show signs of spreading, even though their economic effectiveness still remains a subject for inquiry and debate.

One final general observation does suggest itself as Western European and American experience is viewed in retrospect. The very act of coming to grips with wage-price relationships can be an educational exercise for union and management leaders. Reviewing the problems of productivity and incomes on a *national* level is likely to be a more objective process than wrestling with wages and prices at their own industry and firm level, for labor and management. The result may be to create a national bargaining atmosphere which makes for greater restraint and responsibility as regards the setting of both wages and prices. This is, however, only a tentative conclusion.

²⁸ See *LO Information to Foreign Countries*, Stockholm, No. 6, June-July 1965, and *N.Y. Times*, March 22 and 31, 1966.

²⁹ *The Guardian* (Manchester, daily), May 21, 1965.

INCOMES POLICY IN GREAT BRITAIN

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The development of an incomes policy in Great Britain during the past twenty years resembles the action of a flood tide. The direction in which incomes policy has been moving is quite clear and each step provides the footing for the next—the penetration of the policy into all aspects of British economic life is taking place steadily and inexorably. However, the successive reaches of development have not always proceeded in a straight-line fashion—like the action of the flood tide, movement has come in surges. The current high-water mark is, of course, the Prices and Incomes Standstill. The National Board for Prices and Incomes (NBPI), which was established in 1965, represents another significant development.

Before proceeding to a discussion of these developments it is desirable to describe the economic and historical context out of which the present incomes policy has emerged. Not much needs to be said about the current economic environment in Great Britain—the crises of the past several years have focused international attention on the basic parameters of British economic life. Like most other western countries, Great Britain finds herself committed to an array of economic and social objectives which are difficult to achieve simultaneously: rapid growth, low unemployment and steady prices. When to this triumvirate are added the additional objectives of stability of the currency, preservation of free collective bargaining, and equitable distribution of the national income, one can appreciate the predicament which confronts policy makers in Great Britain. The achievement of these goals individually would be difficult enough, let alone the reconciliation of their conflicting tendencies.

The various Labour and Conservative Governments have found it difficult if not impossible to realize all of these objectives and they have alternated between emphasizing growth and emphasizing restraint (the so called “go-stop” cycle). The monetary and fiscal maneuvers which have taken place in this connection are too numerous to mention and are beyond the scope of this paper.

The other steps which have been taken and which really constitute the essence of an incomes policy can be enumerated. They have been

executed in the hope that it would be possible to contain some of the inflationary pressures inherent in a program of rapid growth and a commitment to low unemployment.

As E. H. Phelps Brown¹ has analyzed the experience, the development of an incomes policy in Great Britain falls into four periods during the post-war years. The first phase occurred immediately after the war when the Labour Government found it necessary to advance a program of wage restraint. While the Trade Union Council (TUC) expressed many qualifications to the program, they acquiesced, and the period between 1948 and 1950 came to be known as the "wage freeze." This policy broke down as pressures for wage improvements increased and as the ability of the TUC to control its ranks weakened.

The first ten years of the Conservatives' return to power marked the second phase. Between 1951 and 1961 the Conservative Government placed heavy emphasis on the use of monetary and fiscal controls. In addition, the Government instituted a Council on Prices, Productivity and Income: an independent study group that reviewed "prices, productivity and the level of incomes (including wages, salaries and profits) and reported thereon from time to time." For its part the TUC emphasized voluntarism during this period and largely ignored the work of the Council.

The third phase was marked by the introduction of a "wage pause" in 1961. Prompted by a crisis of confidence in the pound, the Conservative Government, without union consultation, instituted the National Incomes Commission to examine particular pay settlements to see if they were in line with the national interest. The Commission received little cooperation from the labor movement and published only four reports before being replaced by the NBPI. During this same period the Conservative Government also established the National Economic Development Council: a tripartite group designed to watch over broad relationships between income groups and to foster the process of economic planning.

The return of the Labour Party to power in 1964 marked the beginning of the fourth phase. In that year the government, TUC, and the organized employers agreed on a joint statement of intent on productivity, prices and incomes which committed the parties to the eco-

¹ "Guidelines for Growth and for Incomes in the U.K.: Some Possible Lessons for the U.S.," in *Guidelines, Informal Controls, and the Market Place*, edited by G. P. Shultz and R. Z. Aliber (Chicago: University of Chicago Press, 1966), pp. 143-164.

conomic objectives of increased productivity and efficiency, but more importantly linked the rise in incomes with the rise in national productivity as a means of stabilizing the price level.

Shortly thereafter the Labour Government promulgated a White Paper on Prices and Incomes which embodied the "statement of intent" and established the National Board for Prices and Incomes "to examine particular cases in order to advise whether or not the behavior of prices or of wages, salaries or other money incomes is in the national interest." For wage claims the national interest was defined as an annual increase between 3 and 3.5 per cent. Wage increases in excess of the norm would be confined to the following circumstances: "Where the employees concerned make a direct contribution towards increasing productivity (for example, by accepting more exacting work or a major change in working practices); where it is essential to secure a change in the distribution of manpower; where existing wage and salary levels are too low to maintain a reasonable standard of living; and where pay for certain workers has fallen seriously out of line with the level of remuneration for similar work."

In the autumn of 1965, the Labour Government took a further step and gained agreement from the TUC and the Confederation of British Industries (CBI) for the operation of a voluntary "early warning system" on proposed price and wage changes. The TUC agreed to establish a committee to screen wage claims before they were forwarded to the government.

By terms of the early warning system the Government has one month to review the price or wage proposal and to decide whether to refer it to the NBPI. In turn, the NBPI has approximately two months to render a decision, which is not binding but only advisory.

During the summer of 1966 these voluntary procedures were incorporated into legislation; the NBPI was changed from a Royal Commission into a statutory body; and a six month voluntary wage and price freeze was initiated. The institution of the standstill represents such an important development that it has moved the country into a fifth phase.

Under the freeze there have been no exceptions. This has been true even in the case of some major productivity agreements which have coupled scheduled wage increases with major changes in plant efficiency, such as the reduction of overtime, the elimination of demarcation rules, and the revision of manning tables.

At first the freeze worked successfully on a voluntary basis, but in October the Government was forced to place the program on a statutory basis, largely in response to two challenges—one involved wage improvements for some white collar employees who had compelled by court order a company to pay the increases scheduled under the collective bargaining agreement and the other involved the payment of a cost-of-living adjustment by the London newspapers (again in response to union insistence). As a result of the statutory powers the government has issued “setback” orders for the two wage cases just mentioned and also for a price change initiated by the laundry and dry cleaning industry.

In January a slight thaw will take place as the country enters into a six month period of “severe restraint.” The norm for changes in incomes and prices will still be zero but certain exceptions will be allowed: wage increases that were tabled by the six months freeze, those merited by low paid workers, and those justified by productivity agreements (although the cost reductions must occur “soon” after the negotiations and be sufficiently large so that some of the savings can be shared with consumers). It is envisioned that many of these exceptions will be referred to the NBPI.

THE “SUCCESS” OF BRITISH INCOMES POLICY

By any reasonable standard, British incomes policy can hardly be judged a success during these past several years. Wages have increased 7–9%, prices 4–6%, and productivity less than 2%. But this is not to say that the incomes program has not been a political necessity and has not ameliorated the very difficult predicament in which the country finds itself. To discredit an incomes policy because wages have far exceeded the norm is like discrediting the use of speed limits because accidents continue to occur on highways already congested with traffic and high speed drivers.

While a positive evaluation cannot be substantiated by economic data, nevertheless some support for the notion of an incomes policy can be deduced from certain institutional and economic parameters. In other words, if institutional power exists and if the right economic circumstances are present for this power to be used effectively, then an incomes program may be viable.

Extensive union and employer organization manifested in a struc-

ture of national negotiations produces a situation where the parties possess considerable latitude over wage and price decisions. Unlike several countries on the Continent where national negotiations merely formalize preceding local developments (such as wage drift), British negotiations tend to initiate a "new round" and once the new round is initiated it spreads quickly to other industries.² British workers place great importance on maintaining relativities—an objective which is not difficult to achieve in a tightly knit economy experiencing a high level of employment.

It has also been pointed out³ that British businessmen tend to anticipate future cost increases in their pricing decisions. Thus the interaction of coercive comparisons and exaggerated anticipations produces a feedback effect that creates considerable inflationary pressure in the British economic system.

The importance of these institutional factors, of course, depends upon the economic setting. If the over-all level of demand is very high, as it has been in Great Britain during most of the post-war period, then it is unlikely that these institutional forces can create cost-push pressures in and of themselves. Rather, they serve to amplify the existing feedback.

On the other hand, there are economic circumstances wherein these institutional forces can initiate inflationary pressures in their own right. The most conservative estimate of this range has been made by F. W. Paish: "If unemployment is below 2 per cent an 'incomes policy' would be ineffective because it would not be able to withstand the pressure of demand for labor, and if unemployment is above 2¼ per cent an 'incomes policy' would be unnecessary."⁴

While this margin of one-quarter of one per cent may not seem large, it happens to be the economic range within which Great Britain is presently operating and it is likely to be the range within which the government will attempt to keep the economy—unemployment cannot go much above 2¼ per cent without risking severe political repercussions and a complete loss of TUC support.

² For documentation of this point see the articles by E. H. Phelps Brown "Wage Drift," *Economica*, (November 1962), pp. 339-56, and A. N. Ross "The New Industrial Relations in Britain," *Proceedings of the IRRRA* (May, 1962), p. 496.

³ Brown, "Guidelines for Growth," *op. cit.*, pp. 148-49.

⁴ F. W. Paish and Josselyn Hennessy, *Policy for Incomes?*, Hobart paper No. 29, second edition (London: The Institute of Economic Affairs Limited, 1966), p. 5.

THE IMPLEMENTATION OF AN INCOMES POLICY

The main instrument of the Labour Government for implementing its incomes policy has been the National Board for Prices and Incomes. Before turning to the work of this Board it is well to note the roles taken by the primary parties. The CBI has refrained from getting too involved in the execution of an incomes policy, expressing an unwillingness either to screen price changes or to enter into tripartite procedures for establishing a national wage policy and reviewing wage and price changes.

For its part, the TUC has given considerably more support to the implementation of an incomes policy. As of July 1966, when its work was suspended due to the freeze, the wage committee of the TUC had reviewed over 600 claims and "vetted" 18 of these. In its work the TUC did not express approval or rejection—rather it engaged the unions in a detailed discussion of their claims in the light of the national interest.⁵

For the future, it appears that the TUC will continue to operate the review procedure, with several possible changes. One suggestion under consideration would have the TUC add a strong endorsement to certain meritorious claims before passing them on to the government. It is also possible that the TUC will develop its own guidelines for handling low income workers and productivity agreements in order to chart an independent course during the period of severe restraint.

THE WORK OF THE NBPI

During its first 18 months of operation the Board published almost 20 reports. Most of the cases have involved industry-wide situations, and they have been evenly split between wage and price changes and between the private and public sectors of the economy. The Board has worked informally and has sought to change the attitudes and institutional habits of the parties through persuasion rather than pressure and exhortation.

In its reports, the Board has focused attention on labor efficiency, even in instances where the referrals have involved primarily price

⁵ As with the incomes policy in general, it is hard to evaluate the effect of the TUC program. The general secretary of the TUC feels that several unions have revised their claims as a result of the review procedure. And it must be admitted that it is a remarkable step for the disorganized British labor movement to sponsor a coordinated review of wage claims.

changes. The Board has made many recommendations for improving labor productivity as a means of stabilizing unit labor costs. The Board has also focused attention on the pitfalls of using comparability as a basis for wage determination. To this end it has made some constructive suggestions about decentralizing the structure of collective bargaining and relating wage changes to local developments, particularly to improvements in productivity, rather than to economy-wide forces.

The Board has experienced several operating problems. In many instances the parties have not presented (or possessed) sufficient data for the Board to make an intelligent assessment of the situation. Beyond that, the Board often has been under such severe pressure to issue a quick decision (due to the crisis atmosphere surrounding most cases) that it has not had time to collect the necessary data.

The Board also labors under the difficulty of having to shoulder a large load in the incomes area. It has sought to establish principles that would dampen cost pressures, but this has been difficult to do on a case by case basis, and, in fact, the individual situation may call for a solution not in accord with the national interest. Just this happened in the London Transport case where the Board took a stand against the labor market concept of paying more money to attract and obtain busmen. In this situation the Board seemed to be mixing what was best for the economy (slowing down the rate of wage increases in the London labor market) and what was necessary for the particular situation (relating the pay of London busmen to the state of the local labor market).

THE ROAD AHEAD

One of the biggest unanswered questions involves the role that the TUC will play in formulating and implementing an incomes policy in the future? Over the past several years the TUC has given considerable support and assumed considerable responsibility—which has helped the government and also helped the TUC (by making it a stronger organization). But currently there are indications that the TUC may be adopting a more independent role, in part because it feels the government has gone too far in slowing down the economy, and in part because it has experienced considerable internal dissension over the program of vetting wage claims. The TUC has been feeling its way and it will be some time before it has developed

an approach to screening wage claims that will meet the expectations of the various unions.

In some respects, the problem of getting individual unions to abide by an incomes policy and to accept control procedures such as wage vetting cannot be solved until everyone is sure that everyone else will be governing their actions by the same standards. It is an exercise in coordinating mutual expectations. As long as labor leaders know that incomes generally will rise from 8 per cent to 10 per cent a year, they will not hold back on their claims and be the "good guys" for the government's objectives. This feeling was put in very strong language by the leader of the police. "If any attempt is made to fob off the police at this time of crisis with a diluted pay award in which we are sacrificial lambs on the altar of an incomes policy, no one on this National Executive of the Police Federation will be prepared to take the responsibility for what will happen to the police in this country."⁶

In some respects the wage freeze and the forthcoming period of severe restraint can be seen as programs for coordinating mutual expectations. During this 12 month period labor leaders know that their counterparts have to operate under similar constraints. The advantage of the current approach is that it is extreme enough to convince everyone that there will be few if any exceptions. This is in contrast to earlier programs of restraint, for example, the wage freeze of the late 1940's and the wage pause of the early 1960's. Both of these were violated and, in the case of the latter, wages increased almost 5 per cent per annum.

While there have been real advantages to a policy of zero change, it is not one that can be used indefinitely—in fact, the Labour Government has committed itself not to extend the program beyond the stated 12 months and the question still remains how Great Britain can return to a period of more normal collective bargaining and price and wage determination. Assuming that unemployment remains low enough for inflationary pressures to be present in the economy, the question facing policy makers is how to avoid the earlier cost-push pressures. There are several possibilities. One would entail some type of national wage agreement in which it would

⁶ A speech by Mr. Webb before the Police Federation in the spring of 1966. It is no accident that the police have been named as one of the special groups meriting exceptional treatment during the period of severe restraint.

be possible to separate short-run necessity from long-run desirability. If the norm stands at 3.5 per cent and wage increases have been running at the rate of 8 per cent per year, then it might be possible through national wage bargaining to close the gap in a planned and realistic fashion. Thus, the interim figure might be 5 per cent, then 3 per cent, etc. During this changeover it might be necessary to incorporate cost-of-living clauses into the national agreements so that workers would have confidence that their purchasing power would be reasonably well maintained. This approach has been used in several countries on the Continent.

Another approach would be to expand the work of the NBPI and only allow wage changes above the norm after analysis and evaluation by the Board. Increases above the norm would only be justified by the direct effort of workers to lower costs. Such a procedure might eliminate some of the abuses that have developed with productivity bargaining. During the past two years some 50 productivity agreements have been signed. In some cases they have not entailed genuine programs for improving productivity, but merely have been guises for meeting union pressure for increased wages (analogous to the extension and loosening of incentive systems during World War II). In a country that places such weight on comparability, it has been hard for many companies to withstand the pressure from their workers to match wage changes elsewhere. A requirement for some kind of economic audit, before wages could be increased above the national norm, might stiffen the resistance of employers to union pressure.

While from an economic point of view many of the above ideas may be unworkable, from a political point of view they are probably inevitable. One thing that is clear, however, about the British situation: If the more conventional processes of economic decision making do not produce the desired results, then the government will begin to change the institutions that are involved in producing the results.

It is also quite likely that some other steps will be taken to alter the existing bargaining structure. Some of the changes, no doubt, will involve increased centralization, as the government seeks to induce employer and union officials to engage in nationwide bargaining and to coordinate their private plans with "The National Plan." But a good measure of the restructuring also will shift decision

making to the local level to eliminate the force of comparisons and to link wage behavior with local productivity changes.

The government is also likely to take a tougher line with its own employees. Thus far, groups in government have done as well or better than those in the private sector of the economy. Indeed, it has been ironical that most of the higher awards and exceptions to the norm have come in the white collar and governmental areas. It is more than likely that this will not be the case in the future as the government attempts to set an example.

It is also likely that the government will place much more emphasis on the work of the National Economic Development Council. This organization is charged with the responsibility of watching over the general relationships between prices, productivity, and incomes. It is out of this organization that much of the information emanated for the national plan.

And the national plan will become a much more integral part of the British economic system. One way of making it easier for an incomes policy to become effective is to organize the economy to eliminate labor shortages, to overcome bottlenecks, and in general to balance supply and demand.

But regardless of the attack taken or the technique used, Great Britain will continue in its quest of seeking to achieve the difficult.

INCOMES POLICY IN THE NETHERLANDS SINCE 1945

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The Dutch experience with incomes policy is distinguished by the fact that it was applied most rigorously in the immediate post-war period and that, with the passage of time and the accumulation of experience, it has become less effective. In analyzing incomes policy in the Netherlands it has become customary to distinguish four phases: 1) from 1945 to 1954, during which period the Government exerted extensive powers of control over wages through the Board of Mediators; 2) from 1954 to 1959 during which period the rigor of application of the powers vested in the Board of Mediators was relaxed; 3) from 1959 to 1963 during which period the dissatisfaction with the prevailing system reached proportions which brought about a legal recasting of the system; and 4) from 1963 onwards, when the powers of the Board of Mediators were significantly reduced, save in case of emergency.

During the initial period of wage and price controls, Dutch economic policy was dominated by the overriding concern with repairing the extensive damage of the war years, expanding the industrial base of the country, and curbing inflationary pressures which developed during the years of the Korean conflict. The outstanding features of this period are the rigid controls which were exercised in the interest of stabilizing the general level of wages and developing a "harmonious" internal wage structure consistent with the wage level. To this end the Board of Mediators was given pervasive powers concerning all aspects of wages, rates of pay, hours of work, and all other conditions of employment. The only legal restraint on the Board was the requirement that it consult with the Foundation of Labor, a private labor-management organization with quasi-official standing. The major policy tool employed by the Board was a nation-wide system of job evaluation, uniformly applied in all manufacturing industries. The desired "harmony" in the wage structure was envisioned by making the wage rate for the average, skilled steelworker the benchmark wage against which to compare other wages. Thus, since this steelworker's job evaluation points amounted to 85 points, the Board

decided that all other jobs yielding 85 points would receive an equivalent wage. Though this system may have yielded short-run harmony and lent itself to maintain rigid control over the wage structure, it inevitably created tensions and inequities.¹

Price control was formally exercised only until 1948. They were relaxed in that year and have never since been formally re-instituted. Whatever control over prices is exercised is rather in the nature of a gentlemen's agreement. Other incomes have not experienced the same rigid control that was imposed on wage income.

In 1950 the Social and Economic Council was established in connection with policy goals relating to industrial organization. Ultimately, the Council is to be the top organ in a system of industry syndicates, each having representatives from both labor and management. These syndicates will supercede all existing organizations in the area of wage determination by receiving Royal authority to issue binding wage ordinances. Currently, however, the Council's main function is to render advice to the Government on all important social and economic policy proposals. Its recommendations have almost exclusively been confined to the topics of wages, prices, subsidies and employment policies. The Council is tripartite with 15 members each representing labor, management and the public. The public representatives are nominated by the Queen and are predominantly professional or academic representatives.

In all, there were 5 "wage rounds" during the first phase. Wage rounds were those across-the-board increases in wages which uniformly raised the wage level and which were mandatory increases, ordered by the Government, to offset increases in the cost of living. The outstanding example of the trade unions' concern with national economic interests during this period occurred in 1951 when the Korean inflation and a deterioration in the terms of trade created serious balance-of-payment problems. With the concurrence of the national trade union federations, a 10% increase in prices was accompanied by only a 5% increase in money wages, meaning a 5% cut in real wages for all workers.

By the end of 1953, following two years of consumption and investment curtailments to correct the balance-of-payments problems, substantial pressure existed for more generous wage increases and for

¹ Martin P. Oettinger, "Nation-wide Job Evaluation in the Netherlands," *Industrial Relations*, October 1964, pp. 45-59.

greater wage differentiation than had heretofore been allowed under the nation-wide job evaluation scheme. Likewise, dissatisfaction with the arbitrariness of the Board of Mediators became more pronounced. The second phase of post-war developments sought to deal with all of these features.

In the course of 1954 two general wage increases were announced amounting to an 11–13% increase (mandatory) with a very small optional further increase for skilled workers. These increases were intended to permit a “general sharing in the increased prosperity” and were a first departure from strictly cost-of-living oriented wage-rounds. In 1956 Government wage policy struck near-disaster with its first attempt at a differentiated wage policy. The announced policy provided for a general wage increase of 3% and permitted a further increase of 3% *provided* that this further increase would not be reflected in price increases. On the basis of forecasts from the Social and Economic Council the general expectation was that the average national wage increase would be approximately 4.5%. But in the first bargains concluded following the announcement of this policy, the unions obtained the full 6% increase and no other union was willing to settle for less. The immediate consequence was renewed inflation and further balance-of-payments problems which brought on a new period of restrictions on consumption and investment in 1957. In spite of these difficulties, two further mandatory wage increases were put into effect during 1957 to offset increases in old-age insurance premiums and housing rents.² Generally, the more generous wage policies pursued during this period can be partially attributed to the requirements of Dutch participation in the Benelux customs union and the greater role played by the Social and Economic Council at the expense of the Board of Mediators.

The formation in 1959 of the first Cabinet since 1939 without Socialist participation ushers in the third phase of post-war wage-price policy. The system of periodic changes in the general level of wages (i.e. the wage-rounds) was replaced with a policy which permitted changes in industries or branches of industries based on productivity improvements in these sectors. Because of the linkage of wage advances to productivity increases, there was an expectation that price stability was to be maintained unless external costs rose. In spite

²The material for the years 1945–1957 is based on my Ph.D. dissertation, *The Industrial Relations System in the Netherlands*, Harvard University, 1960.

of the promise of greater freedom, Government intervention increased during this period, setting the stage for the abandonment of the post-war frame-work in 1963. In particular, three difficulties occurred: 1) inability to measure the productivity of each industry with sufficient exactness. Thus, the margin of doubt created bargaining possibilities, which shifted the emphasis away from wage bargaining and towards bargaining about input and output data. In the process of the dispute, the Central Bureau of Statistics, the neutral collector of data, became embroiled in a socio-economic conflict; 2) The unexpected general shift towards a 45-hour work week. The Government had intended that such a shift be gradual and only in some branches of industry. But the notion of a slowly paced, industrial differentiation in working hours did not materialize; instead all industries, including those facing severe labor shortages, went on the 45-hour week. In the process no questions were asked whether higher wages or shorter hours had first priority; the workers wanted both. 3) In order to stem the tide that had been loosened, the Government tried to regain control by issuing directives to the Board of Mediators. In prior years, the Government had confined itself to stating a general policy and limit directives to the specific mandatory wage rounds. Thus the Board of Mediators had been free, together with the Foundation of Labor, to deal with specific wage proposals contained in collective bargaining agreements submitted for approval. But in the face of the situation in the early 1960's, the Board was receiving directives relating to specific industries.³ It is ironic that the new Government, dedicated to bringing more freedom to the industrial relations scene, ended its record with greater interference in the area of labor relations.

The fourth phase begins in 1963 with the "new wage policy," the result of a report issued by the Social and Economic Council at the request of the Government. The role of the Board of Mediators has been significantly scaled down. It no longer has to affix its signature to collective bargaining agreements; if the Board opposes an agreement it must report this to the Minister of Social Affairs who must then decide the fate of the agreement. If the Board takes no action, a collective agreement becomes effective upon endorsement by the Foundation of Labor. The major participants in wage determination since 1963 are the Foundation of Labor and the Social and Economic

³ Jan Pen, "The Strange Adventures of Dutch Wage Policy," *British Journal of Industrial Relations*, October 1963, pp. 318-330.

Council. The latter prepares semi-annual economic reports based on the Central Planning Bureau's econometric analysis. These reports are sent to the Foundation of Labor which will then consult with the Government about desirable developments in the wage sector. If it develops that the Foundation and the Government cannot reconcile their views, and if the Government deems implementation of the Foundation's position inimical to the national economy, the Government has the power to impose a short-term wage freeze and/or re-establish the power of the Board of Mediators to control permissible wage increases and approve all collective agreements.⁴

It is difficult to appraise the efficacy of the new policy, since it was inaugurated at a time when the Dutch economy faced inflationary pressures and an extremely tight labor market. These conditions have continued unabated since 1963. It is, therefore, not surprising that wage increases in the Netherlands have been substantial since the new system was introduced. During 1963 wages rose in excess of 8%; in 1964 by about 16% and during 1965 in excess of 10%. It is hardly surprising that prices, which had risen by about 2% per year during the period 1950-1962, rose by approximately 4.5% per year during the three-year period 1962-1965.⁵ The economy continued to heat up during 1966. A proposal by the Catholic People's Party, dominant partner in the Cabinet, brought on a political crisis, revolving around the extent of the Government's future role in economic affairs. Part of the problem is the fact that approximately 30% of all workers have long-term contracts calling for wage increases which *average* at about 5.5% during 1967.⁶

The ineffectual performance of the incomes policy since 1963 can be attributed to a number of factors, the most important of which are:

- 1) The fact that Dutch wages and prices continued to be out of line with those in other countries of the European Economic Community. This has been a long-term problem and has resulted in increasing unrest among Dutch workers and a drain of skilled personnel.
- 2) The absence of any momentous balance-of-payments crisis, like those of 1951 and 1957, which would have served to emphasize national rather than parochial interests.

⁴ *Ibid.*, pp. 326-327.

⁵ United States Department of Labor, Bureau of Labor Statistics, *Bulletin* 1518, Washington, D.C. 1966.

⁶ "Dutch Coalition Cabinet Resigns as its Policy on Spending is Spurned," *The Wall Street Journal*, October 17, 1966.

3) The long-established practice of business firms to assure themselves of a labor reserve by obtaining workers through labor brokers (Koppelbazen). Illegal though it be, workers obtained through labor brokers can be paid substantially higher wages than can be paid to workers hired directly by the employer.⁷

4) The erosion of the trade union leadership's prestige and its consequent inability to exercise effective restraint on their membership. Timid wage demands over much of the post-war period in the face of demonstrated willingness on the part of employers to pay higher wages has undermined the leadership's influence and created a "credibility gap."

Long-run forecasts about wage policy in the Netherlands, as anywhere else, are difficult to make. Past events have served to emphasize, however, that the long period of willing cooperation with the Government has undermined the influence of the leadership of both labor and management. Other difficulties are apparent as well: e.g., working out appropriate guides for general wage increases; appropriate means of enforcing the official incomes policy; achieving some measure of economic equity between the recipients of wage income and non-wage income; and fitting the Dutch economy into the E. E. C. without sacrificing domestic economic and social policy goals. It would appear likely that in the absence of a major economic crisis in the Netherlands, wages will continue to increase substantially until the existing differential with other E. E. C. members has been significantly reduced.

⁷Murray Edelman and R. W. Fleming, *The Politics of Wage-Price Decisions*, University of Illinois Press (Urbana, Illinois, 1965) pp. 260-261.

IV

TECHNOLOGY, INFORMATION, AND MANAGEMENT ORGANIZATION

George Strauss, Chairman

TECHNOLOGY AND ORGANIZATIONAL STRUCTURE¹

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I have a rather simple point to make in this paper: a good deal of the variance in the structure of organizations can be explained by the technology they employ in transforming raw materials into goods and services. A steel mill grinding out reinforcing bars or pipe should have a different organizational structure than one turning out titanium for missile skins. An electronics plant making components for transistor radios on a high volume basis should have a different structure than one making inertial guidance system components. A mental hospital providing primarily custody should have a different structure than one attempting intensive psychotherapy, and so on.

As obvious as this may sound, it undercuts a number of rather well accepted notions regarding the variations in organizational structure. We generally assume that such things as size, social function (e.g., hospitals, schools, factories), leadership, market situations, and history and traditions affect organizational structure. But I would argue that such things as these may well be far less important than the kind of technology employed. Size only has an understandable effect if we control for technology. The technology of some hospitals, schools and factories may be very similar with similar structural consequences. Certain types of leadership, market situations, history and tradition are associated with certain technologies. Indeed, as I will suggest later, most theories of organizations are valid only if the application is restricted to certain technological situations.

By technology, I mean the techniques for transforming raw materials, whether they be people, symbols or things. By structure, I mean the relationships between members that facilitate work. Borrowing heavily from many people, I have conceptualized technology in terms of two dimensions—search and variability. A search² is instituted when the means to an end are not immediately available and must

¹For a fuller discussion of most of the issues in this paper and references to relevant literature see Charles Perrow, "A Framework for the Comparative Analysis of Organizations," *American Sociological Review*, April 1967, in press). The development of this approach was materially aided by Grant No. GS-742, National Science Foundation.

²Cf. James March and Herbert Simon, *Organizations*, (New York: Wiley, 1958, pp. 141–142.

be sought. Where a good deal is known about the nature of the material that is relevant to its transformation, search behavior is fairly routine. You may do a lot of searching, but you know how to do it because you can remember how you did it before and that was acceptable, then, or you always did it this way, or you can look it up in a book or ask a computer. You make incremental adaptations from existing programs or portions of existing programs. You may need a Ph.D. in chemistry, but the problem is analyzable and so are the search procedures. But if little is known about the nature of the material, relevant to the intended transformation—perhaps you can't stabilize it, perhaps it acts unpredictably too much of the time, perhaps your goal specifies closer tolerances than current transformation techniques will allow—your search behavior is not routine. You have to improvise, play around with the problem, depend upon an unanalyzed "feel" for the material and draw upon unanalyzable experience. Note that the difference between fairly routine search, or what I call analyzable search procedures, and fairly nonroutine, or unanalyzable procedures, is not necessarily the same as the distinction between technologically backward and advanced industries. Some semiconductors, such as auto diodes, are a product of advanced technology but can be made in a very routine fashion; certain kinds of ferro castings for the auto industry—a technologically "backward" process—requires the solution of the problems that have yet to be analyzed so as to make them routine.

The other dimension of technology I choose to emphasize is the variability of the stimuli presented—the variety of problems the person confronts that may lead to search behavior. Let us dichotomize them into high and low.

A factory manufacturing a standard product like heating elements for electric stoves, and an engineering firm building made-to-order machines such as drill presses or electric motors, may both be routine to the extent to which search behavior is analyzable, but differ in the variety of occasions when search must be instituted—rarely in the factory, and quite frequently in the engineering firm. On the other hand, search may be quite unanalyzable in a firm making fine glassware and in one making nuclear propulsion systems, but the variety of the stimuli in the first is small, while the varying requirements of customers of the second presents a high variety of problems or stimuli. The latter, the nuclear fuel system firm would be highly nonroutine,

combining unanalyzable problems with high variability of problems; the heating element factory or a mill making rebars would be highly routine—a low variety of problems and those that do occur are subject to analyzable search procedures. The glass firm is low on variability but high on unanalyzable search procedures (this I refer to as a craftsman model). The engineering firm is high on variability but has analyzable search procedures—an engineering model.

Figure 1 indicates the relationships. Note that a simple routine-nonroutine dichotomy would follow the dotted line. Figure 2 shows parallel distinctions for the perceived nature of the raw material being transformed, but utilizes noneconomic organizational examples.

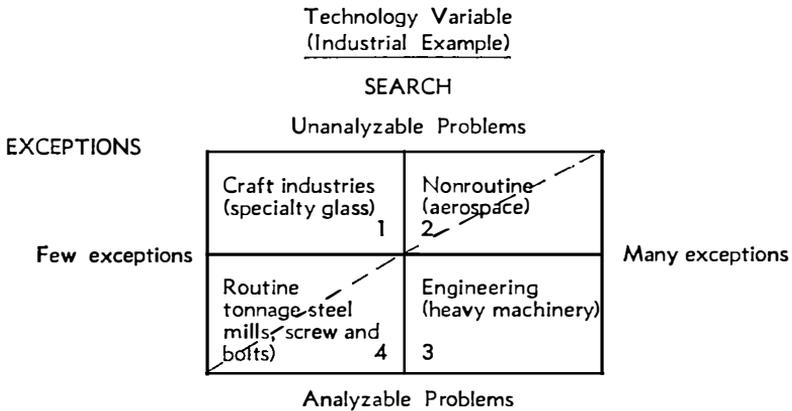


FIGURE 1

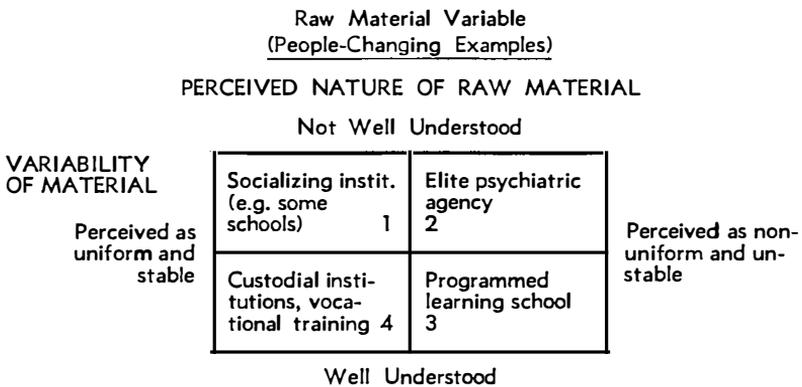


FIGURE 2

What are the consequences for structure? First, let us assume that organizations wittingly or unwittingly attempt to maximize the fit between technology and structure in the interests of efficiency. From the welter of available possibilities I have chosen the following aspects of structure to emphasize: the discretion of subgroups; their power; the basis of coordination within a group; and the interdependence of groups. I also specify whether these are high or low for two of three levels of management—the lower level, concerned with the supervision of production (or marketing, or research, though we will ignore these here); and the middle level, or the administration of production (or marketing, or research). (See Figure 3.)

In brief, I predict that in the quite nonroutine type of firm—un-analyzable search procedures and many exceptions to deal with—discretion and also power in both groups will be high, and coordination in both will be through feedback (mutual adjustment) rather than through advance planning (programmed), and finally, the interdependence of the groups will be high. What this means is that the supervisors of production work closely with the technical people in the administration of production group since the latter cannot call the shots for the former on the basis of routine information sent upstairs. Indeed, job descriptions may be such that it is hard to distinguish the supervisory level from the technical level. Both groups are free to

		Task Structure							
		Task-Related Interactions							
		Dis-	Coord.	Inter-	Dis-	Coord.	Inter-		
		cretion	w/in	depen-	cretion	w/in	depen-		
		Power	gp.	of	Power	gp.	of		
				groups			groups		
Technical		Lo	Lo	Plan	Lo	Hi	Hi	Feed	Hi
	Superv.	Hi	Hi	Feed		Hi	Hi	Feed	
		Decentralized				Flexible, Polycentralized			
		1				2			
Technical					4	3			
	Superv.	Lo	Hi	Plan	Lo	Hi	Hi	Feed	Lo
		Formal, Centralized				Flexible, Centralized			
		Lo				Lo			
		Plan				Plan			

FIGURE 3

define situations as best they can and so both have high power with respect to resources, organizational strategies and so forth.

This model resembles what others have called the organic as opposed to the mechanistic structure, or the professional or collegial as opposed to the bureaucratic structure. I have reservations about these labels and some of the normative static in the discussions. For one thing, this type of structure is probably only efficient for highly non-routine organizations, and these are few in number, even though they are quite visible and attractive to social scientists who see in them reflections of their academic institutions and values.

Most firms fall in the quite routine cell, and they try to fall there because it means greater control over processes and much more certainty of outlook (we are ignoring market situations). For routine firms, discretion of both the supervisors of production and the administrators of production is low—there is little ambiguity in these situations. The power of the technical level, however, is high, for it controls the supervisory level on the basis of routine reports. Coordination in both levels is through planning (giving further power to the technical level) because things can be foreseen, and the interdependence of the two groups is likely to be low. This approaches the bureaucratic model, and where it is appropriate, it is undoubtedly the most efficient.

In the engineering model—analyzable problems but many exceptions—the technical level functions more like the nonroutine firm with high discretion and high power, and coordination through the feedback of information for problem solving. But on the shop floor, discretion and power are—should be—low. Planning is the basis of coordination here, and interdependence between the two levels is low—designs are sent down and executed. In the craftsman model—unanalyzable problems and few exceptions—it is the supervisory level that has high discretion and high power and coordination through feedback. The technical level is weak, and responds to the supervisors of production; it needs little discretion and little power. Coordination is on the basis of planning in the technical level. Interdependence of the two levels can be low.

I make some more complex predictions about top management—the design and planning level for the organization as a whole—where the nature of what I call the product environment becomes critical—suppliers, customers, competitors, unions, and government regulatory agencies. For example, in industries where production and marketing

is quite routine, this level can be routine, as in railroads in the second quarter of this century. But it can be nonroutine even where the functions of the other two levels are routine, as in consumer goods industries where there is rapid change and obsolescence, requiring many nonroutine decisions regarding products and processes, even though once the decisions are made their implementation is routinized.³

Supposing there is some truth in all this—so what? Well, for one thing, I join the growing ranks of those who insist that there is no one best way to run organizations—their structure should vary with the kinds of jobs they have to do. This is important, for a lot of research, and certainly a lot of management text books, ignore this point. Furthermore, variations by technology as defined here—techniques of transforming raw materials—are large, systematic, and not dependent upon the “complete computer.” Computers are tools; in themselves they are not technologies. They enable one to pursue a rationalization of search procedures and categorization of exceptional cases so they are no longer exceptions. Thus, they play a role in moving a firm from nonroutine, or craft, or engineering models to routine models, but the raw material and the techniques of changing it must be compatible with routinization before the computer can be used. Furthermore, computers are still largely restricted to segments of organizations such as accounting and inventory which were already routine. Thus, we would do well to not hyphenate technology with computers.

Furthermore, we should also begin to see the differential impact of technology on management structure instead of confidently predicting, for all rapid technological change, either the demise or growth of middle management, the relevance or nonrelevance of increased technical education for top management, the raising or lowering of foreman skill levels or discretion, and so on. The important question is whether technological change in a firm means changing definitions of the nature of the raw material and changing techniques of transformation such that more search and variability is introduced, or less search and variability. In some cases, even though we wipe out some routine human tasks, we push discretion and power down to lower levels, and others, we push it up and add other kinds of routine tasks.

Furthermore, it has implications for management training. Students must not only learn discrete techniques or even analytical skills,

³For a discussion of predictions regarding two additional variables, social structure and organizational goals, see Perrow, *op. cit.*

but also acquire the ability to see when a technique is or is not applicable because of the technological and structural situation in which it might be applied. They must be able to size up the nature of the beast they may have to deal with, and see that there are a variety of beasts and they present a variety of problems.

More generally, the perspective has implication for management practices. Why do you have so much trouble when you try to combine routine and nonroutine production techniques in the same plant? Not just because metallurgists and old style production men won't mix. When should you isolate product lines or even phases of production? Classical management theories will not help here. When should you buy the latest book by MacGregor, Bennis or Argyris and order participative management to come into effect, by next Thursday? Not if you have a routine operation, and only in some units if it is a craft or engineering operation. Human relations techniques are particularly valuable where the structure appropriate to routine technologies persists when the technology is nonroutine; they help bring about a change in structure. They are also useful in routine situations where relations are unnecessarily impersonal and need some humanizing. But one can, in routine firms, have too much communication, participation, collective goal setting, employee development and sham democracy. In general, problems which are so often analyzed in personality terms may often turn out to be technological differences requiring different structures.

Finally, the perspective speaks to confusions and conflicts in existing theory. The discrepancy between the first part of the March and Simon book,⁴ emphasizing routine decision models and a mechanical contribution—inducement theory, and the second part, emphasizing uncertainty, political power and strategies is resolved by viewing the first part as applicable to routine situations, and the second to non-routine situations. I suspect, further, that the variety of approaches we have towards organizations has something to do with the penchant of a theorist for certain kinds of organizations, and thus for certain technological settings. One finds it hard to imagine Barnard writing his book⁵ after having been an executive of Ford or the Milo Plant Dalton studied.⁶ Except for Bell Labs, the telephone company is an

⁴ March and Simon, *op. cit.*

⁵ Chester Barnard, *The Functions of the Executive*, (Cambridge: Harvard University Press, 1938).

⁶ Melville Dalton, *Men Who Manage*, (New York: Wiley, 1959).

ideal organization for studying administration in routine settings which are secure and strong on public relations. Selznick would not have studied Bell Telephone or the Social Security Administration, or at least would have evolved a far different theory. Gouldner⁷ probably would not have evolved his three patterns of bureaucracy from a study of Control Data Corporation. And so on.

The perspective also alerts us to the effects of parameter variables such as size within certain technological types of organizations and not between them. It becomes misleading to compare the effects of size on structure if you use small elite psychiatric hospitals and large custodial ones; or small R and D labs and large engineering units. We should examine the effects of size only on R and D units, or elite psychiatric hospitals, or custodial ones. Propositional inventories, of which we now have a rash, might lose their emptiness if the type of organization that the proposition was applied to was specified, instead of illustrating proposition A with an analysis of a non-routine organization, proposition B with an analysis of a craftsmanship-type of organizations, and claiming support for both for *all* organizations.

Let me close with some disclaimers: There are not four types of organizations; the scheme sees continua. For many purposes of organizational analysis technology might not be an independent variable, but a dependent one. The role of extra-organizational influences has been completely neglected here, and I know it. In a different culture, for example, none of these predictions might obtain.⁸ Finally, I have selected only a few of many indicators of structure, there are undoubtedly better indicators of technology, and the measurement of this independent variable is very difficult. I know because I have tried to do it in a study of eight firms. But all this does not detract from the importance of viewing the kind of work done in organization as a major variable. We need a concept of technology which can reflect the variety of techniques that exist, at all organizational levels; that is analytic rather than inductive (that it, is not based on hardware); and that is value-free. Only then can we presume to say something meaningful about the relationship between management and technology.

⁷ Gouldner, Alvin W., *Patterns of Industrial Bureaucracy*, (Glencoe, Ill.; The Free Press, 1954).

⁸ The role of the culture and social environment is developed in somewhat more detail in a review of studies of general and mental hospitals in Charles Perrow, "Hospitals: Technology, Structure and Goals," in James March, *Handbook of Organizations*, (Chicago: Rand McNally, 1965), Chap. 22.

THE FAILURE OF INTELLIGENCE: KNOWLEDGE AND POLICY IN GOVERNMENT AND INDUSTRY

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Drawing on a military analogy and bringing together the scattered literature on the intelligence function in complex organizations, this paper offers a few hypotheses about the structural and ideological roots of intelligence failures.¹

THE NATURE OF ORGANIZATIONAL INTELLIGENCE

Intelligence denotes the information—questions, insights, hypotheses, evidence—relevant to policy. It includes both scientific knowledge and political or ideological information, scientific or not. The definition is broad enough to encompass general pictures of social and natural order as well as specific messages about immediate issues.

High-quality intelligence designates information that is *clear* because it is understandable to those who must use it; *timely* because it gets to them when they need it; *reliable* because diverse observers using the same procedures see it in the same way; *valid* because it is cast in the form of concepts and measures that capture reality; *adequate* because the account is full, i.e., the data are not out-of-context; and *wide-ranging* because the major policy alternatives promising a high probability of attaining organizational goals are posed or new goals suggested. By an intelligence failure I mean the inability to muster the intelligence needed for successful pursuit of organizational goals. When the relevant information is not in the system as a result of the lack of appropriate search procedures, we can call the case an intelligence failure; when the information is in the system but the

¹ The available literature is widely scattered over disciplines and is often an incidental part of studies of other matters. For a review of sources and a detailed analysis of (1) determinants of the uses of various types of intelligence, (2) structural and doctrinal roots of intelligence failures, and (3) inferences about the conditions that facilitate the flow of high-quality intelligence, see Harold L. Wilensky, *Organizational Intelligence: Knowledge and Policy in Government and Industry* (New York: Basic Books, 1957, in press), which explores a wide range of cases from politics, welfare, international relations, and industry. See also the entry on "Organizational Intelligence," in the *International Encyclopedia of the Social Sciences* (New York: Crowell-Collier, forthcoming).

intended recipient is not in a position to act upon it because he is clearly constrained by forces beyond his control, we cannot refer to the instance as an intelligence failure. If available technology and personnel do not permit heads of state to monitor an impending attack from an unknown planet, or if they know everything there is to know about such an attack but can do nothing, not intelligence but power has failed.

The competent organization of the intelligence function cannot substitute for political judgment and administrative leadership. Nor are failures in judgment always related to intelligence failures. What is important for my purposes is that the direction and effectiveness of policy—reasonable standards for judging the performance of administrative leaders—are in some degree affected by the quality of intelligence and its flow from the source to the user. A man who knows more is alert to more opportunities and consequences. And an executive who understands the problem of intelligence, who grasps the limitations and contributions of men of knowledge is more likely to temper power with wisdom.

STRUCTURAL ROOTS OF FAILURE

The “knowledge explosion” intensifies an old problem: how to draw good intelligence from a highly compartmentalized body of knowledge and get it into the room where decisions are made. Sources of failure are legion: even if the initial message is accurate, clear, timely, and relevant, it may be translated, condensed or completely blocked by personnel standing between the sender and the intended receiver; it may get through in distorted form. If the receiver is in a position to use the message, he may screen it out because it does not fit this preconceptions, because it has come through a suspicious or low-regarded channel, because it is embedded in piles of inaccurate or useless messages (excessive noise in the channel) or, simply, because too many messages are transmitted to him (information overload).

Pearl Harbor is alleged to be an intelligence lesson burned into the minds of general staffs and top planners of national strategy. The failure to take the final crucial step of communicating to commanders the urgent warnings about Japan’s intentions supplied by Far Eastern code analysts² is said to be due to “the lack of a high level joint intel-

² Roberta Wohlstetter, *Pearl Harbor: Warning and Decision* (Stanford: Stanford University Press, 1962), pp. 125 ff, 310 ff., 395.

ligence group and the absence of a high echelon organization for national estimates and an indications center.”³ Yet, 25 years later, after a reorganization of the intelligence function to incorporate these changes, two presidents were led into disastrous military adventures based largely on miscalculation by intelligence agencies communicating at the top misleading pictures of the situation in Cuba, the Dominican Republic, and Vietnam. The vast expansion of the intelligence community has not prevented successes in the uses of intelligence—among them the Defense Department’s spotting of Soviet missiles in Cuba; neither has it prevented a string of fateful failures.⁴

Intelligence failures are rooted in structural problems that cannot be fully solved; they express universal dilemmas of organizational life that can be resolved in various ways at varying costs. In all complex social systems, hierarchy, specialization, and centralization are major sources of distortion and blockage of intelligence. The quality of intelligence is also shaped by the prevailing concepts of intelligence, the types of problems to be confronted, the rates and stages of growth of the organization, and the cultural or ideological contexts of decision. I shall confine myself here to hierarchy, specialization, intelligence doctrines, and types of decisions.

HIERARCHY

Insofar as the problem of control—coordinating specialists, getting work done, securing compliance—is solved by rewards of status, power, and promotion, the problem of obtaining accurate, critical intelligence is intensified. For information is a resource that symbolizes status, enhances authority, and shapes careers. In reporting at every level, hierarchy is conducive to concealment and misrepresentation. Subordinates are asked to transmit information that can be used to evaluate their performance. Their motive for “making it look good,” for “playing it safe,” is obvious.

In addition to motive to hold back and distort, there must be opportunity. Middle level managers, and even lower level employees,

³ Harry Howe Ransom, *Central Intelligence and National Security* (Cambridge: Harvard University Press, 1959), p. 58. Cf. pp. 41, 54–56, passim.

⁴ For examples of both, see Ransom, *op. cit.*, pp. 60 ff., and Richard C. Snyder and Glenn D. Paige, “The United States Decision to Resist Aggression in Korea,” in *Foreign Policy Decision-Making: An Approach to the Study of International Politics*, Richard C. Snyder, H. W. Bruck, and Burton Sapin, eds. (New York: The Free Press, 1962), pp. 206–249.

sometimes have a near monopoly of insight into feasible alternatives. For instance, observers of man-paced factory jobs have noted the ingenuity of machinists who invent and hide cutting tools that do the work more efficiently than the prescribed ways and thereby permit more worker control of the pace. Although automation and centralization may change this, first-line supervisors still have indispensable practical knowledge of both unofficial work behavior and "bugs" in the technical system, and local plant managers in multiplant systems know the limits of their productive capacities far better than central headquarters.⁵

Matching the motive and opportunity of the subordinate to remain silent are the superior's motive and opportunity to close his ears. The common belief that staff experts should be on tap not on top functions to maintain line authority and reduce the status of the staff. Thus, if an organization has many ranks and in its administrative style and symbolism it emphasizes rank, it will display the greatest distortion and blockage in the upward flow of information.

To extract information from those who have it, typically requires the bypassing of conventional ranking systems. Efforts to resolve the dilemma of hierarchy vs. intelligence include team or project organization, devices for communicating out of channels, machinery for investigation and inspection, performance checks, and reliance on informed outsiders.

SPECIALIZATION AND RIVALRY

As a source of information blockage and distortion, specialization may be more powerful than hierarchy. The organization of the armed forces and industry alike encourages rivalry and restriction of information. Lines of organization become lines of loyalty and secrecy; each department restricts information that might advance the competing interests of the others. While information can also be used to persuade potential allies, and facilitate accommodation with rivals, it is more commonly hoarded for selective use in less collaborative struggles for power and position. In foreign affairs, the history of

⁵ Cf. William F. Whyte, *Money and Motivation* (New York: Harper & Brothers, 1955); Leonard R. Sayles, *Behavior of Industrial Work Groups: Prediction and Control* (New York: John Wiley & Sons, Inc., 1958); Melville Dalton, *Men Who Manage: Fusions of Feeling and Theory in Administration* (New York: John Wiley and Sons, Inc., 1959); and Benjamin Ward, *The Socialist Economy: A Study of Organizational Alternatives* (New York: Random House, 1967).

intelligence failures in the major capitals suggests that the foreign office, the military, and the intelligence agencies seldom, if ever, form an effective three-way communication network. In the Bay of Pigs fiasco of 1961, for instance, the Intelligence branch of CIA was out of touch with the operations branch, which was planning the adventure; operations was only loosely in touch with the Joint Chiefs, who loosely went along; CIA kept both President Kennedy and the Cuban exiles uninformed; the President approved a plan on the assumption of two possible outcomes, national revolt or flight to the hills, neither remotely possible; activists in CIA and the Joint Chiefs rejected the more accurate intelligence of the Department of State (which never pressed it hard), of the British, and of alert newspaper reporters because that intelligence contradicted the assumptions of the plan they were determined to launch.⁶

The dilemma of intelligence vs. specialization is twofold: first, specialization is essential to the efficient command of knowledge but antithetical to the penetrating interpretation that bears on high policy; second, specialization and its concomitant, inter-unit rivalry, are major blocks to the sharing of accurate information, but if problems of upward communication can be solved, rivalry can result in great gains—the specification of clashing alternatives and the presentation of opposing cases. The main cost of specialization in intelligence is parochialism—the production of misleading or irrelevant information, a result of the familiar limitations of the expert.⁷ The professionally-biased intelligence producer remains too distant from the intelligence user, too ignorant of policy needs; he is also forced to compete with other producers for the support and guidance of the user.⁸ The gain from constructive rivalry is another matter; it depends on administrative styles and structures that expedite the free flow of rival perspectives and solutions to the responsible executives and their general advisers.

To resolve this dilemma, especially in organizations dependent on technical intelligence, administrative leaders use the following devices: they recruit managers from professional or scientific staff; they tie

⁶ Herbert Lionel Matthews, *The Cuban Story* (New York: G. Braziller, 1961); Theodore C. Sorensen, *Kennedy* (New York: Harper and Row, 1965); and Arthur M. Schlesinger, Jr., *A Thousand Days: John F. Kennedy in the White House* (Boston: Houghton Mifflin Co., 1965).

⁷ Harold J. Laski, *The Limitations of the Expert* (London: The Fabian Society, 1931).

⁸ Sherman Kent, *Strategic Intelligence* (Princeton: Princeton University Press, 1949), pp. 81, 94 ff.

specialists in the field closely and informally to the home staff via rotation, frequent conferences, and career lines that lead from the field to central headquarters; they expose themselves systematically to intelligence by examining multiple sources firsthand, and sometimes by stimulating competition between sources.

The gains of calculated competition cannot be secured, however, if top decision-makers insulate themselves from the squabbles of their subordinates and force rival departments urging rival doctrines to settle differences in ponderous super-committees.

The firmest generalization that can be made about hierarchy and specialization is that the greater the number of ranks and the greater the number of organizational units involved in a decision process, the more the distorting influence of rank and jurisdiction and the greater the chance of an intelligence failure.

DOCTRINES OF INTELLIGENCE

Concepts of the intelligence function deeply affect the organization of intelligence, the recruitment base, and hence the quality of intelligence. Administrative leaders often evince anti-intellectualism, narrow empiricism, and a demand for secrecy in odd combination with a demand for scientific prediction and quantitative estimates. This combination leads to foolish ideas about the proper organization and possibilities of intelligence.

"All the Facts"

If users of intelligence think of it as "facts" rather than "evaluated facts," if they are imbued with the notion that more raw "information" to "fill in gaps" is their great need, they are likely to make intelligence a distinct, subordinate function, to separate sharply collection of data from interpretation, and to exclude experts from policy deliberations. They will attract either crude empiricists or conformists content to "backstop" the preconceptions of policy makers. Thus, intelligence administrators and staffs have typically been lawyers, soldiers, historians, and journalists—trained in school and in practice as empiricists—suspicious of plans and predictions, hostile to generalizations and abstractions.⁹ The main issues remain unsettled: "What types of experts, with what background and training, make the best interpreters, and what concepts and organization of intelligence attract and motivate them?"

"Intelligence Estimates"

Two related concepts of intelligence further complicate the problem of organization and reduce the quality of information services—the accent on short-run prediction (“intelligence estimates”), reflected in a pressure for direct, simple answers to immediate questions, and an accent on secrecy.

Given the familiar difficulties of prediction in social science and politics, intelligence estimates, like stock market forecasts, are heavily hedged: “There is a serious possibility that Red China will intervene, but there are some grounds for optimism.” Perhaps questions that stimulate the imagination, give shape to major policy alternatives, and point to general directions and long-run goals are more important than forecasts of next events.

Intelligence users and operators, incongruously demanding from researchers “all” the “facts,” at the same time that they demand short, speedy, journalistic estimates of future developments, use the inevitable hedging and the frequent failures of prediction to justify their naive separation of “facts” from “know-how,” and their denigration of research (“I wouldn’t ask these geniuses to tell me how many pints there are in a quart”). Faced with repeated disconfirmation of short-run predictions, they are susceptible to the “cry wolf syndrome,” which discounts all predictions and warnings whatsoever.¹⁰

Secret Sources

Reinforcing the doctrine that “research” should be separate from “policy-making” and “operations” is the notion that secret sources are intrinsically superior: an emphasis on secrecy means that few experts can be allowed to participate, that loyalty-security systems should be set up, and, in the case of government, that clandestine operations should be segregated from research. Students of intelli-

⁹ Willmoore Kendall, “The Function of Intelligence,” *World Politics*, 1 (July, 1949), pp. 550–551; Roger Hilsman, *Strategic Intelligence and National Decisions* (Glencoe: The Free Press, 1956), pp. 81, 96; Max F. Millikan, “Inquiry and Policy: The Relation of Knowledge to Action,” in *The Human Meaning of the Social Sciences*, Daniel Lerner, ed. (New York: World Publishing Company, 1959), 1959, p. 163; Benno Wasserman, “The Failure of Intelligence Prediction,” *Political Studies*, 8 (June, 1960), pp. 156–169; Harold L. Wilensky, *Intellectuals in Labor Unions: Organizational Pressures on Professional Roles* (Glencoe: The Free Press, 1956), pp. 230 ff.; and Lester W. Milbrath, *The Washington Lobbyists* (Chicago: Rand McNally & Company, 1963), p. 157.

¹⁰ Wohlstetter, *op. cit.*, p. 52.

gence agree that while secret (covert or "black") intelligence, like overt intelligence, has expanded in every sphere of modern life,¹¹ policy makers grossly exaggerate its importance and reliability. There is also general agreement that the accent on secrecy impairs critical judgment in the production and interpretation of intelligence and dulls the sense of relevance. At the same time, secrecy blinds the executive to increasingly available open sources.

The distorting effects of secrecy are felt both in the type of personnel attracted to secret operations and in the peculiar conditions for intellectual work that secrecy imposes. The more secrecy, the smaller the intelligent audience, the less systematic the distribution and indexing of research, the greater the anonymity of authorship, and the more intolerance for deviant views and styles of life.¹² Such a restrictive atmosphere reduces the incentive for top scholars, whose ways of life and thought are not always orthodox and who work best with critical appraisal and acclaim and with wide open access to the best sources. Thus, the security regulations and loyalty investigations of the McCarthy era permitted cautious mediocrities, dedicated to the most impoverished clichés of the Cold War, to rise to the top of the foreign service, leaving a legacy of ignorance that has plagued every subsequent president.¹³

If we consider the motives of secret agents, informers, stool pigeons and other spies, and the stigma under which they labor, the limitations of covert intelligence become obvious. In order to protect their sources, clandestine agencies want complete control of data collection and operations; they therefore have a natural penchant for the kind of compliant people who make good "security risks." The motives of such people have been noted by students of police work, of military intelligence, of foreign affairs: fear, insecurity, re-

¹¹ United States Senate Subcommittee on Administrative Practice and Procedure of the Committee on the Judiciary, "Invasions of Privacy" (Government Agencies), part 1: February 18, 23, 24 and March 2, 3, 1965; part 2: April 13, 27, 28, 29 and May 5, 6 and June 7, 1965; part 3: July 13, 14, 15, 19, 20, 21, 27 and August 9, 1965. Washington: U.S. Government Printing Office, 1965); and Richard Austin Smith, "Business Espionage," *Fortune*, 53 (May, 1956), pp. 118-121, 190, 192, 194.

¹² Cf. Bruce L. R. Smith, "Strategic Expertise and National Security Policy: A Case Study," in *Public Policy*, John D. Montgomery and Arthur Smithies, eds. (Cambridge: Graduate School of Public Administration, Harvard University Press, 1964), p. 78; and Robert K. Merton, "Priorities in Scientific Discovery," in Bernard Barber and Walter Hirsch, eds., *The Sociology of Science* (New York: The Free Press, 1962).

¹³ Cf. Schlesinger, *op. cit.*, p. 411; Kent, *op. cit.*, pp. 69, 74, 146-147; and Ransom, *op. cit.*, p. 178.

venge, envy, remorse, money—a shaky basis for objective reporting.¹⁴

There is a final, fatal difficulty: while the classic spy of fiction and practice struggles successfully to obtain startling information, his home office, knowing that in sensitive areas the enemy always leaks false information, is likely either to discount accurate information (as in the film about Operation Cicero starring James Mason) or fall for fabrications (as in the film “The Man Who Never Was”).¹⁵ In the end, the most reliable intelligence sources for competing organizations are open; the best data, seldom secret, are the actions of the other party. To discover the seriousness of a labor union’s bargaining demands, compare the tone in its house organ with that of comparable years, examine its contracts relative to those of rival unions, note the staff it devotes to local contacts, look at its treasury and the state of the labor market.

Yet at the very time that open sources multiply and communications technology speeds the processing and flow of information, we may be elevating the position of the spy. Since the onset of World War II, the reservations of diplomats and administrative leaders about spying have weakened,¹⁶ the budgets and influence of spies have expanded. Government use of electronic snoopers is widespread, industrial spying is apparently increasing, especially in the automobile, chemical, and oil industries.¹⁷ In Japan there is now a school for industrial spies; in the United States a professional association, “The American Society of Industrial Security.”

An emphasis on secret information not only threatens individual privacy; it can demoralize an organization. Such practices as prying into the personal lives of employees to fend off the efforts of rivals to obtain secret information, or conducting disguised surveys to uncover pro-union sentiment, can build resentment, provoke strikes, increase labor turnover, or reduce efficiency. Several labor disputes of the 1960’s were triggered by management efforts to spy on em-

¹⁴ Malachi L. Harney and John C. Cross, *The Informer in Law Enforcement* (Springfield: Charles C Thomas, 1960), pp. 33–39; Eleanor Bontecou, *The Federal Loyalty-Security Program* (Ithaca: Cornell University Press, 1953), pp. 131–135; Hilsman, pp. 21 ff.; Schlesinger, *ibid.*, pp. 230 ff.

¹⁵ L. C. Moyzisch, *Operation Cicero* (New York: Coward-McCann, 1950); Paul Seabury, *The Wilhelmstrasse: A Study of German Diplomats under the Nazi Regime* (Berkeley and Los Angeles: University of California Press, 1954); and Ransom, *op. cit.*, pp. 168–169.

¹⁶ Cf. Alfred Vagts, *Defense and Diplomacy: The Soldier and the Conduct of Foreign Relations* (New York: King’s Crown Press, 1956), pp. 65, 70–71.

¹⁷ R. A. Smith, *op. cit.*; and U.S. Senate, *op. cit.*

ployees or subject them to closer surveillance.¹⁸ The effect on the quality of intelligence is more certain: the demand for secret prediction evokes a flood of doubtful inside dope.

THE NATURE OF THE DECISION

The nature of an executive decision itself shapes the uses and quality of intelligence because it affects the number, kinds, and organization of experts called to serve. To illustrate, I will suggest two plausible hypotheses using the variables of urgency, cost, innovation, and certainty.

First, when the decision is urgent, the distortions of hierarchy, specialization, centralization, and doctrine are minimized. Ironically, "hasty" decisions made under pressure may on the average be better than less urgent ones.

Compare the two Cuban crises that dominated the Kennedy years. In the Bay of Pigs affair, planning, begun in the Eisenhower administration, was lengthy, discussion was rank-oriented, the range of serious exploration of alternatives and consequences limited, and the outcome disastrous. In the more urgent missile crisis, discussion was egalitarian; protocol, seniority, and rank counted for little; a wide range of alternatives was explored in depth;¹⁹ and, by the

¹⁸ A 1964 UAW-CIO-AFL Convention resolution, "Infringement on Workers' Privacy" noted that one automobile manufacturer, who had already engaged in electronic eavesdropping, threatened to install closed circuit television cameras to observe workers on the job, and was stopped by the union. "Another manufacturer was caught eavesdropping on a union meeting room during negotiations and spying on workers in locker rooms and cafeterias." The resolution records the UAW's "unaltering hostility . . . to surveillance, whether by machine recording device, motion picture camera, listening device, closed circuit television or otherwise, of workers in and around the factories and during relief and rest periods, and of union representatives in plant meeting rooms." It also opposes the use of polygraph machines. (*Proceedings of the Nineteenth Constitutional Convention, March 20-27, 1964*. Atlantic City, New Jersey. International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, pp. 323-324. Cf. U.S. Senate, *op. cit.*, especially the statement of President Beirne of the Communications Workers of America, AFL-CIO on eavesdropping by phone companies, Part 2, pp. 966-972; and J. Dale on TV surveillance by Chevrolet in Baltimore and GM's Delco Radio Division in Kokomo, Indiana, and the use of peep holes for observation by Ford in "Bill of Rights Violated—by Company Snoopers," *UAW-Solidarity*, IX [March, 1965], pp. 4-5.) The phone companies' defense—surveillance of employees improves service to customers—is more persuasive than the FBI's argument that its illegal wire-taps and mail interceptions improve criminal prosecution. Cf. Fred J. Cook, *The FBI Nobody Knows* (New York: Macmillan, 1964). There may still be enough commitment to privacy and enough awareness of the problem of means and ends, however, to make the American public suspicious of either justification.

¹⁹ Sorensen, *op. cit.*, pp. 679 ff.

standards of the Bay of Pigs, the decisions, in both process and consequence, were superior. Urgency functioned to overcome many information pathologies.

In a germinal work on these matters, March and Simon suggest an opposite hypothesis: if decision-processes are slow and deliberate, all relevant information in the system is likely to be noticed.²⁰ If organizational theory begins with the nature of human cognitive faculties—with March and Simon's assumption that "the basic features of organization structure and function derive from the characteristics of human problem-solving processes and rational human choice"²¹—it will tend to overrate the payoff from "slow deliberation" and underestimate the effect of attributes of structure and culture that transcend individual psychology—hierarchy, specialization, centralization, occupational ideology, and other barriers to communication. Of course, there is a type of organization in which urgency is sickness and deliberation is health. Where the main aim is knowledge, as in the scientific community, time serves intelligence; where the main aim is something else—and this involves practically every organization but those devoted entirely to scholarship—time subverts intelligence.

Related to the question of urgency are the questions of cost, innovation, and uncertainty. The greater the costs, risks, and uncertainty, and the more significant the changes in method and goals involved, the more intense is the search for information. But the stronger, too, is the weight of established policy and vested interests. Decisions involving many people, much money, great uncertainty or great risks, and major innovations evoke action and advice from every specialized unit at every level of the hierarchy, thereby increasing the dangers of overload, distortion, or blockage of communication and of paralyzing delays.

Perhaps the soundest hypothesis we can derive from these considerations is that only those "big" (that is, costly, risky, innovative) policy decisions that are also very urgent are likely to activate high-quality intelligence, because deliberation then moves out of channels toward men of generalized wisdom, executives and experts alike, communicating informally and effectively at the top. If crises become routine, however—if there are too many critical junctures—

²⁰ James G. March and Herbert A. Simon, *Organizations* (New York: John Wiley & Sons, 1958), p. 169.

²¹ *Loc. cit.*

the weight of established structures and doctrines can inhibit the fresh response to the extraordinary event: the cutting of new channels of intelligence.

CONCLUSION

Information has always been a source of power, but it is now increasingly a source of confusion. In every sphere of modern life, the chronic condition is a surfeit of information, poorly integrated or lost somewhere in the system. Whether the new information technology will improve the administrative leader's defenses against information pathologies is uncertain. Although that technology may facilitate certain changes in organizational structure (see the thoughtful papers by Myers, Perrow, and Simon in this volume), it is not at all clear that such changes will weaken the roots of intelligence failure. No one argues that in highly-programmed systems there will be less specialization, less accent on hierarchy and command. And the new flood of information will not likely solve the problem of information overload. Nor will it make the doctrines of "all the facts" and "short-run estimates" less attractive.

Unfortunately, intelligence failures are built into complex organizations. Thus, alert executives are everywhere forced to bypass or diversify the regular machinery and seek first-hand exposure to intelligence sources both inside and outside the organization. They typically move to points along the organization's boundaries: looking toward the bottom, they rely on internal communications specialists; looking outward, they rely on contact men. They talk to reporters and researchers investigating their organizations; they establish study commissions or review boards comprised entirely of outsiders, like the members of British Royal Commissions; they institutionalize complaints procedures and thereby subject themselves to systematic, independent criticism from below, as in the case of the Ombudsman; they assemble ad hoc committees, advisory corporations, kitchen cabinets, general advisers, personal representatives. These unofficial intelligence agents may constitute the most important and reliable source of organizational intelligence.

Given the institutional roots of intelligence failures, scattered about like land mines, and given the urgency of so many big decisions, we come to a rather discouraging conclusion. What counts is the top executive's preconceptions—what he has in mind when he enters

the room and must act. The role of experts and intellectuals in shaping these preconceptions is little understood. For instance, in college and in on-the-job training programs, business executives and government officials are increasingly exposed to social science perspectives. We do not know the impact of such education on them. If it does not yield direct answers to their immediate questions, perhaps it does break through their cruder stereotypes, enhance their understanding of themselves and their organizations, alert them to the range of relevant variables, and make them more skillful in the use of experts.

PROGRAMS AS FACTORS OF PRODUCTION

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As a member of that rapidly-growing happy band who spend our days trying to find ways of inducing computers to do interesting new things, I feel a good deal of responsibility for understanding the probable economic and social consequences of introducing these new devices into our society and widening the range of their applications. From an economic and social standpoint, are computers and automation something new under the sun, or are they to paraphrase Clausewitz, simply "a continuation of the Industrial Revolution by other means?" Do they call for a new chapter in the economic textbooks, or are they merely details in the chapters on capital and distribution?

In a series of essays published under the title of *THE SHAPE OF AUTOMATION*,¹ I explored some of the macroeconomic aspects of these questions—in particular, the implications of automation for full employment, real wages, and the demand for unskilled labor. I will not repeat my conclusions here except to observe that I ended my investigation with more optimism than I began with. From the standpoints considered, automation does, indeed, seem a natural continuation of the Industrial Revolution, fully compatible with full employment, creating a high probability that labor will reap all or most of the gains of rising productivity.

The present essay is an inquiry in a different direction. It begins with the observation that what we generally call a "computer" includes both a hardware component and a software component—both a collection of electronic gear, and a collection of programs and data that are stored in the hardware memory. During the first five years that computers were obtainable commercially, to buy or rent a computer meant to buy or rent the hardware. Since that time, during the last decade or so, the merchandise on the market has generally included a substantial software as well as hardware component. In fact, the software represents a steadily increasing part of the total purchase or

¹ Harper & Row, 1965. I have been reinforced in the conclusions reached in those essays by noting their agreement with the subsequent report of the National Commission on Technology, Automation, and Economic Progress, *Technology and the American Economy*. Washington: Government Printing Office, 1966, and the recent book by Charles Silberman, *The Myths of Automation*. New York: Harper & Row, 1966.

rental cost, and no computer of any size could be marketed today without being accompanied by appropriate software.

Computer software falls into a number of categories, including: (1) monitor programs and scheduling algorithms, to make the system available to a multitude of users, and to allocate and schedule its facilities among them; (2) programming languages, such as assembly languages and user-oriented languages (e.g., FAP, FORTRAN, COBOL, SIMSCRIPT); (3) utility routines, such as linear programming algorithms, standard statistical packages, and programs for solving differential equations. For the most part, computer users either employ these pre-cooked programs, or write their programs in user-oriented languages. Few users program in machine language, and almost none in large installations run their programs outside monitor and scheduling systems. Some current suggestions that, because of economies of scale, large central computing hardware systems will take on the character of public utilities will, if realized, accentuate and hasten these trends.

If computers, regarded as a factor of production, are to be classified with capital, they are capital with a difference. To be sure, there are precursors, such as the Jacquard loom, which was as truly programmed as the most modern solid-state machine. But the software component of modern computers is so prominent in comparison with anything that went before that we must treat the difference as having qualitative significance.

COMPUTER PROGRAMS AS A FORM OF LABOR

An alternative to regarding computers as a new form of capital is to regard them as a new form of labor. This, too, is a familiar idea which we might call the R.U.R. hypothesis. The label is apt provided that it does not evoke spectres of computers "taking over," but is merely used to denote their applicability to a widening range of humanoid tasks. I should like to introduce an allegory for exploring further the reasonableness and limitations of regarding computers as labor. Like most allegories, this one will involve certain simplifications of real life.²

²The technological developments that underlie the possibilities of using human and computer programs interchangeably in a wide range of tasks are discussed in my paper "Decision Making as an Economic Resource," in Lawrence H. Seltzer (ed.), *New Horizons of Economic Progress* (Detroit: Wayne State University Press, 1964), pp. 71-95.

In the time of Columbus, devices for ocean transportation incorporated both a hardware component—a sailing ship—and a software component—a navigator. A shift in the production function for ocean transportation could result from an improvement either in sailing ships or in the skills of navigators. Improvements in hardware were incorporated in the production function as new ships were launched. I suppose that the economics of the matter were handled by using Terborgh-like replacement formulas to determine when ships had become obsolete and should be replaced by improved ones.

Improved navigational technology, however, could be incorporated in the production function *either* by replacing navigators or by retraining the present ones. At a cost, an experienced navigator might be trained to use a magnetic compass to find North, or, some centuries later, a chronometer to determine his longitude.

One important *difference*, then, between the hardware and software components in ocean navigation lay in the greater opportunities for revising and improving the latter without complete replacement. One important *similarity* was that, even in the absence of technological change, both hardware and software gradually wore out and had to be replaced anyway. In both cases, the replacement cost was not negligible. Ships were obviously costly to build, and navigators could only be produced by years of training and experience.

Let us now introduce an automated navigator into this technology, in the form of a programmable computer. Only one thing has changed in the economic structure of the situation, but a rather significant one thing: many technological changes in the art of navigation can now be introduced, almost without cost, by replacing the present program in the automated navigator with a copy of a program incorporating the improved method. The automated technology is an example of a technology that can be copied almost without cost.³ To understand the significance of the difference, we must consider the economics of copying.

THE ECONOMICS OF COPYING

The significance of cheap copying processes is that when they are available, the cost of developing improvements need be paid only once. Among the crucial events in human evolution have been the introduction of five important advances in the technique of copying and

³ *Ibid.*, pp. 91–93.

storing information: (1) organismic reproduction with duplication of genetic material, (2) indirect programming through learning, (3) preservation of artifacts, (4) writing, and (5) printing. Each of these has its characteristic structure of costs. None of them allows "instant" reprogramming of existing hardware. The third and fourth are simply storage devices; the fifth allows cheap copying; but all these last three contribute to production only through the second—learning, hence do not avoid its costs.

Direct copying of computer software has characteristics, therefore, quite different from any of these earlier copying techniques. When an improved program has been invented for the automatic navigator, it cannot only be installed in new navigators at no addition to cost, but it can also be provided to existing navigators instantly and substantially without cost. The comparative advantage of automatic navigators relative to human navigators will increase in any field where the technology is advancing rapidly, since improvements can be incorporated in the former sooner than in the latter.⁴

THE COSTS OF SOFTWARE DEVELOPMENTS

In the case of any copyable technique, there is a problem of how the costs of developing improvements are to be recovered. In the absence of adequate opportunity for recovery, there will, of course, be underinvestment in research and development. In a competitive economy, the problem becomes the more severe the less expensive and more rapid the copying process.

Patent and copyright laws are the usual modern procedures for returning rewards to the authors of technological advances that can

⁴ As a first approximation, if the navigational technology is advancing at a linear rate of B units per year, and if P_N is the cost of replacing a navigator's program, then the optimal interval, T^* , for replacing programs is given by:

$$T^* = ((2 P_N)/B)^{1/2}$$

That is, the optimal replacement period varies directly with the square root of the cost of program replacement, inversely with the square root of the rate of change of the technology. This approximation was first derived for equipment replacement policy by George Terborgh, *Dynamic Equipment Policy* (New York: McGraw-Hill, 1949), p. 254. See also, *ibid.*, p. 283.

Thus, because of program copying costs, the technology actually employed will lag, on the average, $T^*/2$ time units behind the best available technology. It is easy to see that if human and automated programs have been just competitive (with a lower copying cost for the latter than the former), the latter will be substituted for the former if B increases.

We can similarly derive optimal replacement intervals, T^*_s and T^*_w , for ships and shipwrights' programs, respectively. The lag in the technology incorporated in ships will then average: $(T^*_s + T^*_w)/2$.

be copied. Secrecy is another method still widely used, but not applicable when the improvement can be copied from artifacts embodying it. (Study of artifacts may permit copying not only the objects themselves, but even improved methods of manufacture, evidences of which are preserved in the manufactured object.) At an earlier point in history (and even today in the military sphere), governments intervened to prevent the export of technological improvements, whether in the form of machinery or of programs recorded in the memories of artisans.

Because of the cheapness of the copying process, and the potential value of even single exemplars, the protection of inventors' interests in improved computer programs is a matter of great technical difficulty. Here we must distinguish programs written to run on a particular type of machine, on the one hand, from programs written in higher-level languages that are easily transferred to different machines. The machine manufacturer can recover investments in software developments of the former kind, since they can only be used with his machine. On the other hand, the improvements are then not used everywhere they might be, and competing manufacturers must duplicate development investments, both sources of misallocation of resources.

With progress in software technology, programs have tended to become more independent of hardware. Hence, the more serious problem from a social point of view appears to be to secure a sufficiently high rate of investment in software development.

HUMAN AND COMPUTER PROGRAMS

Labor's contribution to production is achieved by the coordination of a system of sensory organs—eyes and ears—with a system of effectors—principally hand and mouth—by means of those stored programs we call "skills."⁵ In our Columbian ocean transport technology there are both the skills of the navigator—whether human or automated—and the skills, or technical know-how, of the shipbuilders. Evidence from wartime destruction tells us that an economy that has lost a large part of its physical capital, but retained its pool of technology, can restore previous levels of productivity relatively rapidly.

⁵ See "Decision Making as an Economic Resource," *op. cit.*, pp. 80-82.

"The Economic Implications of Learning by Doing" are examined in Kenneth Arrow's well-known essay with that title (*Review of Economic Studies*, 29: 155-173, June 1962) and in the references cited there.

The stored skills in a pre-computer economy must be replaced each generation, even if there is no technological change, since these skills must exist in human brains in order to be useful for production. The replacement costs are by no means the same as the costs of formal education in the economy. In the first place, the entire time, not just the school time, of children prior to their entrance into the labor market should be charged as part of the replacement cost. Whether in school or out, children learn to speak, become acquainted with the common artifacts of their culture and, at least in simple economies, learn one or more relevant production technologies.

In the second place, in societies with formal educational systems, a large part of what is taught and learned in the schools has no productive significance. This is certainly true of most of the curriculum of the contemporary American school system. Schooling is best regarded, under such circumstances, primarily as a consumption good that has as a small by-product the storage of a certain amount of production skill.⁶ If I were given a contract, at a fixed price, to produce research scientists, I would certainly turn the finished product out of my educational institution at an age earlier than 25!

In the third place, much of the transmission of programs takes place through on-the-job training and experience. These training costs do not show up in the social accounts, but are hidden as direct costs of production.

In a peasant culture, the avoidable cost of replacing programs each generation is probably very small, because by the time children are physically capable of doing hard manual work they have already learned most of the skills they will use. On the other hand, the absence of mechanisms for cheap transmission of programs and for reliable storage of programs probably operates to slow technical progress or even cause the loss of discoveries, so that improvements need to be repeatedly re-invented.

We observe, for example, that there was only minor technological advance in peasant cultures from pre-Christian times to the Industrial

⁶ My intention here is simply to state a fact, not to offer social criticism. In particular, I do not mean to argue that transmission of production programs *should* be the sole, or even a major goal of formal education. I simply observe that it is easy to jump to the conclusion that this is what education is all about. The jumping has been encouraged by studies of American education that have made much of the, largely spurious, correlation between amount of education and earnings. The correlations are spurious because they have been uncorrected, or inadequately corrected, for differences in ability, in ambition, and in family status.

Revolution. We may conjecture that the technologies of these cultures remained in a state of dynamic equilibrium—they were able to maintain just that level of technology at which the forgetting from one generation to the next was balanced by reinvention. Increases in the density of population, and improvements in the security or economy of travel and transportation would allow increases in specialization, hence permit a larger stock of programs to be transmitted. Nomadism, on the other hand, through increasing the difficulty of retaining numerous physical possessions, would decrease the stock of the culture's artifacts, hence degrade an important store of technological information.

It is not my purpose here to rewrite cultural history in terms of the problems a society faces in maintaining and transmitting stored programs. It might be a rewarding thing to do, but I will leave it to others better informed than I about the facts. The notion of a learning-forgetting equilibrium of technology is not relevant, however, only to peasant cultures. It is equally applicable, for example, to the problem that a university department faces in remembering its own policies, and all of the subtle considerations that went into their formulation. As faculty come and go, secretaries marry and are replaced, files are lost, and conditions change, the subtleties vanish, and the policy tends to reduce to a few general (though not necessarily sound) principles, plus some specific regulations that happen to have been recorded in documents that continue to be referred to. Often, the documents themselves become inoperative because the "retrieval" programs that would cause them to be referred to on appropriate occasions are lost.

In sum, the costs of maintaining a store of human programs over periods during which personnel turnover is substantial are very large. Storing technology in the form of computer programs rather than human programs opens up new possibilities for greatly reducing such costs.

LEARNING PROGRAMS

Learning is needed not only to transmit programs from generation to generation, and to modify programs to incorporate new technology, but also simply to adapt programs to problems posed by a constantly changing environment. The potential economic gains to be realized from cheap copying will be inconsequential if new programs have to be devised *ad hoc* for each small change in circumstances.

The program of the navigator may make use of large amounts of information about tides, currents, winds, coastlines, and harbors in

different parts of the world. The program, to be workable, must be factorable into two parts: (a) a store of information, that can be augmented readily by simple processes of memorization, and by simple programs for consulting available reference sources; and (b) a general-purpose program that can apply appropriate parts of this data store to any given specific navigational problem.

The economy of automated programs will depend on their having comparable features. They must be learning programs, at least in the sense that they can apply new information to new situations, and probably also in the stronger sense that they are capable of some adaptive modification in their own structures. Without such features, each program would be applicable to only a narrow range of situations; hence little would be gained from the availability of cheap means for producing copies.

DIFFUSION OF NEW TECHNOLOGY

The ocean transportation technology of our allegory depends both on the programs stored in the navigator, and on the programs for the manufacture of ships. All of our discussion of the costs of programming and improving the programs of human or automatic navigators applies quite as well to the programs of human or automated shipwrights.

Technological advance requires the invention of new techniques, but also the development and storage of the programs necessary to apply these techniques. For any extensive technological change, a whole series of "reprogramming" decisions have to be made—by managers, engineers, and workmen. In evaluating these decisions, numerous externalities will be encountered, because the effectiveness of the new technology in comparison with the old will depend on what programs have already been stored. Thus, the productivity of capital in the form of automobiles will depend on the commonness of driving and mechanics' programs in the population, as well as the presence or absence of such material artifacts as roads and gas stations.

One particular difficulty in the diffusion of new technologies is that the new programs have to be ingested, at least in considerable part, in order to evaluate them. Hence, much of the reprogramming cost must be borne before an accurate evaluation can be made—or acceptance of the new technology must be postponed until its advantages are obvious even to the untutored eye. To the extent that the

programs of the new technology are computerized, the costs of developing the programs will have to be borne, but not borne anew in each application. We would expect more rapid diffusion of new technologies under these conditions.

THE RETRIEVAL OF PROGRAMS

Automation of the programs that constitute a technology will make explicit not only the problem of modifying programs to take advantage of advances in knowledge, but also the problem of bringing existing programs to bear in the situations where they are relevant. Before considering the form that this problem will take in an automated technology, let us examine it in the context of our present culture.

Specialization increases the repertory of programs that are available within the economy taken as a whole. It does not guarantee, however, that the sophisticated programs stored in the specialist's brain will be used whenever relevant. Someone, at the point of problem impact, must note the relevance, and must have an effective procedure for locating the specialist. Even when he has been located, there may be difficult problems of compatibility between his programs and those of the persons consulting him—what we call nowadays an “interface” problem. The specialist may fail to understand the problem properly, and those consulting him may fail to understand his solution, or how to combine his knowledge with aspects of the problem that fall outside his specialty.

There is much talk today about the “knowledge explosion,” and how this explosion makes it more difficult to locate relevant knowledge. Much of this alarm is ill-considered, for the advance of knowledge is not primarily an additive (or multiplicative) accumulation of knowledge. It is primarily the reorganization of knowledge to make it more parsimonious and more applicable. To become a research chemist should involve less learning today than it did fifty years ago, because physical chemistry and quantum mechanics have provided such powerful tools for organizing facts, and indeed making them derivable from theory.

This is not the place to pursue this particular issue. It is raised simply to put into perspective current alarm about the stock of knowledge. In this age as in any other, an important part of the programs that define the technology are programs for retrieving

knowledge from its storage places. Among the important prospective consequences of automation are its consequences for retrieval techniques.

The cost of retrieving relevant programs depends, first, on finding them, second, on making them usable in the application situation. Finding costs depend, in turn, on the structure of available indexes and on the power of the available search programs. As illustration, consider the following problem: One of the functions of the National Academy of Sciences is to provide agencies of the National government with expert scientific advice when needed. What kind of processing system is required for the offices of the National Academy to perform this function?

One can dream up designs for elaborate indexes of specialists. One such index, the National Register, actually exists. However, there is a much simpler and fully adequate device available to the staff of the National Academy: the telephone. Any given inquiry can be roughly classified by the field of knowledge to which it belongs. The appropriate members of the Academy staff can carry around in memory indexes to the names of a few persons who are knowledgeable in each of these fields. Each of the knowledgeable respondents, in turn, has a more detailed map of specialties within the general area, and an index of names of the corresponding specialists. These specialists will have their own indexes, and so on. A series of three or four phone calls can hardly fail to locate the best program in the United States to address itself to the problem at hand.

When we look at this retrieval scheme in detail to determine what would be involved in automating it, we see that there is nothing very complicated about the processing. Each of the memories employed contains, among other things, a taxonomy. We may visualize each choice point in the classification key as containing questions to be answered in order to make the choice (i.e., questions the specialized informant can ask in order to pin down the nature of the inquiry).

In spite of the apparent simplicity of a scheme for retrieving specialized information, retrieval in our present technology is by no means a perfected art. A good example of the inadequacies is provided by the lag between the level of sophistication of the statistical techniques applied by data users, and the level of sophistication among experts in statistics. The more sophisticated programs are not retrieved when they would be appropriate because (a) the user is not

aware of their potential relevance, and (b) his access to the existing knowledge through appropriate inquiry procedures has not been institutionalized. (Among other things, he may have no way to recompense the expert properly for his time and trouble on a problem that is only a matter of "application," hence not of direct professional interest to the technique-oriented expert.)

Automation of technologies will cause the problem of retrieving relevant programs from the stock of existing ones to become more explicit than it has been in the past. The computer technology—both hardware and software—will also provide new means for retrieval. It will also create interesting new problems for economists, relating to the design of efficient retrieval systems.

One question that will arise repeatedly is the question of how far information should be processed when stored, and to what extent, on the other hand, it should be processed on demand. Should executives, for example, have "instantly" available the answers to large numbers of questions they might conceivably ask, should they have available the programs that will seek out and compute the answers in a short time, or should they have available programming languages that will allow them to write programs that, in turn, will find the answers? The cost structures of automated information systems are so different from those of manual systems that all of these issues will have to be rethought as the new technology develops.

CONCLUSION

The preceding pages develop the viewpoint that a technology exists largely in the minds of its labor force, and in the future will be distributed between those minds and the memories of computers. If programs, stored in one or the other of these forms, constitute the core of a technology, then important consequences are likely to follow from the fact that automation greatly decreases the cost of making copies of such programs.

One of the obvious consequences of cheaper copying is that there will be underinvestment in program improvement unless steps are taken to reward inventors of programs or to subsidize invention. A second consequence is that the comparative advantage of automation will tend to be particularly great in situations where frequent and rapid program change is called for, and will tend to be relatively less in areas where only a few copies of a program can be used. Since

human programs are at least modestly capable of on-the-job learning and adaptation to specific situations, the range of feasible automation will depend heavily on the extent to which similar learning and adaptive features can be incorporated in automated programs.

The concept of technology as consisting of stored programs gives us a somewhat novel framework for theory about the rate of technological progress and the rate of diffusion of new technology. The level of technology that a society can maintain will depend heavily—indeed, in the past may *have* depended heavily—on the costs of transmitting programs from each generation to the next. It will depend also on the possibility of economizing transmission costs through specialization.

To the extent that there is specialization of programs within an economy, retrieval programs for locating relevant knowledge and skill become an important element in productive capacity. When copying costs are high, locating a relevant specialist will be useless if his time is fully occupied. With techniques for copying programs cheaply, the numbers of specialist programs will respond flexibly to demands, hence retrieval programs will take on an even greater importance than they have at present.

I am sure that the automation of programs will have many consequences beyond those I have identified here. If there is anything we can say with confidence about a new technology, it is that we will not really understand its implications until we have lived with it for a few generations. Now that we have perhaps achieved some understanding of the First Industrial Revolution—the revolution of power—we are already in the midst of the Second—the revolution in the processing of information. It is important that we identify the salient characteristics—like cheap copying techniques—of the new technology, and the consequences of those characteristics for the economy.

SOME IMPLICATIONS OF COMPUTERS FOR MANAGEMENT

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The computer revolution is a major technological change affecting management. It is not surprising, therefore, that this topic has been of interest to students of industrial relations for nearly ten years.¹ While our traditional interest in the impact of technological change has centered on the wider consequences for the labor force, or for particular groups of workers and their unions, the fact that computers now affect management probably more than any other group is of particular significance. Management has frequently been the initiator of change for others; now managers are themselves affected by a major technological change and further changes are ahead. The more recent research and policy interest in "automation" (in which the computer plays such a large role) has raised questions about the possible automation of management.

As I have reviewed the literature, including studies by computer specialists and those concerned with the development of better systems of management information and control, I have been struck with a number of questions which still seem to me to be unresolved. Those which I shall discuss in this paper grew out of some studies done in the Industrial Relations Section at M.I.T., as well as in the papers and recorded discussion at a research conference which was held in 1966.² My comments will be more in the nature of reflections, drawing on what evidence we have so far, rather than being based on firm, quantitative conclusions. Indeed, I doubt whether research methodology will enable us to determine quantitatively the significance of computers for management, although there have been some notable

¹ Professor Herbert A. Simon, who is on this program, has been one of the pioneers in research on the implications of computers for management. So has Thomas L. Whisler, who was co-author with Harold J. Leavitt of perhaps the most widely-cited article in this area, "Management in the 1980's," *Harvard Business Review*, Vol. 36, No. 6 (November-December 1958), pp. 41-48. George P. Shultz and Whisler organized one of the early conferences on computer impacts on management in 1959, reported in the book they edited, *Management Organization and the Computer* (Graduate School of Business, University of Chicago, 3rd Series, Chicago: The Free Press of Glencoe, 1960). Other students of industrial relations have done research on the implications of computers; among them are: Einar Hardin, Ida R. Hoos, H. C. Lee, Floyd C. Mann, Gerry E. Morse, Leonard Rico, Jack Stieber, and Lawrence K. Williams.

attempts. The evidence is not yet all in, if it ever will be in such a rapidly changing technology.

Computer hardware and software (to use the terms which refer to the machine and the programs) have changed dramatically even within the past five years. Real-time and time-sharing systems, tele-processing networks, remote-access consoles, simpler computer language and programs, optical scanners eliminating manual punching of cards, visual displays, and computer utilities, among others, are already here and will spread to more firms and organizations. New developments are over the horizon. Thus, conclusions drawn from studies done at earlier levels of computer technology may be less valid for later developments. Perhaps all we can do is raise questions and suggest possibilities. These may help managers and others concerned with computers to think through what they wish to accomplish as they consider alternatives.

SOME QUESTIONS FOR CONSIDERATION

In considering questions about the impact of computers on management, it should be pointed out that the term, "information technology," is probably more inclusive, as Whisler pointed out in his paper at the M.I.T. research conference. The electronic computer is the center of this new technology, but associated with it is a telecommunications network linking parts of the organization together through the computer center, and a group of management science or quantitative techniques which depend upon the speed and capacity

² The initial research centered on some of the consequences of computers in the life insurance industry. See George E. Delehanty, "Office Automation and the Occupation Structure: A Case Study of Five Insurance Companies," *Industrial Management Review*, Vol. 7, No. 2 (Spring 1966), pp. 99-109; and David R. Meredith, *Office Automation and Supervisory Behavior*, unpublished Ph.D. thesis, Alfred P. Sloan School of Management, M.I.T. There have also been several master's theses, and research is continuing under the broader project, Implications of Technical Change and Automation, directed by Professor Douglass V. Brown and financially supported by a grant from the Ford Foundation. The research conference in March, 1966 (with a grant from International Business Machines Corporation) centered around papers by Professors Whisler, Delehanty, Klahr and Leavitt, Carroll, Dearden, Beckett, and Dr. Charles R. DeCarlo of IBM. The discussion following each paper was taped and edited; the book, with a case study by Edgar F. Huse and concluding comments by Professor Jay W. Forrester of M.I.T., was published by The M.I.T. Press in March, 1967 as *The Impact of Computers on Management*. An earlier M.I.T. conference with a broader scope was reported in Martin Greenberger (Editor), *Management and the Computer of the Future* (The M.I.T. Press and John Wiley & Sons, Inc., New York, 1962, later re-issued by The M.I.T. Press in a paperback as *The Computer Age*, 1965).

of electronic computers. Among these are linear programming, Bayesian decision analysis, mathematical models for simulation purposes, etc. Many of these would not have been possible without computers.

The central questions which this new technology raises for management are the following:

1. Has the organization structure of management become more centralized than before? More decentralized? Some of both? What are the future possibilities, and their probable consequences?
2. What are the implications of centralization of data processing and the increase in the number of staff specialists for the rest of the organization?
3. How has the nature of managers' jobs in different functional areas and at different levels changed as a consequence of computers? To what extent have managerial functions and responsibilities been replaced by computers, and what are the future prospects?
4. How have affected managers reacted to changes resulting from the new information technology, and what does experience suggest about effective implementation of such changes in organizations?
5. Are there some special consequences of computers for the personnel administration and industrial relations functions in organizations? What about the "systems approach" in personnel administration and the use of computers as an aid in collective bargaining?

The remainder of this paper will deal briefly with each of these questions, in the light of our research and discussions at M.I.T., and my own subsequent reflection on possibilities which a non-specialist in computer technology may only perceive dimly, though from a different perspective. The paper concludes with some summary observations.

1. Impact on the Organization Structure

An early and continuing view has been that organizations are becoming more centralized with computers. Whisler reaches this conclusion in part through his studies of the increasing proportion of management compensation paid to the top levels of management after

computerization.³ Others have pointed to the importance of systems concepts which interlock previously separate functional or product groups under a computerized management information and control system.⁴ It is also clear that there has been more centralization of certain functional groups in many companies, including accounting and payrolls, production scheduling and control, purchasing, inventory control, and customer ordering and shipping. Similar examples can be given from the life insurance industry, as Delehanty reported.⁵

Despite all this evidence, a lingering doubt remains about defining the degree of centralization or decentralization for the entire organization. Surely, these are relative terms, and what is seen as more centralization at one level in the organization may appear differently at another. If a large multi-plant company is able to combine several related plants under newly-created divisional general managers, this will appear as more centralization to plant managers, but very probably as more delegation and decentralization to the vice-president for manufacturing who formerly had all plant managers reporting directly to him. Life insurance companies are considering the possibility of giving field offices more access to the central data file under a real-time system, so that they can more effectively serve their present and prospective customers. Is this more centralization, or more decentralization?

If central decision-rules are developed to provide field managers with guides for alternative decisions, in place of more detailed directives earlier to each of several functional managers in the field, is this more centralization, or do the field managers responsible for a larger job now have "more freedom" to decide when to use particular

³ Thomas L. Whisler, Harold Meyer, Bernard H. Braun, and Peter Sorensen, Jr., "Centralization of Organizational Control: An Empirical Study of Its Meaning and Measurement," *J. of Business* Vol. 40, No. 1, January 1967, pp.10-26.

⁴ Apparently this development is more discussed as a future possibility than a present reality. In a study of 33 leading and profitable manufacturing firms, the Booz, Allen and Hamilton research team found that "the so-called total, integrated management information system, the 'board-room computer,' or the total command and control system in the president's office is a great deal closer to science fiction than to fact. Indeed, not one of the companies in the study regards the total system as a near-term goal. . . . Characteristically, the firms which are closest to integrated systems are those highly centralized companies with relatively short product lines and marked geographic concentration." James W. Taylor and Neal J. Dean, "Managing to Manage the Computer," *Harvard Business Review*, Vol. 44 (September-October 1966), pp. 108-109.

⁵ George E. Delehanty, "Computers and the Organization Structure in Life Insurance Firms," paper prepared for the M.I.T. Conference, to be published in Charles A. Myers (Editor), *The Impact of Computers on Management*, The M.I.T. Press, Cambridge, Massachusetts, 1967.

decision-rules in the light of local circumstances? In other words, are there "pattern recognition" problems in the field that may not have been anticipated at the center? These questions suggest the possibility that the answers aren't all in, and that quantitative measurement of what happens may be difficult. The problem of measurement is complicated further by the fact that organization changes occur independently of computer introductions, and often for other reasons.

Regardless of what has happened, it is not clear to me that computer technology and systems design necessarily breed more centralized organization structures with more control at the top. Indeed, the discussion we had at the M.I.T. conference and our own interviews with a number of firms have led me to the conclusion that this technology is "neutral" in the sense that management can use it to design either more centralized structures and control systems, or to strengthen an existing decentralized or profit-center type of organization. If top management lacks confidence in the ability of decentralized managers to direct their efforts toward the achievement of organizational goals, then it will seek the closer control which computerized management information systems can provide. But it may also decide to provide profit-center managers with direct access to the computerized data bank, so that they can monitor their own progress toward previously-set targets.

Some companies have consciously designed a computerized management information system to provide regular information in appropriate detail to enable managers at each level to take corrective action toward the achievement of their targets before their boss gets the less detailed information indicating a problem on which he must take action with respect to his subordinate managers. A difference in timing and detail of information supplied was deliberately designed into the system to permit continued decentralization of responsibility at different organizational levels.⁸ Who gets information and for what purpose is a managerial decision, reflecting differences in managerial philosophy.

If managers can control the design of computerized systems to achieve the kind of organization structure they want, those who favor continuing some form of decentralized organization will probably be

⁸ John Dearden has reached similar conclusions from his research. See his paper in Charles A. Myers, *op. cit.*, and also his "Myth of Real-Time Management Information," *Harvard Business Review*, Vol. 44 (May-June 1966), pp. 123-132. For a similar view, see Richard A. Kaimann, "Management by Exception Hierarchically," *Data Processing Magazine*, Vol. 8 (July 1966), pp. 40-44.

assisted by time-sharing and real-time systems which permit access to the data bank by a number of simultaneous users. Quite apart from the technology, management may also ponder the impact of alternative structures on the motivation and development of subordinate managers. The centralized, pyramidal form of organization may fail to attract and hold creative people, who see their opportunities for gaining early responsibility, showing initiative, and learning from their mistakes severely limited by a big-brother type of tight computerized control system. Perhaps these qualities in people are more important in a changing organization than in a stable one, if there are many such organizations of the latter type today.

2. *Implications of Computer and Staff Specialists*

Data processing is, of necessity, a centralized function, although in large firms there may be several computer centers. There is evidence that decentralized companies tend to have decentralized computer activities, even though the overall computer management is centralized.⁷

Because the management of computer systems is centralized, so is much of the expertise in the form of systems designers, analysts, programmers, and supporting staff. Organizationally, these are staff people, but their activities necessarily bring into question existing methods of processing information in organizational compartments, and inevitably lead them to find ways of unifying and integrating separate functions through computerized systems. This happened in one large life insurance firm, where the computer center's activities (with top management support) resulted in the integration of such functions as underwriting, new policy issue, premium billing and collection, and dividend payment. Probably many data processing directors regard themselves, in the words of one such man, as "ramrods" whose task it is to change existing ways of doing things.

Not all systems designers are conscious of being organizational change agents. Even though their work affects people in organizations, there is sometimes too much concern for developing a system for the benefit of programmers rather than for the managers who must

⁷ "Our study has produced no evidence of a relationship between the effectiveness of computer usage and centralization or decentralization. . . . In companies where the normal management structure is highly centralized, a basically centralized computer system works best. Likewise, in decentralized companies, decentralized computer activities appear to work best. . . . (however) in most of the companies, *overall* computer management is centralized, but in almost two-thirds of them, computer *operations* are *decentralized*." Taylor and Dean, *loc. cit.*, p. 104.

use it. In one company which is installing an integrated information system, a behavioral scientist has worked with the systems group to bring to their attention the organizational implications of the manager-computer interface.

Staff members of computer centers constitute an elite group, usually in short supply, and working on what they consider challenging and interesting problems. They need the support of operating management for what they are trying to do, but they also need the understanding and cooperation of these managers. Too often, they do not get this because they, in turn, have too little feeling for the operating managers' problems. The lack of effective communication and cooperation between managers and computer center staffs has handicapped progress in computer introductions, and is illustrative of more general problems in the management of change, to which I shall refer again below.

Will information technologists, systems designers and those using computers in the new management science fields be the top managers of the future? Very probably some will, but it seems equally likely that more will remain as specialists and that future top managers will be those who know how to communicate with and use the new specialists as a part of their general managerial competence. These may well be younger men than those who formerly reached higher management responsibilities.

In the meantime, the continuing shortage of the specialists denies them the opportunity to gain broader managerial experience. In one large firm, the head of the EDP center explained that several of his systems analysts and programmers wanted to transfer to operating departments to advance their careers, but, he added, "we can't afford to let them go." Building a wall around a group of specialists may be as undesirable here as it has been, for example, in the personnel and industrial relations staff functions in some firms.

3. Changes in the Nature of Managerial Work

The earlier discussion of the impact of computers on organization structure indicated that some functional areas, such as accounting, production scheduling and control, inventory control, and the like have been directly affected by computers. These are operations and logistics functions which contain much that is repetitive, structured, and even routine. They are appropriate tasks for computerization. As a result of this computerization, managers of these functions have

fewer people reporting to them in many firms, or at least their staffs have not expanded at the same rate as they did in pre-computer days when the total volume of work expanded.

Since many of the managers of these functions are in the middle management group, there may have been grounds for the earlier prediction that they would be displaced by computers. So far, with some exceptions, the evidence does not seem to bear this out. Delehanty's study of five insurance firms showed that the greatest displacement resulting from computerization was at the lower clerical levels, and that there were substantial percentage increases in the managerial specialists and junior officer groups—typically part of middle management.⁸

It is possible, of course, that some displaced middle managers have been transferred to other jobs prior to their retirement—a form of management featherbedding. At least one insurance company executive suggested that the middle management group might eventually shrink as those who retired were not replaced. This possibility obviously cannot be verified in the immediate future.

A more important question is: when computers relieve managers at all levels of routine and repetitive work, and this line is shifting as the technology improves, what will they do with their time? At the M.I.T. conference, there was a strong view that there will always be an area of managerial work which is ill-defined, ill-structured and non-repetitive, and that managers will then have more time to deal with problems in which courage, perception, sensitivity and initiative will always be required. Good managers have relied on experience, insight, and judgment—on “heuristics” which cannot yet be programmed for a computer. And if some cognitive electronic problem solver is eventually developed for some of this, the boundary of a manager's job is likely to push outward, to encompass activities now not done because there is not enough time to do them. This view assumes that managers will not see computer systems as rigidly con-

⁸ Delehanty concludes, “The predicted demise of the middle-level manager has created great interest; but it is probably safe to say that the demise has not yet occurred in the firms studied here.” *Loc. cit.*, p. 108. For similar conclusions from an interview study with officials of a number of different firms, with some doubt about the future, see *Automation and the Middle Manager*, American Foundation on Automation and Employment, Inc., New York, 1966. Also, Hak Chong Lee, *The Impact of Electronic Data Processing Upon the Patterns of Business Organization and Administration*, State University of New York at Albany, School of Business, 1965, pp. 27–29.

trolling them but instead as aids or extenders of management in a non-machine system.

At the higher levels of management, especially, neither the existence nor the solution of problems is well-defined. Relations with some of the external environment of the firm, and with associates and subordinates within the firm often depend on non-recorded information. Indeed, Jay W. Forrester has asserted that about 90 per cent of what matters to the success of a business lies outside the EDP system, and higher managers primarily use non-recorded information to deal with these decisions.⁹

When the Chairman of a large world-wide petroleum corporation reports that the Board of Directors spends much of its time deciding which is the best candidate for a managerial opening, one wonders whether a computerized information system about alternative candidates' qualifications can ever replace managerial judgment. But this example does point to the importance of the man-machine interactions. Clearly, top managers will increasingly ask the computer for information, for answers to measurable "what if" questions, for simulations which may narrow the ultimate scope for managerial decisions, and for other planning purposes. But the man will remain in management, with comparative advantage over the machine. As one of my colleagues working with real-time, time-sharing computer systems has put it, "The larger and messier the problem, the more important it is to use man-machine cooperation rather than trying heuristically to program the whole decision."

4. *Implementing Changes Associated with Computerization*

As a major technological change affecting management, computerization surely involves the effective management of change. Almost every company has experienced problems with affected managers, and computer introductions do not always proceed as anticipated. It is surprising, therefore, that there is relatively little research on factors making for success (or lack of it) in specific cases.¹⁰

⁹ Edited transcript of the discussion at M.I.T. Conference, reported in Charles A. Myers, *op. cit.*

¹⁰ "Relatively little study has been devoted to what happens after the installation. . . . Problems that have been analyzed solely in terms of information processing are often complicated by other factors, such as individual and group motivations, pressure, and goal divergencies. The influence of these factors may persist—often in exacerbated form. These experiences urge adoption of a larger frame of reference than most technical specialists are inclined to use, a recognition of the human and functional interplay." Melvin Anshen in John T. Dunlop (Editor), *Automation and Technological Change*, (American Assembly), Englewood Cliffs, New Jersey, Prentice-Hall, Inc., 1962, p. 75.

One exception is the report of a behavioral scientist on the introduction of an integrated manufacturing system in one division of a large manufacturing plant.¹¹ In the first stages of the introduction, there was passivity on the part of operating managers, who assumed no responsibility for making the program work because it was not "their program." There was consequent lack of understanding of the system, then resistance compounded by misinformation. The fear of the loss of control was acute on the part of lower supervision, possibly with some reason, and a concern that the reward system was not geared to the information system. The implementation timetable was not met, and then pressure was added for faster implementation; with predictable consequences.

In this situation and in similar cases, there was eventual recognition that the task of implementing a computerized system was a *joint* responsibility, involving both the specialists and the affected operating managers. The communication problem required more time, and fears had to be recognized and dealt with patiently. A large life insurance company, which has gone far in computer introductions, developed a task force for each affected department, with line or operating managers loaned for up to two years to an EDP group assigned to work out a new system in that department. The managers took the time to understand systems design, and the systems analysts learned from the managers what was now being done and how it might be changed with computers.

These experiences suggest the following requirements for minimizing the implementation problems: (1) a clear top management explanation of and support for the computerization effort, (2) the establishment of joint task forces comprised of operating managers and systems analysts working together to develop a system which the operating people have to understand and use, (3) improving the communication channels between levels of management as the implementation proceeds, as well as giving managerial support to those affected by the change,¹² and (4) providing for lateral transfers for those managers who do not seem to adapt to or cooperate with the new

¹¹ Edgar F. Huse, "The Impact of Computerized Programs on Managers and Organizations: A Case Study of an Integrated Manufacturing Company," in Charles A. Myers, *op. cit.*

¹² For a fuller discussion of the changes in supervisory behavior during a change associated with computerization, see David R. Meredith, *op. cit.*

system. I leave to those better qualified than I to comment on whether this latter requirement is legitimate "management featherbedding."

5. *Implications for Personnel Administration and Collective Bargaining*

The information storage and retrieval capacities of computers offer great advantages in large firms for the computerization of personnel records. These now include not only basic data about each employee, but job history in the company, skills acquired before and during employment, and (possibly) appraisals by supervisors. When the centralized employee data bank is company-wide, different locations can utilize it to determine the availability of people with specialized qualifications for actual or anticipated manpower needs. When these data are related to manpower projections based on sales and production forecasts, additional specialized recruiting efforts may be suggested, or a need for further specialized courses within the company or outside. In addition, if the compensation of each employee is recorded, the computer can answer "what if" questions such as, what would be the increase in payroll costs if all wages and salaries were increased by ten cents an hour, or if an additional week of vacation were given to employees with specified length of service with the company?

A recent survey of 89 industrial firms reported that only about one-fourth "were using data processing broadly throughout the industrial relations area," and the current picture is "one of moderate use . . . that lags behind other functional groups within the firm."¹³ This lag is paralleled in another sense by the reports that personnel managers have not generally been directly involved in the problems of the implementation of personnel changes resulting from computerization.¹⁴ Surely this is an area where the special skills of personnel administrators can make a contribution to the implementation of

¹³ Richard T. Bueschel, "Real-Time Data Processing for Industrial Relations," *Management of Personnel Quarterly*, Vol. 5, (Spring 1966), pp. 24-30. Bueschel points to the future possibility that each firm's employment requirements will be keyed into a centralized computerized job placement service. Some limited services of this type already exist.

¹⁴ Leonard Rico, *The Advance Against Paperwork: Computers, Systems and Personnel* (forthcoming book to be published by Bureau of Industrial Relations, University of Michigan, Ann Arbor, Michigan). This is an up-dating of an unpublished doctoral thesis in Economics, *Information Processing and the Management of Personnel: A Survey of Recent Experience with Computer Technology*, Massachusetts Institute of Technology, 1961.

change, discussed in the preceding section. Computers can release personnel staffs from the record keeping and data analysis tasks which now take so much time, so that as in the case of other managers, they have more time for the non-structured tasks, such as helping line managers with their personnel problems. Certainly, the computer will require personnel staffs who are more than custodians of personnel records.

The use of computers in preparing for collective bargaining is even newer. Possibly some firms have used computerized employee records to calculate costs of alternative management proposals or union demands, but I am not aware that any have access to data banks containing information on what other firms have done in collective bargaining. But the Industrial Union Department of the AFL-CIO, in seeking to coordinate the activities of some 77 corporate or industry-wide bargaining committees, is storing information on the various collective bargaining contracts, as well as on company characteristics, so that bargaining committees can have immediate access to data to assist them in more effective presentation of their bargaining demands.¹⁵

Perhaps the time is far distant when two computers, representing the company and the union, use the cognitive machine skills involved in playing chess to sharpen their bargaining strategies, draw on their own data banks, and come up with a collective bargaining contract that properly reflects superior bargaining strategy as well as grasp of the factual material. Possibly "bargaining power" will be measured by the capacity of one side's computer to outlast the other without blowing a whole set of integrated circuits. But, as in the case of computers and management, I feel sure there will still be a place for men at the bargaining table. The new technology will enlarge their skills, but not replace them.

SUMMARY OBSERVATIONS

This last comment brings me back to the central theme of the paper. Computers and the associated information technology of systems, telecommunication networks, and management science techniques have changed the structure of many organizational functions, and may drastically change the entire organization structure. But the

¹⁵ "Union Bargainers Turn to Computer," *New York Times*, Sunday, September 25, 1966, p. 65; and "Computer Sits in on the Bargaining," *Business Week*, September 10, 1966, p. 154.

shape of future organizations may depend more on how top management uses the technology than on the technology itself.

Computerized management information systems can lead to more centralized organizations, or they can be designed to strengthen decentralization and to encourage managerial initiative and creativity. They can be seen as aids or extenders of management, reducing routine tasks and leaving more time for the ill-structured managerial tasks (including working with subordinates) which are now too often neglected. Or, they can be viewed as imposing more controls, with the human consequences of resistance and loss of initiative.

Management cannot abdicate to systems designers decisions on the future shape of organizations or the application of computers to managerial work. Managerial leadership will be effective to the extent that managers take the time to understand the new information technology, and to break down the barriers that now too often exist between them and the new specialists. In this process, the personnel and industrial relations staffs will benefit, too, from the new technology as they gain more time for the less-structured tasks which are the essence of their staff functions.

DISCUSSION

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The four papers making up this session are quite diverse. The authors take off in different directions and only occasionally touch on common points. They are basically interested in and address themselves to different policy questions.

Under these circumstances I'll try to solve the problem common to all discussants—finding a framework for analysis—by commenting in terms of what they have to say about the subject of this session. That is, what do the authors say about technology, and what do they say about managerial organization and the effects of technology on it?

Technology, and particularly its effects upon organization, has become a very popular subject lately. It has been my experience, however, that it is a quite ill-defined concept, or at best one on which there is wide variation in definition.

The present papers run true to form. For example, in Professor Myers' paper, technology is treated as a specific collection of things—computers, programs, various decision logics developed by those specialists called systems analysts, management scientists, and operations researchers.

To Professor Perrow, technology is a set of actions that an individual performs on objects, living or otherwise, tangible or intangible, for purposes of change. This definition is so broad that if taken literally, it comes close to defining all human behavior, save that in which the individual is, himself, the apparent object of action. Despite the breadth of Perrow's definition, I find it difficult to apply his analytical scheme to the technology that Myers discusses. This is too bad, for I would like very much to be able to apply it in order to see the implications for organization structure.

But Perrow clearly is interested in behavior within organizations and, in developing his analytical framework, he adds his voice to those of Leavitt, Udy, Stinchcombe, Becker and Gordon, Woodward, and others who argue that technology is related systematically to task content, authority structure, departmentation, skill structure, cultural values, and the personal characteristics of organizational participants.

To Professor Simon technology apparently is as broadly defined as it is for Perrow, but it is not a set of behaviors. Rather, it is a

collection of programs that determine behavior located (in earlier times) in human memory and (today) in both human and computer memories.

Professor Wilensky, if he is talking about technology at all, is talking about pre-computer era programs for processing information in organizations, and particularly about their systematic weaknesses. (What about their strengths, by the way?)

In looking at the implications and issues raised by these papers, I would like to start with Professor Simon, his concepts being somewhat more novel than the others. He opens his paper in terms that led me to expect a more theoretical analysis (in economic terms), following up on his definition of programs as a form of labor.

It turns out that Simon doesn't really pursue his arguments in terms of economic theory. Had he indulged in such a pursuit I believe that he might have been open to challenge. In the first place, the distinction between labor and capital has been of diminishing importance in economic theory, boiling down finally to the fact that in many societies, like ours, man is a capital instrument that cannot be legally bought or sold. The dwindling importance of the differentiation between labor and capital is illustrated by the popularity of the topic among economists lately known as "investment in human capital."

But given such a differentiation I believe it might be in error, theoretically, to identify programs as a form of labor. It is precisely on the matter of investment—one critical issue in which Simon is interested—where the distinction between labor and capital is of significance. The distinguishing feature of labor is that no matter who makes an investment in an individual, ownership of that investment is automatically vested in the individual who receives the investment, not the one who makes it. Consequently, I think it might be more accurate, in theory, to regard computer programs as a form of capital, with ownership as usual vesting in the investor—although his rights may be devilishly hard to protect, as Simon points out.

Actually, this criticism borders on the trivial. I believe that Professor Simon's analogues are immensely helpful in dealing with the topic he has picked for himself—the analysis of a new technology. I find his paper particularly helpful in identifying the locus of storage of technology in artifacts and in programs, and in describing technology in terms of hardware and software (a more effective analytical

concept than the traditional economic dichotomy of labor-saving and labor-using machinery).

Simon sees three important issues in the analysis of computers as a new form of technology. The first is the matter of investment in new computer programs, the second, the rate of diffusion of technology, and the last is the general problem of retrieval of information. He is pessimistic only on the first point. He fears potential underinvestment in programs because of the cheapness of copying.

I find it difficult to assess the gravity of this issue. When I try to think of empirical evidence I retreat to what I hope are valid analogues. Copying is cheap and frequent in such things as the women's fashion industry, the popular music industry, and the comedy (joke) industry.

Is there underinvestment in these industries?

Furthermore, if, as he says, computer programs are becoming more general all the time, that would seem to indicate that somehow or another a *de facto* patent of sufficient life is being provided to act as an invention incentive. In any event, I am not as apprehensive as he on the issue of underinvestment.

On the retrieval issue, Simon sees computer technology making retrieval a much more explicit organizational process in the future. He thus gets directly at the problem that is Professor Wilensky's main concern in his paper. Wilensky's thesis is that organizations, because they exist, create formidable problems of retrieval of information (intelligence). Computer technology promises to deal directly with this problem, both by altering the form of the organization, and by making highly visible the location of information.

Professor Simon has little to say directly about management organization in his paper. He gives a few hints here and there about the importance of the subject when he talks about the diffusion of technology and retrieval of information.

Perrow and Myers do spend time on the subject of management organization, Perrow in theoretical terms, and Myers in empirical terms. As I have already mentioned, Professor Wilensky sees organization (or at least the human part of it) as a problem—a barrier—basically because it is hierarchical, centralized, and specialized.

Professor Myers gives major attention to computer effects on authority and control structures (the decentralization issue). He makes a good point concerning the difficulties of defining and measur-

ing centralization, but, unfortunately, doesn't give us his own definition despite the fact that he asserts the neutrality of the technology, on empirical grounds. His contention that the technology is neutral would, I'm sure, be challenged by Perrow on theoretical grounds (no technology is ever likely to be neutral). Professor Myers is well aware that I challenge his contention about neutrality on empirical grounds. To me, the evidence available at this time overwhelmingly shows that computer technology has a centralizing effect.

A subject that Professor Myers did not treat is the effect of computer technology on the overall level of control in an organization, versus its distribution (degree of centralization). I'm sure that the effect of the technology is to raise the level of control substantially. For those interested in motivational effects, here is a subject worthy of investigation.

In his paper Professor Myers uses the *traditional concept of organization as a social structure*—a collection of people. So, incidentally, do Professors Wilensky and Perrow.

We note that Simon, on the other hand, seeing technology embedded in both human and non-human elements of the organization, reaches at least one conclusion that appears to be at odds with Professor Myers. Myers refers to "operations and logistics functions" as containing much that is repetitive, structured, and even routine. He says, "they are appropriate tasks for computerization." Simon argues that "the comparative advantage of automation will tend to be particularly great in situations where frequent and rapid program change is called for and will tend to be relatively less in areas where only a few copies of a program can be used."

I see these as conflicting positions. However, the issue lends itself to empirical resolution.

In summary:

1. I believe these papers to point up the fact that, from now on, useful analyses of technological impact will have to be made in the context of regarding the whole organization (including management) as a potential man-machine system. Analysis and empirical study will have to be directed toward the comparative advantage of man and machine in technological terms in performing the array of tasks that make up the work of the organization.

2. I see Professor Simon's continuing effort to understand the nature of computer technology in social and economic terms as funda-

mental. He poses issues and advances propositions in his present paper that have important implications for the character of organizations of the future as well as for the economy as a whole.

An important contingency, and one in which he is unwontedly quiet in this paper, is how soon, and the degree to which automated programs can be expected to contain adaptive, learning characteristics.

3. Professor Perrow's argument that technology is a significant determinant of structure is, in my judgment, an important one. I think he underemphasizes the fact that it is just one of the major determinants. But, on the other hand, there has probably been analytical underinvestment in this variable, historically.

4. Finally, the efforts of Professor Myers and others to keep empirical tabs on the people-effects of technology is a difficult but necessary job. From his vantage point as an old personnel and industrial relations "skate," Myers raises an issue missing in the other papers—*how do you get there from here?* Given a prior- and a post-organization structure, given a mixed bag of human and automated programs, how do we shift from the old optimum to the new?

Where is located the technology of change, where is that program in the organization that makes it capable of changing itself? My own study of computers in organizations leads me to suspect that we have in this area either a case of distressing organizational underinvestment or, in Perrow's words, an unanalyzable problem.

V

**MANPOWER IMBALANCES AS FULL
EMPLOYMENT IS APPROACHED**

George P. Shultz, Chairman

AN ACTIVE EMPLOYER MANPOWER POLICY

E. ROBERT LIVERNASH
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Employers, under the stimulus of collective bargaining and directly, have been increasingly active and creative in the development of manpower policies during the last decade. First, *displacement policies* have been expanded in breadth and coverage. The twin objectives have been to reduce actual displacement and to minimize displacement hardship. Dynamic changes in product markets, relatively rapid technological change, and relatively high unemployment created an economic environment inviting the enhancement of employee security. Second, under the stimulus of the civil rights movement and the more recent tighter labor market, *employment policies* have been considerably modified. Finally, some employers have given significant emphasis to employee *development and training policies*.¹

Prior to a discussion of specific policies, an introductory emphasis on the social utility of a tight labor market seems appropriate.

The necessity to hire and to train less experienced and qualified individuals has great social utility. As Arthur M. Ross has stated in a paper presented at the second Princeton Manpower Symposium, while noting the increased costs of coping with labor shortages: "On the other hand, there are enormous benefits. The most important of these are greater employment opportunity, and greater hope for the disadvantaged and dispossessed."² A tight labor market is a virtual necessity to provide effective assistance to displaced and disadvantaged employees. While these are familiar facts, and even though they are subject to important qualification noted subsequently in the paper, discussion of the tight market environment tends, as an opinion, to give undue emphasis to inflationary pressures relative to social benefits.

In addition, note should be taken that a tight labor market tends

¹ It is a pleasure to acknowledge the help of David A. Peach, Research Assistant, Graduate School of Business Administration, Harvard University, in the preparation of this paper.

² Arthur M. Ross, "Theory and Measurement of Labor Shortages," in *Critical Issues in Employment Policy*, A Report of the Princeton Manpower Symposium, May 12-13, 1966, Frederick H. Harbison and Joseph D. Mooney, eds., Princeton University, 1966, p. 33.

to revise the rules of the game for employers. Employers are stimulated to avoid displacement and to recruit, to select, and to train more efficiently. In a loose market rather passive adjustment and inactivity probably minimizes employer costs. Maintaining a tight market over a period of years should result in cumulative effects from innovations and improvements in private manpower policies. There is evidence today of improved efficiency in training and generally increased attention to manpower planning.

I

DISPLACEMENT POLICIES

The more significant displacement policies appear to be the following:

1. *Supplemental Unemployment Benefits.* While SUB has never spread much beyond its early incidence, and covers only about 25 percent of the workers under major contracts,³ its liberalized protection has been particularly important in the major cyclical industries.

2. *Severance Pay.* In contrast to SUB, severance pay has spread rapidly since about 1960 and in 1963 covered 40 percent of the workers under major agreements.⁴ A 1964 National Industrial Conference Board study of personnel practices in 427 manufacturing companies indicated a comparable degree of coverage.⁵ Continued expansion and liberalization appear to be reasonable expectations.

3. *Special Early Retirement.* While one may debate the social and economic wisdom of broad plans for early retirement, there can be little doubt as to its appropriateness when plants are closed, when technological change brings major displacement, and in other special situations.

4. *Job Placement and Retraining Assistance.* An increasing number of companies appear to have been providing placement assistance in instances of major technological change and plant closings. Retraining of displaced employees without government subsidy, on the other hand, seems to be quite unusual. The experi-

³Dorothy R. Kittner, "Supplemental Unemployment Benefit Plans in Major Agreements," *Monthly Labor Review*, Volume 88 (January 1965), p. 19.

⁴Leon E. Lunden and Ernestine M. Moore, "Severance Pay and Layoff Benefit Plans," *Monthly Labor Review*, Vol. 88 (January 1965), p. 27.

⁵National Industrial Conference Board, *Personnel Practices in Factory and Office: Manufacturing*, Personnel Policy Study No. 194 (New York: NICB, 1964), p. 111.

ence of the Armour Automation Fund has provided considerable insight into this range of problems.⁶

5. *Advance Notice and Planned Displacement.* Substantial advance notice in the event of widespread displacement, an important policy in and of itself, has been associated, so far as is known, only with well planned displacement programs. Long advance notice greatly reduces the shock effect of displacement upon employees. It seems not to have produced the negative effects upon morale and production which might be expected. Meaningful assistance to displaced employees requires this opportunity for forward planning.

6. *Attrition Pledges and Policies.* About one-fifth of the companies in the Beaumont-Helfgott sample gave guarantees against layoff in adjusting to major technological change.⁷ Many companies appear to follow an informal attrition adjustment policy. Such a policy requires advance planning coupled with various hiring, scheduling, transfer, retraining, and retirement policies for effective implementation.

7. *Intraplant Transfer.* Beaumont and Helfgott found a consistent change in the employment pattern in adjustment to major technological change. Maintenance employment increased relative to production worker employment. White collar employment increased relative to blue collar. Finally, there was a continual elimination of unskilled jobs.⁸ These types of employment changes suggest that a policy to minimize layoffs in response to major technological change may require special intraplant transfer and retraining programs. Existing seniority systems may require supplementation or modification. These types of policy changes are decidedly on the frontier of change. Transfer of employees between widely separated social and skill groups represents an important innovation in policy and practice. One company posts training opportunities of this character as distinct from job vacancies to allow social adjustment to the new job environment, and return to the former job if desired, as well as technical training.

8. *Interplant Transfer.* The development of seniority provisions

⁶ George P. Shultz and Arnold R. Weber, *Strategies for the Displaced Worker* (New York: Harper and Row, 1966), especially pp. 188-202.

⁷ Richard A. Beaumont and Roy B. Helfgott, *Management, Automation, and People* (New York: Industrial Relations Counselors, 1964), p. 53. Beaumont and Helfgott explored in depth adjustments to major technological change in 46 establishments in 36 companies.

⁸ *Ibid.*, p. 34.

in multiplant companies to allow and encourage interplant transfer has been an important feature of several recent major negotiations. These changes appear more significant than the more usual *ad hoc* interplant transfer agreements. The Armour experience both in integrating seniority among plants and in the use of transfer as one option in a set of displacement policies requires special mention.⁹ Special mention should also be made of the extensive revisions and innovations in the seniority systems in basic steel contracts.

The above eight policies indicate great progress in increasing the breadth and depth of displacement policies. These policies may be divided into two categories: (1) separation policies, and (2) retention policies. Separation policies give financial aid to displaced employees and provide assistance in obtaining new employment. Discussion tends to focus upon the liberalization of financial protections. Retention policies encompass various transfer and internal training programs. There appears to have been an important unplanned consequence in the evolution of these two sets of policies. This unplanned consequence is that separation costs seem definitely to have grown relative to retention costs. The increase in separation costs in turn stimulates the further development of retention policies. The retention impact of liberal separation pay may well be one of its most significant consequences.

The influence of separation costs upon retention policy may be cited in connection with the extensive retention program developed by one company in closing four older plants and consolidating these operations in one new plant. Job offers were made to all present employees, visits to the new plant area were financed, moving and relocation expenses were paid, extensive new training programs were established, and various other efforts were made to encourage employees to move. Assistance was also given to employees not transferring to the new plant. It would be improper to attribute this policy simply to the high cost of separating employees. However, one parameter in the development of the policy framework was a willingness to spend at least as much to retain an employee as it would cost to separate him.

A few comments will conclude the discussion of displacement policies. First, some problems connected with separation pay should be mentioned. The existence of such pay may deter employees from

⁹ Shultz and Weber, *op. cit.*, Chapter 3, pp. 53-74.

accepting transfer. While this problem may be minimized by not presenting the employee with an immediate either-or-choice, but rather allowing a trial period without loss of rights to separation pay, the employee may, nevertheless, be tempted unwisely to take the pay. Separation pay may also inhibit employee search for new employment and may encourage overly optimistic standards in judging job offers. These considerations may in turn discourage employer placement assistance.¹⁰

Second, problems encountered with transfer and separation pay can easily be exaggerated,¹¹ and are not, as an opinion, legitimate arguments against separation pay. It may be possible, however, to discover useful modifications in approach. One company, for example, has at times used a terminal leave of absence plan which may have mutual advantages over separation pay under some circumstances. It is not inconceivable that a workable plan might be devised rewarding the early acceptance of a new job.

Finally, there may well be incidental advantages associated with employer placement assistance. To criticize government placement activities, and the efforts of the unemployed to find jobs, is very easy, as we all know. To discover, as appears to be the case, that employer efforts are equally unsuccessful in an unfavorable employment environment, and that these efforts also demonstrate the existence of hard-to-place groups of employees, may assist all parties in the creation of co-operative efforts to facilitate re-employment.

II

EMPLOYMENT POLICIES

Under labor market and civil rights pressures employment policies have become more active and less routine. The following developments are noteworthy: (1) intensified and more creative recruitment, (2) relaxed and less stereotyped selection standards, (3) adaptations in job design and job structure, (4) the creation and strengthening of merit policies, and, finally, (5) a spreading interest in more comprehensive manpower planning.

Intensification of recruitment, relaxation in hiring standards, modifications in job content and job structure and expansion of

¹⁰ For a discussion of transfer and placement problems see Beaumont and Helfgott, *op. cit.*, pp. 63-88.

¹¹ Shultz and Weber, *op. cit.* p. 194.

training activity are related and normal responses to a tight labor market. Intensified recruitment for experienced male employees in the prime working ages shades over into relaxed hiring standards as it becomes necessary to select less experienced and inexperienced older and younger employees. Planned and unplanned revisions in job content and job structure are made to accommodate hiring realities. Substitution of female for male labor has been of significance. All of these changes necessitate increased training.

One dimension of intensified recruitment, reported in many specific instances, is extended geographic search and special efforts in labor surplus areas. Hiring school dropouts in pairs under a rotation plan for continued education and employment is a growing practice. Other attractive forms of work and study and employment and training have been reported. Special recruiting procedures for Negroes are quite widespread. Particular recruitment and training programs have been developed for prisoners, the handicapped, and for mentally retarded individuals.

To some extent plant location may have been influenced by labor supply considerations. Newspaper accounts indicate plant locations in labor surplus areas though obviously a number of variables are involved. It is likewise difficult to judge the impact of labor scarcities upon technological change. For example, a *Wall Street Journal* article¹² notes that various business firms see scarce skills as tipping the scales in favor of more advanced automated equipment. On the other hand, Doeringer and Piore found no meaningful evidence that technological change responded to particular labor shortages. Companies did not even bring into their substitution calculations the type of labor involved.¹³

What is not subject to debate is modification in job content and job structure to adjust to labor market scarcities. Companies add less skilled jobs to the structure. They divide and specialize jobs to utilize less skilled employees. Probably the most significant adjustments are informal. With no change in job descriptions the job assignments of new employees are adapted to their degree of experience and to appropriate training sequences. Skills are created by this process.

¹² "Firms Raise Spending for Plants, Machinery to Fight Skill Shortages," *Wall Street Journal*, December 31, 1965.

¹³ Peter B. Doeringer and Michael J. Piore, *Internal Labor Markets, Technological Change, and Labor Force Adjustment* (Cambridge, Mass., mimeograph, 1966), p. 71 ff.

This paper can not consider in any depth the policies, practices, and problems in implementing a no-discrimination resolve. Merit policies, however, have made enormous progress. This fact is made clear by the results of a National Industrial Conference Board Study, the most extensive research project ever undertaken by the Conference Board, on Company Experience with Negro Employment.¹⁴ The results are encouraging though qualified. By past standards, progress is substantial. By the dimension of the problem, the picture is discouraging. A recent BLS study on "Poverty Areas of Our Major Cities"¹⁵ reports 1932 depression conditions in these areas. However, a helpful sign, which deserves special mention, is growing union-management cooperation in eliminating discrimination. Real progress has resulted from genuine informal cooperation.

It is also not possible to discuss at appropriate length the important topic of manpower planning.¹⁶ Most companies do some planning, but relatively few do what might be termed comprehensive planning.¹⁷ How fruitful such work can be made is also not clear. Planning must encompass both short and long range goals. Both short and longer term goals to be useful must result in action programs. Five and ten year goals and action plans deal primarily with developing the appropriate quantity and quality of particular skills. How reliable and detailed such forecasts and plans can be made remains an open question.

Short-range goals, within the framework of an annual plan, are at the center of the administration of employment and displacement policies. Manpower and production planning require integration. Needs can be met by variation in hours or employment. Timing of production can assist in employment stabilization. Employment stabilization in a tight labor market can minimize the element of negative selection companies experience in the layoff and rehiring cycle. Skilled manpower can be preserved. One can predict that the future will see substantial effort devoted to the development of more comprehensive manpower planning.

¹⁴ National Industrial Conference Board, *Studies in Personnel Policy* No. 201, New York, 1966.

¹⁵ James R. Wetzel and Susan S. Holland, *Monthly Labor Review*, Volume 89 (October 1966), p. 1105.

¹⁶ For general economy-wide perspective see Richard A. Lester, *Manpower Planning in a Free Society*. (Princeton: Princeton University Press, 1966.)

¹⁷ "How to Forecast Your Manpower Needs," *Nation's Business*, February 1964, p. 102.

Just as with displacement policies so, too, one can point to significant social benefits from changed employment policies as stimulated by a tight labor market. There is likewise social merit with respect to changed training and development policies. But in this encouraging picture there remains a major problem, the so-called unemployable individual. Frank H. Cassell explored this question most ably in his paper on "Jobs for the Hard-to-Employ in Private Enterprise" presented at the 1966 Princeton Manpower Symposium.¹⁸ He places emphasis on this problem in his present paper.

The issue may be put in terms of what reasonably can be expected from the private employer in the reduction of selection standards. Cassell points to progressive companies that *are* hiring and training the unemployable; he points to cooperative industry-government counseling and training programs that *are* working; he argues for creating "job developers" in industry. Cassell also points out that attention must be concentrated first on making these people employable to avoid the revolving door problem.

There is no question that meaningful work is being done with hard-to-employ individuals. On the other hand, many a progressive company stops short of the point Cassell is talking about in lowering its selection standards. It is one thing to hire an individual, let's say without a high school diploma, when his record indicates with considerable clarity that all that is required is some extra training. In contrast it is quite different to hire an individual whose life record to date is one of instability and general lack of achievement. At 4-percent unemployment we may be sharpening the cleavage between the employable and the unemployable. There are many pressures on the employer to hire from a life career point of view. He is willing to make added training investments, but the gamble in taking employees with marginal promotion potential is not being risked by more than a small minority of companies, and this is the problem. Hopefully, the particular barriers to employment can be isolated and minimized by government subsidized cooperative programs. Reality requires, however, that the major dimension of this problem be recognized.

¹⁸ Harbison and Mooney, *op. cit.*, p. 77.

III

DEVELOPMENT AND TRAINING POLICIES

There have been very significant changes in development and training policies and practices, but they do not require extended discussion. Attention will be given, first, to modifications in training practices, and, secondly, to the broad area of employee development, career counseling and the motivation of individuals.

On-the-job training has been carried on over the years in a quite haphazard fashion. New employees were placed on jobs under the loose tutelage of experienced workers to pick up the skills required. In recent years, however, there appears definitely to have been a more analytic approach to training. Job performance and skill requirements have been studied and converted into more efficient training programs. Detailed training procedures, job by job and step by step, can now be found in many companies. Companies appear as a consequence to have made substantial cuts in the time required for training. In addition, training is better balanced as between the classroom and the job and between orientation and job instruction.¹⁹ There appears to have been a considerable increase in the efficiency with which training has been performed.

Executive development, career counseling, and the motivation of people at work have created a new frontier in personnel policy. The behavioral scientists have been at work not only in the universities, but, as we know, they now have their staff departments in some of the larger companies. While there are decided theoretical differences among individual scholars, and some differences in action programs resulting from these different theoretical views, at the risk of over-simplification, a common guiding principle of integrating the needs of the individual with the goals of the organization seems to have evolved. Various policies and programs, such as, management by objectives, job enlargement, job enrichment, work planning and review, feedback of results, and so forth are emerging to implement these theoretical ideas. As a matter of fact creativity in implementation may be lagging in this process.

Most work of the above type has been carried out at the executive and administrative level, but the ideas and applications are

¹⁹ See the most interesting article by Earl R. Gomersall and M. Scott Myers, "Breakthrough in On-the-Job Training," *Harvard Business Review*, Volume 44, No. 4 (July-August 1966), p. 62.

working down within organizations. In one nonunion company, for example, there is plant-wide posting of job vacancies. Promotions are made by giving great weight to the qualifications and abilities of individuals. Counseling is available to each employee and employees are encouraged to plan their future job careers. Extensive training programs are available to employees to assist them to take advantage of future opportunities. In this growth company employees have responded widely to these individual development opportunities. Similar programs exist in a significant group of companies.

There is no simple blueprint for the effective integration of the needs of the individual with the goals of the organization. And added experience is required to see just how constructive these development policies and practices will be. They are beginning to differentiate the union from the progressive nonunion company in fairly marked degree. They raise questions as to the adequacy of personnel policies with respect to unionized employees. At the moment one can only say that employee development and motivation policies are recasting the major emphasis of personnel activity in creative and promising directions.

IV

SUMMARY AND CONCLUSIONS

The manpower area has been divided into (1) displacement, (2) employment, and (3) development and training policies. Displacement policies, in turn, have been classified into separation and retention categories. Displacement policies have evolved significantly over the past decade with increased separation costs encouraging broader retention policies.

The most interesting conclusion with respect to employment policies, apart from the obvious social significance of no-discrimination policies, is the important stimulation which a tight labor market has given to increased efficiency in employment and training activities. Manpower planning takes on new significance as companies strive for improved efficiency in the administration of all phases of manpower policies.

While training is required to bring new employees to adequate performance levels, more broadly, it provides the gamut of skills needed by the company. It also fulfills the promotion and develop-

ment opportunities desired by individual employees. Routine training merges into career counseling and other activities implementing motivational theories. The significant influence of the behavioral sciences in stimulating development policies receives reinforcement from the pressures for expansion in a tight labor market.

Responding to both union and employer objectives, private manpower policies, under the earlier higher and more recent lower unemployment levels, have demonstrated considerable congruence between private and social objectives. There remains, however, the major problem of removing employment barriers for large numbers of disadvantaged individuals. It may even be true that progress to date has widened the cleavage between the advantaged and disadvantaged in our society.

THE SHORT-RUN ELASTICITY OF LABOR SUPPLY

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SHORT-TERM LABOR FORCE RESPONSES TO DEMAND CHANGES

The tightening of labor markets during recent years represents an addition to historical experience of great interest to the labor market analyst. I am addressing myself to the lessons this experience provides on the specific subject of labor supply adjustments to the intensification of manpower demands.

For a proper understanding of the nature and of the dimensions of short-run labor force adjustments, it is useful to segregate conceptually those labor force changes which may be called *autonomous* from changes which are *induced* by changing pressures and incentives. From a short-run perspective the autonomous labor force changes are consequences of population growth in the various age groups, and of long-run factors which result in trends of growing or declining degrees of attachment to the labor force. These long-run developments are reflected in diverse trends of labor force participation rates in the various population groups. Thus labor force rates of women have been growing secularly, while rates of older men and of male school-age youth have been declining.

The induced changes in the labor force result from changing pressures of demands for manpower originating in the civilian or military sector of the economy. But they also arise as responses to all kinds of changing incentives other than direct market demands: Changes in retirement and social security provisions, unemployment insurance benefits, tax laws, costs and attractiveness of schooling, minimum wage laws, all can and do affect the supply of labor in some degree, even in the short run.

This view of the labor force as responding to short-run pressures and incentives has gained recognition only in the past few years.¹ Until recently, many students of the labor force believed that short-run labor force changes are autonomous, that is affected by long term

¹For a survey of the recent literature on the subject, see the author's "Labor Force Participation and Unemployment," in *Prosperity and Unemployment*, Gordon and Gordon, ed., Wiley, 1966.

trends only, with some small random variation superimposed. The only admitted exceptions were seasonal and such upheavals as World Wars or the Great Depression. Other students of the labor force who believed that the labor force *does* respond to short-run market stimuli did not agree, however, on the *direction* of responses. The controversy between proponents of "additional" and "discouraged" worker theories continued, even after it was realized that these embodiments of short-run income and substitution effects on the supply of labor coexist in life as they do in standard economic theory. Until the mid-fifties empirical research on the question which effect dominates yielded no clear answer. Consequently, an apparent autonomy was ascribed to the labor force in the short-run, based on a supposed rough cancellation of the negative and positive responses.

More recent research, based on a longer and more adequate statistical record, has concluded that the net short-run labor force elasticity with respect to demand changes is positive. Moreover, a growing responsiveness of the labor force is suggested by secular forces which both loosened the average labor force attachment in growing segments of the labor force (women, students, and older people), and weakened the short-run income ("added worker") effects.² This may be another reason why the positive elasticity is more easily observable now than in the past.

Proceeding to the most recent additions to our historic sample, Table 1 presents year-to-year changes in the labor force during the past 4 years of economic expansion. Col. 1 shows the actual changes by sex and age, col. 2 shows the autonomous changes. Figures in col. 2 are estimated effects of population growth and of long-term trends in participation rates. They are calculated as follows: Labor force rates of year (t-1) are applied, after correction for trend,³ to the population of period (t). This yields the autonomous components of the labor force in (t). The autonomous changes are then obtained by subtracting the actual labor force in (t-1) from the "autonomous" labor force in (t). Col. 3 is the difference between the actual and autonomous changes, representing estimates of *induced* labor force changes.

According to Table 1, the induced additions to the labor force were

² Mincer, *ibid.*, pp. 105-106.

³ The correction for trends is a source of arbitrariness. Different trend estimates affect the estimates of relative sizes of induced and autonomous components. They do not, however affect the "cyclical" patterns of the induced components. The procedure employed was to average the changes in rates between 1955 and 1964-65, periods of similar cyclical position.

TABLE 1
Labor Force Changes, 1962-1966 (Annual Change, Thousands)

	1962-63 ^a			1963-64 ^a			1964-65 ^b			1965-66 ^b		
	Actual (1)	Autonomous (2)	Induced (3)	Act. (1)	Aut. (2)	Ind. (3)	Act. (1)	Aut. (2)	Ind. (3)	Act. (1)	Aut. (2)	Ind. (3)
Males												
14-19	+110	+ 70	+ 40	+160	+ 90	+ 70	+420	+120	+300	+ 50	+100	- 50
20-24	+200	+250	- 50	+230	+200	+ 30	+160	+210	- 50	+250	+220	+ 30
25-54	+ 80	+ 70	+ 10	+ 90	+ 90	0	+ 30	+ 70	- 40	+180	+110	+ 70
55-64	+110	+100	+ 10	+ 70	+ 90	- 20	- 70	+ 70	-140	+110	+ 60	+ 50
65+	-100	- 90	- 10	- 10	- 80	+ 70	+ 30	- 80	+110	- 40	- 70	+ 30
All Males	+400	+400	0	+540	+390	+150	+570	+390	+180	+550	+420	+130
Females												
14-19	+ 30	+ 70	- 40	+ 90	+ 70	+ 20	+370	+110	+260	+210	+ 90	+120
20-24	+160	+170	- 10	+250	+150	+100	+130	+140	- 10	+240	+160	+ 80
25-44	+200	+100	+100	+ 20	+ 70	- 50	+360	+ 30	+330	+420	+ 70	+350
45-64	+250	+320	- 70	+290	+320	- 30	+170	+310	-140	+390	+340	+ 50
65+	0	0	0	+ 60	+ 20	+ 40	+ 10	+ 10	0	- 10	+ 10	- 20
All Females	+640	+660	- 20	+710	+630	+ 80	+1,040	+600	+440	+1,250	+670	+580
Total	+1,040	+1,060	- 20	+1,250	+1,020	+230	+1,610	+990	+620	+1,800	+1,090	+710

^a Change in annual figures, *Manpower Report of the President*, March, 1966.

^b Change October to October, *Employment and Earnings*, BLS, Nov. 1965 and Nov. 1966.

TABLE 2
 Induced Labor Force Changes and Indexes of Economic Change (Annual Change, Thousands)

Year	Induced Labor Force Changes			Total Civilian Employment (4)	Nonagricultural Employment (5) (6)		Manufacturing Employment (7)	Unemployment Rate (Males) (8)	Percent Change in Gross Hourly Earnings (current \$) (9)	Percent Change in GNP (current \$) (10)
	Males (1)	Females (2)	Total (3)							
1962-63	0	- 20	- 20	+1,100	+1,200	+1,130	+ 150	5.3 to 5.3	3.0	5.2
1963-64	+150	+ 80	+230	+1,550	+1,730	+1,540	+ 300	5.4 to 4.7	3.6	6.7
Oct. 1964-65	+180	+440	+620	+2,070	+2,250	+2,670	+1,060	4.4 to 3.8	4.3	8.3
Oct. 1965-66	+130	+580	+710	+1,530	+2,200	+2,930	+1,030	3.8 to 3.2	4.2	8.5

Col. (1)—(3), from Table 1.

Col (4)—(9), BLS, *Employment and Earnings*.

Col. (5), Household data.

Col. (6), Establishment data.

Col. (9), Production workers in manufacturing.

Col. (10), *Survey of Current Business*.

negligible in the 62-63 change, over 200,000 from 63 to 64, and over 600,000 in each of the last two years. During these last two years the induced changes constituted roughly a third of total labor force growth. Predictions on the basis of complete inelasticity of the labor force would have produced a sizable underestimate of labor force growth.

The larger expansion of the labor force during the past two years compared to the 1962-64 period is clearly associated with stronger increases in demand. The positive association of induced labor force changes with movements in demand is visible in Table 2.⁴

The positive association in the most recent observations fits in rather closely with econometric equations which have been derived from the longer record since 1947.⁵

The econometric approach, which I critically evaluated elsewhere,⁶ has thus far consisted, with some modifications, of equations which relate labor force rates of the working age population groups to ratios of employment to population, net of trends. These statistical relations provide coefficient estimates of how much labor force rates change per unit change in the employment—population ratios. Though the coefficient estimates vary in size, all recent econometric analyses agree that there is a net positive sensitivity of the labor force to employment conditions in most age-sex groups of the population, with the exception of the almost completely inelastic labor force group of adult males in the 25-60 age group. There is further agreement about the greater sensitivity of females compared to males, and of extreme age groups compared to middle age groups. In short, net labor force sensitivity to demand fluctuations is positive, and is inversely related to the degree of labor force attachment of individuals and groups.

The employment—labor force equations have been useful in ascertaining the pro-cyclical conformity of induced labor force changes, and even in predicting their orders of magnitude. However, the use of such equations can be misleading. This is because the equations do not identify a supply curve. Shifts in supply caused by factors other than demand in labor markets *result* in corresponding movements in

⁴ The "demand" indexes in Table 2 do not measure demand shifts alone. Their magnitudes are affected by demand and by supply forces. The interpretation must rely on the notion that the short-run changes in the economy were dominated by demand shifts.

⁵ This finding is confirmed in an econometric analysis by L. Thurow and L. Taylor, "Actual and Potential Rates of Growth," published in the November, 1966 issue of the *Review of Economics and Statistics*, p. 352, especially note 7.

⁶ Mincer, *op. cit.*

employment. Yet the ensuing positive correlation between employment and labor force changes continues to be interpreted as a positive supply response. In a cyclical context and at the aggregate level this "simultaneous-equations-bias" does not seriously affect the substantive findings previously described.⁷ In more intensive and disaggregated analyses the approach clearly obstructs insights into the working of forces generated from the supply side.

Research on the proper specification of labor supply functions is only in its beginnings. In this paper I shall proceed with a more informal analysis of the recently experienced scope and nature of labor supply responses to general and special pressures and incentives impinging on the labor force.

RECENT INFLUENCES ON THE SUPPLY OF LABOR

An important aspect of the economic expansion in its recent phase has been the growth of demand originating from the military sector. This was reflected in labor markets by a growth in derived demand for labor in industries which produce military supplies such as in manufacturing, and by direct transfers (draft) of manpower from the civilian to the military sector. These effects became pronounced in the past two years. However the increases in military manpower which were small during 1965 reached the magnitude of 500,000 men during 1966. As seen in Table 1, this is just about the amount by which the *total* male labor force expanded during the year. Consequently, the growth in the *civilian* male labor force was reduced to zero, from a figure of half a million during the preceding year. The growth of total civilian employment was reduced by the same amount from +2 million in 1965 to +1.5 million in 1966.

The aggregate demand expansion had a different time profile during 1966 than during 1965: it was decelerating rather than accelerating. Nonetheless, the average pace during the year was about as strong in the preceding year, as measured by the rate of change in GNP or in the other indexes in Table 2. The remarkable fact about labor mobility during the past year is that employment expanded in the sectors of continued demand pressure at the same rate as a year before, despite the withdrawal of half-a-million men to the military. From October 65 to October 66 nonagricultural and manufacturing employment increased by 2.2 and 1.0 million workers respectively,

⁷ This conclusion is based on research currently under way at NBER.

just as in the preceding year. The manpower deficit was made up by a large movement of labor from agriculture. During this one year agricultural employment declined by 650,000, an absolute decline, on a shrinking base, exceeding any annual decline since World War II, and larger than the total decline during the preceding 3 years.

In contrast to the usual inter-industry labor mobility in the course of normal economic change, manpower transferred from the civilian to the military sector is drawn quickly and directly from a specific population group. The effect is an intensification of the pressure of civilian labor demands on the remaining population groups. Most of the military expansion was furnished by young males aged 18–26. Given the very small labor force elasticity of adult males, the big compositional labor force effect was a larger than expected increase in female labor force participation. As Table 1 indicates, the induced component of the female labor force expansion was significantly larger in 1966 than in 1965.

These compositional shifts in labor force growth were also reflected in the composition of employment growth: In 1966 the growth of nonagricultural employment consisted of 7 million men and 1.5 million women, compared to 1.0 and 1.2 million respectively in 1965. In manufacturing, where the proportion of female employees remained stationary and relatively low since 1950, almost half of employment growth during the past year consisted of women, compared to less than a quarter during the preceding year and each of the years since 1950, with the exception of the Korean War period. Moreover, the relative growth of female employment during the past year was greater in those manufacturing industries where total employment growth was the strongest: in durables compared to nondurables, and within the durable goods sector.⁸

Despite the almost complete absence of growth in the male civilian labor force, total male civilian employment grew by about 300,000 (compared to 850,000 a year before). This small increase was achieved by the 250,000 decrease in unemployment. Thus the increase in male nonagricultural employment (700,000) was due, in larger part, to the movement from agriculture.

The fact that the increase in military manpower demands reduced the growth of the civilian male labor force is not surprising. What is noteworthy is that the induced component of the male labor force

⁸ Data from BLS, *Employment and Earnings*, November 1966.

growth has been quite small during the past two years, and has decreased rather than increased from 1965 to 1966, despite increased manpower demands on the male population. The explanation lies, in large part, in the recent growth of school enrollment of the young male population. In October, 1965 the proportion of males, age 18-19 enrolled in school, jumped from the level of 51% during the preceding 3 years to 55.6%. Males aged 20-24 increased their enrollment rate by 3.8 per cent points. Simultaneously, labor force rates declined over the year (Oct. 64-Oct. 65) by 4.9 and 1.1 per cent points in the two groups. These increases in enrollment and consequent declines in labor force participation were much in excess of longer-run trends.⁹

To what extent the large changes in school enrollment and consequent declines in young male labor force participation have been induced by military manpower policies is not easily ascertainable. One method of statistical control is achieved by relating changes (in enrollment and in labor force) in the male groups to changes in the same age group of females. In both age groups, scatter diagrams relating changes in school enrollment rates of males to those of females throughout the years since 1947 show male increases in 1952 and in 1965 to be substantially above the average positive regression line.¹⁰

As to labor force responses, the picture is quite clear: The draft and the increased school enrollment of actual or potential male co-workers apparently resulted in *increased* labor force participation of young females. Indeed, the recent strong increases in the growth of the younger female labor force constitutes a reversal of previous trends, when the strongest labor force upsurge came from older women. Other factors, such as the recent fertility decline, may have played a part in these labor force developments. However, in this matter, cause and effect are likely to run in both directions.

Taken together, recent school enrollment trends and the draft to which they may have responded, represent a squeeze on that segment of the civilian labor supply which was supposed to "inundate" the labor markets during this decade.

I am referring to the rapid growth of the teenage population during

⁹ Comparable data for the current term were not yet available to me. However, data on enrollment ratios for the 16-21 age group of both sexes combined show further strong increases in October, 1966. (BLS, *Employment and Earnings*, November, 1966, Table A-9.)

¹⁰ The other, substantially above average points are in 1954, 58, and 62, years of slack in the labor market, suggesting effects of reduced opportunity costs of schooling.

recent years, a consequence of the now faded postwar "baby boom." However, even before the most recent developments, the influx of teenagers into the labor market has not been as formidable as popular impressions or even statistical counts suggest. This is because school enrollment trends have been so strong during the past decade that the non-enrolled population of teenagers has remained stationary, or even declined. *All* of the increases in the "influx" of teenagers into labor markets and much of the increases in the 20-24 age group of male job seekers and workers are students engaged in, or looking for part-time or seasonal work.¹¹

Turning to the labor force of older males; (60+) : their participation rates continued to decline throughout the current upswing, but at a lesser rate during the past two years. Of particular interest are the developments in the 60-64 age group. The labor force rate in this group declined abruptly after 1961. Apparently, the extension of OASDI benefits to the 62-64 age group encouraged labor force withdrawals in this group which dominated over the stimulating effects of improving job opportunities. During the past year, however, the increased pressure of demands on the male labor force stopped and even reversed this decline. Evidently, the fringes of the labor force are crowded not only with the ever popular "discouraged workers," but also with "encouraged workers" and even "encouraged non-workers."¹²

FORMS OF LABOR SUPPLY ADJUSTMENTS

The expansion of the labor force is one source of manpower expansion induced by increasing demand. Alternative sources of expansion of labor input are: absorption of the unemployed, interindustry and geographic labor mobility towards centers of growing demand, movements of capital toward pools of labor, increases in hours of work, accelerated job training of inexperienced workers, and job redesign. All these forms of supply adjustment occur at the same time, but the

¹¹ The widening of the Negro-White unemployment differential during the past summer may well be a side effect of the enormously increased seasonal influx of inexperienced students into the labor markets, temporarily intensifying competition for unskilled and service jobs. A scatter diagram relating seasonally adjusted unemployment rates of Nonwhites to those of Whites for the past decade shows a strong linear correlation, but rates during the summer months in 66 and less so in 65 were noticeably above the regression line. In both years, rates returned to their average relationship in October.

¹² Frank C. Pierson's linguistic inventiveness is gratefully acknowledged. Cf. Gordon and Gordon, *op. cit.*, p. 124.

relative importance of each varies across population groups, over the business cycle, and under various conditions. A full discussion of these processes is beyond the scope of the present paper. I shall note a few observations and generalizations from the recent experience:

During the past year, the conjunction of civilian and military demand pressures in tight labor markets resulted in an absolute and relative expansion of female employment, *all* of which is attributable to the expansion of the elastic female labor force. Because of this large labor force expansion, outflows from female unemployment were cancelled by frictional inflows, resulting in no net reduction in female unemployment.¹³ In contrast, increases in male nonagricultural employment were achieved partly by a reduction in unemployment and in greater part by the movement from agriculture.

The contrasting behavior of the two segments of the labor force results from the differential labor force elasticity in the two groups, a differential which was exaggerated by the pressure of military manpower demands. A survey of year-to-year changes since 1947 confirms the generalization: On the average, reductions in unemployment constitute a much smaller source of changes in female than in male labor supply. For both segments of the labor force reduction in unemployment are an important source of employment expansion in the initial phase of a business upswing, diminishing in importance as labor markets tighten and unemployment pools shrink. As the expansion continues, employment increases are fed relatively more by labor force additions, mainly of women and of the more loosely attached segments of the male labor force. Movements from agriculture and other industrial and geographic mobility continue throughout the expansion and accelerate when male labor markets are particularly tight, as was true this past year, and during the Korean War.

Looking at these processes from the supply side, the movement from unemployment to employment is least costly, inter-labor force mobility more so, and geographic mobility most costly. The successive unfolding of supply adjustments is consistent with the cumulation of upward shifts in demand at the centers of expansion during the business upswing.

A question of some importance at this point is: what are the limits to an induced labor force expansion? Is it not likely that labor force "elasticity" drastically diminishes as "manpower gaps" are eliminated

¹³ Of course, the average duration of unemployment was reduced.

and a "full employment labor force" is reached? Or, to put it another way: all the previously "discouraged" workers may have already been drawn into the labor force at this late stage of the expansion. But this is not an adequate view. The increased manpower coming from out of the labor force does not only consist of the balance of previously discouraged job seekers. Rather, in tight labor markets, the growing advantages encourage new entrants and re-entrants to move from non-market to market activities, and to stay in the labor market longer, even if not on a permanent basis. The easier the job search, the greater the improvement and accommodation in wages, working conditions, and job schedules, the more inclined the individuals in the large, amorphous "labor reserve" to move to the labor market.

The notion of a "full employment" ceiling for the labor force is certainly fuzzy. Labor force "elasticity" in terms of persons, need not drastically diminish at high and rising levels of aggregate demand: Witness the enormous increase in participation rates during the World War. Short of a war economy, however, one of the limiting factors which eventually inhibits the growth of labor *demand* is the growing pressure on labor costs generated in the process of absorbing increasing proportions of inexperienced and "marginal" workers.

The rise in labor costs can be temporarily reduced by the substitution of capital for labor. But this implies an unsustainable rate of investment, posing a threat of future recession. Thus, even in tight labor markets further increases in manpower and output can be induced, but only at the cost of greater current inflation or greater future unemployment.

Public policy aimed at improvement of the functioning of labor markets can mitigate both inflationary pressures and unemployment. The recent experience points to at least two areas for improvement: (1) Thought needs to be given to changes in military manpower policies so as to minimize some of the distortions in labor supply resulting from deferment policies and from uncertainties created by age priorities. (2) Changes in Social Security provisions could and should provide incentives for job retention or job resumption by older workers.

MANPOWER PROGRAM IMPLICATIONS OF SKILL IMBALANCES

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Today's accent on eliminating poverty and developing human resources reveals a vast concern by the American people for the poor and disadvantaged of all ages. But it also emphasizes candidly that if the cycle of inherited poverty and social alienation is to be broken, we must begin with our young people who are trapped in the poverty of slums and ghettos and economically declining rural areas and give them a chance to better their lives.

It is true that in a time of affluence and plentiful jobs, we have jobs going begging for want of qualified workers, and people not sharing in this affluence but being wasted and out of work for want of the education, skills and opportunities to do the jobs. As President Johnson pointed out in his 1966 Manpower Report, while shortages exist in some areas "There are pockets of chronic unemployment in many cities, in Appalachia, in the Mississippi Delta, and in other regions . . . There are teenagers who need jobs to stay in school or to help support their families . . . There are millions employed in occupations and skills that do not fully utilize their capabilities."¹

These imbalances of skills are at the core of many of our manpower programs.

Our congested metropolitan areas present a particular problem. This is not new. It is interesting to note that back in 1879, Henry George, in his "Progress and Poverty," wrote: "When the conditions to which material progress everywhere tends are most fully realized—that is to say, where population is densest, wealth greatest, and the machinery of production and exchange most highly developed—we find the deepest poverty, the sharpest struggle for existence, and the most of enforced idleness." The difference today is that now, nearly 90 years later, through manpower legislation and efforts of public spirited groups and individuals we are trying to do something about it.

¹ Manpower Report of the President, March 1966, p. XIII.

This "enforced idleness" looms very large in our big cities, much of it among the nonwhites. A March 1966 survey of poverty areas in our major cities showed a 31 percent unemployment rate for nonwhite teenage boys, most of whom are Negroes. Nonwhite teenage girls in poverty areas had a 46 percent unemployment rate. White male youth 14 to 19 years of age in these areas had jobless rates as high as 20 percent, but outside the slum pockets it was 12 percent.²

Some of the youth unemployment problem stems from sheer numbers—a result of the sharp birthrate rise in the postwar period. Last year, nearly 4 million youth reached 18 years of age, an age when many start their working careers. The magnitude of the problem becomes even more clear when we realize that one in three of our young people has left school before completing the twelfth grade.

While Labor Department data for the Nation as a whole and for metropolitan areas show low unemployment, they mask real imbalances that exist within the inner cities. Cleveland, for example, a metropolitan area of about 2 million, has an overall unemployment rate of about 3 percent, yet in nine neighborhoods of that city, which have about 300,000 people, the rate of unemployment was three times higher.³

All of us are aware of the great rise in Negro population in northern and western cities. According to the Bureau of the Census, in the last 5 years alone, more than 2 million Negroes migrated from the South to urban centers in the North and West. Mechanization of farming is largely responsible for the mass migration to the cities of large numbers of tenant farmers and sharecroppers. Today, about half of the Negroes in New York, Chicago, Philadelphia, Detroit, Washington, and Los Angeles were born elsewhere, mainly in the South.

Many are unprepared to compete in the job market. For example, the average of a sample of unemployed persons in Watts and similar areas claiming eight grades of school tested out at fifth grade literacy, and those claiming 12 grades tested out at sixth

²*Poverty Areas of Our Major Cities*, James R. Wetzels and Susan S. Holland, MONTHLY LABOR REVIEW, October 1966.

³Bureau of the Census, Technical Studies, No. 20, September 1966, p. 23.

grade literacy.⁴ Basic education is needed even before skill training can begin. Among the Spanish-speaking citizens, such as Puerto Ricans and Mexicans, literacy in English is needed even before training can start.

INDUSTRIAL GROWTH OF THE SUBURBS

While minority group work force growth is taking place in the inner city, industrial and business growth is occurring outside the city. Overcrowding of the cities plus advances in communications and transportation and the mobility made possible by the automobile has triggered the suburbanization of both families and industries. Middle and upper income families have moved to the roomier suburbs, and the inner cities have been left with large numbers of the poor who are unable to get to where the jobs are.

During the past 10 years, more than half of all new industrial buildings and stores were built outside the central cities in the Nation's metropolitan areas. And this is where the jobs are going. In some of the areas the percentage of new business building in the suburbs is far above the national rate. In Chicago, for example, during the 5 years from 1960 to 1965, about 77 percent of industrial building and 67 percent of stores was in the suburbs, while in Los Angeles, the figures are 85 percent for industrial building valuation and 63 percent for stores.⁵ Adding to the problem, is the location of many of the new plants on the beltways and expressways which means that transportation to and from jobs by automobile is a practical necessity. Also decentralization of industries and the building of entire new cities at the fringes of metropolitan areas promise to impede further the ability of minority group workers to reach the newly emerging job opportunities.

Even if many of those locked in the slums and ghettos could get to where the jobs are, low skills and inadequate education stand in their way. Many of the inner city schools in the poverty areas do not equip youngsters to compete with those educated in the much better-financed suburban schools.

⁴"Analysis of Tested Achievement versus Years of Education," U.S. Employment Service, Branch of Occupational Test Development, December 1966.

⁵Unpublished study "Distances of New Jobs from the Employed," Bureau of Labor Statistics, 1966; Summary in Press Release by U.S. Department of Labor, August 15, 1966 on "Greater Concentration of Business in Suburbs Hits Big City Poor."

DEMAND FOR WORKERS

On the one hand, then, we have people unqualified for jobs, or who can't get to where the jobs are, and on the other hand we have a high demand for many types of workers. Reports sent to the U.S. Employment Service by 150 major labor areas in all sections of the country show persistent occupational shortages in terms of job openings unfilled for a month or more. These hard-to-fill jobs include experienced workers in professional, technical, and skilled categories and even in some semiskilled and service occupations—among them electrical and mechanical engineers, physicians, nurses, teachers, programmers, stenographers, typists, auto mechanics and repairmen, skilled aircraft workers, machinists, welders, and hosts of others.

Many of the shortages are in categories that require a long training lead time for people to become qualified workers. The problem is in producing high talent manpower *fast*, upgrading others, and reorganizing and using present programs to help alleviate shortages. Thus, employers are tending toward changes in organization to make better use of the highly trained professional workers and training subprofessional aides to do the very necessary support work which requires less training.

Extensive long-term needs—as well as current shortages—are reported in a wide range of industries. Take, for example, the health industry. If it is not the fastest growing industry in the United States, it is a close runner-up. Each month of the next 10 years, we shall have to supply 10,000 new health workers to meet the demand. To meet requirements in 1975, from now on the number of dental hygienists must more than triple each year, medical technologists and X-ray technicians double, and occupational and physical therapists increase 10 times.

The advent of medicare has turned the spotlight on the Nation's serious health manpower shortages. But it has done more than that. It has provided a practical example of how an occupational imbalance (shortage) can be turned into opportunity not only for the disadvantaged but for those displaced from employment in other and perhaps declining industries.

In order to staff new hospitals, new nursing homes, and meet other accelerated demands for health workers, increased reliance has been placed on training programs, both government sponsored and

private. Under the Manpower Development and Training Act programs, more than \$60 million has been authorized for training in health occupations. By the end of fiscal 1966, more than 53,000 health service workers had been trained under MDTA training programs. On-the-job training—where the government and employers share the cost of teaching workers these new skills—increased by more than 75 percent in 1966, as compared with 1965.

IMBALANCES HIDDEN BY OVERALL UNEMPLOYMENT RATE

On the surface, the unemployment picture looks good. Today we find only eight major areas that are listed as having “substantial” unemployment. This is a record low. Only 2 years ago, there were four times as many. On the other hand, 65 major areas are classified as having “low” unemployment. This is a record high since the Korean conflict, although no major area is classified as one of general labor shortage. Unemployment in small labor areas however is still a serious problem. About 500 such areas, located in nearly all sections of the country, are on the USES substantial or persistent unemployment list.

Geographic imbalances in skills also are obscured by the overall unemployment rate. Our job vacancy studies show, for example, that skilled welders generally were in the hard-to-fill job opening category in many of the areas in this pilot program. Yet plenty of skilled welders were available in Portland, Oregon at the time of the survey, while in Milwaukee the opposite was true. As in other occupations, we find geographical imbalances in the health service industry. For example, in the Northeast, surveys show 1,500 health workers per 100,000 people, but in the South it is less than 1,000.

The point is that we do have serious employment and skill imbalances. We cannot be content merely with an overall national picture of high employment and relatively low unemployment. We cannot let this hide the fact that we still have areas of persistent unemployment, pockets of poverty in generally prosperous metropolitan areas, high unemployment in many smaller communities, underemployment, and low labor force participation in some areas because of limited local job opportunities. At the same time, unfilled job openings in the public employment service this year were far above the totals of 1965, while thousands of applicants at the offices lack the qualifications to fit the jobs.

HUMAN RESOURCES DEVELOPMENT PROGRAM

The time for speculating as to what ought to be done to correct these employment and skill imbalances is past, it is time to examine our experience with measures to relieve these problems.

A convenient place to start is with the *Human Resources Development Program* of the Department of Labor inaugurated by Secretary of Labor Wirtz in a speech in Chicago in November 1965.

It is based on a case-by-case approach to solving employment problems in target areas. The Human Resources Development Program has had a dual thrust—searching out and registering the unemployed and underemployed persons in order to identify their needs and capabilities, together with a major program for developing job opportunities for these people.

Implementation of the Human Resources Development Program requires the public employment service to reach out to workers in all age groups building on earlier and pioneering efforts of its more than 150 USES Youth Opportunity Centers. These centers were designed to reach and serve the very large numbers of unemployed and underemployed young people—so aptly described by James Conant as the social dynamite of our cities.⁶

CLOSING THE EMPLOYABILITY GAP THROUGH MEANINGFUL
TRAINING PROGRAMS

As in most of man's new endeavors, a shorthand jargon is soon invented to describe the objectives of these activities. The Human Resources Development Program has incorporated into its language the word *outreach*. I don't believe it is original with the Labor Department but it has become a pervading idea in the process of correcting skill imbalances.

"Outreach" most often turns out to be a problem of closing the "employability gap." Recognizing that more and more people needing jobs are not qualified to fill job openings during the 1960's, a new concept has been injected into manpower programs—the concept of employability sometimes called "job readiness."

The basic ingredient of employability is the acquisition of a skill salable in the job market. There are certain basic ingredients for success in such a program. Needed is an entry skill, hopefully a skill upon which to build, and the ability to adjust to the environment

⁶"Slums and Suburbs; A Commentary on Schools in the Metropolitan Areas" by James Bryant Conant (McGraw-Hill, 1961).

of work. Dr. Gardner Ackley, Chairman of the President's Council of Economic Advisors, recently stated that jobs for the Nation's remaining *unemployed must come through qualifying applicants to fill vacant jobs rather than through increasing the number of jobs.*⁷

In the nature of things training was considered the prime means for closing the employability gap. Then as the realization grew that many people, whether in urban or rural ghettos, had difficulty finding their way out, the hand was extended in the form of outreach. Training continues to be a main employability device, and it is a mainstay of the Human Resources Development Program.

For the first 3 years of the Manpower Development and Training Act, most federally financed training programs were related solely to employer requirements and demand occupations, rather than to the characteristics and needs of the available labor supply—particularly among disadvantaged people.

More recently there has been a major redirection of manpower training activities under the MDTA. As part of this change in emphasis, the Department of Labor has set a program goal which requires that 65 percent of all such training be directed to disadvantaged groups to offer them marketable skills in today's job market.

Increasingly, as outreach is effective and as MDTA becomes more than simply an exercise in skimming the cream and really reaches down to those considered by most employers as unemployable, the skill development concept has had to be enlarged to include the kinds of skills which precede learning a task. This means becoming literate in English, and learning the communications skills of the workplace.

JOB READINESS

This development accounts for the origin of one of our newer pieces of jargon, namely "job readiness." Already the job-readiness concept has been extended to include not only literacy but such things as how to manage one's finances—a skill which keeps the creditors away from his employer, how to meet the daily requirements of the job such as showing up for work on time—an elementary job survival skill.

⁷Gardner Ackley, Chairman, President's Council of Economic Advisors—Address at Southern Illinois University in Carbondale, Illinois on October 26, 1966.

Those who study turnover statistics are aware of the very high rate of job loss or quit in the early days of employment. This is especially true of the disadvantaged. The next logical step in the process therefore is to insure that the presumably job-ready person *stays on the job*. This is being accomplished through providing support services to the individual who may be having difficulty adjusting to his work, or to his boss, or to his fellow workers. This aid is most likely to take the form of counseling and the opportunity to talk over his problems.

These concepts are wrapped up in the pioneering "Jobs Now" project for 3,000 of the hard-core unemployed in operation in Chicago.

This project is now in its fourth 2-weeks cycle of operations. On the input side, of the hard-core unemployed recruited, screened and referred to 2 weeks of training, 96.5 percent were Negroes; 82 percent males and 18 percent females; 85 percent had eight grades or less of schooling; 79 percent had police records (predominately minor offenses, but some serious ones); and 43 percent were on public assistance.

Of the 235 who completed training, 200 referred to employment were actually employed, while the remaining 35 were returned for another 2 weeks of training. Of those who were employed, 70 percent have stayed employed, but those who fail on the job are also returned for training and given a second chance to make good. The wages for those who are employed range from \$1.50 to \$3.05 an hour.

Although it is too early to form conclusions, progress up to now suggests that it is possible to get employers to hire the hard-core unemployed, and to cooperate in building both supportive services and education components right into the job situation.

Three concepts have emerged from this program: *first*, that employability programs of the future must have built into them guarantees of employment by employers to insure the motivation needed to make the training a success; *second*, total community involvement and commitment of both the private and public agencies and organizations is necessary to insure support of such programs, their coordination, and the resources needed to produce the employable individual and jobs; and *third*, support is needed for both employee and employer in facilitating job adjustment.

CONCLUSION

A number of implications appear to be emerging from efforts over the past few years to cope with skill shortages, and broaden employment opportunities for the disadvantaged. For one thing an unexpected spinoff from MDTA experience is the demonstration to private employers and to educators that it is feasible to build and upgrade a work force through training and retraining people formerly not even considered employable. For another, we have had it proven to us again that a long continuing high operating rate of the economy and accompanying manpower shortages increases employer receptivity to employing the disadvantaged, his propensity to adjust wages and other employment requirements to attract employees, and his willingness to make alterations in the composition of the job to increase the supply of people to qualify for the simplified task.

It is increasingly clear—and one wonders why we had to be told this—that for workers and potential workers coming from a disadvantaged background, and being financially strapped, combined work and study offers the best chance of increasing the individual's employability.

It is also clear that the training resources of the private sector dwarf those of government and that such resources, if tapped, could make possible a really massive work-study program to increase employability. The cost of providing such educational facilities together with the costs of actual training, and costs sustained because of below-standard productivity expected during the training period, may need to be reimbursed by government. This would increase the capability of the total work force, add to its productivity, and turn it into the national asset we want it to be.

It is evident, however, that enhancement of employability through training is but one facet of a very complex problem. The individual, and very often the company, needs some form of help, often called supportive service, to insure that the individual is retained on the job. This help is often best provided by the local private social service organizations. These costs may need support by government, and would be an investment to insure that the training does not go for naught.

For the hard-core, supportive services are essential. We cannot hope to solve the problems of the poor merely through training and manpower programs. Nor will they be resolved by education per se,

or health services per se, or case-work services per se, for no one can say precisely which of these constellations of service is most important and should dominate our thrust into the ghetto. Individual and family needs and conditions will really dictate possible avenues of solution.

There is a strong undercurrent among the poor to sever the dependency upon relief and "make work." This is particularly true of the youth who, increasingly reject patently "make work" aid. And this is understandable because whether being a part of ghetto society or not the individual is influenced by the values of the larger society. A report of the Governor's Committee on Unemployment in the State of Illinois in 1963 highlighted this as follows: "In a society where the common belief is that men who work are useful, unemployment becomes more than a problem of economics, it becomes one with deep personal and moral undertones A job not only provides income, it provides standing in the community and self respect."⁸

Therefore in producing solutions to the employment problems of those who may not be able to compete in a competitive system, it is imperative that the creation of jobs for such people occurs in such ways as to "provide standing in the community and self-respect." This means that the work itself must have meaning—and this requires more than the assembly of tasks to keep people busy. Work assignments must always aim at leading the way out—eventually, for as many as possible—to competitive employment and self-sufficiency.

We today again have the opportunity, and the challenge, to bring the hard-core unemployed into the work force, to give them the chance and hope they need to lead productive lives. The task is even greater when we consider that for many of the occupations now in high demand, for many minority youth and other disadvantaged persons, these kinds of jobs were not too long ago considered unattainable and were not included in their aspirations.

We must always remember, however, that jobs alone do not permit escape from poverty. Jobs are important, yes. But *meaningful* work, work with dignity, with opportunity, are also important. Work does have meaning. Even the least among us must be able to say, and feel, that *his* work is important and useful.

⁸*Economic Growth, Equal Opportunity Research*, Report of Illinois Governor's Committee on Unemployment, January 1963.

DISCUSSION

ALBERT REES

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Because all three of the papers presented at this session seem to me to be very good, I am going to interpret my task as discussant not as one of criticizing, but as one of developing further some of the themes introduced in the papers. In particular, I want to comment on the relevance of these papers for the employment problems of the urban poor.

Professor Mincer has chosen a simple and forceful way of reminding us of the importance of the responsiveness of the labor force to its economic environment, a responsiveness revealed by research over the past decade to which he has been a major contributor. He indicates as an important exception to this responsiveness the labor force behavior of males in the age group 25-60. The finding that this group is an exception applies to the group as a whole in time-series analysis. However, cross-section analysis of males aged 25-54 in 1960, by William G. Bowen and T. Aldrich Finegan in work now in progress, shows significant responsiveness of labor-force participation to the unemployment rate. This responsiveness is much larger for single men than for married men. Moreover, they find a significantly lower level of labor force participation for Negro males in this age group than for whites, which is undoubtedly related to the less favorable market opportunities for Negro than for white men.

Joseph D. Mooney has shown, using Census tract data for 1960, that the responsiveness of female labor force participation to the unemployment rate is generally greater in the low-income portion of large standard metropolitan statistical areas than in these areas as a whole.¹ We may also note that inspection of labor-force participation rates for such pockets of urban poverty as Watts reveals startlingly low labor-force participation for adult males.²

These findings have implications both for research and for policy. We need to find out who are these men in the prime of life who are not in the labor force. What are they doing with themselves, and is it

¹"Urban Poverty and Labor Force Participation," *American Economic Review*, vol. 57 (March, 1967).

²For males aged 25-44, the labor force participation rate in Watts in November, 1965 was 82.3 per cent, compared with 96.5 per cent for this age group for the U.S. as a whole. See *Current Population Reports, Technical Studies*, Series P-23, No. 18, June 28, 1966. I am indebted to Professor William G. Bowen for calling these figures to my attention.

what they would want to be doing if circumstances permitted a wider range of choices? I have heard many hunches, but seen no firm results.

One implication of these data on labor force participation for projects like the Chicago "Jobs Now" project discussed in Mr. Cassell's paper is that in policy programs we need to use a more liberal concept of unemployment than that used in official statistics. We need to be concerned with those who are out of the labor force as well as with those who are seeking work. I was especially interested in the finding that 43 per cent of the people in the "Jobs Now" program were on public assistance. Bringing welfare recipients into the labor force is made difficult because of the way assistance programs are administered. In effect, they involve a 100 per cent tax on earnings, since welfare payments are reduced by the full amount of any outside income. In contrast, the very wealthy pay at most a 70 per cent marginal tax rate. The result of this aspect of our assistance policies is that it is silly for welfare families even to consider temporary, part-time, or low-wage jobs. I should admit that in earlier work I have inexcusably overlooked this facet of welfare programs in discussing their possible effect on labor market behavior.

There are two possible methods of dealing with the problem of work incentives for families on public assistance. One is a negative income tax, of the kind advocated by Milton Friedman and James Tobin, as a replacement for our public assistance programs. Such a negative tax might have a marginal rate of say, one-third, letting the poor keep two-thirds of any additional earnings. The other method is to permit less than full "taxation" of earnings under existing assistance programs, though this might help to perpetuate other unfortunate aspects of those programs.

I was particularly glad to see in Mr. Cassell's paper emphasis on the need to improve metropolitan mass transit if we are to improve the labor force position of the poor in the central cities. The expressway programs of the past decade have greatly benefited the middle-class suburban automobile owner but have also contributed to the deterioration of public transportation. This trend must be reversed if we are to deal effectively both with labor market problems and with the problems of air pollution and congestion. If necessary, we will have to tax the use of automobiles in central cities and to subsidize rapid transit.

Both Mr. Cassell and Professor Livernash refer to employer efforts to recruit employees who do not meet traditional hiring standards. Professor Livernash mentions in particular that "special recruiting procedures for Negroes are quite widespread." Although I do not want to question the view that substantial progress has been made in recent years, perhaps it should also be emphasized that we still have a very long way to go, and the road is not an easy one. A manpower survey by the Chicago Association of Commerce and Industry in 1964 estimated that only 34 per cent of all firms in the Chicago area employed any non-whites at all, although non-whites made up about 13 per cent of the area's labor force.³ While most of the firms employing no non-whites were small, a number of firms with 500 and more employees employed no non-whites. Some of the firms that do not employ Negroes report that they do not get any Negro applicants. This is another instance in which supply response is related to demand conditions. The firm that has no Negro workers will seldom get Negro applicants because Negroes assume that it is futile to apply. If this assumption is wrong, the employer must take special measures to demonstrate it.

Mr. Cassell has stressed the need to train the "rejects" in the labor market to make them employable. There is also a related need, as Professor Livernash has pointed out, for imaginative procedures in selection that will select suitable employees when hiring standards are relaxed. The job of an employment manager is relatively easy in a loose labor market. He can confine his hiring to local high school graduates with good references and no police records and avoid the obvious risks. It is when he has to learn to take risks successfully that his job becomes creative. Among the people who do not meet all the usual standards are many who, if they can be identified, will do a good job.⁴

So much has been said in recent years about the problems of the poor, including their employment problems, that there is risk that we will become tired of the discussion. But discussions are not solutions, and until solutions are at hand, continued discussion will be needed.

³Chicago Association of Commerce and Industry, *Manpower Survey, 1964* (mimeo), p. 13.

⁴For each individual firm, this may mean drawing sharper lines between the employable and the unemployable. However, the needs of employers differ, and people excluded by one firm's criteria may be included by another's. The results should be to diminish the number of people considered unemployable by all.

VI

**EVALUATING THE WAR
ON POVERTY**

Harold L. Wilensky, Chairman

OFFICE OF THE
COMMISSIONER
OF THE
DEPARTMENT OF
SOCIAL SERVICES
STATE OF NEW YORK
ALBANY

AN ANTIPOVERTY EXPERIMENT: THE JOB CORPS

SAR A. LEVITAN

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Descriptions of the Job Corps have ranged from a wasteful extravaganza to the most innovative tool in the antipoverty kit. It is indeed a unique institution, not necessarily in accomplishment, which remains to be proven, but in approach. It represents an unprecedented effort, measured in terms of expenditures, to "break the chains of poverty." What must be confusing to the casual observer is that the bluest of American corporations are party to this "coddling" of the poor—IBM, General Electric, Westinghouse, Litton Industries, and many more.

COST PER ENROLLEE

The costs are undeniably high. While a middle-class parent cannot afford to send his son or daughter to the Job Corps, this "deprivation" will not be felt by the college-bound youth. The Job Corps offers to its enrollees what the offspring of the middle-class family has already acquired, also normally at public expense—a rudimentary education. When the former director of the Job Corps, Dr. Otis Singletary, was confronted with an unfavorable comparison of costs between the Job Corps and Harvard College, he offered to pay personally for any Job Corps enrollee accepted by Harvard. The offer, to no one's surprise, was not taken up.

In response to the wide public criticism of the high cost of operating Job Corps centers and to the sniping by officials of competing federally-supported training and job-creation programs, Congress imposed a ceiling on Job Corps expenditures of \$7,500 a year per Job Corps enrollee. Though Congress may get credit for cutting the costs, the action was not really necessary since the Job Corps had already taken steps earlier to eliminate some of the more expensive training programs, reduce the number of training occupations, and do away with some "frills."

* Staff members of the Job Corps were most generous in providing information and insights about the operations of the program, but share no responsibility for the views expressed. The helpful critical comments of Dr. Irving H. Siegel of the Upjohn Institute are also gratefully acknowledged. The paper is part of a broader study concerned with the evaluation of the Economic Opportunity Act. The project is financed by a grant from the Ford Foundation.

In the summer of 1966 (July through September), the average annual cost per enrollee of operating established centers (in operation more than nine months) was as follows:

Conservation centers	\$5,892
Urban centers	6,972
Women's centers	9,042

The higher cost of operating centers for women does not necessarily reflect a higher living standard. All centers for males are located on government property, many are renovated military establishments, while women's centers are mostly located at leased hotels in metropolitan areas. Since Congress has also ordered the Job Corps to expand enrollment of women by the end of this fiscal year to 23 percent of total enrollment (from the current 14 percent), the extra costs will apparently have to be absorbed from "savings" at male centers. Otherwise the Job Corps will not live within its prescribed \$7,500 annual average per enrollee. But men often help to maintain the fairer sex, though in the present case the taxpayer picks up the tab.

The above data are exclusive of amortization, an item outside the Congressional cost limitation. The Job Corps has already invested some \$165 million in the construction, renovation, and equipment of centers. Amortization of this investment would increase the annual cost by \$660 per enrollee, if the life span of the facilities is assumed to be 13 years (as suggested by the Job Corps) and the annual rate of interest set at 4 percent.

Other, more difficult, considerations beset calculation of the true cost of maintaining the Job Corps. Past experience indicates that about one-third of total enrollees drop out or are discharged from the program within three months of enrollment. It could be argued that those who stay such a short period in the Job Corps experience another failure with a negative effect upon the life of dropouts. If this is true, and the available evidence supports this hypothesis, then the calculation of average real costs should exclude early dropouts. But spokesmen for the Job Corps insist that even a short stay in the Job Corps is not a total loss since the enrollee has received counseling care, medical treatment and has been fed and housed. Job Corps officials also maintain that average annual costs exaggerate the true investment per enrollee since most corpsmen complete their course of study in a shorter period. But the claim that the prescribed curriculum can be mastered by deficiently educated youth in less than a year

raises questions about the quality and quantity of education and training offered at the centers.

THE RECORD

It would be comforting at this stage of the discussion to be able to estimate the returns that society receives from the Job Corps and its impact upon enrollees. Regrettably, hard data about the characteristics of enrollees, their educational and skill training achievements in the centers, and their record after leaving the Job Corps are hard to come by. Preoccupied with developing centers, signing contracts, developing guidelines and regulations, designing curricula, putting out "fires," and defending the program from its numerous detractors, the Job Corps staff has devoted little time to systematic data collection about its operations and evaluation of the program. Elaborate plans for data collection to permit detached appraisal of the program and help gain insight into its operations have been on the drawing board for a long time and are now actually in the process of implementation. An authoritative evaluation of the Job Corps must therefore be left for another occasion, provided that the long-awaited data do materialize. Any present observations must be gleaned from the bits and pieces of information that are available.

THE LEGISLATION

The mission of the Job Corps is clear—it is to provide residential facilities, education and training for youth from impoverished homes who have failed in school, who have no salable skill and frequently not even a rudimentary preparation for work, and whose home environment is not compatible with the necessary training and education.

The antecedents of the Job Corps may be traced to the Civilian Conservation Corps of the thirties, though the differences between the two institutions are more significant than their common characteristics. The CCC was a child of the Great Depression, when dire want and need were widespread, and it was terminated when the armed forces absorbed the bulk of the CCC population and acute labor shortages developed.

The idea of reviving residential centers for disadvantaged youth was advanced by Vice President (then Senator) Hubert H. Humphrey in 1957. The notion gained limited support until it was revived in 1963, broadened in scope. A coalition of conservation lobbies and

welfare organizations combined to expand the conservation idea to include also federally-supported job creation programs in urban areas. The publication by the President's Task Force on Manpower Conservation of *One-Third of A Nation*, documenting the widespread rejection rate by the armed forces of mentally and physically deficient youth, coming mostly from impoverished homes, gave impetus to the proposed legislation.

The Job Corps proposed by the Administration in 1964 actually differed from the 1963 bill. The later bill called for the establishment of residential centers for youth where enrollees would receive educational and vocational training. The earlier bill, in contrast, emphasized conservation work. In deference to the conservation lobbies, the 1964 bill did not preclude establishment of conservation centers, but it was intentionally vague on the subject to permit maximum flexibility in administration. The conservation lobbies succeeded in having Congress adopt an amendment that 40 percent of male Job Corps enrollees be assigned to conservation centers. Accordingly, two types of centers were established for males: conservation centers for the more educationally deficient enrollees, and urban centers for "advanced" youths with a reading achievement of the fifth grade level or better. The original Administration bill also limited enrollment in the Job Corps to male youths, but an amendment by Congresswoman Edith Green opened the Job Corps also to women enrollees.

OPERATIONAL PROBLEMS

Some 76,000 youths were enrolled in the Job Corps during its first 21 months of operations. Their status as of mid-November 1966 was as follows: 29,000 were enrolled in the Job Corps, 13,000 had completed their course of training, and 34,000 left voluntarily or were discharged before completing their course of training. Most of these 34,000, the exact number is not known, left within three months after enrollment.

The high ratio of turnover or dropout has received considerable public attention. In view of the characteristics of the youths who enrolled in the Job Corps, a high dropout rate is to be expected. Comparison with dropout rates in other institutions, high school or college, is not helpful or meaningful. In the absence of any suitable standard, it is useless to speculate about the "right" ratio of dropouts from the Job Corps. No doubt, the improvement in economic conditions since

the Job Corps started operation must have contributed to the record of departures. In the tightening labor market, many enrollees were motivated to not plan for the long run but to obtain jobs requiring a minimum of preparation. Still, a number of factors which may have contributed to the difficulties of the program and the high dropout ratio could have been avoided. Some may be the responsibility of the Job Corps itself, others beyond the control of the agency.

1. *Early advertising.* Even before the Job Corps opened its first center, it embarked on an extensive national advertising campaign to interest youth in the Job Corps. Underlying this campaign was a concern on the part of Sargent Shriver, Director of the Office of Economic Opportunity, that the Job Corps would not attract an adequate number of enrollees, that the potential clientele had to be sold on the idea. Interested youths were invited to complete "opportunity cards" indicating an interest in the Job Corps. The response was better than the most enthusiastic proponents of the Job Corps had hoped. About a quarter of a million inquiries were received by the Job Corps. Though many of those who mailed in the cards were neither qualified nor had any real interest in the Job Corps, a large proportion of the applications were filed by qualified and interested youth. It took the Job Corps months to respond to the deluge of inquiries, if they were acknowledged at all. When the advertising campaign started, the Job Corps had facilities for only a few hundred youths and it took another six months to develop capacity for 10,000. Under the circumstances, it is hard to understand the need for the extensive advance publicity. Indeed, knowledgeable advisers urged Shriver not to embark upon the campaign. Thus the Job Corps disappointed numerous potential clients, even before it opened for business.

2. *Recruiting and Screening.* The screening at first was necessarily haphazard and chaotic; it is still far from perfect. Most of the screening of men was turned over to the United States Employment Service and its affiliated state agencies. The Job Corps reimbursed the Employment Service about \$80 for every qualified youth screened and referred to the Job Corps. It needs no elaboration here that most of the local employment offices were poorly prepared for screening Job Corps enrollees, having had little contact with this type of youth in the past. Some counselors also oversold the Job Corps to fulfill their quotas. The inadequacies of the Employment Service were com-

pounded by the Job Corps pressures to meet quotas, and many youths were shipped to centers only to find that the facilities were not ready or adequate.

3. *Location.* The Congressional decision requiring that 40 percent of male corpsmen be enrolled in conservation centers necessitated opening centers in isolated areas. But over half of the corpsmen during the early days of the Job Corps—the proportion has increased since—came from cities. They were completely unprepared to live in forests or on Indian reservations, great as that life may be according to American folklore. When cities were nearby, corpsmen, particularly Negro youths, found frequently that they were not welcome. Occasional incidents, even riots, occurred; they were widely publicized, further marring the reputation of the Job Corps. Far removed from their homes—on the average, about 1,200 miles—and unwelcome in their new environment, many of the corpsmen departed without achieving their goals.

4. *Discipline.* Not only were some of the centers physically unprepared for the new enrollees or located in an unfriendly environment, but few of the Washington staff and center staffs were prepared to deal adequately with the enrollees, lacking insights into their problems and how to motivate, teach, and train them. The centers are voluntary institutions and, at least, some of the Washington policy-makers preached that the way to encourage the enrollees to stay in the camps was to impose minimal needed discipline. Some center directors and staff learned quickly and effectively, but others failed to enforce discipline. Many enrollees failed to attend classes, lost interest and departed. Even a more experienced and knowledgeable staff might have found the problems at the centers difficult, if not insurmountable. For example, getting Southern white boys to live with Negroes in racially integrated dormitories on a voluntary basis is certainly no easy task, even for an expert in social psychology. Few of the Job Corps staff knew how to handle such problems. In many cases, local news media were only too happy to “welcome” the returned dissatisfied corpsmen and to give the stories, true or unfounded, wide coverage.

The task of the Job Corps was inherently difficult, and much of the terrain it had to cover was unexplored. Some educators argue that it is romantic to expect youths from city slums or rural areas to be rehabilitated within eight or nine months in an environment far

removed and different from their accustomed surroundings. They assert that the best place to train youths from slum areas is on their home ground, in their own environment; that, if residential centers are necessary for some, the facilities should be provided in the youths' communities. Needless to say, Job Corps spokesmen retort that their critics are the romantics, glorifying slum life. The debate continues.

The Job Corps has learned from experience. Even before Congress required that corpsmen be assigned whenever possible within the region in which they live (the Job Corps divides the United States into seven regions), the Job Corps had made an effort to place enrollees nearer home. Thus the enrollee could get home occasionally, but was still sufficiently far removed from the debilitating influence of his impoverished surroundings. The Job Corps has also gotten around to thinking that discipline for youth is not a bad idea. The present model Job Corps director, according to Washington spokesmen, is "Sundown Jones" (the name is fictitious, but the situation is real), who has recently taken over a center left by his predecessor in a disorganized condition. "Sundown Jones" gets his name from his favorite warning to corpsmen to "shape up or get out by sundown," and his action is as good as his word. His policy is to make clear to the corpsmen what is expected of them and to make them live up to the rules. His approach seems to work.

CENTER ADMINISTRATION

As of November 13, 1966, the total Job Corps enrollment of 29,186 was divided as follows:

	Number	Enrollment
Conservation centers	88	12,760
Men's urban centers	11	12,182
Women's centers	11	4,143
Special demonstration projects	2	101

The Job Corps has delegated responsibility for the operation of the conservation centers to the Department of Agriculture and the Department of the Interior. The capacity of the conservation centers ranges normally between 100 and 200, though a few have a slightly higher capacity. The Job Corps has retained to itself the responsibility for curriculum development and for general policy. The two federal departments are operating the conservation centers on a reimbursable basis and are charged with the day-to-day responsibility for administration.

To operate the urban centers, the Job Corps turned to interested private contractors. Though profits were small, there was no financial risk involved, since contractors operate the centers on a cost-plus-fixed-fee basis. Corporations found attractive the chance of entry into an expanding new industry—education and training of the disadvantaged—and the centers also could serve as laboratories for developing new techniques and know-how. Some corporations viewed the contracts as a hedge against the then-slackening defense expenditures.

The Job Corps welcomed corporate involvement because it gave the program, and the rest of the war on poverty, an image of respectability and of acceptance by the business community. The contractors actually included some of the most prestigious corporations.

For a time it appeared that corporations were better equipped than educational institutions to run Job Corps centers. The outstanding failures in administering centers were universities. The corporations were efficient in organizing centers, unencumbered by the red tape so common at institutions of higher learning. They got “the show on the road” in a minimum of time. It was also anticipated that corporations which have been traditionally engaged in training personnel and the development of complex defense systems would have little trouble in innovating new approaches and techniques applicable to the education and training of the disadvantaged. It does not appear that the corporations will live up to these expectations. The high cost of running centers has forced the Job Corps to cut operating expenses, and budgets for development and research in educational and training activities at the centers have had to be tightened. Considering budget limitations, the corporate contractors could attract few top-level people for their center activity and have had to settle frequently for second best, hiring ordinary garden variety educators.

The most successful contractor, perhaps, has been the Texas Education Foundation, an independent, nonprofit corporation established by the State of Texas to operate the Gary Center, the largest urban center with an enrollment of 3,000 youths. The success of the Gary Center is largely due to the active interest Governor John B. Connally has taken in this effort. He mobilized outstanding state educators for the administration of the center and business leaders for assistance in developing curricula and in placing corpsmen. Interestingly, the Gary Center is run by the educational establishment which pre-

sumably failed the youths in their first round in schools. The experience of Gary might suggest that, given the needed support, including money, the educational system might fare much better in serving the disadvantaged in the first place.

EDUCATION AND PLACEMENT

In the final analysis, the record of the Job Corps will be measured in terms of the education and training it provides enrollees and the lasting impact of the experience. A considerable proportion of the enrollees are illiterate; the median level of reading achievement of recent entries into the program has been below that of a sixth grader. The Job Corps centers do manage to advance the educational attainment of enrollees and to train them. A visit to any Job Corps center will show that the majority do attend educational classes and receive training in various occupations. Regrettably, the Job Corps has developed little reliable information to indicate learning achievement of corpsmen.

Data on the employment records of former corpsmen, unhappily, are in no better state. Until November 1966, the Job Corps maintained data only on former enrollees who had found jobs, entered the armed forces or returned to school, and even these data were far from complete. In the lexicon of the Job Corps, or at least its official releases, there were *no* unemployed ex-corpsmen.

* More recently, the Job Corps has made efforts to follow-up the placement record of former corpsmen, starting with those who left since October 1, 1966. Available returns, still incomplete and marred by numerous flaws, do suggest that the completion of a Job Corps course of study and training pays off. The longer a corpsman has stayed in a center, the more likely was he to find a job, and also a higher rate of pay. The data are not only subject to verification, but are highly biased in favor of those who complete training.

THE FUTURE

Burdened by limited public acceptance and high cost of operations, the Job Corps has failed to live up to its announced schedule of enrollment, which may have been over-ambitious and unrealistic from the beginning, and it has also failed to utilize its capacity fully. As of mid-November 1966, facilities for more than 32,000 existed, but enrollment fell 3,000 short of this mark. Spokesmen for the Job

Corps blame the public employment offices for failing to attract youth who can be helped by the Job Corps. The development of labor shortages in many areas and the expansion of the armed services, including the lowering of military eligibility criteria, may have been crucial factors. The universe of need obviously exceeds the numbers that the Job Corps succeeded in attracting—and the capacity of the facilities.

Possibly the most crucial problem faced by the Job Corps in the immediate future is the changing racial composition of the enrollees. The trend has been toward an increase in the proportion of Negro and other non-white enrollees. While precise statistics are not available, it is estimated that non-whites constitute nearly two-thirds of total enrollment. A year earlier, white enrollees were in the majority. If this trend continues, the Job Corps faces the danger of becoming a segregated institution. There is no evidence that the learning effectiveness of enrollees would be lessened by segregation, assuming that the needed facilities and resources would be allocated to the Job Corps.

There is, however, a real doubt whether the Job Corps would remain a viable institution on a segregated basis. A predominantly Negro and other non-white racial composition will make centers even less acceptable to surrounding communities. It is also likely to make more difficult the attraction of a caliber staff. These circumstances would diminish Congressional and public support.

The experience of the Job Corps indicates the difficulties of launching effective antipoverty programs. The usual defense of advocates about the meager visible accomplishments to date is that the "war" lacks resources. Few would maintain, however, that the resources allocated to the Job Corps program have been inadequate for the number who have sought its help. Nevertheless, the Job Corps has been plagued by persisting difficulties and its effectiveness is still in doubt.

PROGRAM EVALUATIONS AND THE DEFINITION OF POVERTY

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Late in 1964, when the first anti-poverty programs funded by the Community Action Program (CAP) were being established, their evaluations were also being arranged for by contracting with a number of independent consultants both in universities and in industry. This to identify cause and effect in anti-poverty policies and just to learn what was going on.

Prior to reporting on these evaluations and on their impact on policy, I will briefly note, as I have in another context,¹ that in my judgment what is most needed is a breakthrough in knowledge: lines of causality linking poverty with bad health, bad housing, low education, etc., are still muddled in circularities unrelieved by either valid analysis or data. The relationship between poverty definitions and actions is still not understood, nor do we know very much about intergenerational links. Very little is known about movement in and out of the lowest quintile of the income distribution, particularly in comparison to what is known about the mobility of people in and out of the fourth and third quintiles. As to overall causality, i.e., what “makes” for poverty, not much is known beyond that the causes are many.

If the causes of poverty are not being analyzed and pinpointed, the anti-poverty warriors—both within and without the “anti-poverty establishments”—can at least be classified according to their dominant prejudice. One group see poverty as due primarily to insufficient economic growth and “therefore” calls for “more jobs”; another group sees poverty as primarily a matter of inadequacy in the personal endowments of particular population groups and calls for “more education”; while a third group sees poverty as primarily the result of the closed, discriminating or antagonistic-to-the-poor nature of society and calls for “institutional change.”

Here, I will report on three OEO sponsored evaluation programs which assume that the reduction of poverty involves—centrally—institutional change in the relationship between the poor and the institutions of our society.

¹ See my review of 6 books on poverty, in *Industrial and Labor Relations Review*, Vol 20, No. 1, October, 1966, pp. 127-129.

TITLE IV—LOANS TO SMALL BUSINESSMEN

Title IV of the Economic Opportunity Act of 1964, as amended, provides for loans to small businessmen unable to obtain credit from regular financial institutions. Title IV was enthusiastically interpreted by many as a tool to develop an indigenous economic base for the slums, as a means to create a Negro small business class, as well as a way to more jobs for the poor.

The Office of Economic Opportunity (OEO) delegated responsibility for the making of loans to the Small Business Administration (SBA), retaining for itself the function of setting standards on loan eligibility. Central to this decision was the SBA's history. Within the previous decade the agency had made loans which were almost devoid of risk; almost none went to businessmen in poor areas or to Negroes.² Recently the SBA had undergone a liberalization of policy. Indeed, under the leadership of Administrator Foley appointed in 1963, the SBA experimented with the so-called "6 x 6" loans, that is loans up to \$6,000 for 6 years for which no collateral was required and granted almost solely on the basis of the applicant's character and ability. The changes augured well and inspired hope that the SBA might become a vehicle in the economic development of slum areas.

A self-sufficient indigenous class of small businessmen could not, however, arise overnight. Finding qualified applicants for Title IV-type loans was a difficult task. The few potentially qualified applicants recruited proved to be unable to prepare the required forms. The SBA bureaucracy was neither staffed nor trained nor, it seems, willing to produce the "outreach" necessary to promote the vital supportive training and counseling services. To fill this gap, a network of now 44 locally-based small business development and opportunity centers (SBDC's) was established and funded to the amount of about \$5,000,000 for the fiscal year 1965-66.

The SBDC's were viewed as fulfilling in the business area a role parallel to that of the Community Action Agencies in the Welfare area.

To ascertain how the SBDC's and SBA were meeting program goals, OEO contracted with a private consultant for an evaluation

²Eugene P. Foley, "The Negro Businessman: In Search of a Tradition," *Daedalus*, Fall 1965. See p. 127 for the situation of Philadelphia as an example. In another context Foley reported that in the first 9 years (1953-1962) of the Agency's life it had made 5 loans to Negroes. Complete statistics on the racial characteristics of loan recipients are not available.

of the whole Economic Opportunity Loans System. The evaluation brought out that:³

- (1) A significant number of loans to small businessmen was being made in spite of the tensions between the two institutions. The total number of loans made amounted to 58% of those recommended by the SBDC to the SBA, while the SBDC's recommended approximately 33% of completed applications which in turn represented 10% of the population with which the SBDC's had been in serious contact.
- (2) Approximately 58% of the loans were made to established businesses while 42% went to the new businesses.
- (3) "The size of loans was widely dispersed about a mean of \$12,708 with approximately $\frac{2}{3}$ of the loans being between \$5,800 and \$19,600. Whites in the sample received loans averaging \$13,772 while non-whites averaged \$11,681. The difference between the two groups in the amount of the average loan received is statistically significant."⁴
- (4) The average income of loan recipients was \$5,237 for non-whites, \$5,937 for whites; both groups being characterized by an average of 11 years of schooling.
- (5) The cost of the system averaged 25 cents per dollar spent.

Thus, in summary, the evaluation revealed that while the Economic Opportunity Loan System was cumbersome and costly, the very small businessmen were being helped and at least some of the poor were starting new economic activities. Most crucial was the fact that over 900 loans had been made by a federal agency to a group of citizens that prior to the inception of the program would not have been considered eligible.

While the investigation was under way the SBA issued, on November 15, 1965, a policy directive restricting Title IV loans to borrowers who fitted a modified form of the OEO definition of poverty which represented equivalents of an annual income of slightly over \$4,600 for a family of four. As the evaluation demonstrated, this group represented less than 40% of loan recipients under the earlier policy.

³ Kirschner Associates. *A Description and Evaluation of the Economic Opportunity Loan Program*, February, 1966. The survey included 19 of the 20 centers in existence in September of 1965 when the evaluation began.

⁴ *Op. Cit.* p. 29.

With an eye toward the effects of this shift in criteria, the consultant concluded with the recommendation that the focus of concentration of the program be redirected toward service of the small business group rather than of the poverty group. This was defended on the grounds that the law does not limit loans to any particular income group, and that the already high costs of the program would increase were the program geared exclusively to poverty level recipients.

The revised OEL income eligibility criteria were found to be inconsistent with the basic tenets underlying the philosophy of Title IV. If the small businessmen's possible contributions to the obviation of long-term unemployment problems in poor areas is explicitly recognized, the economic status of the entrepreneur himself would be considered relatively unimportant in achieving employment objectives, a notion which was an integral part of the original OEL program. What the new criteria did was to place primary emphasis on the economic status of those aspiring to become small businessmen and less on the broader economic problems of poor areas.

By concentrating directly and exclusively upon persons under the "poverty" classification the revised OEL program became increasingly ineffective. More and more of the program's control and administration was transferred to the SBA until, to all effects, it was terminated as a poverty program as of November 28, 1966.

NONPROFESSIONAL AIDES IN COMMUNITY ACTION PROGRAMS

"New Careers for the Poor," the call for a widespread use of nonprofessional aides is clearly the boldest and newest employment conception associated with the war on poverty. It calls for aggressive recruitment of residents of poverty areas and members of the "culture of poverty," to employ them in human service thereby to improve services. Pearl and Riessman⁵ argue that, particularly in the helping professions, (1), professionals are burdened by quasi-clerical responsibilities which diminish their comparative advantage and which can be easily turned over to the "nonprofessional poor"; that (2), the "poor" can establish better rapport with their clientele than the professionals; and that (3), attaching the poor to the professionals and the institutions in which they work will reshape procedures and values.

⁵ Pearl and Riessman, *New Careers for the Poor: The Nonprofessional in Human Service* (New York, The Free Press, 1965).

The OEO and particularly the CAP have made this notion their own. Community Action Agencies applying for funds to hire non-professional aides received them, others were encouraged to apply for them. In fiscal 1965-66 the OEO created between 40,000 and 80,000 such jobs. Over 50,000 were employed by Community Action Agencies.

The evaluation of the "nonprofessional" thrust was carried out through two studies that covered 13 major cities and approximately 5,640 nonprofessionals. This provides roughly a 10% sample which, while not structured to guarantee universe representativeness, is, also on the basis of other reports, reliable enough to permit extrapolation. The evaluation's findings were:

- (1) that the program is operationally viable—"a large number of previously unemployed or underemployed poor people without background or training for the kind of work they are now doing have been routinely hired, have received some training, and are working hard and enthusiastically on their jobs";⁶
- (2) that the majority of the nonprofessionals are not "hard core poor"—their socio-demographic characteristics, but for race, do not differentiate them significantly from the bulk of the employed work force;
- (3) that while the personal relationships between the professionals and their aides are good, there is no evidence of significant change in policies or values of the institutions or of the professionals employing them—indeed there is evidence that formal requirements for work in the helping services are continuing to harden.⁷
- (4) the stated hiring criteria for nonprofessionals represented considerable variation from traditional standards, especially in the lowering or elimination of minimal educational requirements; selection procedures, however "tended to nullify the modification of criteria by reliance on tests, interviews and other traditional techniques."⁸ The emphasis on careful selection is verified in the reported 10 to 1 average ratio of interviews to hires.⁹

⁶Daniel Yankelovich Incorporated, *A Study of the Nonprofessional in the CAP*, Sept. 1966, p. 15.

⁷National Committee on Employment of Youth, *Opportunity or Deadend: The Future for CAP Aides—Final Report* (New York, Sept. 1966) p. 58.

⁸*Op. Cit.* p. 4.

⁹This datum can also be viewed as a measure of the attractiveness of the program.

- (5) All involved in community action activities "acknowledge that the nonprofessionals are uniquely able to speak the language, know the problems and get to the poor."¹⁰
- (6) The nonprofessionals appear to live nearer to their place of employment than the rest of the work force and are assumed to live in the areas of poverty.

Thus while the program creates jobs, and improves services, it was evaluated as falling short of its aims on the more fundamental aspects of institutional change. In Table I we have compared the characteristics of the nonprofessional aides as reported by the evaluation studies with those of the labor force. The exercise does not yield hard statistical findings but it is informative and provides insights.

The comparisons show that while the labor force is on the whole dominated by males and whites, the nonprofessional aides are primarily females and non-white. With respect to race and sex, they are representative of the poor. Marital status is more complicated: we know that the proportion of unattached individuals—and particularly women head-of-households—is higher among the poor. The data are not clear as we have no breakdown by marital status of the non-white female in the sample, yet a lower proportion of married persons among all aides would have been more representative of the poverty population.

The age distribution of nonprofessional aides is not significantly different from that of the labor force but for the relative underrepresentation of the people over 50. This is explained by two factors: first because of the high number of poor people in this age category and second, because of the higher labor force participation rates of older Negro women.

Comparisons of the educational level of the nonprofessional aide population with those of the total labor force are interesting. The Pearl and Riessman scheme means to provide employment to those among the poor who had little formal education. The fact that the proportion of the nonprofessional aide population with "some college" and with some "high school" is more than three times as large as that of the total employed labor force confirms the program's direction. For those with "some college" the statistic may reflect a movement of underemployed Negroes from lower-status to higher-status occupational categories; for those with "some high school" it seems to effectively reflect the educational characteristics of the poor popula-

¹⁰ Yankelovich, p. 71.

CHARACTERISTICS OF NONPROFESSIONAL AIDES IN
COMMUNITY ACTION PROGRAMS FOR 1965
(Nine Cities: S = 324)^a

I. Personal Characteristics of Nonprofessional Aides and Comparable
Figures for Total Employed Labor Force^b

	Non- profes- sional Aides	Total Employed Labor Force		Non- profes- sional Aides	Total Employed Labor Force
A. Sex	%	%	B. Marital	%	%
Male	24	65	Status		
Female	76	35	Married	55	69
			Single,		
			Divorced,	45	31
			Separated		
C. Race			D. No. Depend. (S = 302)		
White	20	89	Self	25	24
Negro	79	10	1 to 3	44	41
Other	1	1	4 to 5	20	25
			6 or more	11	10
E. Age			F. Education Level		
Under 30	32	29	Not Grad.		
30-39	28	20	Elem. School	4	3
40-49	22	23	Grad. Elem.		
50 and over	18	28	School	1	19
			Some High		
			School	24	19
			High School		
			Graduate	31	36
			Some		
			College	34	11
			College		
			Graduate	6	12

II. Additional Nonprofessional Aide Data

Time Spent Traveling To Work (S = 311)		Financial Status: ^c		
		Family Income	Aides' Families	All U.S. Families
5 Minutes or less	23		%	%
6 to 15 Minutes	49			
16 to 30 Minutes	22			
31 to 1 Hour	6			
		Below 3,000	6	21
		3,000 to 3,999	10	10
		4,000 to 4,999	27	11
		5,000 and above	57	58

^a Universe = 3,167; cities are New Haven, Detroit, Pittsburgh, Syracuse, Washington, Atlanta, Chicago, Los Angeles and St. Louis.

^b Data for Total Employed Labor Force compiled from BLS Statistical Reports.

^c Incomes are based on present employment as CAP aides.

^d Data taken from "Characteristics of the Population," 1960 Census of the Population, Part I, United States Summary, U.S. Department of Commerce.

III. Employment and Job Search Data (S = 310)

	Non-professional Aides		Occupational Characteristics of all unemployed ^e
	%	%	%
1. Employed—not-seeking Job	23		
Prior Position Held:			
Related CAP Work		19	n.a.
Clerical		16	16
Skill./profess./semi-profess.		43	16
Unskilled ^f		18	53
Other ^g		6	15
2. Employed—seeking job	15		
3. Unemployed—seeking Job	47		
Type of Work Sought:			
(2 and 3)			
Nothing Specific		30	
Something Interesting		12	
Specific Improvement		6	
CAP Work		23	
Clerical		19	
Skill./profess./semi-profess.		8	
Unskilled		2	
4. Unemployed—not seeking Job	15		

IV. Nonprofessional Reasons for Accepting CAP Positions^h

	%
Desire to Help Community	47
Unemployed/underemployed	35
Provide better prospects for future	11
Interesting, enjoyable work	21
Similar to past work, Temporary	7

^e "Labor Force Employment in 1965," Special Labor Force Report No. 69, U.S. Department of Labor, Reprint No. 2494.

^f Unskilled category includes: operatives and kindred workers; general laborers and persons with no previous work experience.

^g Includes household and service workers.

^h Percentages greater than 100 because of multiple responses.

tions. On the other hand the total employed labor force has a significantly higher proportion of both high school graduates and college graduates. As far as educational levels are concerned, then the program indeed seems to be picking up those who have started, but not finished, their educational endeavors. Being a "drop-out" is clearly worth while in finding jobs as a nonprofessional aide.

Comparing the family income of nonprofessional aides with the family income distribution of the whole population shows that employment has at least temporarily lifted the aides above the poverty level. The degree of improvement is remarkable: total family income

distribution of the total population yields 69% over \$4,000, while 84% of nonprofessional families have income over \$4,000.

Another indication of the results of the selection of nonprofessional aides is evident in the statistical breakdown of the previously employed (not seeking a job) CAP aides. Though this group only represents 23% of the survey sample, more than half of them had been employed in some type of skilled, semi-skilled or professional work. This contrasts the occupational breakdown of a *national unemployment* figure of 16% in these categories.

The main point to be found here is that only 47% of non-professional aides were unemployed at the time of accepting work in the Community Action Program. As the emphasis of the Program is on its ability to attract the indigent unemployed, this seems only to have been partly accomplished.

THE IMPACT OF COMMUNITY ACTION PROGRAMS

The identification of the consequences, both direct and indirect, of community action programs with a specified program or with mix of programs was evaluated by computer simulation of 15 years in the life of CAPSBURG. Not an evaluation in the sense of a detailed study of ongoing programs, and contracted primarily to establish whether indeed a System for Comparative Analysis of Community Action Programs was feasible, project SCANCAP¹¹ established that computerizes simulation can indeed give a quantitative content to at least some consequences of public policy. Not all of the consequences of public action were found to be quantifiable with high levels of reliability—yet computer simulation was found to point to the future consequences of programs (provided of course the inputs are meaningful and the GIGO principle is respected)¹² in a fashion that no pencil analysis permits.

CAPSBURG is a synthetic urban center of less than 50,000 people with many traits common to older north central American cities. CAPSBURG reflects the cities' overall features as well as the typical wide spectrum of economic and housing conditions of most cities' neighborhoods with their varying degrees of poverty and deterioration. CAPSBURG is programmed for over 105 parameters

¹¹ Project SCANCAP, by Operations Research and Planning, Philco Tech. Rep. Division, Fort Washington, Pa. May 1966.

¹² The GIGO principle establishes that in computers if you put Garbage In you get Garbage Out.

to which growth variables and those relating to the CAP programs or their absence are added. The simulation runs which were applied to CAPSBURG through time assumed different program mixes, different levels of funding, and different levels of economic activity.

The various runs that were made can be grouped as to whether the major program emphasis was on employment and manpower training *or* on education. The simulation yielded the following findings, which are preliminary :

- (1) The direct effects of manpower projects have, with short time lags, immediate effect on individual incomes but bring about no fundamental changes in population attributes. At the end of 15 years the occupational distribution of employment in the slum neighborhoods tends to remain unchanged and the children of low-income families continue to enter the labor market unskilled. Youth unemployment appears to remain roughly constant.
- (2) The direct effects of educational programs are delayed in their income effects while the skill and occupational distribution of the population as a whole is more deeply and more lastingly affected.
- (3) Significant population shifts take place over the estimated period of time which was simulated. There is a major shift, particularly in programs that emphasize education, of the nonwhite population from the poorer neighborhoods to other areas of the city. There is a significant net outmigration of whites from CAPSBURG, while the total population increases.
- (4) In spite of the presence of Community Action Programs, and related inversely to the level of funding, is the continued poverty of CAPSBURG's poor neighborhoods. The socio-demographic characteristics of the slum neighborhoods offer little difference at the end of the period. This is more marked with computer runs that assume growth in employment than with those which do not. In-migration of course is the offsetting variable.

THE EVALUATIONS' IMPACT ON POLICY

The effect of these evaluations on the policies of the Community Action Program in OEO is minor.

Too few of the senior administrators are familiar with them;

there is little systematic analysis of the reports and no routine way for the findings to be distributed either to the community action agencies that administer the programs or to the regional offices of OEO that increasingly pass on fund applications.

New knowledge and new policy are thus almost entirely unrelated.

As indicated earlier, the small business loan program has changed significantly both with respect to eligibility criteria and to administration. The changes that took place were in line with the evaluation but were not due to it. The primary dynamic for change came from the SBA's bureaucracy that found it difficult to deal with applicants from the poverty population and to assess the risk of the new type of loans. Thus while one of the goals of the program was institutional change, the program turned out to have been thwarted by the very institution it was meant to change.

No impact on policy seems to follow from the evaluation of the nonprofessional aide program. The only traceable response is headquarters' encouragement of programs to train nonprofessionals. This obviously is much needed. No action has been taken to change the communities' recruitment and selection procedures and nothing has been done to take advantage of the abilities of slum residents of higher incomes.

The dichotomy between the expansion of manpower programs and of educational activities suggested in the SCANCAP evaluation is neither resolved nor broadly discussed. This occurs despite the recent limitations on funds which call for more precise budget programming. If anything, under alleged pressure of public opinion, OEO's short term manpower activities are being expanded.

The continued in-migration of the poor as a source of the persistence of the cities' poverty to which the SCANCAP evaluation has pointed also goes unrecognized in OEO's policies. There are no significant new or old programs geared to help the new immigrants to the cities; there is no thought of rationalizing resettlement nor any attempt by OEO to train the rural poor for more productive work in the cities.

THE DEFINITION OF POVERTY AND ITS RELATIONSHIP TO POLICY

OEO's policy "hang up" goes beyond the limited use given its own evaluation reports. It goes centrally to the fact that all its programs are geared to a single definition of poverty. By defining its

clientele solely as those earning below an equivalent of a little more than \$3,000 per family of four per year OEO fails to come to grips with the dynamics of income mobility and income distribution. Its administrators are caught, on the one hand, by the fear that, like earlier ventures of this type, its operations will be turned around to benefit exclusively the middle classes, while on the other hand they are frustrated by the difficulties of working with and reaching the poor.

Were OEO to segment its clientele and gear its various programs to different parts of the low-income population it could attack the poverty problem on a broader spectrum. Obviously there are not many potential small businessmen among those living at less than subsistence incomes, yet the slums need a broader economic base. There is no reason why these should not be drawn from a somewhat higher income class. The crucial qualities of the nonprofessional aides are those relative to their location in the social culture and not necessarily in the income scale. New housing is needed to house those living below the level of minimum comfort as well as to those living below minimum subsistence.

What OEO has not been able to see clearly is the extent to which poverty has both an absolute and a relative meaning. The overlap requires operational definitions of poverty at several dollar levels. Enough has been done recently in the churning of poverty statistics to be certain that different dollar levels of poverty identify populations with different demographic social economic and psychological profiles. More important is the fact that different poverty cut-off points identify different causal clusters. The reduction of the size, and future probable size, of the poverty populations calls for different program goals geared to different potential beneficiaries.¹ Such programs can be developed without turning the anti-poverty program into a mechanism to further accelerate the upward movement of those in the third and fourth quintile of the income distribution.

The anti-poverty program must indeed benefit those in the lowest quintile but it does not follow that this can be done, in spite of the program administrators' good intentions through programs geared exclusively to the poorest among the poor.

FIGHTING POVERTY: THE VIEW FROM WATTS

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The thesis of this paper is that the success of an antipoverty program can only be gauged in terms of a permanent change in the attitudes and behavior of the two major groups involved: (1) the poor themselves and (2) the organizations which "serve" the poor. The "war on poverty" was never designed as an ameliorative program. In his message to Congress, the President defined its essential purpose:¹

The war on poverty is not a struggle simply to support people, to make them dependent on the generosity of others. It is a struggle to give people a chance. It is an effort to allow them to develop and use their capacities, as we have been allowed to develop and use ours, so that they can share, as others share, in the promise of this Nation.

Taking that definition of goals at its face value, this paper will explore the impact of the antipoverty program upon the predominantly Negro south central area of Los Angeles (commonly and somewhat inaccurately identified as "Watts"), relying primarily upon my own observations and studies over a three-year period.

THE INVISIBILITY OF THE POOR

James Baldwin and Ralph Ellison have stressed the characteristic invisibility and anonymity of the Negro in this country, and prior to the 1965 Los Angeles riot (often labeled by Negroes as an "insurrection," "revolt," or "uprising"), the residents of the south Los Angeles ghetto easily fitted this characterization. Watts, in fact, could not even boast of a titillating and somewhat glamorous past, as could Harlem. In a superficial sense, the 1965 riot has given Watts an identity and a touch of glamor. The special investigations and reports, surveys, publications, lectures, conferences, and programs virtually defy enumeration. The foreign visitor to Los Angeles is now more likely to tour Watts than M-G-M or Forest Lawn.

* The author gratefully acknowledges the assistance of Mr. Wycliffe Mutsune, of the Institute's research staff, in the preparation of this paper.

¹ Message to the Congress, March, 1964.

Three major training facilities have been established within the past year, in addition to other publicly-sponsored training and indigenous programs such as Operation Bootstrap. The programs funded under the Economic Opportunity Act—from Head Start for preschool youngsters to Neighborhood Adult Participation Project for unemployed adults—cover a wide spectrum. Both the state and city have set up one-stop multiservice offices in the area.

It would be oversanguine to conclude that the Negro poor have finally secured the recognition they have lacked. The special programs can generate meaningful change only as they affect the relationship between the residents of the poverty ghetto and the central institutions of society: the schools, law enforcement agencies, employers, and so forth. There is little evidence, as yet, that this relationship has been fundamentally altered by the multitude of *ad hoc* measures. The institutions remain inflexible and unimaginative disciplinarians, either converting the poor to their standards or (more frequently) punishing them in overt or subtle ways for their failure to conform.

The Community Action Program has been explicitly designed to counter the anomie and alienation of the poor. Apparently taking its cue from a Presidential mandate to make the deprived independent, instead of subservient to bureaucratic whims, the legislation requires the "maximum feasible participation of the poor." Imperfectly applied at best, in an inevitably political context, this principle has suffered not only from the resistance of anxious politicians and the jurisdictional obsessions of established bureaucracies, but, notably in Los Angeles, from rivalries between those who purport to speak for the Negro and Mexican American communities. As a consequence, administrators are likely to deemphasize the more controversial CAP programs, and invest more resources in the safer and more conventional areas such as Head Start and manpower activities (safe as long as they steer clear of any collision with the building trades unions and other vested interests).

Predictably, the program is shifting away from the less traditional approaches which originally constituted its unique and potentially exciting contribution. Ironically, the success of even the more acceptable projects, such as Head Start, may be undermined by this shift. Improvements in the quantity and quality of education in slum areas, essential as they are, are not sufficient in themselves to

destroy the sense of impotence and futility characteristic of the young Negro slum-dweller. A massive statistical study of minority-group education, published this year, confirms the critical role played by anomie in affecting the achievement level of Negro youngsters.² Testing the effect of a number of variables upon the achievement of Negro and white students, the study finds that Negroes are most clearly affected by their sense of whether or not they can realistically control their environment and their own destiny. In the words of the report:³

. . . it appears that children from advantaged groups assume that the environment will respond if they are able enough to affect it; children from disadvantaged groups do not make this assumption, but in many cases assume that nothing they will do can affect the environment—it will give benefits or withhold them but not as a consequence of their own action.

In the Watts area, most of the experiences of young persons and adults alike tend to reinforce the impression that luck and chance are more decisive than planning in determining their future. The whims and culturally-influenced preferences of school administrators, policemen, social workers, and employers remain controlling. In the local high school, an outstanding athlete is more likely to make a “good” adjustment to school than is one who is equally bright but less talented in this special direction. The use of marijuana and pills (as one example of law violation) is so pervasive that only luck, plus a certain amount of skill in deceiving the cops, can oftentimes explain the absence of an arrest record. The reaction of a principal, social worker, or employer to one’s appearance and personality may be unpredictable, at best. All such factors conspire to strengthen the fatalism of those living in the ghetto.

EDUCATION AND TRAINING FOR WHAT?

An implied premise of the antipoverty program is that much poverty can be overcome by offering the poor an opportunity to acquire the general and technical skills, work habits, and cultural orientation of the affluent majority. If the “disadvantaged” can somehow be transformed into reasonable facsimiles of the Anglo middle

² James S. Coleman, *et al.*, *Equality of Educational Opportunity*, U.S. Department of Health, Education, and Welfare, 1966.

³ *Ibid.*, pp. 320–321.

class, their access to the economic (and perhaps even to some of the social) advantages enjoyed by the larger community will be assured.⁴

To the extent that such reorientation is performed by the public schools, the resistance of many youngsters will persist. In Watts, young people have a low tolerance for efforts to impose arbitrary and (from their viewpoint) meaningless standards upon them, particularly if they perceive that the quality of the training is inferior even in its own terms. The close observer is struck by the depth of their insight into such subtle factors as the motivation, qualification, and empathy of school personnel. A few quotes from Watts teenagers will suffice as illustration:⁵

Teachers don't teach. They only give out assignments.

Teachers come here because they are Negroes. If they are good, they are sent away.

We are taught to follow the status quo. We are not allowed to form our own code of conduct, manner of dress, and so on. You can't approach the administration with any change.

In Jordan, the textbook is the absolute authority on a subject. If you take any outside viewpoint, you are considered wrong. You open the textbooks, you see all the success stories, but you can't identify yourself. There is no motivation. Everything you see is how white Americans want you to see it. If I try to help the teacher, he will tell me to shut my mouth. He will say, "this is my class, not yours."

Teachers don't understand the problems of the ghetto area. I am often late to school because at home I have to do this or that in the morning; the teachers just don't understand.

They [the teachers] feel we don't want to learn, so they don't teach us what we should learn; they teach us what they want us to learn. A lot of students can't stand school; they are rebellious.

Maybe students are not interested because they don't feel they have a chance.

The students' comments reflect the tendency of bureaucracy to fit clients into fixed categories and concentrate efforts on those who

⁴For a critical discussion of this viewpoint, see Robert Coles, "The Poor Don't Want To Be Middle-Class," *The New York Times Magazine*, December 19, 1965, p. 7.

⁵All quotes are drawn from discussions with teenagers from Watts, held at UCLA on June 15 and July 9, 1966.

are most likely to assure the institution a favorable image and an impressive record. The unconventional, the alienated, the rebellious, and the independent, however smart they may be, will not be equally served. Harold Wilensky has noted this principle operating in other areas: "Especially in new programs and in areas of controversy, welfare administrators, afraid of recalcitrant clientele and anxious to minimize risk of failure, concentrate on salvaging the almost saved."⁶

None of this is intended to derogate the accomplishments of programs such as Head Start and Upward Bound (designed to introduce disadvantaged high-school youngsters to a college experience), or those under the various Education Acts. Nor would I argue against the inculcation of certain "middle-class" values; some characteristics commonly identified with the middle class are conducive to greater physical and mental health or to economic security. But values and personal needs differ, not only among communities but even within the minority community itself, and it is ultimately self-defeating for any institution, educational or otherwise, to destroy its potential rapport with those whom it should serve by applying an inflexible set of standards.⁷

The residents of a poverty ghetto are continuously exposed to negative and invidious conceptions of their potentialities. If, as the Watts youngsters themselves perceive, the students are not expected to learn, they will *not* learn; if adults are not treated as being capable of productive contributions to national welfare, they will become "hustlers" or will otherwise adapt to the limited alternatives available. Thus, the effectiveness of antipoverty programs, especially in the fields of education and training, is related directly to the preconceptions of their administrators and the latitude given for innovation. Kenneth Clark has argued that the major need in slum education is a change in the teachers' expectations of their pupils.⁸ Without denying the critical importance of environmental reforms, I would suggest that this principle has a wide applicability in communities like Watts.

⁶ Harold L. Wilensky, Introduction to paperback edition, Wilensky and Lebeaux, *Industrial Society and Social Welfare*, New York: The Free Press, A Division of Macmillan, 1965, p. xxxvii.

⁷ For an analysis of some concrete problems in Los Angeles, see Robert Singleton and Paul Bullock, "Some Problems in Minority-Group Education in the Los Angeles Public Schools," *Journal of Negro Education*, Spring 1963, pp. 137-145.

⁸ Kenneth B. Clark, *Dark Ghetto*, New York: Harper & Row, 1965, pp. 131-133.

POVERTY IN THE GHETTO

A major roadblock encountered by any antipoverty effort in the urban ghetto is the deep cynicism of its residents. The nature of the current program exacerbates this difficulty, because its goals are long-range and most of its important benefits are deferred. Seeing little tangible evidence of present gains, the poor are likely to conclude that it is simply another project designed to provide additional income for bureaucrats, social agencies, and researchers, plus some publicity for the politicians. Their entire experience, and the style of life in the ghetto, predisposes them to this conclusion.

Such cynicism is strengthened by the facts of political life. It is a rare (and probably an innocuous) program which can escape involvement in local politics, and even where worthy projects are permitted to operate effectively at the community level, the vagaries of annual funding lead to cutbacks or reallocations at precisely those times when some degree of success seems attainable. A vicious circle emerges, wherein the apparent resistance of the "hard-core" poor induces legislators and administrators to concentrate more of their efforts upon those whose response is more favorable and more reliable. Clashes among the various jurisdictions of government aggravate a problem which is already complex. The residents of the ghetto again conclude that no one genuinely cares about them or their problems.

Though the urban ghetto remains isolated in many ways from the rest of society, it does not wholly escape the influence of those values which infuse the life styles of the middle class. Perhaps largely through exposure to television, the poor become acutely aware of their material deprivation and thus inclined to pursue the acquisitive goals of the social order which in a certain sense is the "enemy." Much to the dismay of those radicals who prefer to view the poor as possible agents of social revolution, the inhabitants of Watts merely ask to share in the affluence of the larger society.

In his study of delinquent subcultures, Albert K. Cohen offers an observation which directly relates to the problems of urban ghettos such as Watts:⁹

People are prone to assume that those things which we define as evil and those which we define as good have their origins in separate and distinct features of our society. . . .

⁹ Albert K. Cohen, *Delinquent Boys: The Culture of the Gang*, Glencoe, Illinois: The Free Press, 1955, p. 137.

Our view is different. It holds that those values which are at the core of "the American way of life," which help to motivate the behavior which we most esteem as "typically American," are among the major determinants of that which we stigmatize as "pathological."

Society at once condemns the ghetto for not living up to the dominant standards of morality and imposes conditions upon the ghetto which preserve its isolation and (from the majority viewpoint) its disorganization. The ghetto responds to such conflicting demands with a kind of community schizophrenia: one part striving with excess haste to emulate what it regards as the fundamental driving force of the larger society, i.e., the rapid accumulation of money and the status that goes with its possession, and the other holding firmly to the traditional values of the minority culture.

The "hustler" combines these qualities in his single personality, uniquely adapted to the mores of the ghetto. His is the philosophy of the big gamble for the big (though temporary) stakes. He is often the success model for neighborhood youngsters, far more so than the Ralph Bunches and Jackie Robinsons and Ricardo Montalban. Indeed, the fact that so many of the socially acceptable and more publicized models seem to be in the entertainment, sports, and political fields means that many youngsters who are not especially outstanding in one of these fields can see little hope for themselves in the conventional directions. "Hustling," in one sense or another, appears to be the one available route to success.¹⁰

The sustained self-discipline and steady planning under parental guidance, inherent in the usual process by which middle-class youngsters undertake an education and a career, are alien to the teenagers and young adults trapped in a slum ghetto. Nothing in their background suggests any certainty of reward as the result of self-sacrifice and planned deferral of the gratification of present needs. Well over half of them in Watts are in broken homes. Consequently, there is strong emphasis on "having a good time" whenever possible, partly as a means of temporary escape from the frustrations and anxieties of the ghetto.¹¹ A job (the slang word is a "slave") may be regarded

¹⁰ For a moving and realistic account of life in the slum ghetto, see Claude Brown, *Manchild in the Promised Land*, New York, Macmillan Company, 1965. See also Lee Rainwater, "Crucible of Identity: The Negro Lower-Class Family," in *Daedalus*, Winter 1966, pp. 172-216.

¹¹ St. Clair Drake and Horace R. Cayton observed these same forces in the Negro ghetto of Chicago during World War II. See *Black Metropolis*, Vol. II, Harper Torchbook Edition, New York: Harper & Row, 1962, pp. 386-387.

only as a source of some "bread" to help finance a car, a "pad," or possibly a drug habit, rather than as a step up a permanent career ladder. The Negro poor are aware that even a complete adaptation to the cultural demands of the Anglos does not yet assure them of access to the advantages and privileges enjoyed by the majority. It does not, for example, entitle them to move into white neighborhoods, or to serve as sales managers or corporation executives or even as plumbers.

The problem is intensified when much of the employment offered to those in the ghetto is in the low-pay and nonunion category which offers an income similar to or little above the established welfare assistance levels. It simply may not make good sense economically to give up hustling "pot" in order to concentrate on a car-wash or service station job. As long as the rewards of welfare dependency or "hustling" exceed the income from a job, the ghetto resident is merely obeying the sacrosanct American principle of maximizing his economic gains. This fact, of course, deeply offends those middle-class Americans who are vigorously pursuing these same goals.

In a sense, the "hustler" is what Gunnar Myrdal called (in a different context) an "exaggerated American," who single-mindedly pursues money but without the hypocrisy and conventional ritualism characteristic of the Anglo middle class. One wonders what would happen to the relative "crime rates" throughout the city if income tax cheating, expense account padding, price fixing, usury, and similar practices were punished as severely and as frequently as petty theft and playing the numbers. It is also interesting to speculate whether the white-collar crimes do not, in reality, rob society of a great deal more than do the dramatic crimes of the urban ghetto.

Arrest records, of course, inhibit many ghetto residents in their search for suitable employment. Ironically, even government agencies involved in the "war on poverty" may discriminate against persons with felony records, thus aggravating the very alienation which constitutes their major enemy. Again the ambivalent attitudes of society toward the ghetto become apparent: law enforcement officials and their allies condemn judicial decisions which declare in effect that the poor cannot be arrested, tried, convicted, and executed without at least having the benefit of competent legal advice and knowledge of their constitutional prerogatives; provisions relative to the expunging of certain juvenile arrest records and assistance in bonding

remain unpublicized and little used; the police continue to detain, search, arrest, and harass Negro or Mexican American slum residents more frequently than in the case of the favored Anglos; and the Neighborhood Legal Services financed by OEO cannot assist the poor in such matters because their jurisdiction covers only civil cases, not criminal, and much of their time is therefore consumed by divorce cases and similar issues.

My concentration on what some might consider the "pathology" of the ghetto should not obscure the essential diversity of values which prevails even in Watts. Many in the community are homeowners, especially among those who arrived during or just after World War II; many heads of households, including mothers separated from their husbands, work long and hard at unattractive jobs, often traveling dozens of miles on inadequate transportation; and many youngsters, though not enough, manage to survive the rigors of public "education" and some make their way into college. The less alienated are often as critical of the practices of their lower-class neighbors as are the Anglo suburbanites. Even those in the more conventional categories, however, suffer serious disabilities in the current labor market: the impact of automation upon their jobs, the departure of industry from the area, and, perhaps most important, their advancing age in a market which gives preference to the younger.

SUMMARY AND CONCLUSIONS

On the surface, the statistical record of progress in employment, training, and job referrals is impressive. Indeed, the reported total of those placed in jobs or training over the past year far exceeds the number of unemployed (11,690) enumerated in the November, 1965, special census of the south central area. Yet we lack meaningful data on the nature, pay levels, permanence, and promotional opportunities of the jobs developed, or the extent to which the visible improvement merely reflects an escalation in military spending.

It would appear that the permanent job placements benefit mainly the Negroes who are already qualified and are without those special problems which are endemic to the poverty ghetto: police records, functional illiteracy, spotty work records, low skill, and personal characteristics which employers find unacceptable. Nor does increased or improved employment meet the needs of those who are not, or should not be, in the labor market. Presumably the special function

of the antipoverty program is to deal with the difficult problems of these groups. Its success will be measured by its capacity to reach the "hard core" and its willingness to challenge those practices which now demean and demoralize the ghetto's residents.

This is a complex task in a political environment, particularly when it requires a complete reversal in the policies and attitudes of the major social institutions. Boldness in planning and administration, essential to the attainment of the program's goal, is a quality rarely to be found among administrators, who are inclined by nature in the opposite direction. The greatest problem in urban ghetto education, for example, is *not* lack of intelligence or motivation on the part of the youngsters, but, rather, an absence of innovation, imagination, and sensitivity on the part of the bureaucrats who run the schools.

Completion of the task before us requires that the poor be given opportunities to secure an income in circumstances which are not demeaning and which respect the full potentialities of the individual. This may well involve the deliberate creation of useful public-service jobs which can be filled by persons of presently low skill and education. Only by such bold approaches can the goals of the "war on poverty" be finally achieved.

VII

NEW QUESTIONS FOR COLLECTIVE BARGAINING

John T. Dunlop, Chairman

PROMOTION SYSTEMS AND EQUAL EMPLOYMENT OPPORTUNITY ¹

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I. INTRODUCTION

One factor contributing to the inclusion of Title VII in the Civil Rights Act of 1964 was the growing concern among civil rights advocates about the disadvantaged position of the Negro in the labor market. Testimony before various federal, state, and local fair employment practices commissions had provided ample evidence that the disparity between Negro and white experience in both employment and earnings was attributable, in part, to the systematic exclusion of Negroes from many employment opportunities.²

The prohibitions of Title VII against employment discrimination are comprehensive in scope, covering hiring, discharges, promotions, compensation, conditions of work, and the like. The procedures for remedying employment discrimination which it outlines emphasize voluntary compliance. When a complaint is filed with the federal Equal Employment Opportunity Commission, it is referred to a state or local fair employment practices commission for action wherever possible. When a settlement is not obtained at the state or local level, the complaint is then investigated by the EEOC. If the EEOC finds that there is reasonable cause to believe that a complaint has merit, it attempts to induce the respondents voluntarily to develop a remedy, with the assistance of a conciliator. This effort may be followed, if necessary, however, by *de novo* proceedings in the Federal courts initiated by the complainant, or in some instances by the Justice Department.

The formulation of standards for compliance with Title VII poses challenging problems for the EEOC and the courts, perhaps the most formidable and sensitive being the elimination of racially

¹ The Civil Rights Act of 1964 prohibits discrimination because of race, color, religion, sex, or national origin. This paper will deal exclusively with problems of racial discrimination in manufacturing plants.

² See 1961 Commission on Civil Rights Report, Vol. 3, *Employment*, pp. 128-150; Michael I. Sovern, *Legal Restraints On Racial Discrimination In Employment* (New York: The Twentieth Century Fund, 1966), pp. 15-17, 48-55, 105-140; and Ray Marshall, *The Negro and Organized Labor* (New York: John Wiley & Sons, Inc., 1965).

discriminatory promotion systems.³ Within the confines of the statute a wide range of competing remedies for this problem are being proffered by legal theorists. Those at one end of the spectrum would protect all existing promotion expectations and would permit Negro employees to fill only those promotion vacancies for which no white employees hold prior claims.⁴ Those at the opposite pole feel that such remedies fail to provide Negro employees with full equality of promotion opportunity. Advocates of the latter position suggest that some form of plant-wide seniority should govern promotions, and that the appropriateness of job progression sequences should be re-appraised if they inhibit the utilization of such plant-wide seniority.⁵

While the courts are not strangers to the problem of discriminatory promotion systems, having dealt with them in a limited fashion in the context of the duty of fair representation, Title VII creates a new avenue for relief from discrimination.⁶ The standards which will emerge from EEOC and court involvement in defining compliance with Title VII and in fashioning appropriate remedies to promotion discrimination will presumably have considerable impact upon the substantive provisions concerning promotions, layoffs, and on-the-job training sequences contained in collective bargaining agreements, particularly those covering Southern plants.⁷

II. THE DESIGN AND FUNCTION OF PROMOTION SYSTEMS

Analytically, a promotion system consists of four components: (1) the promotion unit or primary group of job classifications within

³ According to figures released by the Commission for the first six months of its operation, roughly one third of the complaints were related to the operation of the promotion system. (Cited by the Bureau of National Affairs in *61 LRR 61*, January 31, 1966.) This figure probably overstates the volume of promotion cases because of some double counting.

⁴ This is essentially the form of relief approved by the courts in a recent promotion system case arising under the NLRA doctrine of fair representation. See *Whitfield v. United Steelworkers of America* 263 F. 2d. 546 cert. denied 360 U.S. 902 (1959).

⁵ See, for example, William B. Gould, "The Negro Revolution and the Law of Collective Bargaining," *34 Fordham Law Review* 207, pp. 216-26.

⁶ See, for example, the treatment of discriminatory promotion systems in *Steele v. Louisville & Nashville RR Co.* 323 U.S. 192 (1944) and *Whitfield v. United Steelworkers of America*, *op. cit.*

⁷ While the legal requirements of Title VII are the same for all plants, organized and unorganized, the unorganized plants lack the collective bargaining mechanism, including an arbitration procedure, for developing and implementing remedies.

which an employee makes vertical and lateral inter-job transfers,⁸ (2) the job classifications through which he enters or leaves the promotion unit, (3) the criteria, such as ability or seniority, governing movements within the promotion unit and into or out of the unit, and (4) the procedures by which job vacancies are offered to employees (job posting systems) and by which employees indicate a willingness to accept job changes (job bidding or assignment systems). The more detailed elements of promotion systems which are critical in determining patterns of labor allocation within the plant include the weights assigned to ability and seniority criteria for promotions, the placement of job classifications into particular units, the extent of bidding or bumping rights, the seniority rights which an employee retains when transferring between job classifications or promotion units, and the like.

There is a wide diversity in the design and operation of promotion systems among the plants in a locality, industry, and even within a multi-plant company, which is attributable to the diverse economic and social contexts within which they function. In organized plants, and in many which are unorganized, the rules governing formal promotion systems establish some measure of the employees' job rights, job security, and promotion opportunities. For the employer, these rules provide a means of reconciling the human relations problems of job competition among the employees, especially in plants where there are static or declining opportunities for employment and advancement. Such systems also provide an orderly administrative mechanism for allocating work opportunities and for developing job skills and experience through on-the-job training sequences.⁹ While these formal promotion arrangements typically constrain management's freedom to assign workers solely on the basis of ability or convenience, they have usually been designed so that efficiency has not been significantly impeded.¹⁰

⁸ The scope of the unit will often vary with the type of movement (*i.e.* layoff, promotion, transfer, and the like) and will typically depend on whether the movement is temporary or permanent. It may consist of a single job classification, as in some textile, apparel, and shoe plants; a multi-classification progression line embodying formally defined interconnections among job classifications; or broader agglomerations of job classifications which are department or plant-wide.

⁹ See Sumner H. Slichter, James J. Healy, and E. Robert Livernash, *The Impact of Collective Bargaining on Management* (Washington: The Brookings Institution, 1960), pp. 104-210.

¹⁰ See James J. Healy, "The Factor of Ability in Labor Relations," *Arbitration Today, Proceedings of the Eighth Annual Meeting of the National Academy of Arbitrators*, 1955.

In general, these systems recognize both the daily and the long run economic needs of employers and employees. These needs are controlled largely by the type of skills needed, the prospects for the growth or decline of employment in the plant and in the locality, the seasonal or cyclical fluctuations which occur in the production process, the characteristics of the local labor supply, and the economic commitments of the workers in the plant.¹¹ Since these factors will vary considerably, both among different plants and in the same plant over time, promotion systems are typically negotiated locally or as local supplements to national agreements.

Changes in any of the above variables can radically alter both the employer's and the employee's perception of the type of promotion system required in the plant. The local establishment of these systems permits the parties to modify them as local conditions change. This flexibility is always tempered, however, by employment expectations created during the previous operation of the system.¹² Thus the promotion system is often the product of an evolving series of accommodations to both economic forces and custom.

Most formal promotion systems may be said to operate discriminatorily as they favor some groups of workers over others. In those promotion systems which are based, at least in part, upon length of service, and in which promotion units are broad, the employment position of the older workers is generally enhanced. In enterprises where promotion units are narrower, the employment advantage lies with the more senior workers in each unit, but workers within units experiencing stable or growing employment will fare better, on the whole, than those in declining units, regardless of the absolute value of their seniority. While such non-racial discrimination cannot be eliminated, its incidence can be justified by reference to the balance which it achieves: (1) between management's objectives of efficiency and the union's concern for employment security for its senior mem-

¹¹ For a further description of the contribution of economic forces to the development of promotion systems see Peter B. Doeringer, "The Determinants of the Structure of Industrial Type Internal Labor Markets," *Industrial and Labor Relations Review*, Vol. 20, No. 2, January 1967.

¹² The status of these expectations, both as a pragmatic industrial relations problem and as a legal question, is critical to the development of appropriate remedies to promotion systems which are racially discriminatory. As Cox noted, "From a practical standpoint seniority confers a status more important than a bare contractual undertaking. In practice seniority clauses are usually carried forward from year to year. Contract and custom create expectations. Expectations create reliance." Archibald Cox, "The Duty of Fair Representation," *2 Villanova Law Review* 151, p. 164.

bers, and (2) among the intra-union pressures from the employees who receive differential benefits from the promotion system.¹³

Negotiated modifications of promotion systems are typically precipitated by unforeseen economic events such as corporate mergers, plant expansion, prolonged periods of employment contraction limited to particular units, skill scarcities, or radical changes in technology with which the existing system was unable to deal.¹⁴ These modifications often rearrange job equities and require the establishment of a new balance among the competing interests within the plant. When plant employment is expanding rapidly this balance is more easily achieved, since the economic opportunities of some groups need not be improved entirely at the expense of others. When employment is contracting, however, substantial discontent, leading sometimes to wildcat strikes, sabotage, or increased labor turnover, may be generated among workers who are disadvantaged by the modification of the promotion system.¹⁵

III. TYPES OF DISCRIMINATORY PROMOTION SYSTEMS

Most collective agreements governing racially discriminatory promotion systems do not contain provisions which explicitly disadvantage Negroes. Instead, the definition of promotion units, transfer rights between units, promotion criteria, and patterns of hiring and assigning employees to units are used to limit the Negro's advancement opportunity.¹⁶

The patterns of racial discrimination in promotion systems can, for the most part, be divided into three broad categories. The least common type consists of two functionally identical progression lines

¹³The courts have recognized that a union typically represents groups within its membership which are actively competitive on issues such as seniority where one group tends to benefit only at the expense of another. See, for example, *Ford Motor Co. v. Huffman*, 345 U.S. 330 (1953), and *Humphrey v. Moore* 375 U.S. 335 (1964).

¹⁴For a discussion of seniority problems during business mergers, see Thomas Kennedy, "Merging Seniority Lists," in *Labor Arbitration and Industrial Change. Proceedings of the Sixteenth Annual Meeting of the National Academy of Arbitrators* (Washington: BNA Inc., 1963), and Mark L. Kahn, "Seniority Problems in Business Mergers," *Industrial and Labor Relations Review*, April 1955.

¹⁵Sayles and Strauss point out, for example, that typically about one third of employee grievances are related to the operation of the promotion system. Leonard R. Sayles and George Strauss, *The Local Union: Its Place in the Industrial Plant* (New York: Harper & Brothers, 1953), pp. 51-52. See also Kennedy, *op. cit.*, and Kahn, *op. cit.*

¹⁶As a legal problem the identification of a racially discriminatory promotion system must be inferred from circumstantial evidence. There is no generally applicable standard for determining the lawfulness of a system.

within a single department, one Negro and the other white. A more typical arrangement involves restricting Negroes to the lower paying job classifications and progression lines within a department. In some instances these progression lines may be functionally related to those occupied by white employees, so that job experience acquired in the Negro progression lines can be utilized in the white progression lines. The third type of discriminatory promotion system restricts Negroes to separate units such as labor pools, less desirable production departments, or unskilled job classifications which are not connected to other promotion units. Here the functional relationships between the Negro and white promotion units are less clear or nonexistent. Discrimination of the latter type may also be reinforced by bargaining unit boundaries, as when different promotion units are represented by different unions or when certain groups—laborers, janitors, and the like—are not included within any bargaining unit.

Such segregated promotion units may either be formally established or may exist informally through tacit arrangements which permit only white employees to transfer permanently into the more desirable job classifications. The net result of these systems has been to reduce the past economic opportunities of Negroes and also to limit their opportunities to acquire either the requisite in-plant training or the seniority credits to enable them to compete for future promotions on an equal basis with white employees.

IV. REMEDYING DISCRIMINATORY PROMOTION SYSTEMS

Remedies for discriminatory promotion systems may involve changes in both the scope of the promotion unit and the rules governing the priorities for inter-unit and intra-unit promotions and transfers. The former type of remedy includes arrangements such as:

1. Dovetailing functionally identical Negro and white progression lines by merging similar job classifications.
2. Broadening the scope of the promotion unit through the merger of white and Negro units by job grade, seniority date, or other objective criteria.
3. Removing barriers to transfer between Negro and white promotion units.
4. Merging less skilled Negro and white job classifications to form multi-department pools or "pans" for the exercise of pro-

motion or transfer rights among the lower skilled, more easily learned jobs, combined with a narrow promotion unit structure for higher skilled job classifications.

The latter type of remedy, changing the rules governing priorities for promotions, transfers, and layoffs, includes:

1. Modifications in job bidding and posting procedures to give Negro employees a systematic mechanism for gaining access to previously white job classifications.
2. Modifications in the promotion clause to relax the ability criterion by providing trial periods for promotions, instituting longer training periods to test ability to perform a job, and recognizing an employee's potential for training as well as his job experience.
3. Establishment of programs for upgrading the skills of the lower paid employees in the plant, to enhance their promotion qualifications within the existing rules system.

Such remedies can be combined in a variety of ways to suit the particular conditions surrounding each discriminatory promotion system. While they can all be implemented voluntarily through collective bargaining procedures, distinctions may be drawn among them on the basis of (1) the distribution of the costs of the remedy among the parties, and (2) the degree to which they are required by Title VII.

Consider, for example, the type of remedy in which white and Negro promotion units are merged in a manner which permits Negro employees to move into only those vacancies in the previously white job classifications for which white employees hold no prior promotion expectations. Such remedies do not create any significant additional training costs for the employer, nor do the white employees bear any costs of reduced promotion opportunities. By permitting the white employees to exercise training and seniority previously acquired under the discriminatory system, however, a period of transition is established during which Negro employees continue to bear the implicit costs of reduced promotion opportunities.

An alternative remedy which recognizes these transition costs, is to permit Negroes to advance into job vacancies for which whites held priority rights under the previous promotion system. This would include, for example, broadening the scope of the promotion

unit in which length of service credits can be exercised in job bidding, and relaxing the ability criteria to be used in evaluating an employee's qualifications for promotion. When ability qualifications are maintained while the scope of the unit in which seniority rights are exercised is broadened, any increase in the advancement rates of Negro employees will come entirely at the expense of reduced promotion opportunities for the white employees with no costs being incurred by the employer. If ability standards are relaxed, however, the employer also shares some of the remedy costs by providing additional training with each promotion. In the extreme case, in which senior Negroes are allowed to displace junior white job incumbents, regardless of ability, the cost of the remedy is borne exclusively by the employer and the white employees.

The implication of this analysis is not that an appropriate remedy should be defined by some cost formula, but rather that the acceptability to the parties of a particular remedy is conditioned by the distribution of its costs. The final form which a voluntary remedy will assume in each case, however, will also be considerably influenced by the attitude of the courts toward discriminatory promotion systems, especially in their determination of the amount of protection accorded to the ability and seniority rights acquired by white employees in promotion units or job classifications, which were previously closed to Negroes.

Neither the language of Title VII nor its legislative history provide definite guidance in this area. It seems clear from the Senate debate that ability standards and formal job qualifications are largely protected¹⁷ and that, at least in some instances, Title VII cannot require that incumbents be displaced.¹⁸ One might also argue that the same principle which protects job incumbency can logically be extended to protect downgrading and layoff rights, but the legislative history is not explicit on this point.

The Senate debate is even less certain as to whether seniority or ability rights to promotion vacancies open previously only to white employees are also protected. There is considerable evidence, for example, that the Senate did not consider the seniority issue except in the limited context of a plant-wide promotion unit.¹⁹ Moreover,

¹⁷ See the memorandum on Title VII by Senators Clark and Case, 110 *Cong. Rec.* 6992, and Senator Clark's response to Senator Dirksen's memorandum, *ibid.*, p. 6997. (Citations from Daily Edition.)

¹⁸ *Ibid.*, p. 6992.

¹⁹ *Ibid.*, p. 6996.

much of the debate focused upon the seniority problem in all-white plants or in plants which had only recently begun to hire Negroes.²⁰ While Senators Case and Clark, the floor managers of the legislation, stated clearly that "seniority rights are in no way affected,"²¹ they also asserted that if seniority rules are discriminatory they are unlawful, that future job vacancies (without distinguishing between hiring and promotion vacancies) must be filled on a non-discriminatory basis, and that only "established seniority rights" are protected.²²

By protecting a limited set of established rights and standards within promotion systems, the legislative history constrains, to some degree, the types of remedies which the courts can require. Any such solution, moreover, is likely to have certain practical disadvantages in its application.

Remedies which permit Negro employees to transfer into only those vacancies in previously white job classifications to which white employees hold no prior claims will continue to restrict, for some period, the Negroes' promotion opportunities. If the courts recognize this inequity and endorse some form of remedy which rearranges promotion rights or job security, the following disadvantages accrue. (1) The remedy will be meaningless if Negroes lack the qualifications required for upgrading. (2) The distribution of the costs of the remedy between the respondents seems excessively imbalanced. Given the ability qualification in most promotion agreements and the apparent protection accorded such clauses under Title VII, the employer would not bear any additional training costs. Moreover, while the remedy imposes a cost on the white employees, it is not collected from them as a class, but rather from particular individuals who are denied promotions which they would have received under the previous system. (3) The discretionary latitude inherent in the application of the ability clause, when determining the qualification of an employee for promotion, may make the remedy technically difficult to enforce if the employer and the union are not firmly committed to accepting it.

These disadvantages, in my view, indicate that the types of solutions which the courts can require are likely to be less effective than those which are available through voluntary negotiation. This suggests that in order to encourage the broader range of remedies

²⁰ 110 *Cong. Rec.* 6986; *ibid.*, p. 6992.

²¹ *Ibid.*, p. 6996.

²² *Ibid.*, pp. 6986, 6992.

which are within the purview of voluntary compliance but which the courts cannot require, the courts might well adopt, where necessary, a position which would impose some moderate costs upon the respondents, as, for example, requiring forms of promotion system reorganization which would permit qualified Negroes to exercise previously acquired seniority rights for bidding into job vacancies in broad promotion units encompassing both Negro and white job classifications. Such remedies seem preferable, not as a rigid standard for compliance with the Act, but rather as an incentive to the parties to develop more suitable alternatives.

One alternative might be to expand the scope of the promotion unit to encompass both Negro and white job classifications, combined with a broadening of the criteria governing promotions to include an employee's training potential as well as his ability and seniority.²³ This remedy would increase the likelihood of promotion for the more capable Negro employees by recognizing a wider range of relevant considerations in determining eligibility for promotion.

A second, and in the long run perhaps more satisfactory, alternative is to have the employees currently in Negro promotion units be given preferential access rights to the entry jobs in the previously white units. This promotion system reorganization would be maximally compatible with the existing collective bargaining relationships and would provide the non-discriminatory promotion framework of which the employer and the union are most likely to ensure the success. Since it does not provide Negro employees with any opportunities to acquire non-entry jobs in the white unit commensurate with their seniority or ability, however, it should be considered as only a *partial* fulfillment of the obligation of the union and the employer to provide appropriate affirmative action to eliminate the discrimination.

The *quid pro quo* for the waiver by the Negro employees of the potential promotion rights available under a court remedy such as that suggested above, should be that they receive additional compensation, such as bump-back rights into their previous unit during reductions in forces, and, most important, additional training to ensure their qualification for promotion when job vacancies occur or to develop more general skills.

Such a solution will provide fewer immediate economic advantages for particularly well qualified Negro employees than can per-

²³ See "Challenges to Collective Bargaining," *Final Report of the Thirtieth American Assembly* (Harriman, N.Y., 1966), p. 5.

haps be required by the Act. It recognizes the diversity of competing needs and preferences in the plant, however, and will more effectively serve the long run interests of the Negro employees, as a class, by ensuring that more of them will be qualified for advancement and that such advancement will not require the sacrifice of income or job security. Moreover, it provides a mechanism through which the employer and the union can share the costs rather than penalizing specific individuals who may not have been responsible for the discrimination. Perhaps more important, this solution permits the parties to the complaint to exercise wider discretion in fashioning remedies through a collective bargaining process which recognizes the diversity of competing needs and preferences within the plant.

V. FACILITATING THE PROCESS OF COMPLIANCE

In conclusion, there are two areas which warrant further exploration by the parties and the Commission in order to increase the likelihood of securing voluntary compliance with the Act: (1) expanding the promotion opportunities for the employees in the plant, and (2) creating additional machinery for dealing with impasses during conciliation.

As indicated above, equal employment opportunity objectives are most readily achieved during periods of economic expansion. While the overall rate of economic growth is a micro parameter, the employer has available certain instruments for influencing the expansion of promotion opportunities within the plant. When racially discriminatory promotion systems exist in a plant which is part of a multi-plant corporation, corporate management might be urged by the Commission or the respondents to increase the available jobs in the plant by diverting additional production orders, and even funds for capital expansion, into those plants which are attempting to comply with Title VII.

In addition, there are desirable jobs within the bargaining unit which are normally filled by hiring (some maintenance and production craft occupations, for example) which potentially represent additional promotion opportunities, provided that appropriate training arrangements are established. This same procedure can also be extended to include craft, clerical, and technical positions outside of the bargaining unit. In plants with declining employment, where such arrangements cannot provide significant expansion in pro-

motion opportunities, a more ambitious program could be developed to provide employees in the lower paying, and typically Negro, jobs with training in basic English and mathematics, vocational skills, and clerical or technical skills which could then qualify them for a broader range of jobs with other employers in the community. While the training required for these jobs will typically be substantial, assistance may be available from local school systems and from the federal government under the Vocational Education Act and the MDTA.

Finally, since not all complaints will be resolved voluntarily, the Commission might wish to consider the possibility of interposing additional procedural steps between conciliation and litigation in the courts. In view of the willingness of Congress and the courts to encourage fact finding and arbitration in private industrial disputes, modified forms of these techniques might also be appropriate in correcting discriminatory employment arrangements.²⁴ The Commission, with the assistance of groups such as the National Academy of Arbitrators or the American Arbitration Association, could establish a panel of recognized private arbitrators and mediators to handle those cases in which conciliation was not completely successful. If a complaint under Title VII could not be resolved through conciliation, the employer, the labor organization, and the complaining party could be given the option of continuing the case in the courts or of agreeing to submit the unresolved issues to an intermediate step involving either fact finding with recommendations or binding arbitration subject to Commission and Court review. The costs incurred in these procedures could be shared by the respondents, as they are in conventional arbitrations.

These additional options allow the parties to preserve some of the initiative and flexibility of voluntary compliance by voluntarily delegating the responsibility for developing a remedy to a mutually acceptable neutral. Moreover, such neutrals can presumably bring more expertise to the resolution of these difficult issues than can the courts.

²⁴ See *United Steelworkers of America v. American Manufacturing Co.*, 363 U.S. 564 (1960), *United Steelworkers of America v. Warrior Gulf and Navigation Co.*, 363 U.S. 564 (1960), and *United Steelworkers of America v. Enterprise Wheel and Car Corporation*, 363 U.S. 974 (1960).

ADAPTATIONS IN THE STRUCTURE OF BARGAINING

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Current pressures at the bargaining table are more acute than any time since Korea. While this is to be expected in a period of pronounced increases in the cost of living and developing shortages in the supply of labor, there is evidence of a more disturbing and far-reaching cause for the present extent of crises in collective bargaining.

As Professor Weber puts it, the balance and consolidation of power which had been largely built up in the structure of collective bargaining in recent years is now being subjected to a number of "disequilibrium factors."¹ It is my intent to examine three such developments affecting current bargaining structures, namely:

- (1) The counter movement to the recent trend toward centralized bargaining;
- (2) The adoption of coordinated union bargaining; and
- (3) The new policy of the National Labor Relations Board (NLRB) on union withdrawal from multi-employer bargaining units.

Although much has been written on the subject of collective bargaining structures in recent years, it must be said from the outset that there is no single, clear, universally-accepted definition of the term "collective bargaining structure." Without elaborating on the variations in the usage of the term, let it be said that for the purposes of this paper, at least, I am assuming a broad definition of the structure of collective bargaining, i.e., one which would be more or less inclusive of all the economic, institutional, and locus-of-power considerations in a bargaining relationship.² This is not to deny

¹ Arnold R. Weber, "Creative Bargaining As Solution to Labor Crisis," address at Joint Convention of Association of Labor Mediation Agencies and National Association of State Labor Relations Agencies, Mackinac Island, Michigan, August 30-September 3, 1966, as summarized in *Labor Relations Reporter*, Vol. 63, pp. 43-45.

² See, for example, the various definitions of the term in *The Structure of Collective Bargaining*, edited by Arnold R. Weber, Graduate School of Business, University of Chicago, The Free Press of Glencoe, Inc., New York, 1961, 381 pp. To cite just a few: Professor Neil W. Chamberlain defined collective bargaining structure as "both the bargaining unit and the power organization within it," pp. 3 and 4; Professor Robert Livernash cautions that

the inventiveness, ingenuity, and generally useful concept of bargaining structures conceived by the late Professor Benjamin Selekman in his classification of types of bargaining relationships.³ Rather, it is to focus attention on changes in the structural organization of American labor and management in the collective bargaining relationship just as Professor John T. Dunlop did before this body some ten years ago.⁴

Finally, by way of general comment on the concept of bargaining structure, it should also be noted that the bargaining structure represents the interaction of diverse forces, frequently conflicting and rarely within the absolute control of either party to the contract.⁵ Moreover, the structure of bargaining, as a prime target of

while "the notion of bargaining structure is not precise," the term clearly . . . carries connotations beyond an analysis of bargaining units"; "necessarily involves . . . relationships among bargaining units"; and "reaches into the economic characteristics of product and labor markets and the organizational structure of unions," p. 33. Peter Henle interprets the term to mean "who bargains with whom" and this "tends to reflect the structure of business on the one hand and the structure of unionism on the other," p. 107; and Professor George W. Brooks defines the term as "the way in which bargaining is practiced: who takes part, where the decisions are made, what plants and employees are covered, and so on." p. 123.

³ Professor Selekman's emphasis is on "relationships through social structures" and he classifies the "modes of joint dealing" into eight types of "structures of institutional relationships," namely, (1) the structure of containment-aggression; (2) the structure of ideology; (3) the structure of conflict; (4) the structure of power bargaining; (5) the structure of deal-bargaining; (6) the structure of collusion; (7) the structure of accommodation; and (8) the structure of cooperation. (Benjamin M. Selekman, Sylvia Selekman and Stephen Fuller. *Problems in Labor Relations*, McGraw Hill Book Company, New York, 1958, pp. 5-9.)

⁴ John T. Dunlop, "Structural Changes in the American Labor Movement and Industrial Relations System," *Proceedings Industrial Relations Research Association*, December, 1956.

⁵ In his conclusion on "Determinants of Collective Bargaining," Professor Chamberlain points out that although the focus of attention of his analysis and most considerations of bargaining structure are directed toward the "labor side" of the collective bargaining relationship, "the forces impinging on the management side are equally relevant" and "have their impact." (*Op. cit.*, p. 18.) Professor Brooks responds strongly against what he feels is an over-emphasis of the influence of unions on the structure of collective bargaining (*Op. cit.*, p. 123) and Edward L. Cushman, in his analysis of management objectives and bargaining structures, emphasizes the "conflicting considerations that must be evaluated by management" in establishing "a bargaining relationship" and observes that "an optimum unit from management's viewpoint may be different for different objectives." (*Ibid.*, pp. 60 and 61.) Professors Douglas V. Brown and George P. Shultz observe that while the structure of collective bargaining in "the operational sense" is broader than the concept of "appropriate units" as established by the National Labor Relations Board and "has not been a direct concern of public policy . . . the actions of public bodies has affected this structure in indirect but significant ways." (*Ibid.*, p. 308.)

the parties for the maximization of power at the bargaining table, is continuously subjected to pressures for adaptation and change. While accommodations between unions and management may have led to a degree of stabilization of structure in some bargaining relationships, "grass root" interests among the union membership or, occasionally, among individual company members in an association bargaining situation may occasion abrupt and forceful pressure for radical modifications in the existing bargaining structure.⁶ Also, since the structure of bargaining often is the product of "who got there firstest with the mostest" and, in such situations, basically represents the pattern and procedure which is best utilized for the advance of the interests of the dominant party in the negotiations, changes in the structure thereafter invariably involve crisis with strike or lockout being resorted to as one or the other party seeks to shift the locus of power at the bargaining table.⁷

This is not intended to imply that the avoidance of crisis and industrial conflict ought always be paramount or that changes in structure through disruptions at the bargaining table with recourse to strike and/or lockout are undesirable *per se*. Stability in the labor-management relationship may have been achieved at the cost of tolerating certain inequities and slighting certain group interests which no longer can be ignored. Accommodation in an existing structure ideally ought to be sought in meeting such problems. But vested interest in the existing structure by one or the other party and, not infrequently, by the negotiators as distinct from the employees or, in the case of association bargaining, the individual plant member, may make such peaceful change an impossibility or too lengthy a procedure to be a practical solution. Obviously, under

⁶ Professor Herbert Northrup, in his analysis of bargaining structures, contends that it is "a serious oversight to consider only two groups as pertinent in labor-management relations" and suggests that in addition to management and labor which he defines as union officials and professional staff personnel, there is a third relationship that need be taken into account, namely, the employees themselves.

⁷ Professor Dunlop characterizes the strike to change a traditional structure of bargaining which has become unsatisfactory to one or the other party to the contract, as one of four major categories of strike over a new contract. (John T. Dunlop, "The Function of the Strike," *preliminary draft*, Harvard University, Cambridge, Mass., May 7, 1966, 24 pp., mimeo.) He observes that strikes of this nature are particularly difficult to ward off, mediate, or settle and cites, as typical, the 1962-1963 New York newspaper strike which lasted 114 days, the 31-day strike of the Boston newspapers in 1966, and the Ironworkers strike which virtually shut down all construction work in Cleveland in 1964.

such conditions as these, it is hoped that the disruptions in production will not be in vain and that the resultant change in structure will provide greater equity, give broader expression to the principle of the joint determination of conditions of employment, and establish a more enduring stability in the labor-management relationship generally. But there is no guarantee of this and, I fear, no clear set of rules that could be laid down for labor and management, let alone public policy, to achieve this. Analyses of the pressures and factors involved in changes in bargaining structure, however, serve as a basis for careful consideration and, hopefully, the adoption of more intelligent policies and procedures by labor, management, and public bodies alike.

PROPOSED MODIFICATIONS IN INDUSTRY-WIDE STEEL NEGOTIATIONS

One of the most important of the current pressures for modification in existing bargaining structures represents a counter-movement to the centralization trend which has been so dominant in labor-management relations in recent years. Although steel negotiations are a "long way off" with current basic steel contracts running through August 1968, much of the deliberations at the Steelworkers Union convention in Atlantic City this fall was devoted to questions affecting the structure of bargaining and specific steps were adopted to "decentralize" negotiations policy-making and procedures to give the rank-and-file greater participation in bargaining.

The Union's 163-member Wage Policy Committee will continue to be responsible for setting general policy in negotiations, but special industry problems will now be delegated to separate policy committees for aluminum, basic steel, non-ferrous metal, and can-making. Moreover, the General Wage Policy Committee will no longer have the authority to settle the contract for the entire union jurisdiction. The separate committees, in addition to participating in the setting of contract goals, will now conduct votes of their own on contract ratification or strike authorization.

Industry-wide bargaining in steel, indeed, is on trial in the next round of negotiations. The Union has rejected proposals for the abandonment of industry-wide bargaining for the present, as well it might under the circumstances in which U.S. Steel traditionally sets the pattern in basic steel. But the decentralization of

union procedure in bargaining is only a step in meeting rank-and-file pressures and local needs. It remains to be seen whether this and other modifications in the structure of bargaining in the negotiations ahead will provide for a better handling of local problems, will avoid their being lost in the "vastness" of industry-wide negotiations, and will generally dispel the fairly wide-spread membership discontent over the neglect of local issues and being left out of the negotiations.

THE "LOCAL ISSUES" PROBLEM IN AUTOMOTIVE NEGOTIATIONS

The "local issues" problem and concern over the centralized structure of bargaining has been growing in the automotive industry. Professor Livernash places the beginning of this expression of discontent with the stoppages which took place at the conclusion of the 1955 negotiations and were largely prompted by dissident skilled groups who were more interested in obtaining wage concessions than supplementary unemployment benefits.⁸ As he traced it, in the 1958 negotiations, when the International was openly and widely criticized by large segments of the Union membership for not paying attention to local issues in the negotiations and final settlement, some 11,600 local demands had been presented. In 1961, there were some 19,000 local demands and after national issues had been settled, there were strikes at General Motors and later Ford over local issues. In 1964, there were again strikes at these companies after national agreement had been reached and local demands were in the neighborhood of 25,000.

Automotive negotiations have always been plagued with the "local issues" problem. But, it has only been since the war that the practice has been for the final settlement to be made between small committees of company and union (International) representatives. There are some who contend that the stoppages at Ford and General Motors, and the avoidance of walkout at Chrysler, represents a well-planned strategy of the national union to bring pressure on the companies and to help restore competitive balance among the "Big Three" automotive producers. Yet, much of the basic rank-and-file dissatisfaction which was cited as prevailing in steel and is evident in other large-scale industries with highly centralized

⁸ E. R. Livernash, "Analysis of Special and Local Negotiations," (*preliminary draft*), Harvard University, Cambridge, Mass., October 1965, (mimeo.—unnumbered).

bargaining structures exists here. Local union officials are concerned over their lessening role in the union structure generally and in collective bargaining in particular. The membership and the rank-and-file generally are more interested in on-the-job conditions and local problems than they are in the broad, "global issues" of the "national" bargain. As Professor Livernash so aptly notes, it is "easy to forget how important proper gloves, drinking fountains, and other conditions on the job can be to the individual employees."⁹

SOME POSSIBLE DECENTRALIZATION STEPS: "SPECIAL AGREEMENTS,"
"PACKAGE" NEGOTIATING, AND "LOCALIZING" INTERPRETATION
QUESTIONS

It would appear that the centralization of bargaining structures and the standardization of the terms of the contract have been carried too far. But some new and creative approaches to the bargaining table need be demonstrated if the trend toward centralization, which has been so dominant a characteristic of the labor relations scene in recent years, is to be modified through accommodation rather than protracted strikes.¹⁰

Whatever may prompt "creative bargaining," there is much opportunity to adapt existing centralized structures to meet the needs of greater local participation and a more effective handling of local issues.¹¹ A number of steps have already been taken in this direction by labor and management and these are presented here along with some suggestions of a broader nature.

These are "mighty big words" and "a tall task" for the labor and management practitioner at the bargaining table who has first-

⁹ *Ibid.*

¹⁰ There has been some progress in this direction with some noteworthy examples of "accommodation in the negotiation of labor agreements" and "creative bargaining." See, for example, *Creative Collective Bargaining: Meeting Today's Challenges to Labor-Management Relations*, James J. Healy, ed., Prentice-Hall Inc., Englewood Cliffs, New Jersey, 1965, 294 pp.

¹¹ To progress from an "armed truce" collective bargaining relationship to one of "working harmony," as Professors Harbison and Coleman put it (Frederick H. Harbison and John R. Coleman, *Goals and Strategy in Collective Bargaining*, Harper and Row, publishers, New York, 1951, p. 20) or to engage in "distributive bargaining," which is the problem-solving relationship in the Professors Walton and McKersie model, requires much "attitudinal structuring" (Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations: An Analysis of a Social Interaction System*, McGraw-Hill Book Co., New York, 1965; see especially "The Distributive Bargaining Model," pp. 11-57, "Integrative Bargaining Model," pp. 126-143, and "Attitudinal Structuring Tactics," pp. 222-280.)

hand knowledge, often painfully experienced, that collective bargaining—whatever else it may represent and however it may be defined by the analyst—is fundamentally a power process. This is not necessarily bad; nor is it an expression of pessimism that tests of economic strength alone will determine bargaining structure and govern whether or not “modification” occurs. While it is difficult to see how a major and abrupt shift in the locus of power at the bargaining table can be achieved by one party over and against the other without strife, restraint in the exercise of power can be achieved without major philosophical and attitudinal changes through a concern for the “price” of exercising power. Regardless of whether bargaining is conducted in an atmosphere of “pure conflict” or has reached a stage of “maturity” in the working out of common goals, adaptations in the structure of bargaining, especially as they pertain to the reversal of the trend toward centralization and standardization, could well come about through “accommodation” rather than strike. The “price” of adhering to the existing centralized structure could well prove too costly in the form of employee discontent, poor work attitudes, spotty production, repeated stoppage, and the like, and could induce “creative bargaining” on forms of decentralization.

Many contracts now make provision for “special agreements.” These usually deal with a technical or specialized subject matter in which “experts” are needed for drafting and even administering. Such agreements, occasionally with effective dates differing from the master contract, are most prevalent for welfare, pension, and other specialized benefit programs but have also been employed in meeting problems of wage incentives, job evaluation, profit sharing, and other payment plans.

There would seem to be much advantage in keeping these issues separate from the general agreement. However, if they are to be separated and treated in a special agreement and dealt with in a special negotiations, it would probably be necessary for the parties to negotiate a “cost” rather than a “benefit.” Thus, in order to fix the “package price” of any given negotiations settlement, the parties would need to agree that “cents per hour” or “dollars per shift or work week” could be taken out of the agreed-upon money settlement for welfare, pension, and other specialized benefits.

The procedure of “package” negotiating provides greater flexi-

bility in collective bargaining. It permits of decentralization and self-determination by local groups. There is some "loss" in the decentralization of the "allocation of the package" decision—usually there are savings to be had in a central fund's purchase of uniform welfare benefits and in the spreading of risks in pension programs—but these seem small compared to the gains in satisfying local groups of employees as to whether they want the monies they "gained" in negotiations to be in wages or in welfare, pension, or other benefits.

It is interesting to speculate whether "economic items" in the contract generally couldn't be handled in the same fashion. In a centralized negotiations structure such as in steel or automotives, this would provide the broadest flexibility and widest area of employee self-determination of working conditions. The basic agreement would be a "package" agreement and the local areas would determine the amount of the "package settlement" which would go into wages, welfare, pension, hours, vacations, holidays, paid sick leave, jury duty, bereavement leave, supplementary unemployment benefits, etc. Management concern for the personnel and manpower problems connected with certain "fringe" benefits such as the encouragement of malingering and the increase of non-productive time, may well necessitate that the "master bargain" set some negotiated limits to this freedom of choice in the allocation and use of the "package settlement." Similarly, it may not be practical in large multi-plant or multi-company contracts, as in automotives or steel, to vary certain centralized benefit programs. This is especially likely for pensions and where employee benefit "rights" need to be protected as employees move from one plant to the other. But the case for uniformity for many of the "economic items" listed above is far less compelling, and much local unrest would be alleviated and much employee satisfaction could be achieved through adaptations of this sort in centralized bargaining structures.

In many contract interpretation areas, there also appears to be an over-stressing of the need for standardization and centralized determination. Regardless of the extent to which vacations, holidays, welfare, pension, and other "fringe" benefits are permitted to be locally-determined through "package negotiating," local areas could well be free to establish their own provisions for the scheduling of vacations, the posting of notices as to vacation time, and the method

of providing preference in vacation time. Similarly, local autonomy could be extended to the scheduling of hours of work, the distribution of overtime, the setting of qualification provisions for paid holidays, sick leave, bereavement leave, jury duty, and the like. Also, apprenticeships and in-plant training programs, grievance handling, seniority application and sanitary conditions could all be delegated to local determination and interpretation.

COORDINATED UNION BARGAINING

When the General Electric Co. reached agreement on October 14 with eleven unions and the Westinghouse Electrical Corp. followed the pattern some weeks thereafter, the settlements which covered some 180,000 employees in all represented the first major test in what has been widely proclaimed as "a new trend" in labor's efforts to combat the bargaining strength of large-scale employers whose employees are organized by several unions. Although the final settlement did not greatly differ from the initial offer made by General Electric, it did force General Electric to make upward concessions from its starting position and was well above the "gains" of the two previous contracts which averaged about 2% per year from 1960-1966. Labor is convinced that General Electric would not have made such a substantial "first offer" if it had not been faced with a "union coalition" and the results are certain to encourage unions to coordinate their bargaining in similar situations where several unions deal with one employer.

On May 4, when the International Union of Electrical Workers came to the bargaining table with a committee which included representatives of other unions, the company's representatives refused to meet with them. There were eight unions in this initial coalition.¹² All of the unions had traditionally negotiated separate contracts with General Electric and their contracts expired at varying dates in October. In the ensuing series of Labor Relations Board and court actions which are yet to be finally adjudicated, General Electric was required to bargain with the IUE coordinated union committee.

The coordinated bargaining effort which was undertaken at Gen-

¹² In addition to the IUE, the other unions involved in the initial coordinated bargaining effort with GE were: the International Brotherhood of Electrical Workers; the International Association of Machinists; the United Automobile Workers; the Sheet Metal Workers; the Allied Industrial Workers; the American Federation of Technical Workers; and the American Flint Glass Workers.

eral Electric and Westinghouse is currently being planned by the unions dealing with major copper and brass companies.¹³ It is reported that they hope to overcome the disadvantages of the present bargaining procedure in which the unions deal separately with the companies on a local basis and once the company makes a settlement with a relatively weak union, it uses it as a pattern with the others. Although a few of the locals have coordinated their demands and bargaining efforts in the past with Revere and Anaconda, coordinated bargaining has never been attempted before by the unions for the entire industry. Present contracts run through to mid-1967 and almost 80,000 workers are affected.

It would seem that this is only the beginning of such coordinated efforts on the part of two or more union groups which have separate contracts with one employer. Coordinated bargaining is not new in collective bargaining, but it is new for this type of large-scale enterprise. Local market industries with several distinct, but related, craft union groups have experienced one form or another of "coalition" and "unity effort" in union bargaining for many years. But for the large-scale industrial company, coordinated union bargaining, if successful, will mean a marked change in the structure of bargaining in the future.

Whatever may be the immediate and transitional problems engendered at the bargaining table through coordinated union bargaining, it would appear "on balance," however, that parties ought to be able to choose their bargaining representatives relatively free of interference and pressures of any sort by the party on "the other side of the table." Moreover, public policy, if not personnel considerations for maximum employee self-determination of the benefits of contract negotiations, ought not discourage efforts by one side or the other

¹³ Although promoted by the Industrial Union Department, the coordinated effort is not being limited to AFL-CIO unions as both the International Brotherhood of Teamsters and the Mine, Mill and Smelters union are reported as being invited to join in the undertaking. Other unions involved are the United Automobile Workers, the United Steelworkers of America, the International Association of Machinists, the International Brotherhood of Electrical Workers, and the International Union of Electrical Workers. The companies involved are the Anaconda Co., the American Smelting and Refining Co., the Kennecott Copper Corp., the Phelps Dodge Corp., the Bridgeport Brass, Ltd., the Revere Copper and Brass, Inc., and the Scovill Manufacturing Co. For a fuller and more comprehensive summary of labor's new program of coordinated union bargaining, see "The Extension of Collective Bargaining to New Fields" by Jack Conway and Woodrow L. Ginsburg, Industrial Union Department, AFL-CIO, *Paper* presented at the Nineteenth Annual Winter Meeting, Industrial Relations Research Association, San Francisco, December 29, 1966.

for bringing together at the bargaining table all affected groups in a given bargaining relationship even though bargaining units in the legal sense may be less broadly defined.

UNION WITHDRAWAL FROM A MULTI-EMPLOYER BARGAINING UNIT: THE NLRB'S "NEW" POLICY

During the past year or so there have been a series of cases at the NLRB and the courts involving the question of union withdrawal from a multi-employer bargaining unit. The legal right of an employer member of a multi-employer bargaining association to withdraw from the relationship and to bargain with the union individually has long since been established. Such action on the part of the employer need only be timely and unequivocal, absent other actions and motives which are unlawful.¹⁴ Although not as yet finally adjudicated, it would appear that unions will now be provided "withdrawal rights" in a multi-employer bargaining relationship on the same basis as extended employers.¹⁵

The full impact of the Board's new policy on multi-employer bargaining is yet to be felt. If the recent Washington newspaper negotiations and the intention of the union in the forthcoming New

¹⁴ See, for example, *Purity Stores, Ltd.*, 93 NLRB 199 (1951); *Truck Drivers Local 449 v. NLRB*, 231 F. 2d 110, (2d Cir. 1956); *Johnson Optical Co.*, 87 NLRB 539 (1949).

A thorough and comprehensive analysis of multi-employer bargaining under the law has been prepared by Edward Silver, Esq., of the law firm of Proskauer, Rose, Goetz, and Mendelsohn in New York City. This excellent study is entitled "Multi-Employer Bargaining" and will shortly appear as Part III (c) in *Development of Law Under the National Labor Relations Act*. (Draft Form, 59 pp. mimeo, book to be published by the American Bar Association.)

¹⁵ The initial ruling of the Board in this regard was set forth in the 1965 Detroit newspaper case (*Evening News Association, Inc.*, 154 NLRB No. 121 and 60 LRRM 1149, 1965). Prior to this, unions were treated differently than employers on questions of withdrawal from a multi-employer bargaining relationship and were permitted to withdraw only if they had bargained to an impasse with the association. See *Morand Bros. Beverage Company*, 91 NLRB 409, 1950 and *Continental Baking Company*, 99 NLRB 787-88 and *Stouffer Company*, 101 NLRB 1331, 1952.

The most recent expression of the Board's new policy on union withdrawal from a multi-employer bargaining unit involves the typographical union and the New York newspapers (*Publishers Association v. NLRB*, 62 LRRM 2722, 1966). The Second Circuit Court of Appeals upheld the Board's ruling and on December 5, 1966, the Supreme Court denied review of the appeal taken by the New York publishers. The effect of this action is to leave standing the Board's ruling that the union may withdraw from the multi-bargaining unit and is free to insist on individual and separate contracts with each of the New York newspapers since the union's withdrawal action in the first instance was timely and unequivocal.

York newspaper negotiations are any indication, however, there will be few multi-employer bargaining relationships that won't be subjected to close scrutiny by the unions involved. Wherever the prospects of "whip-sawing" present opportunity for offsetting employer strength, multi-bargained contracts are in jeopardy. Small unit industries are especially vulnerable in this regard for their basic, if not sole strength, in dealing with unions which in most instances can draw on the resources and assistance of their national organization is their ability to act concertedly at the bargaining table.

Whatever the legal niceties which suggest symmetry in the application of Board policy in the matter of employer and union withdrawal from a multi-employer bargaining relationship, the very economic and labor relations considerations which gave rise to association bargaining in the first place suggest otherwise. Symmetry in the legal right of withdrawal does grave violence to the principle of symmetry in the right of organization. If employers are not free to bargain and act in concert in negotiations, their right to form associations is emasculated.

Much weight in legal quarters seems to be given to the fact that consent of the parties was required to initiate multi-employer bargaining in the first place. Yet, it does not necessarily follow that consent of the parties must be required to continue the relationship. The principle would not necessarily be violated if it were held as public policy that consent of the parties was necessary to terminate the multi-employer bargaining relationship except in abnormal situations such as after impasse has been reached in negotiations.

For the Board to reason that union and employer withdrawal from multi-employer bargaining are parallel situations ignores some pertinent and basic considerations. When an employer withdraws from a multi-employer association, it has no effect on the union entity. In fact, it more generally adds to the strength of the union's bargaining position by weakening the employers cohesion in concerted action. On the other hand, when a union withdraws from a multi-employer bargaining relationship, it shatters "the very identity, nature, and composition of the employer with whom bargaining is to be conducted."¹⁷

Employers, as in the recent Washington newspaper negotiations, can endeavor to retain the essentials of the former structure of multi-

¹⁷ Quotes taken from Board member Brown's dissent in the *Evening News* case, 60 LRRM 1153.

employer bargaining by acting in concert outside the bargaining table in the preparation and development of policy, strategy, and procedures at the bargaining table. Conceivably, they could even "take a leaf" out of union tactics in the recent GE negotiations and develop their own form of "coordinated bargaining" through a negotiating committee composed of representatives from several companies. But these are a poor substitute at best, and worth little unless employers have the right to act in concert in the use of lockout.¹⁸

¹⁸ The question of lockout "rights" on the part of an employer who was formerly a party to a multi-employer bargaining relationship which was shattered by union withdrawal was raised in the *Detroit Newspaper Association* case, 145 NLRB 996, 1964 and is currently before the Board. The Board had denied lockout rights to the employer but was reversed by the Sixth Circuit Court of Appeals in an extension of the Supreme Court's ruling permitting lockout at point of impasse in a single, individual bargained contract in a case involving the *American Shipbuilding Company*, 380 U.S. 300, 1965. The Sixth Circuit ruling is not final, however, since the Supreme Court has returned the *Detroit Newspaper Association* case to the Board for reconsideration. (346 F. 2d 527, 6th Circuit, 1965 and 382 U.S. 374, 1966.)

THE EXTENSION OF COLLECTIVE BARGAINING TO NEW FIELDS

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The items I propose to discuss with you here today are based, in large part, upon the experience of the IUD over the past year and on the action of the IUD Executive Board which met in Washington earlier this month.

They fit quite well into the category we are discussing and they have implications that I think need only be touched on for a group as perceptive as this one.

I am talking, first of all about the growth of coordinated collective bargaining which, in this past year, has proceeded at a pace that has surprised even the most optimistic of us. And I am talking, secondly, about the extension of the union movement into the community and its participation, through community unions, in the national war on poverty.

It has already been made quite clear to all of us that coordinated collective bargaining is more than a mere grouping of unions acting together for the sake of achieving more or less the same wages and working conditions from the same company. Its implications and its dimensions, as we shall see, go far beyond that.

Coordinated collective bargaining is going to lead, I think, to a great growth in organizing because it provides, better than any index we have yet devised, a measure of where we need to shore up our strength for an effective confrontation with those in the private sector who make the economic decisions that affect the lives of so many.

The development of coordinated collective bargaining has made even more clear the need for the creative use of modern computer technology for handling contract and company data. I think it was Professor Dunlop who pointed out that while in the early days unions were more proficient than their opponents across the bargaining table in preparing their case, today they are lagging behind. That is a deficiency that I hope we can overcome, partly through the aid of the tool of electronic data processing.

The growth of coordinated collective bargaining will do much to eliminate, or at any rate soften, some of the jurisdictional disputes which have sapped much of the strength of the labor movement and which have led to so much adverse publicity. It has directed the attention of our organizations from a struggle over the right to represent a limited number of workers to a struggle to increase the total number of union members. I know you will not misunderstand if I liken it to our fight in the economic field to divide up a pie of abundance instead of fighting over a pie of scarcity.

And, finally, through coordinated collective bargaining we are making it evident, once again, that the struggle at the bargaining table is a struggle on behalf of the entire labor movement, not just one particular segment of it. Where there is a basic issue at stake, both the labor movement and industry know that the entire resources and commitment of the labor movement will be involved.

These, then, are four key implications of coordinated collective bargaining that we can now see. There will, perhaps, be others as we move along but I have indicated enough, I think, to make the point that in moving into this area we are doing more than making mere mechanistic re-arrangements. We are creating a new—and needed—instrument to meet new conditions.

These new conditions have not been of our making. And it is not necessary for me here to speculate with you about the reason they have arisen. But we are all aware of the drastic change that has taken place in industry with the growth of industrial conglomerations. There may be some rationale for the Columbia Broadcasting System to own the New York Yankees. There may be some slight basis for International Telephone and Telegraph to own the American Broadcasting Company; even less for it to own Avis. But I am unable to find any valid reason why the meat packing firm of Armour should own the Baldwin Locomotive Company or why the soap maker, Procter and Gamble, should make coffee.

The reasons, as we all know, are financial rather than the outgrowth of a rationalizing of the industrial process. Technology is developing new products and firms in declining industries like textiles are reaching out into other industries in search of survival. Also, extended prosperity has provided more cash for corporations and their natural reaction is to look for profitable places to invest. Emphasis on research and development has led to a natural alliance of

firms with new products and new ideas. Growth and bigness have become ends in themselves in the industrial world and the broader the range of corporate interests the more impressive are its financial statements.

This merger and acquisition characteristic of industry is not new but the pace is accelerating. Between 1954 and 1958 there was an increase of 59 percent in the number of companies operating in more than one industry. In 1964 alone there were nearly 1,800 acquisitions—or business mergers—a gain of 21 percent in the span of a single year. This upward trend continued in 1965 and 1966.

Obviously, this presents the labor movement with problems because the power to make decisions on basic issues has been placed even further from the point at which the issue is generated. And no one union organization, as presently constituted, has the resources to join the issues at that level.

The Minnesota, Mining & Manufacturing Company, for instance, is located in 17 states, manufactures some 40 product lines turning out 25,000 separate items, and deals with 18 different international unions. Olin Mathieson, another corporation that is moving rapidly into the catch-all field, deals with 15 different international unions. In the negotiations with General Electric, 11 different international unions were involved.

This is the background against which we are developing our coordinated collective bargaining committees. More than 70 of them have been established over the past few years. Of these, currently about 20 committees are already involved in some form of coordinated bargaining, or likely to be conducting their bargaining on a coordinated basis soon. Companies in this group include American Home Products, Union Carbide, Johns Manville, Rohm and Haas, Quaker Oats and 3M. In the early stages of development are 50 committees. In these the IUD has played a key role in providing essential information on contracts, pensions and insurance plans, finances, contract termination dates, and similar information. And it is at this point where the data processing operation which we have established is brought into play. It will be able to provide us quickly with the information we need in a coordinated form in which we need it!

At present we have been concentrating our efforts in three areas—collective bargaining, organizing and elections, and company analysis. In the field of collective bargaining we have prepared contract sum-

mary information forms suitable for translating major contract provisions into computer language. We have developed a computer storage and processing system geared to making detailed comparative tabulations. Our initial activity involved putting in our computer file 20 key contract provisions with pertinent details for 90 leading collective bargaining agreements. That original group of contracts is being expanded rapidly. We are working closely with our affiliate unions so that the contract analysis work being carried on in any international can, where desired, be integrated with the IUD's computerized system. As we progress in this part of the project we will be broadening the number of clauses analyzed and tabulating further details on each.

On organizing we have converted to magnetic tape NLRB published reports on representation elections held for the five-year period July 1961 through June 1966. A system has been programmed to analyze these results and print out, on demand, specific reports to make our organizing efforts more effective. Also we now have the capability to provide IUD affiliates with readily available up-to-date election history information, by company, by area, by industry or by one of numerous other significant factors.

The third area relating to company analysis has begun with exploring techniques for collecting, analyzing and providing information on company mergers, acquisitions, new products and financial information. The system will also contain key information on directors and key personnel.

And I may add that as we move toward coordinated bargaining we have found it vital for the top leadership of the international unions involved to make the key policy-planning and strategy decisions. Coordinated action is important not only for successfully applying economic pressure against the company but also for maintaining and strengthening relationships within the union committee.

In the case of General Electric bargaining, a committee composed of representatives designated by the presidents of the various international unions, along with a representative of the IUD, provided the energy and the financing and made the policy and strategy decisions which contributed to the successful outcome.

Based on that experience and on the initial work the IUD has done so far, our structure for coordinated collective bargaining for a particular company might encompass a top policy committee con-

sisting of the presidents of the international unions with local unions having contracts with the corporation and a conference of unions whose members would be made up of representatives designated by each of the international union presidents on the policy committee, and a representative of the IUD. The conference would plan for and handle the information exchange, set the goals for bargaining, develop strategies and related policy issues.

Developments may alter this proposed structure but they will not alter, I am confident, the direction in which we are moving.

Many of you will recognize the analogy to the growth of an international union . . . the combining of local unions with common interests into an international union which can provide the services and the strength that is required. Perhaps the analogy is a good one though obviously the problems are more complex and we will be guided by the necessities rather than the analogy.

The goal is the same . . . the achievement of economic justice and the establishment of higher standards of social morality. And the harder we pursue this goal the more we become aware of the gaps. Just as we have come to realize the difficulties of one union going to the mat with a many-headed financial complex, so we are coming to realize the difficulties of one segment of our society, the labor movement, dealing with the many-headed problems of our total society.

We know that there are some thirty-four million people living in poverty. They're the families of people who are working at jobs with wages too low to support them. They're the young and healthy people for whom we have failed to provide job opportunities or sufficient training to fill the available jobs. They're also the old and disabled and the discouraged people living in communities deserted by industry and in communities where natural resources have been exhausted.

Many of these are people whose productive capacities we need and who, if those capacities had been used, would have provided all of us with a greater abundance and made our total society richer.

It is therefore clear to me that the labor movement must identify with the people who are living at or below the poverty level. We must help them create the organizations which can help them solve their problems in their own neighborhood.

The labor movement must be an instrument for social change. We

cannot permit 34 million people—half of them children—to exist below the poverty level in our affluent nation. We of the labor movement not only realize there must be change, we demand it and will participate in bringing it about.

In our attempts to influence the dynamics of social change, we turn first, naturally, to our own union experiences and union organizations. It is to be expected that we first consider the possibility of using prototypes of union forms and structures to attack the problems of poverty. This has led us to explore a new concept—that of a “neighborhood union” or “community union.”

Why not an organization that will express the collective self-interest of the poor? It worked for the auto worker, steelworker, bricklayer, carpenter, printer—all of us have gained self-respect and dignity through our unions. Why cannot the poor gain self-respect and dignity through the solution of their problems by organizations?

And so we think that organization of the poor into what we call “community unions” can lead to a more effective dealing with the underlying causes of poverty in the trap-ghettos, slums and migrant camps that lie hidden on the wrong side of the freeways or behind the billboards and bushes in the country.

In exploring the possibility of developing community unions, we realize that we are groping toward a new form of institution. But it has its roots in a long trade union experience, and is within the best traditions of the labor movement.

A community union could merge traditional trade union functions with modern community center functions. For example, a community union could bring tenants together to bargain collectively with slumlords. A community union could voice the complaints of a neighborhood through its own steward system and grievance procedure. A community union could develop education and retraining programs. It could raise the political awareness and effectiveness of people who have been forced to live outside of social and political structures.

We are experimenting with the concept of the community union because the present structure of our labor movement was not put together to do the kind of job that needs to be done in the neighborhoods.

We are organized on job lines. We carry on our organizing drives at the plant gate or at the workplace. We deal with employers, and

handle grievances of workers related to their jobs; only seldom have we dealt with a worker's landlord or grocer, or the policeman on the block where he lives.

Through a community union structure we can cut across job lines and concentrate on community ties. This way, we can reach the hundreds of thousands of working poor who are employed in jobs that have fallen outside of existing union structures. We can reach the unemployed, underemployed, the school drop-outs and forced-outs and others trapped in the unbroken cycle of poverty.

Just as we have custom-built hundreds of thousands of collective bargaining contracts to fit specific situations, we are now approaching the structuring of community unions to fit specific needs.

It follows, therefore, that the forms of the community unions will take shape in different ways in different places; they may vary considerably because of circumstances. This is already becoming apparent.

We have at the present time three distinctly different examples of what may emerge as community unions which are taking form in three distinctly different communities.

In Chicago, the outlines of an experimental social form are emerging in response to a crisis of deprivation there. We are experimenting with a triangular combination known as the Chicago Community Union Center. In this Center, we have brought together representatives of the Southern Christian Leadership Conference and the Chicago Coordinating Council of Community Organizations.

What is being done in Chicago is an example of union experience translated into community action. A tenants' union has been organized which is now bargaining with landlords. This community action is bringing about correction of some of the worst aspects of slum dwellings.

The parallels to conventional union action are remarkable. There have been strikes—rent strikes—and there have been lock-outs—eviction notices. And there have been contracts, too, collective bargaining contracts. Our activities have sparked interest by other groups in the problems of the slums, e.g., members of the law faculty at the University of Chicago have been reviewing tenant rights, and suggested the possibility of revising the standard lease, which in feudal tradition, assigns all the rights to the landlord and all the responsibilities to the tenant.

Another locale where union experience has been directly translated into community action is Watts. There, a union steward who has lived in the community for 22 years is chairman of the Watts Labor Community Action Committee. He has had many years of experience handling grievances of his co-workers in an auto plant. Now he is putting that experience into practice in his neighborhood, handling the grievances of his neighbors.

The committee which he heads now includes representatives of about a dozen international unions and has the support of the Los Angeles AFL-CIO Central Labor Council. All of the members on this committee are residents of Watts. They understand their neighborhoods. There now is in Watts an effective community organization working to solve the needs of the people which has flowed directly out of union experience. This organization has been incorporated on a private, nonprofit basis. It has sponsored a number of projects, including the obtaining of government grants for a neighborhood youth corps and a manpower training program.

And there is still a third kind of labor social action underway in a small California community you all have heard of—Delano.

In Delano, the concept of a modern service center is being coupled with the traditional method of organizing farm workers into a union.

Side by side with the United Farm Workers Organizing Committee, a Farm Workers Service Center has been structured. Here again, the format is a private, nonprofit entity which can sponsor and promote a variety of activities to improve the lot of the migrant farm worker.

The Center already has a credit union and a health clinic. Co-operative enterprises are planned which will include a service station, store and perhaps other functions. The Center will also include education and training programs—it plans to train mechanics through the use of the facilities of a cooperative garage, for example. It may also include counseling for individuals or families, and legal assistance, as well as the handling of “grievances” with governmental agencies, or school board or police department. A unique aspect of this developing service center is that it must meet the needs of a highly mobile workforce—migrant workers—and therefore must devise ways of moving the services along with the workers and their families.

The experiments of the labor movement with social action mech-

anisms such as the community union will, I believe, widen our scope of interest and revitalize our movement. It could prove as beneficial to the labor movement as the change that took place in the 1930s when unions were extended beyond craft lines and organized along industrial lines.

Union structures organized along community lines can add dimension to the labor movement and carry us farther along the road of moral commitment and practical purpose.

We must make intelligent, practical use of our resources to assist the poor in dealing with the problems of the poor. We have gone the road of self-organization and know its great value. We must help the poor to find the same road.

In so doing, we will be consistent with the great ideals and pragmatic wisdom of the American labor movement.

VIII

DISSERTATION RESEARCH

Neil W. Chamberlain, Chairman

IMPACT OF DEFENSE EXPENDITURES ON JOB OPPORTUNITIES AND MANPOWER REQUIREMENTS

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The Department of Defense (DOD) through its procurement activities creates more employment opportunities than any other agency in or out of government. The effect of such spending in stimulating the growth of jobs, has led to proposals by the Vice-President¹ and other politicians to "channel" contracts to other areas in which unemployment is severe and new industries are needed.

But if procurement regulations called for such channeling, and then DOD were to award more contracts to depressed area firms, would the unemployed worker really benefit from the increased activity in his area? To help answer the question, let us look at the type of worker defense industries need, the type of worker who is unemployed in the depressed areas, and examine the extent of the mismatch (if any) between the two.

DEFENSE INDUSTRY JOB REQUIREMENTS

For the first step in our analysis, let us find out just what kind of workers the defense industries need. This study, for the first time: a) presents figures for a carefully considered estimate of the skill-education of the work force in specific defense facilities; b) illustrates the lack of variation in skill requirements by size of facility; c) shows the degree of similarity from industry to industry; d) shows the relationship of defense work requirements vis-a-vis the rest of the labor force; and e) indicates that it is mainly the high volume facility, which employs significant numbers of production-line and materials handling personnel, that accepts a large number of lesser educated persons for its work force.

A sample of 84 defense firms supplied a breakdown of their work forces by classifying them into seven job entrant skill and education categories which, for brevity, are shown here on the horizontal axis

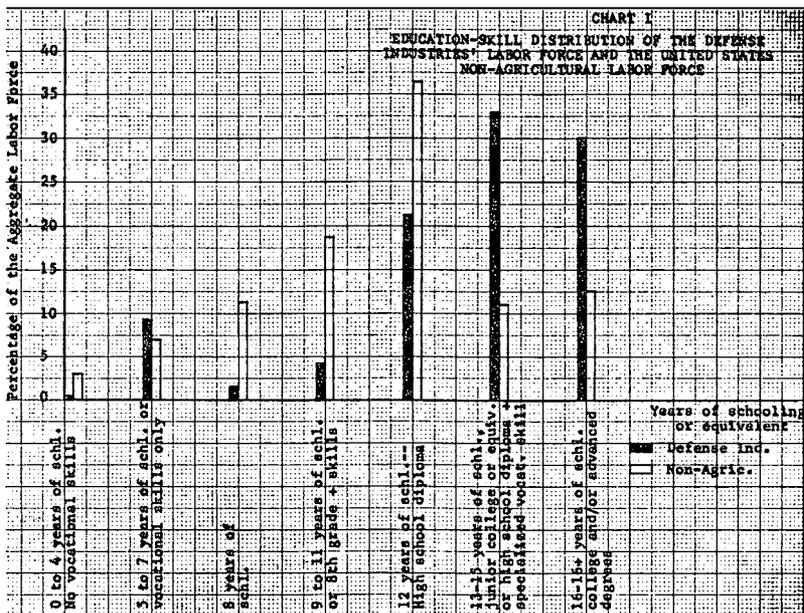
* The research from which this paper is drawn was supported by the Ford Foundation. A more complete version of this paper with expanded comments is available from the author.

¹ Then Senator Hubert H. Humphrey, U.S. Senate, *Hearing Before the Selection Committee on Small Business*, 87th Cong., 2d Sess., August 29, 1962, pp. 9-13.

of chart I. The requirements stated are those which the firms have established; whether these are too high or too low in relation to what they actually need for the work performed is a matter that is beyond the scope of this work.

The data were examined from two aspects: First, the 84 companies were "fitted" into six hypothetical facilities (at appropriate data breaks) which reflected size differentiations from plant to plant. A Chi-Square test showed that there is no significant variation in education requirements associated with different size classifications of the plants.

Second, in order to find out if there is any variation from industry to industry in the education-skill requirements of the work force, five typical facilities, shown in table I, were set up to reflect modal tendencies within each industry, by size and proportionate makeup of the skill-education spectrum. These typical facilities show less variation in skill requirements, from industry to industry, than might have been expected. In four of the industries, over 95 percent of the facility work force must possess at least a high school education.



Source: U.S., Department of Labor, Bureau of Labor Statistics, *Educational Attainment of Workers*, Special Labor Force Report No. 65, March 1965, Table A-7; Mail Survey of 84 Defense Firms.

TABLE I
 Typical Facilities: Summary of Responses by Industry, Size, and Skill Spectrum

Industry	Average No. of Jobs	16 or More Years of Schl.	13 to 15 Years of Schl.	12 Years of Schl.	9 to 11 Years of Schl.	Eight Years of Schl.	5 to 7 Years of Schl.	0 to 4 Years of Schl.
Aircraft— Missiles	17456 100.0%	7496 42.7	6304 35.4	3155 18.0	503 2.8	125 0.7	0 0	0 0
Commun. Equip. Electronics	298 100.0%	105 35.2	124 43.2	53 17.7	4 1.3	4 1.3	3 1.0	0 0
Ordnance— Access.	1264 100.0%	413 32.6	403 32.0	418 33.0	15 1.1	5 0.3	7 0.5	0 0
Electro— Mech. App.	145 100.0%	27 18.6	39 26.8	10 6.8	43 29.6	3 2.0	22 15.1	1 0.6
Other Firms	2526 100.0%	1713 67.0	538 21.2	250 9.8	0 0	0 0	25 0.9	0 0

Note: Complete headings should show skill equivalent to given years of schooling. See chart I horizontal axis for complete heading. Listings = no. of jobs and % per category.

Source: Mail survey of 84 defense firms.

Over 65 percent must possess schooling beyond that point; a third or more of the workers must have at least a college education.

The data which show the high skill requirements of defense plants are further emphasized by Chart I. Two aspects of the chart are important here:

1. The defense industries require about two thirds of their job entrants to meet the requirements of the two topmost skill-education categories. By contrast, less than one third of the employed non-agricultural labor force of the U.S. would fall into these categories.

2. In all the lesser categories of skill-education (below the first two), with the exception of those in the 5-7 years-skills only group, the proportion of workers in the non-agricultural labor force is higher than for a potential defense force. The relatively large percentage of defense jobs in the 5-7 years group is due to several large facilities which produce munitions and electronic components—items well suited to high volume automated production lines and the use of lesser skilled production (and materials handling) workers.

Now that we have drawn the labor force requirements for the defense industries, it is necessary to examine the relevant characteristics of the unemployed labor force.

CHARACTERISTICS OF UNEMPLOYED WORKERS

While data on the unemployed worker in the U.S. as a whole, or by state, are readily available, information on the skill and educational attainments of the work force on a consistently drawn labor market basis is virtually non-existent. The only information that is available was tabulated on an occupational basis, and in this section we will detail the use of these figures to: 1. Draw the occupational profile of the unemployed workers in 120 urban industrial depressed areas; and 2. Impute an education distribution to these workers. The areas examined were those which were on Area Redevelopment Administration lists throughout the early 1962 to 1966 period and which had over 10,000 population.

Over 80 percent of the areas under study had 3,000 or fewer unemployed workers. The average size of the unemployed labor pool was 2,600 workers, the median 2,100 and the mode 1,600.

Figures illustrating the occupational distribution of the unemployed labor force, in the 120 areas under study, and on a national basis are shown in Table II. Depressed area percentages for mana-

TABLE II
Occupational Distribution of the Unemployed Labor Force

Occupation	Percentage of U.S. Unemployed	Percentage of Depressed Area Unemployed
Professional—Managerial	6.3	3.9
Clerical—Sales	15.1	11.2
Craftsmen—Foremen	11.5	17.4
Operatives	24.3	38.2
Service	11.1	9.6
Laborers	12.5	19.1
Farmers—Miscell.	19.2	0.6
	100.0	100.0

Source: U.S. Department of Labor, *Manpower Report of the President* (Washington, D.C.: U.S. Government Printing Office, March 1963), Table A-14; U.S., Department of Commerce, Area Redevelopment Administration, *Statistical Profiles* (Washington, D.C.: U.S. Department of Commerce, 1962-1963).

gerial, clerical, and service workers were decidedly smaller than those for the U.S. as a whole: the depressed area occupational distribution of the unemployed shows a greater concentration in blue-collar classifications than is true of the unemployed nationally.

Further study of the relevant figures revealed that these aggregate figures are representative of the bulk of the individual areas under study. The mean, medial, and modal area distributions are very close to the aggregate percentages, and no gross differences, from area to area, are "hidden" by discussing only the aggregates.

If we now seek information about the educational qualifications of the unemployed, it becomes necessary to convert the information about the occupational distributions into educational distributions. This was done by using the educational distribution—by occupation—of the employed labor force in the U.S. and assuming that the same distribution holds true for the unemployed labor force. Using the distribution for the employed workers, in this manner, serves to overstate the qualifications of the unemployed, but allowances can be made for this in discussing the impact of a plant upon a particular work force.

The imputed education distributions for the unemployed in the depressed areas and nationally are shown in Table III. The distribution for the depressed area unemployed workers is not substantially different from that of the unemployed work force all over

TABLE III
Education Attained by the Unemployed Work Force

School Level— Years Attained	Depressed Area Unemployed	U.S. Unemployed
16-16+	3.3	3.5
13-14	6.8	7.2
12	33.8	30.4
9-11	24.5	29.7
8	15.4	12.7
5-7	10.6	10.5
0-4	5.5	5.9
	100.0	100.0

Source: U.S., Department of Labor, Bureau of Labor Statistics, *Educational Attainment of Workers*, Special Labor Force Report No. 65, March 1965, Tables A-7 and A-13.

the U.S. Both, however, have a relatively small percentage of workers in the two topmost education levels.

DEFENSE JOBS AND UNEMPLOYED WORKERS

To what extent would an in-migrating defense plant reduce the unemployment in a depressed area?

We start with a wide discrepancy between the qualifications of the unemployed and the requirements of the defense industries. While less than 4 percent of the unemployed have a college degree, defense work requires that 30 percent of its work force possess a degree; only about 7 percent of the unemployed have 13-15 years of schooling while defense work requires that 33 percent of the work force fall into this category. At lesser education levels, the depressed areas have a surfeit of would-be applicants vis-a-vis the potential openings to such a degree that few of the applicants could get jobs with one exception. The 5-7 year group seems to be equally balanced between the labor supply required and that available. But if such jobs were to open up, the chances are they would be filled by better educated persons looking for a toehold in a promising new plant or industry. Overall, the defense skill levels at which the largest number of employees are required are just the ones at which the fewest persons are available from among the unemployed. This is true in spite of the imputation to the unemployed of an education level for each occupation equivalent to that of the employed labor force.

For a more explicit estimation of the imbalance between supply and demand, a model was set up in which the computer matched

each firm's job openings with workers in an area. The results may be summarized as follows:

1. In general, the larger the defense facility, the greater its impact in reducing the unemployment in an area.

2. The percentage of a facility's job openings filled increases as the area labor pool size increases, but the change is on the order of 10 percent even as the labor pool doubles. In short, companies hiring between 1,000-1,500 workers cannot expect to fill more than about 35 percent of their openings (from among the unemployed) regardless of the size of the area involved. The percentage of positions filled drops 3 to 5 percent every time the plant size doubles down to about 10 percent for a 20,000 worker facility. The company migrating into a depressed area will have to take many employed people away from other firms or import their own workers because the mismatch here is due to a lack of education on the part of the unemployed and not due to a lack of certain skills. While a company might be willing to train workers to impart to them a specific vocational skill, it is doubtful that a company would undertake to provide remedial training to compensate for a lack of a basic education. Since defense requirements are basically for highly educated persons, willingness, on the part of the company, to provide vocational training would not make up for the lack of education on the part of the unemployed.

3. In every plant-area match, most of the unemployed white collar workers found jobs. Unemployed laborers showed the least improvement in employment status—less than 10 percent found jobs even with the biggest firms.

4. The key element in determining the degree to which a plant was beneficial in reducing unemployment was its need for workers at various job educational levels (not just the two or three topmost levels). The best "results" were obtained by the following types of facility: a) Employed about 6,000 workers, absorbed 85 percent of the unemployed even in the largest labor pool, was in the missile and aircraft business, and would accept up to 40 percent of the incoming work force without a high school education. This facility, however, could fill only 35 percent of its needs from among the unemployed. b) Employed about 3,000 workers and could absorb about 46 percent of an area's unemployed workers, was in the instrument-communications-equipment business, and would allow about 30 percent of its work force to have less than a high school education. This plant would

fill about 41 percent of its needs from the unemployed worker labor pool.

The analysis thus far has stressed the direct impact of a facility on an area. Let us turn for a moment to a discussion of the indirect and induced employment effects of a facility in-migrating to an area. Let us examine a specific case in order to suggest some of the barriers confronting the unemployed in their search for jobs.

The observations were made at a small West Virginia town which had, a few years earlier, welcomed the construction of the largest aluminum mill in the U.S. At the outset, it may be noted that the improvement of job opportunities for the unemployed through direct, indirect, and induced effects was not as great as could be expected; the increase in the number of employed persons in the town due to the new mill was 3,200 directly employed, 30 indirectly employed, and 350 employed through the induced effects of population growth and service businesses. Of this group only about 300-500 were local residents (before the mill's construction) most of whom had been commuting to distant jobs in other towns.

The mere announcement of the mill's imminent construction caused a return migration, to the area, from all over the country. People who had left town years before applied for jobs so that they could return home, and commutation patterns *from* distant points were established. Since the person on the scene has the advantage of immediate contacts for information about jobs, many of those who might have out-migrated stayed, even in subordinate jobs (to those they could get elsewhere), and returning persons sought any kind of job to be near the source of a good career.

The arrival of the mill caused a dramatic and sudden improvement in the available labor force: employer expectations and requirements rose in direct relationship to this improvement. As a consequence, anyone with less than a high school education or without some specialized training soon found that an immigrant was competing for his job. Although they had first chance at most of the jobs, lesser skilled persons who had stayed behind in the years of the town's steady decline found themselves little better off even with the new plant and the economic growth of the town.

Many of the jobs in retail establishments went to women and even the number of such jobs did not grow by much; consumption leakage to larger towns 30 to 60 miles away prevented the establishment of

many specialty stores. The additional white collar personnel such as teachers, that were needed due to the population rise were immigrants. It is, therefore, safe to say that in such cases of an immigrating facility, the person who was unemployed before does not benefit too much due to that facility. He may benefit from a job opening elsewhere as a new plant pirates workers from older employers, but this means that the indirect or induced effect has been diluted over a very wide area—so wide that the benefit to the depressed area is questionable.

CONCLUSIONS

Defense workers are a highly skilled atypical group. Short runs, complex products, and the need for keeping up with a changing technology in a research oriented industry have led management in the defense industries to establish high job entrant requirements. The result has been to make the defense work force a considerably better educated one than that of the rest of the U.S. At the same time, the unemployed depressed area worker is part of a labor pool that is very short of just those types of workers that the defense industries need. Thus, the best showing, in making an impact on the unemployed work force, was made by firms that used high percentages of workers with less than a high school education.

We should not express too much hope for improvement in employment opportunities for the unemployed worker through indirect and induced effects of a plant; reverse migration, long distance commuting, rising employer expectations, and competition from employed workers seeking a change in jobs will act as barriers to the local unemployed applicant.

If a contract were to be channeled to a depressed area, in order to benefit the unemployed worker, the plant would have to specialize in long run, mass produced products which require large numbers of production and handling employees. There would also have to be some provision in the contract to force (or financially induce) the company to give hiring preference to the unemployed. At the same time, training would have to be instituted to provide not only skills, but a better education for the workers.

Public policy intent on bringing new industry into depressed areas might concentrate on labor intensive industries and those which do not require a highly educated work force.

DIFFERENTIAL CONTRIBUTIONS OF VARIOUS MEANS FOR ADJUSTING TO TECHNOLOGICAL CHANGE

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The study of worker adjustments to unemployment caused by technological and market changes is not new in the field of industrial relations. In 1929, Robert J. Myers published an analysis of the re-employment experience of clothing cutters rendered jobless by purchasing pattern shifts.¹ The same year, Lubin studied 754 workers dismissed from jobs for reasons other than "inefficiency or insubordination."²

At least 20 major analyses of shutdowns had been published when the present study was undertaken. Although these investigations covered a wide variety of industries, geographical areas, and time periods, they exhibited certain broad similarities. All devoted attention to the demographic factors which are associated with re-employment. Many analyzed economic adjustments and patterns of industrial and occupational mobility. However, few authors were able to examine the influence of comprehensive shutdown provisions upon worker adjustment, because such benefits usually were not available. Severance pay was provided in only about one-half of the shutdowns studied. The only private efforts to retrain displaced workers were made in the Oklahoma meatpacking case reported by Wilcock and Franke.³ Interplant transfer was studied by Margaret Gordon and Ann McCorry⁴ and by Norman Bradburn,⁵ but both studies focused upon factors influencing acceptance of this provision rather than upon the resulting benefits and drawbacks to post-shutdown adjustments.

The present research extends the displacement literature by

¹ Robert J. Myers, "Occupational Readjustment of Displaced Skilled Workmen," *Journal of Political Economy*, XXXVII (August, 1929), 478-89.

² Isador Lubin, *The Absorption of the Unemployed by American Industry* (Washington: Brookings Institute, 1929).

³ Richard C. Wilcock and Walter H. Franke, *Unwanted Workers* (New York: Free Press of Glencoe, 1963).

⁴ Margaret Gordon and Ann McCorry, "Plant Relocation and Job Security—A Case Study," *Industrial and Labor Relations Review*, XI (October, 1957), 13-36.

⁵ Norman M. Bradburn, *Interplant Transfer: The Sioux City Experience* (Chicago: National Opinion Research Center, 1964).

assessing the contributions of severance pay, training, and transfer to the labor market and personal adjustment patterns of displaced workers. The costs, economic and noneconomic, of accepting each provision are also examined.

DATA SOURCES

Interview data were provided by workers from three shuttered plants: Armour and Company, Fort Worth, Texas (closed in the summer of 1962); Armour and Company, Sioux City, Iowa (closed June 1963); and the Studebaker Company, South Bend, Indiana (closed December 1963). Interviews were held roughly one year after each shutdown. The Armour Automation Fund Committee sponsored the field work for the first two cases. The respective local offices of the Employment Security Division were most cooperative during all phases of the research.

The three cases varied greatly with respect to labor market structure, unemployment rates, and number of workers displaced.⁶ There were also important differences in the shutdown provisions available. Contracts in effect at both Armour plants provided a full range of displacement benefits. Workers 55 and over who met seniority qualifications were eligible for pension. Those younger than 60, who had been hired before August, 1961 could select interplant transfer if their health was satisfactory. Transferees bumped workers in selected plants who had been hired after the 1961 anchor date. Those who neither retired nor transferred received severance pay ranging from \$100.00 to \$7,000.00; they could also enroll in a retraining program provided at company expense.

Although the broad outlines of the shutdown plans for Fort Worth and Sioux City were similar, several changes in the agreement took place during the year between the two closings. Workers in Fort Worth lost all rights to severance pay if they chose to transfer while Sioux City employees could try out their transfer jobs for as long as six months and then resign without loss of severance pay. Also, the Manpower Development and Training Act (MDTA) was passed during 1962. Sioux City employees who trained either under MDTA provisions or Armour Automation Fund Committee spon-

⁶ Joseph A. Pichler, "The Influence of Shutdown Provisions Upon the Adjustment Patterns of Displaced Workers" (unpublished Ph.D. dissertation, Graduate School of Business, University of Chicago).

ship received a living allowance if they met the Act's requirements. No allowance had been available in Fort Worth, and trainees provided their own living expenses from part-time earnings, secondary labor force participation, etc.

Circumstances surrounding the Studebaker closing were substantially different from the Armour cases. The only privately negotiated protection against shutdown was the SUB fund, and this was depleted before the shutdown. The auto workers had only 12 days' notice of the shutdown, whereas the meatpackers received 90 days' warning. Thus, the full brunt of the adjustment burden in South Bend fell upon the workers and governmental labor market programs.

SAMPLING PLAN AND FRAMEWORK OF ANALYSIS

Samples of non-trainees in the three cities were randomly selected by the interval method from company payrolls. Trainee populations were polled in Fort Worth and Sioux City; completion ratios were 93% and 91%, respectively. South Bend trainees were randomly selected by the interval method from a list of men who had either completed or dropped out of their courses. Sioux City transferees were not randomly selected. Instead, five plants containing the largest numbers of transferees—70% of the population—were polled. Total sample sizes were 251 males in Fort Worth, 310 in Sioux City, and 79 in South Bend.

Questionnaires were constructed to test hypotheses and investigate empirical questions under three headings:

1. Factors determining workers' choices among the shutdown provisions.
2. The consequences of each provision in terms of unemployment rates, characteristics of post-shutdown occupations, and skill mobility.
3. The nature and severity of changes in expenditure patterns and income sources under each provision.

1. Factors Determining the Choice of Shutdown Provision

Distributions of age, education, race, and pre-shutdown skill level were prepared in order to measure their effect on the choices among provisions. Based upon the hypothesis that returns from training equal the discounted expected value of the incremental earnings

resulting from instruction, it was predicted that acceptance of training would show a negative association with age. This prediction was validated by the one-variable tables in Fort Worth and South Bend; results in Sioux City were in the same direction, but the tendency was much less pronounced.

Educational achievement was also expected to be negatively related with acceptance of training. The a priori reasoning was that better educated workers would feel more confident in finding re-employment without incurring the opportunity costs of training. Findings were in a direction opposite to that predicted: the proportion of workers accepting training in all cities was a positive function of educational achievement. These results were not caused by an artificial selection process, at least in Fort Worth and Sioux City. No training applicant in these cities was denied admission because of low educational background so that the findings were due to self-selection within the population of potential trainees. Analysis of the questionnaire data offered some clue to the education-training findings. A number of men with little formal education said they had refused training because "they weren't smart enough to get through it."

Because of the generally negative correlation between age and education, cross-classification was used to isolate the influence of each factor. The positive education-training relationship was not changed, although it was shown to be non-linear in Sioux City. The earlier findings with respect to age were changed considerably in Sioux City and South Bend. In three of the four cells, acceptance of training showed a *positive* association with age. The strong negative relation remained in Fort Worth. This inter-city divergence probably resulted from differences in institutional arrangements. Trainees in Sioux City and South Bend, but not Fort Worth, received a living allowance. Given the usual labor market age barriers, older men in Sioux City and South Bend faced the choice between a potentially difficult period of job search and a chance to receive a temporary living allowance while they trained and canvassed the market. The income-certainty of the latter alternative was probably an important consideration in their decision.

The analysis of age's influence upon transfer yielded particularly interesting results. Based upon the findings of previous mobility research, it was hypothesized that acceptance of transfer would be

negatively related to age. The data, however, yielded a flat distribution. Except for men who were below thirty, 20% of each group transferred.

A sub-analysis showed that acceptance of transfer and seniority were strongly correlated. It appears that previous findings of a negative relation between age and geographical mobility must be qualified when the opportunity for mobility takes the form of inter-plant transfer. Such plans substantially reduce the uncertainties about employment which are a major barrier to movement, and enable workers to retain seniority rights. Thus, seniority's influence tends to "swamp" that of age when these factors are not highly correlated.

The influences of race and pre-shutdown skill upon the choice process were also examined. Negroes from the Armour plants were significantly less likely to train than whites when age was controlled; no racial difference was found in South Bend. The Fort Worth findings probably resulted from discriminatory school barriers. Frustrations caused by delays and outright refusals of school officials to admit Negroes lowered their interest in the program. The low training rate among Negroes in Sioux City was explained by the effect of race upon acceptance of transfer. Negroes were twice as likely to transfer as whites with comparable education. Given the possibility of encountering racial barriers in the local labor market, the job security afforded by transfer was of particular importance to these men.

The relationship between skill and acceptance of training was as expected: unskilled men and those with skills not transferable across industry lines were more likely to train than men with widely usable skills.

2. Employment Consequences of Each Provision

One measure of the effect of shutdown provisions upon adjustment is the degree to which they improve re-employment prospects. Performance on this criterion was determined by computing unemployment rates for workers who chose each provision. The standard Department of Labor definition was used first, followed by a rate adjusted for the "discouraged worker effect." (Jobless men who had looked for jobs at any time after the shutdown were classified as unemployed even if they had subsequently dropped from the labor

force.) These gross rates were then adjusted through cross-classifications by age, education, and pre-shutdown skill rates.

The analysis was limited to the training and severance provisions because transferees had been selected from payrolls at transfer plants. This sampling frame, by definition, yielded a zero unemployment rate.

Computation of gross unemployment rates yielded the full range of results: in Fort Worth the trainee rate was lower than the non-trainee (11% vs. 30%); the non-trainee rate was lower in Sioux City (28% vs. 33%); the rates were identical in South Bend (22%).

Given the influence of age, education, and skill rate upon re-employment prospects, it was important that these factors be controlled in the analysis. Findings on age were particularly interesting. Fort Worth trainees of all ages fared better than non-trainees on the re-employment criterion. However, while the unemployment rate of non-trainees rose steadily with age, the rate for trainees in the highest (50 to 59) age group was below the younger groups.

Results were parallel in Sioux City and South Bend. Trainees in the 50 to 59 class were the only groups whose rates were below those of non-trainees; and these rates were also below younger trainees. While these findings are based upon a small number of cases (cell sizes ranged from 10 to 16), they are consistent across the three cities, suggesting that returns from training may be particularly high for older workers. Such an argument questions the wisdom of a training policy that places an absolute age restriction upon participants.

Educational analysis did not significantly qualify the aggregate findings in Fort Worth and Sioux City. Fort Worth trainees had lower unemployment rates than non-trainees at every level of education. Sioux City non-trainee rates were above those of trainees for all groups except those with 8 or fewer years of schooling. South Bend results, however, clarified the earlier finding of identical gross rates for trainees and non-trainees. With education controlled, non-trainees with at least one year of high school exhibited unemployment rates substantially below those of trainees. The identical gross rates had resulted from the over-representation of workers with 8 or fewer years of education in the non-trainee sample. (The unemployment rate for this group was almost 50%).

The skill rating of each respondent's pre-shutdown job was classified according to the *Dictionary of Occupational Titles*. An estimate of the transferability of skill across industry lines was also made. Training's effect, independent of skill, was then determined. Trainees in all skill classes enjoyed a lower unemployment rate than non-trainees in Fort Worth, but no such effect was observed in the other cities.

The questionnaire data yielded no clue as to why training was apparently successful in reducing unemployment only in Fort Worth. There are some external data which suggest an explanation. Shultz and Weber have indicated that the Fort Worth economy took an upward turn between the date of shutdown and the surveys, so that employment opportunities improved.⁷ When trainees entered the labor market with their new skills, the market was ready to receive them. No similar economic resurgence occurred in Sioux City or South Bend during the period studied. It may be that some increase in aggregate demand was needed to utilize the changes in the skill-structure of supply.

There are also indications that South Bend training programs were dealt some unexpected blows from the labor market. A pre-shutdown skill survey had indicated that job openings existed for data-processing workers, and several Studebaker workers were enrolled in such a course. Unfortunately, the demise of the company pushed Studebaker's own data processing people into the market and the job opportunities were filled by the time the trainee graduated. Furthermore, some employers apparently took advantage of retrainees who graduated during the summer vacation period. One furnace repair student was hired on two successive "permanent" jobs only to be replaced by returning vacationers.

A second criterion of training's effect was the skill mobility among workers who found re-employment. Changes in the pre- and post-shutdown skill level of each worker's occupation were measured, and trainees in all cities were shown to have experienced considerably greater upward mobility than non-trainees. Results were significant at less than the 10% level for five of the six categories which could be analyzed.

⁷George P. Shultz and Arnold R. Weber, "A Report to the Armour Automation Fund Committee on the Placement and Retraining Experience of Workers Displaced by the Shutdown of the Main Armour Plant in Fort Worth, Texas" (Mimeographed) p. 4.

Earnings provided a third measure of training's effect. All workers were stratified by pre-shutdown skill levels, and weekly wages after re-employment were computed. Results were quite inconclusive. Five of the seven comparisons yielded a positive training increment ranging from \$4.00 to \$18.00 per week; one indicated no difference; and the last showed a \$3.00 earnings difference in favor of the non-trainees. Only the \$18.00 difference was significant at less than 10%.

In summary, judgments of training's effect on labor market adjustments vary with the criterion chosen. By the unemployment rate standard, training was a clear success only in Fort Worth, although the older trainees in Sioux City and South Bend fared better than their non-trained peers. Nor did training appear to exert a consistent effect upon post-shutdown earnings. On the other hand, trainees in all cities enjoyed greater upward skill mobility than non-trainees which indicates that their long-run wage progression prospects may have been enhanced.

3. Income and Expenditure Adjustments

Loss of employment brought changes in the living standards of most workers. The relative severity of such adjustments provided a final measure of the effectiveness of the shutdown provisions. Workers who chose each provision in Sioux City and South Bend were asked to complete two checklists. One dealt with non-wage income sources utilized after the shutdown; the other focused upon expenditure adjustments and changes in labor force participation by secondary earners.

The income checklist showed only one major differential among groups who chose each provision. Eighty percent of the Sioux City trainees drew funds for 20 or more weeks, while only 58% of the severance pay recipients and 9% of the transferees did so. In South Bend, 44% of trainees but only 27% of non-trainees drew unemployment compensation for this period. The importance of compensation as a stop-gap income source between shutdown and the inception of training is clearly shown by these findings.

Expenditure checklists showed the degree to which respondents in Sioux City and South Bend had reduced purchases of food, clothing, and recreation. The proportion of positive responses for these categories was greatest for trainees and least for transferees. Differ-

ences were very large in most cases. In addition, 50% of the transferees, but only 25% of the severance recipients and 8% of the trainees said they had made none of the reductions.

The secondary labor force findings paralleled those on expenditure adjustment. Trainees in Sioux City and South Bend were the group most likely to indicate that wives had either taken a job or looked for work since the shutdown. Transferees showed the lowest proportion of secondary earner activity.

The overall impression from the analysis of income and expenditure adjustments and from secondary labor force data is that trainees made the greatest changes in living patterns. Even with the subsistence allowance, they apparently shouldered a sizeable personal cost in order to acquire a new skill.

The study was rounded out by an analysis of severance pay usage and an investigation of the non-occupational experiences of transferees. Over half of the workers from the Armour plants spent most of their severance pay for debt payment or living expenses. Most of the others either saved their payment or used it to finance self-employment. There was some indication that the payment influenced the re-employment rate in Fort Worth. When that sample was grouped by age and dichotomized about the median severance pay figure, the upper half of the distributions showed either a longer lag between layoff and re-employment or a higher proportion with no post-shutdown employment experience. No such effect was found in Sioux City.

Earlier findings indicated that transferees earned the highest post-shutdown wages and underwent the fewest changes in living patterns. The questionnaires also provided information on other forms of adjustment. Integration into new communities was smoothly accomplished. Sixty percent of the men liked their new city as well or better than Sioux City, and 75% liked their new neighbors at least as well. In addition, 57% had joined at least one club or organization since their move. Transfer was not completely costless however. Many complained about high prices in their new city and about losses sustained in selling a Sioux City residence. The major non-monetary problem involved transferring children to new schools. About 40% of the transferees indicated that their children had experienced scholastic difficulty in the process.

Despite these mobility problems, the transfer option appears to have afforded the most effective mechanism for adjustment to shutdown. This statement holds true for virtually all of the adjustment criteria used: employment rates, pay scales, and living standards adjustments. There is also some subjective evidence indicating that transferees were the group most satisfied with the provision chosen. All Sioux City respondents were asked, "Do you wish that you had chosen some other provision after the shutdown?" The proportions answering in the affirmative were 2% for transferees, 44% for non-trainees, and 47% for trainees.

UNION WORK RULES: A BRIEF THEORETICAL ANALYSIS AND SOME EMPIRICAL RESULTS

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This paper proposes to relate union work rules to parts of conventional economic price and allocation theory, and to assess the empirical importance of various rules in a specific industry. The illustrations of rules and evidence of their effects are drawn from a study of United States Pacific Coast longshoring.¹

¹ My doctoral dissertation, *Work Rules and Productivity in the Pacific Coast Longshore Industry* (University of California, Berkeley, 1966). The union involved is the International Longshoremen's and Warehousemen's Union (ILWU) and the employers are represented by the Pacific Maritime Association (PMA). Descriptions of the rules were drawn from contracts and copies of port rules, published and other statements of industry and union officials, minutes of negotiations and grievance proceedings and arbitration awards. The estimates of productivity are my own, based on unpublished PMA data for productivity rates by commodities and U.S. Corps of Engineers data on tonnages.

Work rules are only a part of the many union-associated constraints or infringements on a manager's direction of an economic enterprise. As used in this paper, work rules refer only to those constraints or changes affecting the methods or input combinations used to produce the output of firms or industries. They include minimum manning requirements, output limitations of various kinds, requirements to use specific techniques of production, requirements that unnecessary work be performed, and so on. Excluded are devices associated with maximum employment limits and rules designed to curb arbitrary treatment or discrimination among members of a technically homogeneous work force.

Wage-or-work guarantees. Rules guaranteeing a minimum amount of work, or earnings, to some minimum work force—i.e., requiring a fixed, minimum labor input—are rare. In Pacific longshoring, however, two different illustrations may be found. Prior to 1959, the contract and typical port work rules required a standard gang of 10 to 18 men as the minimum for any conventional breakbulk cargo handling. Further, the gang first assigned to a hatch had "priority" in that no other gang could work the hatch except as supplementary labor. In addition, shifting gangs from one ship to another was almost

impossible by the rules, and a minimum work or pay guarantee of four hours was required for any gang turned to a job. In brief, for every hatch to be worked, a minimum absolute level of labor input was required—from 40 to about 70 manhours²—without regard to output. The second illustration, not unique to longshoring, was a variety of guaranteed annual wage in force from 1961 through 1966. The equivalent of 35 hours weekly, at the basic straight time rate, was guaranteed to all longshoremen who were fully registered in 1960.

Figure 1 represents a conventional production function; the lines

3a

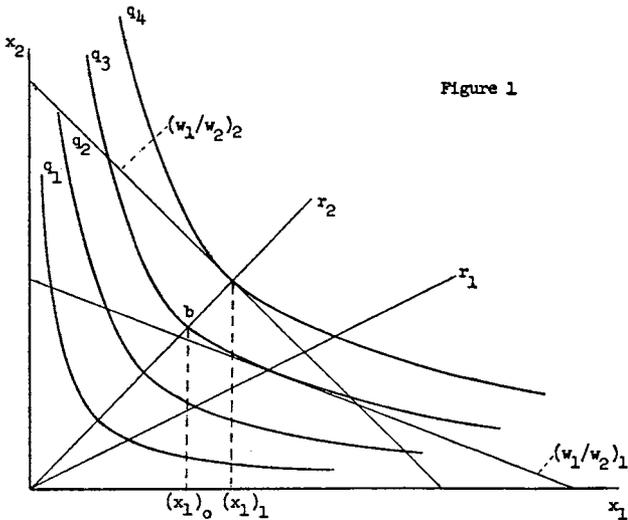
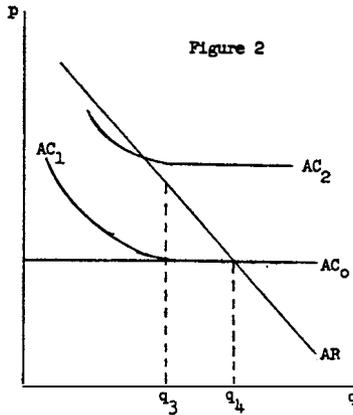


Figure 1

q_1 through q_4 are successively higher levels of output. The lines $(w_1/w_2)_1$ and $(w_1/w_2)_2$ are representatives of two sets of isocost lines, whose slopes reflect relative factor prices. The expansion path, for example line r_2 associated with $(w_1/w_2)_2$, is the locus of the least-cost combinations of inputs to produce the various levels of output. If $(x_1)_0$ is the absolute amount of labor required to be employed, the least-cost input combinations now available to the firm or industry are indicated by the intersection of the various output curves with

² Depending on gang size: the absolute minimum includes six hold men, two deck men and two front men. Some ports further required a gang boss; most goods and ports required two additional hold men for discharging cargo, and a dock gang of from one to five men, varying with port and commodity, usually was required.



the line $(x_1)_0b$. For all outputs less than q_3 , the imposition of the rule would require inefficient input combinations, given factor prices $(w_1/w_2)_2$.

In figure 2, AC_0 represents industry average costs³ when all factors are variable; AR is the industry demand curve for output. The imposition of the lump-of-labor rule changes the cost function as suggested by AC_1 . The decreasing segment reflects largely the spreading over a larger output of the constant lump-of-labor cost. AC_1 coincides with AC_0 at q_3 and all larger outputs. Equilibrium output and factor inputs are unchanged from the nonrule, competitive solution; employment at $(x_1)_1$ is higher than the required minimum.

However, alternative outcomes are possible. AC_2 in figure 2 represents the same information as AC_1 with the single exception that factor prices are higher in terms of output price.⁴ The horizontal segment of AC_2 represents costs associated with outputs on the expansion path. Unlike the preceding illustration, the output associated with the rule in this case is smaller, average costs higher, and labor input larger than would have been the result without the rule.

The chief implication of the analysis, as it is developed here, is that it is impossible to conclude, on *a priori* and nontautological

³ Both figures assume infinitely elastic supplies of both factors and a first degree homogeneous production function; that is, a proportionate increase in all inputs yields the same proportionate increase in output. Given relative factor prices, total costs are proportionate to output and average costs are constant.

⁴ The same analytical result may be obtained by assuming a contraction in the industry demand for output such that AR intersects AC_0 at some quantity smaller than q_3 .

grounds, that the imposition or negotiation of a fixed minimum quantity of input is necessarily inefficient.

The evidence in Pacific longshoring suggests that the fixed quantity of input rules did not result in inefficiency. The wage guarantee to the permanent, minimum work force was never used; employment was at all times above the minimum during the life of the provision. That is, the situation resembled that described by AC_1 , output q_4 and input $(x_1)_1$. The evidence with respect to minimum fixed labor input to the hatch is only slightly less clear. The rigid no-shifting-of-gangs provisions were abandoned in 1959. No significant increase in productivity resulted in that or the following year. Further, the minimum tonnage per hatch that could be handled efficiently—corresponding to q_3 in figure 1—was about 40 to 100 tons for typical breakbulk cargo,⁵ whereas the average tonnage per hatch actually handled was approximately 350 tons in the relevant years. This suggests that a large proportion of the total tonnage was unaffected by the minimum fixed labor input.

The finding that no adverse effect resulted from this variety of union-imposed restriction is not surprising. The principal motive for a wage-or-work guarantee is to force the employers to regularize employment, and not, for example, to extract the largest possible wage income from industry. The guarantee is successful, in the eyes of the negotiators, if the employers are able to reorganize production such that no idle labor input is required.⁶

Fixed proportion rules. An empirically more important variety of work rule requires that labor vary as a fixed proportion of other inputs or of output. In Pacific Coast longshoring, the before-1960 contract between the union and the employers specified minimum gang size and maximum draft size—the weight or number of pieces of a commodity to be hoisted by winch or crane for movement between the dock and the hold of the ship. Further, informal practices controlling the pace of work, both on the dock and in the hold, were imposed unilaterally by the union members at the local level. The rules were in

⁵ Using a rough average of productivity rates drawn from a number of U.S. ports for the mid-1950's—about 1 to 1½ tons per manhour. See National Research Council, Maritime Cargo Transportation Conference, *Cargo Ship Loading: An Analysis of General Cargo Loading in Selected U.S. Ports* (Washington: National Academy of Sciences, 1957).

⁶ Guaranteed wages merit more analysis than I have included. They could be used to inhibit technological change, to change factor shares of industry income, and so on.

force for more than 20 years.⁷ The consequence was, for a long time and over a wide range, that output was proportional to labor input. In other words, productivity was constant.

Analytically, the fixed proportion rules exclude or transform part of the production function. In figure 1, line r_1 represents the locus of the rule-imposed maximum output or capital input proportions. At relative factor prices greater than $(w_1/w_2)_1$, for example $(w_1/w_2)_2$, costs are minimized only with those input combinations on line r_1 , for all output levels; combinations on the production surface to the left of r_1 are excluded by the rules, those to the right are more costly. If the production function implies constant returns to scale, the inputs and output are related to each other in fixed proportions.⁸

The unambiguous effects of the fixed proportion rules, assuming relative factor prices to be sufficiently high, are to require inefficient input proportions and higher unit costs for all output levels. The elimination of the rules, if they were restrictive, must be accompanied by increased capital input and increased productivity.

The employment effects of fixed proportion rules cannot be predicted without knowledge of demand conditions for the industry's output. If output demand is inelastic, the rule-imposed employment level will be higher than nonrule employment, given relative factor prices. On the other hand, a very elastic output demand would lead to smaller employment, as higher costs forced output reductions sufficiently large to overcome the employment-increasing effect of smaller capital input and lower labor productivity.

In Pacific Coast longshoring, maximum draft size, informal output controls, and minimum dock gang requirements were eliminated by the 1960 agreement and subsequent implementation of the provisions at the local level. Minimum ship gang size was reduced. Productivity increases attributable to elimination of these rules were neither astonishing nor insignificant—about 9 per cent by 1963 and 11 to 12 per cent by the end of 1964. The gains are impressive chiefly by contrast with the near-total absence of productivity increases dur-

⁷ The union was recognized in 1934. Almost all of the work rules and practices were put into effect during the few years 1935 through 1940.

⁸ The analysis in this paragraph is similar to the discussion in Lloyd Ulman, *The Rise of the National Trade Union* (Cambridge: Harvard University Press, 1955), pp. 539–540; Paul A. Weinstein, "Featherbedding: A Theoretical Analysis," *Journal of Political Economy*, Vol. LXVIII (August 1960), pp. 386–388; and Norman Simler, "The Economics of Featherbedding," *Industrial and Labor Relations Review*, Vol. 16 (October 1962), pp. 119–121.

ing the two decades before 1960. Investment in improved cargo handling gear and machines for some breakbulk cargo did occur, but only on a modest scale. Employment in cargo handling affected by the fixed proportion rules was about the same after rule elimination as before, almost certainly a result of a small outshift in industry output demand, offsetting what otherwise would have been a small decrease in labor input.

The negotiated production function. The most important variety of work rule or restrictive practice, certainly in Pacific longshoring and probably in other industries as well, differs from all others in that it transforms the entire production function. The existence of this variety of rule is suggested by the behavior of unions and employers and, in Pacific Coast longshoring, confirmed by the results of rule abolition.

The most flagrant examples of featherbedding in Pacific longshoring prior to 1960 were multiple handling and "witnesses"—men who were dispatched and put on the payroll, but who literally had nothing to do but watch a few other men work. Simple multiple handling is concisely described by an industry spokesman,

. . . the present practice in this harbor area is to require that any outbound cargo prepalletized before arrival at the dock by persons other than longshoremen must be removed from the pallet boards by teamsters, placed on the dock and then reloaded on stevedore pallet boards by longshoremen. The same situation obtains in reverse on the discharge of palletized cargo from the ship.⁹

Ship-to-ship goods movement involving a delay or storage in transit was also subject to multiple handling despite the fact that all work was performed by longshoremen.

The witnesses were usually associated with special operations—bulk handling of various goods and nonconventional packages, including unitized loads of some goods, and cargo boxes or containers where they were permitted at all by the local union. Most of these goods could be handled by conventional methods, subject to the previously

⁹ From the statement of Lee G. Paul, counsel for the southern division of the Pacific Maritime Association and for the Master Contracting Stevedores Association of Southern California, in U.S. Congress, House of Representatives, Committee on Merchant Marine and Fisheries, *Study of Harbor Conditions in Los Angeles and Long Beach, Hearings: October 19, 20, and 21, 1955* (84th Congress, 1st Session. Washington: 1955), p. 153.

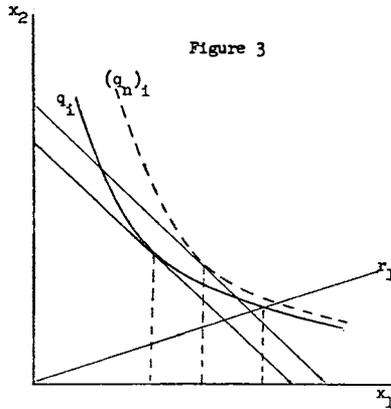
described minimum manning, pace of work and load limit requirements. Iron and steel scrap, for example, may be loaded by a dock gang shoveling the pieces from a truck to tubs. The tubs are lifted aboard ship, lowered to the hold and dumped by the ship's gear; in the hold, the scrap is trimmed, or leveled, by shovel gangs. The method resembles conventional breakbulk handling, and would require 12 to 16 men to the hatch. Alternatively, the scrap could be lifted by shoreside crane directly from a truck or railcar, and dropped, using a steel chute, to the hold. Any trimming necessary could be done with a bulldozer. As few as three or four men at a hatch could do the job. In practice, manning was negotiated, and varied with capital intensity; in one major Pacific port, for example, manning requirements for scrap loading operations were fourteen men to the hatch if the ship's gear were used, ten men if a shore-based crane were used. Such rules, requiring more than the technically efficient three or four men, are restrictive, but they are neither fixed quantity nor fixed proportion rules. Before 1960, a wide variety of goods—iron ore, copper ore, wheat, rice, barley and rye, animal feeds, packaged lumber, newsprint and other goods handled in large quantities—were worked with negotiated manning and methods ranging from only slight alteration of the conventional breakbulk standards to half or even a third of the conventional manning, and at average output rates per manhour far above the conventional method rates.

Manning on special operations and multiple handling are illustrations of a third kind of work rule—the negotiated production function. The rule denies the entire technologically-based production surface to the firms and industry, but it permits, more or less, capital-for-labor substitution. In effect, the rule shifts the production function such that all possible combinations of factor inputs are associated with smaller outputs than without the rule.¹⁰ The negotiated production function is analogous, allowing for the difference in direction, to a production function shifted by a change in human knowledge or technology.¹¹

Figure 3 illustrates, with only one isoquant, a likely interpretation

¹⁰ If $Q = f(x_1, x_2)$ is the production function based on technology, then the production function constrained by institutional arrangements negotiated or imposed by the union would be $Q_n = \Phi [f(x_1, x_2)]$, such that for any given pair of nonzero values for x_1 and x_2 , $Q_n < Q$.

¹¹ Note, for example, the "efficiency parameter" and discussion of its effects in the constant-elasticity-of-substitution production functions estimated in K. Arrow, H. Chenery, B. Minhas and R. Solow, "Capital-Labor Substitution and Economic Efficiency," *Review of Economics and Statistics*, Vol. XLIII (August 1961), pp. 225-250.



of the negotiated production function. Technological conditions are reflected in the pre-shift isoquant q_1 ; the curve $(q_n)_1$ represents the factor input combinations permitted to the industry, by negotiations, to produce output q_1 . *A priori* predictions of effects of the rule are difficult because they require further assumptions about the shape of the negotiated production function. Generally, average costs under the new rule are likely to be intermediate over the relevant output range—higher than with no rule, lower than with fixed proportions rules. Employment effects further depend on output demand elasticities. If demand is inelastic at all three cost levels, and the negotiated production function approximates the shape and position described in figure 3, employment with negotiated production function rules will be intermediate—higher than nonrule, lower than with fixed proportions.

The negotiated production function may be interpreted as a rational device used by a union, given factor prices, to exploit the possibilities afforded by an industry output demand function with variable elasticity. Rigid adherence to fixed proportion rules results in lower-than-otherwise employment levels if the resulting costs yield an equilibrium output at an elastic portion of the output demand function. At the other limit, costs based solely on the technological least-cost input combinations may yield equilibrium output at an inelastic portion of the demand function. Employment, and the aggregate wage bill, will be largest with some intermediate sort of restriction on input combinations—for example, a negotiated production function. An

even more compelling case may be made for abandonment of fixed proportions if the technologically-based production function exhibits increasing returns to scale; in this case, even with rather inelastic output demand, employment would be increased by abandoning the fixed proportions rules.

An interesting implication of the negotiated production function rule is that its elimination may result, for a given output level, in reductions in employment and costs and increases in productivity, with no significant increase in investment. The lifting of the constraint simply eliminates the redundant labor inputs, and all inputs are more efficient than they were before the change.

Multiple handling and excess manning on special operations were eliminated on the Pacific Coast by the 1960 contract changes. The results were dramatic: by 1963, productivity had increased by 60 per cent in the dockwork segment of breakbulk cargo handling, relevant to multiple handling, and by 48 per cent in bulk operations, in which the witnesses were prominent. Employment in both dockwork and bulk operations declined substantially, although the employment loss in the latter was partially offset by increased output. Capital inputs were unchanged in dockwork and the changes in bulk operations were those associated with movement along an expansion path to meet output demand shifts.

Concluding comments. An extensive system of work rules was negotiated or imposed in Pacific Coast longshoring in the few years from 1935 through 1940. Although the evidence was tentative, employers and a few independent scholars alleged or found productivity declines of 20 to 30 per cent as a consequence of imposition of the rules and informal practices.¹² Productivity remained approximately constant from 1940 through 1960. In the latter year, almost all restrictive rules and practices were abolished. Productivity increased very substantially with the implementation of the contract changes. In 1964, output per manhour was nearly 40 per cent higher than the 1960 level. A close examination of the sources of productivity change for the recent years indicates that about two-thirds of the increase is attributable directly and solely to the relaxation of the restrictive rules. Much of the remaining productivity change is indirectly related to rule elimination in that it derives from investment changes—movement

¹²A sample of the published data is reproduced in Sumner H. Slichter, *Union Policies and Industrial Management* (Washington: The Brookings Institution, 1941), pp. 174–175.

along the production function—that very likely would not have occurred, or would have been heavily overmanned, without the rules relaxation.

Of the three theoretical views of restrictive work rules, the negotiated production function is the principal innovation, and for this industry, the most useful interpretation. The most restrictive rules may be understood only as institutional shift parameters. Further, the shipwork restrictions may be regarded as fixed proportion rules imposed on a production surface that had been already shifted a bit by negotiations. The industry employers in fact expected increased productivity without increased investment as a result of rule relaxation—in other words, movement from a point off to a point on the technologically-based function. Although a significant proportion of the increased productivity in shipwork probably was the result of a production function shift, the effect is small—something less than the 1963 nine per cent productivity increase for this segment of longshoring.¹³

The broad implication of the study is that analyses and estimation of production relations must recognize that the production function rests not only on technology but also institutional arrangements.

¹³ The relatively small increase in productivity associated with shipwork is consistent with two interpretations—the rules were not very restrictive, or, the second, adjustment to optimal input proportions requires, when new investment is involved, a substantial length of time. The author favors the second view. By 1965 and 1966, the industry was rapidly developing new techniques, essentially capital-intensive and labor-saving, to handle breakbulk cargo. These include, for example, remote-controlled hook gear to speed positioning of the drafts and to eliminate sling men, and so on.

THE STRUCTURE OF COLLECTIVE BARGAINING AND SOME OF ITS DETERMINANTS

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At the end of the Second World War, there was widespread discussion and debate over the economic impact and social desirability of alternative structures of collective bargaining.³ Interest in the structure of collective bargaining, while not as intensely nor as emotionally pursued as formerly, has persisted.⁴ What has hitherto been missing is a systematic, empirical study, covering a broad cross-section of industries and utilizing quantitative data, which tries to determine why certain industries adopt a particular collective bargaining structure and others do not. This paper summarizes a study which attempted to fill this gap.

THE STRUCTURE OF COLLECTIVE BARGAINING

Discussions of "bargaining structure" tend to focus upon two major structural dimensions: (1) the scope of bargaining units within an industry and (2) relationship among these units. In describing the former, traditional emphasis has been on two polar possibilities: single-employer bargaining and multiemployer bargaining. In the

¹ This report is a summary of a Ph.D. thesis in economics at M.I.T. The author is grateful for the guidance of his thesis committee, Professors Charles A. Myers, Abraham J. Siegel and Morris A. Adelman, and to the participants in the Industrial Relations Research Seminar at M.I.T.

² Any views expressed in this paper are those of the author. They should not be interpreted as reflecting the views of The RAND Corporation or the official opinion or policy of any of its governmental or private research sponsors.

³ Representative of this interest are the *Hearings Before the Joint Committee on Labor-Management Relations on the Operations of the Labor-Management Relations Act, 1947*, 80th Cong., 2d Sess. (Washington, D.C.: U.S. Government Printing Office, 1948), parts 1 and 2, and a number of studies published as the "Industry-Wide Collective Bargaining Series" by the University of Pennsylvania in 1948 and 1949 and edited by George W. Taylor.

⁴ See, for example, *The Structure of Collective Bargaining: Problems and Perspectives*, ed. Arnold R. Weber (New York: The Free Press of Glencoe, Inc., 1961), and the Report and Hearings of the General Subcommittee on Labor of the Committee on Education and Labor in the House of Representatives, *Multiemployer Association Bargaining and Its Impact on the Collective-Bargaining Process*, 88th Cong., 2d Sess. (Washington, D.C.: U.S. Government Printing Office, 1965).

real world, of course, a continuum exists. Important elements of multi-employer bargaining frequently appear in industries where single-employer bargaining predominates and *vice-versa*. Single-employer bargaining, itself, may be subdivided into "companywide bargaining" and "company sub-unit bargaining," i.e., bargaining by single establishments or regional groupings of establishments.

Relationships among bargaining units have several important facets. First, there are two polar possibilities where intra-industry, inter-bargaining unit relationships are nonexistent: (1) industrywide bargaining and (2) nonpattern bargaining. Between these extremes one finds pattern following of varying strength and geographic scope.

These rather elemental notions have been employed in developing the structural classification system appearing in Table 1. Appropriately classifying as many industries as possible, however, proved much more difficult than the construction of the classification schema. Even assuming (much too optimistically) no dearth of information, collective bargaining structures in many industries are exceedingly complex and not easily forced into a two-dimensional classification system. Dual goals of keeping the classification scheme relatively simple and useful and of revealing as many significant aspects of each industry's bargaining structure as possible are somewhat incompatible. The latter has been sacrificed to a degree for the sake of the former.

Ultimately, 52 industries were classified.⁵ In attempting to maximize the number of industries in the sample, a wide variety of sources were utilized, including industry case studies; union periodicals, convention proceedings and officers' reports; reports on contract settlements; and statistical measures of the extent of multiemployer bargaining by industry.⁶ The industries in the sample were by no means randomly selected; they are simply those industries for which sufficient information was available, so that they could be classified with reasonable accuracy. The sufficiency of data and therefore, the prob-

⁵ Alterations in bargaining structure in 1965 and thereafter are not taken into account in Table 1.

⁶ U.S. Bureau of Labor Statistics, *Collective Bargaining Structure: The Employer Bargaining Unit*, Report No. 1 (Washington, D.C.: U.S. Government Printing Office, 1953); "Major Union Contractors," *Monthly Labor Review*, Vol. 85, No. 10 (October 1962), pp. 1136-1144; and Neil W. Chamberlain, "The Structure of Bargaining Units," *Industrial and Labor Relations Review*, Vol. X, No. 10 (October 1956), p. 39. These studies have one or more of the following shortcomings: (1) The data are rather old, (2) The sample used is biased, (3) The data are highly aggregated. For these reasons, it was not possible to assign numbers to each industry measuring the percentage of employees covered by multiemployer contracts.

TABLE 1
Extent of Unionization and the Type of Negotiating Unit

Type of Negotiating Unit Relations Between Bargaining Units	Multiemployer		Individual-Employer		Company Sub-Unit
	Pure Multiemployer A	Significant Single Employer B	Multiemployer Significant C	Pure Individual-Employer D	
Industrywide I	Wallpaper Men's Suits & Coats Anthracite Coal Railroads* Pineapple Auto Sprinkler Inst.			Postal Service	
Strong Pattern II	Elevator Const. Glass Containers* Fur Bituminous Coal Trucking	Basic Steel	Meat Packing	Aluminum Cigarettes Tin Cans Tires & Tubes Flat Glass* Motor Vehicles & Parts Farm Implements	Oil Refining Cement
Middle Pattern III	Millinery		Shoes Pressed & Blown Glassware	Airlines Rugs & Carpets* Fabricated Rubber Woolen & Worsted Cotton & Rayon Textiles	Non-Ferrous Metals Aerospace Telephone
Strongly Linked Regional Pattern IV	Offshore Maritime* Stevedoring	Ladies Garments			
Weak Pattern V	Gt. Lakes Maritime Lithographic*	Caps & Cloth Hats	Inland Waterways	Electrical Mach. Hats*	
Regional Pattern VI		Supermarkets	Shipbuilding		Pulp & Paper† Chemicals
No Pattern (or local pattern) VII	Hotels*	Malt Liquor		Local Transit Electric & Gas Util. Primary & Secondary Education	

* At least 5% of the unionized employees in multiemployer industry are in single employer bargaining units or *vice-versa*.

† Significant multiemployer bargaining exists in industry.

ability of inclusion in the sample generally appears to be positively correlated with the following two factors: (1) the extent to which the industry has been unionized, and (2) the strategic importance of the industry to the economy.

Methodological problems abound in attempting to classify industries on the basis of their bargaining structures. While time and space preclude their explicit discussion here, the following list of the more important rules of thumb used in compiling Table 1 may be helpful.

- 1) The geographic perimeters of the industries (with the possible exception of the maritime sector) correspond to U.S. boundaries.
- 2) Within the constraints established by (1), the following working definition of an "industry" was employed: a bargaining unit or group of units treated and conceived of by the individuals involved in collective bargaining as a distinct entity.⁷
- 3) In defining a pattern, considerably more emphasis is on wage movements than on fringe adjustments.
- 4) In classifying an industry, wage-fringe movements in the unorganized sector are excluded from consideration.
- 5) Industries are classified on the basis of wage-fringe movements between companies or establishments, rather than between occupations.
- 6) Firms and establishments are considered part of a bargaining unit when they are consistently identified as part of that unit in union, management, and government reports.
- 7) An industry is catalogued as "multiemployer" if 50 percent or more of its unionized employees are covered by multiemployer contracts.
- 8) An industry is catalogued as "company sub-unit" if over 50

⁷The danger inherent in a researcher making his own judgments as to appropriate industry boundaries is that he may structure his definitions in such a way as to find what he expects to find. In most instances there is sufficient discontinuity between groups of bargaining units to make industry boundaries rather obvious. Selection of alternative industry definitions in the borderline cases, e.g., a single rubber industry rather than a rubber tire industry and a fabricated rubber products industry, probably would have little effect on the conclusions presented below. Both the bargaining structure classification and the values of the variables studied would change in a direction consistent with the tested hypotheses. For example, it is postulated that the strength of pattern following within an industry is directly related to the degree of seller concentration found within the industry, e.g., the "rubber industry" has a smaller concentration ratio than the tire industry, but the former would be classified as middle pattern, while the latter is found in the strong pattern category.

- percent of all unionized employees work for multiplant companies that bargain by individual plant or regional division.
- 9) To fall within the "strong pattern" category, a minimum of 75 percent of the unionized employees within an industry must receive identical wage adjustments (unless the difference is explicitly for the purpose of narrowing or eliminating differentials).
 - 10) To qualify as "weak pattern," there must be a key settlement which serves as a primary frame of reference throughout much of the industry.
 - 11) An industry is classified as "strongly linked region pattern" when its patterns are generated within fairly broad regional areas, but are responsive to industry wage movements and/or wage levels elsewhere.

THE STRUCTURAL DETERMINANTS

Once Table 1 was developed, the next step was to "explain" why certain industries are found in certain categories. In other words, to seek the industry characteristics systematically associated with particular collective bargaining structures. In order to illustrate the general approach utilized, the relationship between bargaining structure and one of its determinants—seller concentration—will be described in some detail. Most of the other results can only be briefly highlighted, although statistical evidence in support of a few of the more important conclusions will be presented.⁸

The Impact of Seller Concentration

The following hypothesis was tested: the strength of pattern following within an industry is directly related to the degree of seller concentration within the industry, while the likelihood of multiemployer bargaining is inversely related. It was suggested that industry pressures for uniformity can be satisfied through two alternative mechanisms: (1) multiemployer bargaining and (2) pattern following. Pattern bargaining is least feasible and the stabilization of labor costs is most imperative in unconcentrated industries. Employers in these industries tend to negotiate through associations, thereby increasing concentration in the collective bargaining arena.

To test the hypothesis, concentration ratios, i.e., the percentage of total employment accounted for by the four largest companies in

⁸ The sources for the figures presented are too numerous to cite in this paper, but are presented in full in the thesis cited above.

each industry, were assembled for as many of the industries listed in Table 1 as possible. The results from this analysis are summarized in Table 2. Because of the size of the sample, the bargaining structure *categories* (or boxes) were amalgamated into four major bargaining structure *groups*. Since the study was a cross-industry comparison, each industry was considered a single observation and the *unweighted* average of the concentration ratios of the industries in each group was calculated.⁹ A strong inverse relationship between concentration and multiemployer bargaining is readily apparent in Table 2. A positive correlation between seller concentration and pattern strength may also be observed.¹⁰

TABLE 2
SELLER CONCENTRATION RATIOS
(Percentage of Industry Employment Accounted for
by the Four Largest Companies)

	Mean	Number of Industries
(a) Multiemployer	26.74%	19
(b) Individual-Employer: Industrywide and Strong Pattern	65.18	11
(c) Individual-Employer: Middle Pattern and Strongly Linked Regional Pattern	41.50	10
(d) Individual-Employer: Weak Pattern and Regional Pattern and No Pattern	34.79	9

Other Determinants of Bargaining Unit Type

Employers in both large-scale and small-scale industries have dealt with unions through associations, but the compulsions to adopt multi-

⁹ For example, row (c) is assigned to that group of industries in which individual employer bargaining predominates and relationships between bargaining units is of a middle pattern or strongly linked regional pattern nature, i.e., the 10 industries assigned to the following six boxes in Table 1: IIIC; IIID; IIIE; IVC; IVD; and IVE. The mean of their concentration ratios is 41.5%. This was calculated by adding the concentration ratios for the 10 individual industries and dividing by 10 (24% + 56% + . . . +91% = 415.0%; 415% ÷ 10 = 41.5%).

¹⁰ When the Student's t distribution is used to test the difference between each pair of means, all but two (the difference between group (a) and group (d) and the difference between group (c) and (d)) are statistically significant at, at least, the 5% level. This test, however, assumes a random sample has been taken from a normally distributed population. Therefore, the appropriateness of utilizing such a test under these circumstances is debatable.

employer bargaining are stronger among the latter. For example, when the percentage of industry employment in establishments with less than 20 employees and with 250 and more employees was calculated for all industries for which sufficient data were available, the means for 18 multiemployer industries were 15.34% and 46.68%, respectively while the comparable averages for 27 individual-employer industries were 1.53% and 78.85%, respectively.¹¹

There are several reasons why one would expect to find such a relationship. (1) Smaller employers have a greater need to buttress their bargaining position through association than do larger employers and generally relinquish less potential for independent action or special treatment in forming an association. (2) There are certain economies, e.g., actuarial savings on fringes, decreases in the number of necessary negotiations, and greater feasibility of utilizing specialists, realized through bargaining agglomeration. (3) In some small-scale industries multiemployer bargaining has fostered joint union-management approaches to mutual problems strengthening the employers' ability to survive.

Two other factors which appear to encourage multiemployer bargaining are relatively high labor costs and spatial proximity. Some evidence on the latter point is secured by calculating the percentage of employment accounted for by each industry's top state. The average for 18 multiemployer industries is 38.36%, but is only 21.34% for 27 individual-employer industries.¹²

In some industries a further consideration, and one that is closely related to firm size and to variability in the individual employer's labor requirements, is the union's role in the hiring process. Multi-employer bargaining predominates in each of the eight sample industries where employers usually or frequently turn to a union for workers.

In a few industries, such as the inland waterways industry, pressures from the nonunion sector have probably discouraged multiemployer bargaining. Empirical results indicated that the geographic extent of the product market is not directly related to the type of bargaining unit characterizing an industry.

While multiemployer bargaining is quite common, there are

¹¹ The differences between these means are statistically significant at the 0.1% level.

¹² The difference between these means is statistically significant at the 1% level.

relatively few industries in which company sub-unit bargaining predominates. Bargaining on a company sub-unit basis frequently both results from and adds to union weakness. It is most often, but not exclusively, found in industries in which union fragmentation and non-union establishments are both significant. Company sub-unit bargaining also sometimes characterizes industries in which major companies operate in several regional and/or local product markets.

Other Determinants of Inter-Unit Relationships

Besides seller concentration, two other variables—geographic concentration and the degree of unionization—were found to be positively associated with the degree of uniformity in wage movements. Tables 3 and 4 attest to these two relationships.¹³ Table 5, which utilizes index numbers indicative of the relative degree of union rivalry within the sample industries, provides rather strong evidence that union fragmentation, when not counteracted by joint bargaining, is an important impediment to uniformity.¹⁴

¹³ The differences between most of the pairs of means in Table 3 are not statistically significant. However, if rows (b), (c), and (d) are consolidated, the differences between the resulting means for both the top state (21.85%) and the top four states (51.11%) and the corresponding means in row (a) (36.02% and 64.29%, respectively) are statistically significant at the 2% level.

A chi-square test indicates that the positive relationship between unionization and uniformity in wage movements indicated by Table 4 is statistically significant at the 1% level.

¹⁴ This result is statistically significant at the 0.1% level.

TABLE 3
GEOGRAPHIC CONCENTRATION RATIOS
(Percentage of Industry Employment in Top State
and Top Four States Ranked by Employment)

Relations Between Bargaining Units	Mean—Top State	Mean—Top 4 States	Number of Industries
(a) Industrywide and Strong Pattern	36.02%	64.29%	20
(b) Middle Pattern and Strongly Linked Regional Pattern	26.45	57.72	13
(c) Weak Pattern and Regional Pattern	18.76	49.07	7
(d) No Pattern	14.22	36.80	5

TABLE 4
EXTENT OF UNIONIZATION

Relations Between Bargaining Units	Extent of Unionization ¹				Total Industries
	85-100%	75-85%	60-75%	20-60%	
(a) Industrywide and Strong Pattern	18	4	1	0	23
(b) Middle Pattern and Strongly Linked Regional Pattern	5	2	3	4	14
(c) Weak Pattern, Regional Pattern and No Pattern	4	3	3	4	14
Total Industries	27	9	7	8	51

¹ Each industry is classified on the basis of the percentage of its production workers at establishments where the majority of production or equivalent workers are covered by the terms of labor-management agreements.

TABLE 5
UNION FRAGMENTATION INDEX

Relations Between Bargaining Units	Union Fragmentation Index ¹			Total Industries
	1	2	3 and Over	
(a) Industrywide and Strong Pattern	21	1	1	23
(b) Middle Pattern and Strongly Linked Regional Pattern	7	5	2	14
(c) Weak Pattern, Regional Pattern and No Pattern	4	6	5	15
Total Industries	32	12	8	52

¹ Each industry was assigned an index number on the following basis. A single union bargaining independently or two or more unions bargaining jointly with major companies or employers' associations was considered a single "negotiating union." Each negotiating union controlling at least 15%, or two or more negotiating unions controlling at least 20%, but individually less than 15%, of the total union membership in an industry, counted as one. The index is based upon a "horizontal" concept of rivalry, i.e., jurisdiction rivalry *within* crafts employing a majority of production or equivalent workers had to exist for the industry to be assigned a number greater than one.

In a sense the mechanism through which uniformity is procured is summarized by the "bargaining concentration ratios" appearing in Table 6. These ratios represent the percentage of employment accounted for by an industry's largest and four largest bargaining units. Table 6 suggests that as bargaining concentration increases, greater

TABLE 6
BARGAINING CONCENTRATION RATIOS

(Percentage of Industry Production Workers Accounted for by the Largest Bargaining Unit and the Largest Four Bargaining Units)

Relations Between Bargaining Units	Bargaining Unit Mean—Largest	Mean—Largest 4 Bargaining Units	Industries Number of
(a) Industrywide	85.42%	91.00%	7
(b) Strong Pattern	41.73	69.06	15
(c) Middle Pattern and Strongly Linked Regional Pattern	17.64	35.29	14
(d) Weak Pattern and Regional Pattern and No Pattern	11.60	27.33	15

uniformity in wage movements is feasible.¹⁵ Bargaining concentration itself, however, is the product of the forces discussed above. For example, companywide negotiation in industries with a high degree of seller concentration beget a high degree of bargaining concentration. If seller concentration is low, concentration for bargaining puposes may be obtained through the formation of employers' associations. Multiemployer bargaining, in turn, is facilitated by geographic concentration. Thus, in multiemployer industries, geographic concentration has a role somewhat akin to that of seller concentration in individual-employer type industries. Union strength, measured either in terms of unionization or union fragmentation, is also highly correlated with bargaining concentration and hence, with the degree of uniformity in industry wage movements.

While unionization, union fragmentation, geographic concentration and seller concentration are determinants of the *degree* of uniformity in wage movements, the most important force delimiting the *area* of uniformity is the pressure of competition in the product market. The analysis indicated, for example, that the *minimum* geographic area of uniformity tends to be defined by the geographic extent of the market. Product segmentation, while less amenable to systematic analysis than the geographic dimension of the market, appeared to impede the spread of uniform wage movements in an industry. Uniformity between markets and geographic areas is most probable when multi-

¹⁵ The differences between almost all the pairs of means in Table 6 are statistically significant at, at least, the 5% level.

market, multiarea companies are a significant industry force. The linkage provided by such companies is most effective, in turn, under companywide bargaining. In the absence of such bargaining, the area of wage uniformity is largely contingent upon management attitudes and the relative strengths of national union officers, localized union elements, and employers.

Another linkage, important in a few industries such as ladies' garments, motor vehicles and parts, and trucking, is provided by vertical ties between companies. Common union affiliation is an important added element, but in the absence of other linkages binds employers loosely, if at all, to the same wage contour.

CONCLUSION

If a general conclusion can be drawn from the study, it is that an industry's bargaining structure is not arbitrary or accidental, but is shaped by attempts by the participants in collective bargaining to adjust as best they can to their environment. The analysis, however, is static, while many of the emphasized variables—scale of operations, the geographic scope of the market, seller concentration and so on—change over time. The nature of corresponding adjustments in bargaining structure, if any, suggest the degree of rigidity or flexibility present in collective bargaining. In addition, it is the more easily observable structural elements, i.e., the type and scope of bargaining units and the degree of similarity in contractual wage-fringe adjustments, which have been stressed. Observations on the economic impact and social desirability of alternative structures of collective bargaining frequently turn on identical considerations. Exclusion of other important structural facets, however, may result in misleading policy conclusions. To cite just one example, adjustments to the special requirements of a particular firm or establishment, which are unheralded, and indeed, sometimes intentionally concealed, may take place within what formally appears to be an extremely unyielding bargaining structure.¹⁶ Areas such as these deserve further investigation.

¹⁶ Numerous illustrations of *sub rosa* wage adjustments appear in George P. Shultz, *Pressures on Wage Decisions: A Case Study in the Shoe Industry*, (Cambridge, Mass.: Technology Press, 1951) and in Jerry Landauer, "Coal 'Sweethearts,'" *Wall Street Journal*, Vol. CLXVI, No. 59, (Thursday, Sept. 23, 1965), p. 1.

EMPIRICAL EVIDENCE ON LABOR SUPPLY: THE CASE OF DENTISTS

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INTRODUCTION

One general problem concerning the allocation of human resources is that relating to the lifetime distribution of the amount of time an individual devotes to work activity. In this paper we shall deal only with a cross-section of individuals in a given year, and will therefore deal only with a special case of the more general problem.

Concern about the general problem goes far back into the history of economic thought. However, in modern times the issue was brought into sharp focus by a controversy between Professors Knight and Pigou on one side who argued that imposing an income tax¹ would increase the number of hours worked, and Professor Robbins on the other who later pointed out that the relation between hours worked and wage rates could not be determined *a priori* (6.12). Nearly all empirical investigations into the question found a negative relation between hours worked and the wage rate (6.4, 6.5, 6.6, 6.7, 6.15, 6.16).

In theory we cannot deduce the direction of influence which the wage rate has on hours worked because an increase in the wage rate implies that (1) the price of leisure has increased, so that there is a substitution effect in the direction of taking less leisure, or working more hours and (2) that real income has risen, so that there is an income effect in the direction of consuming more of all (noninferior) goods, including leisure, which means working fewer hours. [For a recent discussion of this point see (6.6, 453) and (6.8, 482).] *A priori*, it is impossible to say which effect will prevail. Moreover, there are other factors which also influence the decision regarding hours of work (e.g., an individual's income, wealth, age, and spouse's income); some of these other factors do have a predictable influence on hours worked. Our primary task will be to determine whether the factors with a predictable relation to hours worked behave as they are expected.

¹In this paper we shall not be concerned with government taxes in relation to hours worked. A more complete model would need to include the impact of both government taxes and revenues upon hours worked. For a discussion, see (6.8).

I

UNIQUE ASPECTS OF OUR STUDY

Our study is unique in several respects and also represents a significant advance over all previous studies concerning hours worked.

1) We have a very large number of observations on one particular occupation, dentistry. Previous studies have dealt with very much smaller samples than the nearly 5,000 individual dentists utilized in this analysis.²

2) The occupation of dentist consists of self-employed persons. Never before, to our knowledge, has any group of self-employed persons been analyzed concerning the relation between hours worked and the wage rate. The importance of this fact should be obvious. Self-employed persons are not covered by the Fair Labor Standards Act which requires that an employer must pay time and one-half for any hours worked beyond the standard work week of 40 hours. Some people might be willing to work more than 40 hours at the going wage; others might require more than the going wage to work more than 40 hours per week but less than time and one-half. There is no way for a covered employer to allow such people to express their preferences.³ But for dentists, who are largely self employed,⁴ there are *no* institutional restrictions regarding hours of work. Incidentally, the average work week for a dentist is more than 40 hours.⁵

3) Previous studies of hours worked used one statistical technique (if they used any at all)—single-equation, least-squares regression analysis. Using either limited information or two-stage least squares techniques in a simultaneous equation setting, we find the

² The source of our data is the *1962 Survey of Dental Practice* conducted by the Bureau of Economic Research of the American Dental Association. The author wishes to acknowledge the kind cooperation on the part of this Bureau which enabled us to make the computations.

³ Of course, there are opportunities for "moonlighting," or taking second jobs. If an individual wishes to work more than 40 hours per week at the going wage, he may do so for a second employer. On the other hand, if an individual should wish to work less than he is supposed to at a particular place of employment, "some flexibility can nearly always be obtained by absenteeism." (6.8, 431). Thus, for most people, there is some opportunity to vary hours of work in accord with their own preferences despite the Fair Labor Standards Act or union policies.

⁴ Approximately 90 percent of the dentists in the country, in 1961, were engaged in nonsalaried practice. (6.3d, 10).

⁵ According to the American and Canadian Dental Associations, respectively, the average work week for dentists in 1961 was 42.8 hours in the U. S. and 40.5 hours in Canada in 1958. According to the 1960 Census, 5% sample, the average hours worked per week by self-employed physicians, dentists, and lawyers and judges amounted to more than 40 in each case. The table below presents a breakdown by age also.

results for a variable of prime interest—the wage rate—are exactly the *opposite* of those produced by single-equation, least squares regression analysis. This does raise some questions regarding the interpretation of previous findings.

4) Finally, we are able to adjust hours worked for short-run disturbances on the demand side because we have information regarding the length of the queue facing the dentist. This enables us to get a better look at the long-run effect of various factors on the supply side.

II

VARIABLES USED AND ANALYSIS

In the best overall analysis of hours worked to date, Finegan (6.6) entered age, race, sex, and educational level as independent variables in an attempt to standardize for these various influencing factors. Of these, only the first (age) will be used as an explanatory variable in this study. The reason for omitting the other variables is that most dentists are of the same educational level [except for specialists, who constitute less than five percent of the total stock of dentists in this country (6.36)], and most are white males.⁶ In short, dentists are sufficiently homogeneous to obviate the need for many of the adjustments Finegan found necessary. Now let us describe the variables we do use.

1) Age

For several reasons we expect age to be negatively correlated with hours worked. First, some of the dentists' tasks require the exertion of considerable strength, such as the pulling of teeth. The older a person becomes, the less capable is his body of exerting this strength. Second, the presence of a wealth effect will cause hours of work to decline with age. For when a dentist graduates from school he possesses a considerable amount of non-liquid, human wealth but very

TABLE: HOURS WORKED PER WEEK IN 1960

Occupation	All Ages	Age 25-34	Age 35-44	Age 45-64
Self-employed lawyers & judges	45.1	47.8	47.9	45.1
Self-employed physicians	52.3	55.1	54.5	52.1
Self-employed dentists	41.6	43.4	44.3	41.0

Source: *U. S. Census 1960: Characteristics of Professional Workers.*

⁶ The number of Negro dentists is less than 2 percent of the total stock of dentists (6.3b); the number of female dentists is approximately 1 percent of the total stock (6.9).

little liquid, non-human wealth. Because human capital depreciates over time, once a dentist builds his practice there will be a tendency to work longer hours (before one's knowledge and technique become obsolete). Moreover, the absence of wealth in non-human form (in fact, the presence of debt for dentists just beginning practice)⁷ will induce longer work hours during the early years after a practice has begun.⁸

2) Assistants

We cannot predict how the number of assistants employed by the dentist is correlated with hours worked. On the one hand, an increase in demand is likely to cause an increase and expansion of the dentist's activities; he will hire more assistants and work longer hours; this tends to produce a positive relation between assistants and hours. Also, other things equal, the more helpers a dentist has the more pleasant it is for him to work since he is able to spend more time doing those tasks for which he is specifically trained; this also tends to produce a positive relation between assistants and hours. On the other hand, as we discover in the chapter on production function for dentistry, a dentist with more assistants will also have a higher net income; this will tend to produce a negative relation between assistants and hours. The net outcome of these opposing tendencies cannot be determined *a priori*.

3) Wage Rate

As we previously noted, this variable alone does not have a predictable influence on hours worked because of the opposing income and substitution effects. Most previous studies have found a negative relation exists. *Holding other things, including income, constant*, we would expect a positive relation between the wage rate and hours worked. But the very high correlation ($r = .88$) between income and

⁷ As we point out in an earlier chapter on rates of return, dentists go into debt to buy equipment when their practice first begins. In the same chapter evidence is also presented which indicates it takes around one year, perhaps two, after practice is begun to build a practice. Until a practice is built, an average dentist works fewer hours than after the practice is built.

⁸ Rosett found that the greater the extent of property income and the lesser the extent of personal and mortgage debt, the less a person will work, other things remaining equal (6.14, 75). Later, we present evidence of our own which confirms Rosett's finding. We should point out that the strength of the wealth effect at any given age will depend largely upon the rate at which a person has been accumulating wealth over his lifetime (exclusive, of course, of inherited wealth). What determines the optimum rate (provided an optimum does exist) is a topic which we shall not explore.

the wage rate makes reliable estimates of the slope of the supply curve impossible, as we shall soon see.

4) *Queue, Fee*

Other things equal, we would expect that the dentist with the longer queue (queue is defined as the average wait for an initial appointment) would work longer hours; queue, here may be regarded as an indicator of short-run changes in demand. In response to a short-run increase in demand a dentist will work longer hours.⁹ Since we would expect that in a long-run equilibrium situation dentists with short queues would charge high prices while dentists with long queues would charge low prices,¹⁰ we include a fee variable to eliminate variations in queue length inversely associated with variations in price. We are interested only in the variations in queue length which represent short-run disturbances in demand.¹¹

III. DATA SOURCES

For our study we have chosen three different groups of dentists but space permits us to report the results for only one, the group of nonsalaried, general practice dentists covered in the *1962 Survey*

⁹ In a separate chapter on production function for the dental industry we explore this proposition in more detail.

¹⁰ We would expect, for example, that queue length would be influenced by the level of per capita earning in an area where a dentist's patients are located. People with higher earnings would regard their time as more valuable, hence would be interested in having a toothache (which, presumably, would reduce their productivity during working hours) treated sooner rather than later, while people with lower earnings would suffer less of a financial loss and would have their toothache treated later. For the privilege of treatment sooner individuals would be willing to pay a higher price. Gary Becker (61) has treated the importance of time in economic analysis in a recent article to which those who wish a more detailed discussion are referred.

¹¹ One might well ask why, in equilibrium, the queue length is not zero. One reason is that the productivity of the dentist increases with the length of the queue. If there were no queue, and the dentist knew the probability distribution of the arrival of his customers, peaking at some hours of the day (at which time the dentist would probably add some helpers to his office), and slumping at other hours, the dentist would have idle hours. From the dentist's view, since his time is relatively valuable, it is better to have customers wait than for him to be idle. Another reason might be that queue length is a means of advertising quality. We are all familiar with the traveler who considers the relative sizes of crowds in various restaurants to determine which one is a "good" place to eat. While it is not as likely that a dentist will line his patients up outside his office, in view of all passers-by, it is, nevertheless, possible for the dentist to have a noticeable waiting line. He can line patients up by keeping them in a waiting room adjacent to his office until he is ready for them. Moreover, he can lengthen the time between the moment a patient asks for an appointment and the moment the patient is treated. Any patient who calls for an appointment can immediately determine how many others are asking for an appointment. If queue length is an indication of quality, the dentist is able to advertise the fact in several ways.

of *Dental Practice*, made by the Bureau of Economic Research at the American Dental Association (6.3d). Out of an original sample of approximately 7,500 dentists, we eliminated those dentists who were not general practitioners and those who did not supply information on either hours or income and thus reduced the sample size to 4,730.

IV. EMPIRICAL RESULTS

1) *Sample*

The results of some of our empirical analysis are presented in Table 6.1 both for dentists of all ages as a whole and for dentists in five-year age categories separately.¹² If we look at the results for dentists of all ages we find that age is significantly (a t-value of -12.45) negatively related to hours worked, and that queue is significantly (a t-value of 9.34) positively related to hours worked, as expected. We also discover that the wage rate is significantly, negatively (a t-value of -19.88) related to hours worked with an elasticity evaluated at the point of means equal to $-.11$. In addition, we find that the number of full-time assistants is significantly, positively (a t-value of 7.84) related to hours worked. An R^2 of $.12$ suggests the possibility that there is a considerable variation of dentists' tastes for work activity.

If we now inspect the results for each individual age category, we find that queue has a consistent, positive relation to hours worked and is significant five times out of ten. The wage rate has a consistent, negative relation to hours worked and is significant for each age category. The elasticity of hours with respect to the wage, evaluated at the point of means, varies from $-.06$ to $-.21$. The number of full-time assistants has a consistent, positive relation to hours and is significant in seven out of ten cases. The age variable, which we

¹² Analysis was conducted for five-year age categories because of the possibility of non-linearity between age and hours worked suggested by the following table.

TABLE 6.2: HOURS WORKED PER WEEK

Age	Hours Worked	Age	Hours Worked
25-29	2061	55-59	2019
30-34	2103	60-64	1852
35-39	2095	65-69	1814
40-44	2067	70-74	1620
50-54	2080	75 & over	1585

Source: (6.3d).

TABLE 6.1: HOURS WORKED

$$Y_1 = A + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5$$

Age Group	A	B ₁ :(t)*	B ₂ :(t)	B ₃ :(t)	B ₄ :(t)	B ₅ :(t)	Elas.***	F**	R ²	n (no. of dentists)
All ages	2413.7	26.8(9.34)	65.5(7.84)	-30.8(-19.88)	- 6.4(-2.23)	- 6.5(-12.45)	-.11	128.8	.12	4730
25-29	2109.1	33.2(2.20)	164.7(3.77)	-24.9(- 2.40)	-31.9(2.08)	75.0(3.27)	-.06	8.29	.10	393
30-34	1819.5	29.8(4.50)	87.0(4.06)	-33.9(- 7.56)	- 6.1(- .76)	11.1(1.15)	-.11	14.4	.07	917
35-39	2755.8	19.2(3.54)	35.7(2.37)	-39.2(-12.88)	3.0(.46)	-12.6(- 1.52)	-.16	36.9	.17	930
40-44	2697.5	13.7(2.30)	42.2(2.71)	-40.7(-12.28)	- 1.0(- .22)	- 8.9(- 1.0)	-.17	32.3	.16	837
45-49	2755.0	13.3(1.49)	46.2(1.87)	-33.2(- 6.48)	-10.1(-1.01)	-10.4(- .82)	-.14	9.2	.10	427
50-54	3337.7	16.7(1.75)	36.9(1.44)	-21.9(- 7.35)	4.2(.47)	-24.0(- 1.77)	-.09	11.9	.14	375
55-59	3133.2	23.8(2.27)	23.3(.63)	-49.0(- 6.73)	- 5.2(.47)	-15.5(- .97)	-.17	11.3	.15	327
60-64	2786.2	12.2(.87)	102.7(2.22)	-54.8(- 6.45)	- 2.8(- .25)	-10.9(- .59)	-.19	8.9	.14	274
65-69	5432.0	29.9(1.38)	152.0(2.67)	-50.7(- 4.48)	1.2(.07)	-53.7(- 1.87)	-.16	5.4	.15	158
70-89	2755.3	37.1(1.24)	219.3(2.10)	-79.5(- 4.04)	-20.0(- .99)	-10.6(- .81)	-.21	4.1	.20	89

* Values for a 2-tailed t-test of the null hypothesis B₁=0.

** Values for an F-test of the null hypothesis B₁=B₂=B₃=B₄=B₅=0; equivalent to an F-test of the null hypothesis R²=0.

*** Elasticity of hours worked with respect to the wage rate, $\frac{dX_1}{dX_3} \cdot \frac{X_3}{Y_1}$, where X₃= \bar{X}_3 and Y₁= \bar{Y}_1 are evaluated at the respective means.

- Y₁ = annual dentist hours
- X₁ = queue length
- X₂ = number of full-time assistants

- X₃ = wage rate (annual net income/annual hours)
- X₄ = fee for prophylaxis
- X₅ = age

expected to be insignificantly related to hours within each age category, is insignificant in nine out of ten cases.^{13,14}

Our finding of a negative elasticity of hours with respect to the wage rate is consistent with previous studies which conducted a single equation regression analysis of hours worked. If we conduct our analysis of hours worked in the frame-work of a simultaneous equations system, in order to eliminate possible simultaneous equations bias in the coefficients, some rather different results emerge, however.

Let us suppose that we have a demand and a supply curve for the dentist's hours; the demand curve will be derived from the market demand for the dentist's services. Let us suppose that the queue length, number of chairs in the dentist's office (introduced here as an additional demand-shift variable) and number of full-time assistants are demand-shift variables or indicators. We would then expect a downward sloping demand curve relating hours as a function of the wage rate (price). And let us suppose the supply of hours is a function of the wage and that age is a supply-shift variable.

¹³ The one exception occurs for the 25-29 year category. Since it takes a few years for a dentist to build a practice, it is not too surprising that age is significantly, positively related to hours in the 25-29 year category.

¹⁴ Although our analysis has been of hours worked *per year*, similar results are achieved when hours worked *per week* is the dependent variable. Table 6.2a below presents the relevant results.

TABLE 6.2a: HOURS WORKED PER WEEK

$$Y_2 = A + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5$$

Age Group	A	B ₁ :(t)	B ₂ :(t)	B ₃ :(t)	B ₄ :(t)
All Ages	49.5	.42(8.5)	.70(4.8)	-.51(-19.6)	-.005(-.1)

Age Group	B ₅ :(t)	Elas	F	R ²	M
All Ages	-.13(-14.1)	-.09	107.2	.12	4730

Y_2 = hours worked per week
 X_1 - X_5 same as in Table 6.1

TABLE 6.3: SIMULTANEOUS EQUATION RESULTS OF THE SUPPLY CURVE

$$Y_1 = A + B_1X_1 + B_2X_2$$

Limited Information Estimates:

$$Y_1 = 24.10 + .13X_3 - 5.41X_5$$

(0.39)* (.714) S.E. of Estimate = 4.40

Two-stage Estimates

$$Y_1 = 21.78 + .12X_3 - 5.42X_5$$

(.04) (.71) S.E. of Estimate = 4.39

* Numbers in parentheses below regression coefficients are the standard errors of the coefficients

Y_1 = hours X_3 = wage X_5 = age

We then have the following identified, simultaneous equations system :

Demand: Hours = f(wage, chairs, assistants, queue)

Supply: Hours = f(wage, age).

In this model there are two dependent variables: hours and wages. Estimating the supply equation using two stage least squares involves first estimating the wage rate in a "first-stage" regression of wages on all the remaining independent variables (chairs, assistants, queue and age) and then entering this estimated wage into the supply equation as an independent variable. Hours are then regressed on age and the estimated wage. (Limited information is a technique producing similar results to two-stage least squares.) The results for the supply equation are presented below.

The wage rate is *positively*, significantly related to hours worked when we estimate the supply curve in a simultaneous equations framework.¹⁵ Limited information and two-stage estimation procedures produce nearly identical results. (Age, as expected, is significantly, negatively related to hours.) To our knowledge, no previous study of hours worked has ever attempted to analyze the problem in this framework; every study has utilized only single-equation regression analysis. When we confine ourselves to the technique of single-equation least squares, our results are in complete agreement with the other studies. However, using simultaneous equations estimates with either the limited-information or two-stage least squares techniques, we find that a positive relation between hours and the wage rate is exhibited. Evidently, simultaneous equations bias did exist and was important.

CONCLUSIONS

We have improved upon Finegan's analysis, the best overall study of hours worked to date, because we considered a relatively homogeneous group of individuals, who were self-employed besides, and because we had observations on a relatively large number of individuals. We have demonstrated that the choice of statistical tech-

¹⁵ It might be objected that one important determinant of hours worked— income—has been omitted, and that if it were included in both the single-equation model and on the supply-side in the simultaneous-equation framework, there would be no reversal of the sign of the regression coefficient for the wage rate. We found this objection to be unfounded in our particular study, as the table below indicates. The reversal of the sign of the wage rate occurs with the inclusion of income. The inclusion of the income variable in the single-equation model, however, greatly increases the explanatory power of the set of independent variables; $R^2(C)$ rises to .42 in comparison to .12 presented in Table 6.1. The simultaneous equation coefficients, however, are not significant in either case, probably because there is a strong relation ($r = .88$) between income and the wage rate.

TABLE 6.4

I. Single Equation Model:

$$Y_1 = A + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6$$

Age Group	A	B ₁ :(t)	B ₂ :(t)	B ₃ :(t)	B ₄ :(t)	B ₅ :(t)	B ₆ :(t)	Elas.	F	R ²	n
All ages	2142.0	7.71 (3.3)	3.91 (.6)	-127 (-56.0)	-7.23 (-3.1)	3.39 (-8.0)	.07 (51.5)	-.46	5.2	.42	4730

Y₁, X₁-X₆: Same as in Table 6.1

X₆: Annual net income

II. Limited Information Estimates: $Y = A + B_1X_1 + B_2X_2 + B_6X_6$

$$Y_1 = 1439.8 + 48433.7X_3 - 132066.2X_6 - 2090.1X_0$$

$$(60117.4)^* \quad (188017.5)^* \quad (2959.0)^*$$

S.E. of Estimate: 73356.4

III. Two Stage Estimates:

$$Y_1 = 688.0 + 40705.6X_3 - 111134.7X_6 - 1710.1X_0$$

$$(59830)^* \quad (187350)^* \quad (2946)^*$$

S.E. of Estimate: 73160.0

* Numbers in parentheses below limited-information and two-stage estimated coefficients are standard errors of the coefficients. Y₁, X₃, X₆: same as in Table 6.3. X₀: income.

nique is important to the results. However, much more work remains to be done in this area of investigation, for there is a real problem remaining. We do not have an entirely suitable method for separating the income and substitution effects upon hours. Annual income is so highly correlated with annual income/annual hours that both these variables cannot be presented in the supply equation without producing insignificant results.

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ECONOMIC CHANGE AND THE LABOR FORCE IN MICHIGAN

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I. PURPOSE AND SCOPE OF THE STUDY

Since economists profess to concern themselves with the problem of allocating scarce resources, this paper represents a practical challenge to me as it attempts to summarize a fairly lengthy piece of research in a very limited amount of time. Because several hypotheses were tested, this limitation precludes giving more than an outline of them or of the findings and conclusions reached here.

The aims of this study were to explore the responsiveness of the labor force to changes in economic conditions, and to conduct this analysis for an open economy. On balance does the labor force expand, contract or remain unchanged as unemployment rates change? What other economic variables may be associated with changes in the size or composition of the labor force? To what extent are these changes due to migration? Such questions are of interest not only to labor economists and persons responsible for making a national economic policy. The growing body of literature in regional economics reflects a new interest as problems of urban areas or depressed areas are brought more to public attention.

In hopes of learning more about the movements of, and changes within, the labor force this study focused both on Michigan and on distinct geographic areas within the State. The labor force of a heavily industrialized urban center, the Detroit Standard Metropolitan Statistical Area, was analyzed as was that of the relatively non-industrialized Upper Peninsula of Michigan, a chronically depressed area.

II. METHODS OF ANALYSIS

In an open economy, individuals may respond to changing levels of unemployment not only by changing their labor force status but through migration. Thus, for example, if unemployment falls in Michigan, the labor force could increase because of net in-migration, or due to persons outside the labor force entering it, or some combi-

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nation of the two. In order to determine whether or not a change in the size of the labor force was associated with population changes, labor force participation rates were calculated and were generally used as a focus of analysis.

It should be noted that the findings here may differ in some degree from similar or related studies done on a national level without being inconsistent with those studies, because individuals may not only change labor force status as conditions change but also may migrate. There are strong grounds for assuming that workers who remain behind when employment conditions worsen have a higher propensity to leave the labor force than do those who move. Or, somewhat similarly, if the availability of work attracts workers into an area, this will tend to move up participation rates in that area although the national average remains unchanged.

1. A multivariate analysis was undertaken using cross-sectional data from the 1960 decennial census. The key hypotheses that were tested were that participation rates were associated with other economic aggregates such as unemployment, and that these variables affected various age and sex groups differently. Labor force participation rates for 12 age-sex classifications (these covered the entire population 14 years and over) were taken for the 52 areas in Michigan which were defined by the Bureau of Employment Security as labor market areas. Since these areas were either a whole county or contiguous counties, and because data on participation rates as well as on income, education, and industrial composition were available on a county basis in the 1960 Census, there were sufficient observations for a multivariate analysis.

2. Seasonally adjusted unemployment rates in the State over time, together with a variable which represented the proportion to total population, 14 years and older, of persons whose unemployment insurance benefits had been exhausted in that time period, were regressed on labor force participation rates. Although this is a variation on a technique employed by Strand and Dernburg in some of their recent works,¹ it is not subject to the same criticism of their formulation that was made by Mincer.² Data were available only

¹ See for example, K. Strand and T. Dernburg, "Cyclical Variations in Civilian Labor Force Participation," *The Review of Economics and Statistics*, XLVI (Nov. 1964) pp. 378-91.

² Jacob Mincer, "Labor Force Participation and Unemployment—A Review of Recent Evidence," New York, 1965 (mimeographed).

for the period from 1956 through 1963. In order to estimate reliable parameters it was necessary to include a trend term.

3. Population estimates were available for the State and the sub-areas analyzed here. By estimating population change and by using data on births and deaths of area residents, net migration rates were calculated on an annual basis. These data were analyzed in relation to prevailing economic conditions in these areas.

4. For the State of Michigan and its sub-areas analyzed here, labor force participation rates for females rose sharply from 1950 to 1960. Since unemployment rates throughout the State were extremely high from 1956 through 1960, and since the discouraged worker effect seemed in evidence for the State, some attempt was made to explain this increase. One explanation could be that female participation rates rose from 1950 to 1956 and then fell back, but in 1960 were still above 1950 levels. Another possibility is that female participation rates were rising in a trend over the decade but at a reduced rate for the periods of high unemployment at the end of the decade. Data were not available to explore either of these possibilities.

Another possible explanation, not inconsistent with the discouraged worker hypothesis, is that the types of jobs which became available from 1950 to 1960 were of a type that typically are held by females. To test this hypothesis the following calculations were made. The proportion of females employed to total employment was calculated for all 2 digit industries for the United States at the time of the 1960 Census. For all those industries in Michigan and the sub-areas, the change in employment from 1950 to 1960 was calculated. The product of this change for a given industry and the proportion of females typically employed was the hypothetical gain or loss of jobs in that industry by females. The sum of these products for all industries gave the hypothetical number of new jobs (net) that females might be expected to have gained over the period.

5. Because of inadequate data regression analysis could not be used in the sub-areas of Michigan to explain shifts in the labor force participation rate. In these instances annual changes in the over-all participation rate were examined in terms of the prevailing economic conditions in each of these areas. If labor force participation rates were declining during periods of high or rising unemployment rates, and this was consistent with the findings in the time series and cross-

sectional analyses, it would lend more weight to the findings. If no consistent pattern were found, then very little could be said to help resolve the additional worker-discouraged worker debate.

III. THE FINDINGS

1. The findings from the cross-sectional analysis of labor market areas in the State in 1960 are presented in some detail elsewhere,³ and simply the most noteworthy of them are indicated here. In general, however, they support the discouraged worker hypothesis.

The relationship between aggregate unemployment rates in an area and participation rates for various male age groups, taking account of the industrial composition of the area, and the median level of educational attainment, was not significant for any of the 6 male age classes. It should be noted, however, that the sign of the coefficient of the unemployment variable was negative for 5 of the 6 classifications, lending some very slight weight to the discouraged worker hypothesis. In areas where a larger proportion of those employed were engaged in either manufacturing or agriculture, the probability was that male participation rates would be higher. A very strong positive correlation was found to exist between the median level of education in an area and participation rates of males, 65 years and older. This apparently reflects the generally more prolonged attachment of professional persons to the labor force.

Labor force participation rates of females, except those aged 14 to 17 and 65 and over, were significantly and inversely correlated to unemployment rates. This finding is in accord with the discouraged worker hypothesis. Moreover, since the additional worker hypothesis is generally framed in terms of secondary workers, many of whom presumably are females, this finding suggested that this hypothesis was not relevant for areas in the State.

The proportion of total employment in the services sector was positively correlated with labor force participation rates of all seven female classes but not significant in any single class. This consistently positive relationship seems to indicate that the industrial composition of an area is related to participation rates of females.

A positive relationship exists between median educational attainment levels of females over 24 years and participation rates for all

³Peter S. Barth, "A Cross-Section Analysis of Labor Force Participation Rates in Michigan," *Industrial and Labor Relations Review*, Vol. 20, No. 2 (Jan. 1967) pp. 234-49.

age classes 25 years and over and is statistically significant in 4 of these 5 categories. Thus, in areas in Michigan where educational attainment was higher, female participation rates were likely to be higher. Whether this relationship stems from a demand condition, i.e., employers preferring to hire better educated females, or that the type of jobs available to females in Michigan is likely to attract better educated women, is not clear. It may be that better educated females prefer to leave the labor force at a later age or simply remain in the labor force longer than others.

2. The regression analysis using time series data for the State as a whole indicated that the flow of workers out of the labor force during periods of high or rising unemployment outweighed the secondary workers who entered the labor force during such times. It also lent weight to the findings of Strand and Dernburg which are that although both flows do occur, the discouraged worker effect is the dominant one.

Although statistically significant the responsiveness of labor force participation rates in a given quarter to a change in the unemployment rate in that quarter (or the previous quarter) is small. An attempt to formulate a distributed lag model of this response did not yield significant findings. It appeared rather that the State's very prolonged experience with high unemployment rates was related to steadily declining rates of participation. This finding, then, substantiates Okun's suggestion that the responsiveness of participation rates to unemployment rates is an inverse one, but the exact timing is a "complicated lagged phenomenon."⁴

3. The pattern of migration varied with the area under analysis. During the period from mid-1951 to mid-1956 both Detroit and the entire State of Michigan experienced net in-migration. This corresponds to periods of generally low unemployment rates in both areas. From mid-1956 to mid-1962, a period of high unemployment rates, the State and Detroit lost population through migration. This trend was ended in 1963, a good year economically for Michigan, when net in-migration again occurred for Detroit, and the State experienced almost no net movement of population.

Reliable estimates of unemployment in Michigan were available

⁴ Arthur Okun, "Potential G.N.P.: Its Measurement and Significance," Paper delivered at 1962 *Proceedings of the Business and Statistics Section of the American Statistical Association*.

only for the years 1956 to 1963. A simple regression was estimated so that the rate of net migration for the State was a function of the unemployment rate. The coefficient was one-third its standard error and the hypothesis was rejected. This was not the case, however, when an index of unemployment, the ratio of the unemployment rate in Michigan to the unemployment rate in the United States, was regressed on the net migration rate. This relationship was highly significant and suggested that the degree of net migration out of Michigan was a function of employment conditions in the State relative to conditions elsewhere. The findings here suggest that the decision to leave an area like Michigan or refrain from moving into it is based on conditions other than simply those which exist in that area.

That relative unemployment rates affect the direction and degree of net migration became even more evident when net migration from the Upper Peninsula was analyzed. Absolute levels of unemployment have been very high in this area since 1950. Moreover, the elasticity of unemployment rates in this area with respect to unemployment rates in Detroit, the entire State or the United States, has been extremely high. Thus, it was not surprising to find that the Upper Peninsula had experienced a fairly substantial degree of net out-migration from 1950 to 1963. In 1954, 1958 and 1961, however, years of economic recession in Michigan and the United States, net in-migration occurred in the Upper Peninsula. Apparently, during periods of very high unemployment rates in other areas, some former residents return to the Upper Peninsula. This is not surprising since many of these persons presumably have only recently found employment. Moreover, many of this area's out-migrants tend to be younger workers who may be more likely to be laid off early in a recession. Further, as employment opportunities in other areas become extremely scarce, the flow of out-migrants is reduced. Thus, an industrialized area like Detroit appears to have some form of built-in unemployment stabilizer, i.e., out-migration when unemployment rates increase and in-migration during periods of economic prosperity. Conversely, the economically depressed Upper Peninsula is faced with this destabilizing characteristic of net in-migration during periods of economic recession in the State and nation. Certain welfare implications follow from a situation where one area has ready access to a supply of labor from another area during tight labor market condi-

tions and does not have to absorb all the social costs of unemployment when conditions change.

4. The findings regarding the type of industrial shifts which occurred in the State from 1950 to 1960 did indicate that females faced a more conducive labor market than would be indicated by merely counting the net change in employment over the decade. By applying the index described above to employment changes over the decade, it was found that 56.2% of all jobs (net) created over the decade in Detroit would go hypothetically to females, while 51.2% of the new (net) jobs in the entire State would have gone to females, compared to only 41.1% in the United States for the decade.

Whereas, almost 5,200 fewer jobs existed in the Upper Peninsula in 1960 than in 1950, there was a hypothetical gain in the number of employment opportunities for females of almost 1,650 jobs! This occurred at the same time that the population of females, 14 years and older, was declining over the decade. Thus, from 1950 to 1960 the probable supply and demand conditions for females in the Upper Peninsula was tighter than the overall labor market conditions indicated. Further, for all areas in the State, it appears that the changing industrial structure was conducive to greater participation in the labor force by females.

5. In the Upper Peninsula, the Detroit Standard Metropolitan Statistical Area, and in the State of Michigan excluding these 2 areas, labor force participation rates declined from 1956 to 1962. The absolute and relative declines were greatest in the Upper Peninsula, the area which consistently suffered the highest unemployment rates over the period. In Detroit the absolute and relative declines in labor force participation rates were greater than in the balance of the State. The latter area suffered lower unemployment rates over this period than did Detroit. Moreover, as Detroit and the Upper Peninsula experienced an economic upswing in 1963, the consistently downward trend of participation rates was reversed in these areas. Although not conclusive by themselves, these factors along with the earlier cited findings lend further support to the applicability of the discouraged worker hypothesis to the State.

DISCUSSION

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Given the range of subject matter and methodology, it would be pointless to treat these papers as a whole. Therefore, they will be discussed *seriatim* and the brief space available used mainly to raise questions suggested by the analyses.

1. Gray conclusively demonstrates the mismatch between defense-industry labor demand and the skill-education profile of the depressed-area unemployed. On the demand side, he provides interesting detail on labor requirements by size of firm and product mix. On the supply side, the blue-collar concentration among the unemployed is clear, though his figures do not prove that white-collar workers suffer less unemployment. For this, unemployment rates by occupation are needed rather than percentage distributions of the unemployed.

His ingenious computer match of individual plant labor requirements and area labor pools permits him to estimate plant unemployment needs that can be met from the unemployed labor pool as well as the resulting reduction in unemployment by occupational group. However, why the employment impact of a given plant stays at a constant percentage even when the labor pool doubles is baffling. Since the original pool presumably can supply all of the lower skills required, one would expect the percentage reduction in unemployment to fall as the labor pool grows.

The case study presents some excellent insights into return migration and commuting. Whether the results can be generalized depends partly on how typical the plant size and wage levels are of defense industry generally. And Barth's study suggests that relative interarea unemployment rates also will be a significant factor.

2. Pichler's study underlines the variety of individual worker preferences based on marketability of current skills, attitudes toward training, income security, and protection of accumulated assets. The view that education permits and motivates workers to adapt to changing labor market requirements receives strong support from his results on the selection of training. And the importance of motivation is reinforced by the large expenditure adjustments borne by the trainees.

The training payoff for older workers justifies Pichler's warning against excluding them from training programs. And the evidence on upward occupational mobility of trainees is a welcome antidote to simple earnings comparisons of trainees and non-trainees; hopefully it will spur follow-up studies of comparative earnings and skill levels over more extended periods of time. While extensive use of unemployment insurance by trainees indicates its importance as a financial stopgap, it also shows inefficient manpower planning—particularly where considerable advance notice was available.

Even though interplant transfer proved especially successful, the study points up the usefulness of giving laid-off workers alternative opportunities. But the large number of individuals who claimed that they made incorrect choices is disturbing. In terms of the objective experience of others of similar age, skill, education, etc., were these, in fact, wrong choices? If so, why were they made and how can the errors be reduced in the future?

3. In relating work rules to the theory of the firm, Hartman develops three theoretical types of rules in which the union (1) specifies minimum labor inputs; (2) specifies fixed ratios of labor to other inputs or outputs; and (3) acts as a discriminating monopolist, adapting the severity of its all-or-none rules to a variety of circumstances (including the technological alternatives available to the employer).

The theoretical models fit the rules well and prove useful in explaining the experience of the West Coast longshore industry. One misses a more concrete analysis of the negotiated production function decisions. Are concessions from conventional breakbulk rules consistent with the probable demand elasticities for the work involved? Was there adaptation to changing factor input prices and technological alternatives consistent with the maximization of some combination of employment and the aggregate wage bill? In light of this analysis, did the union gain by abandoning the negotiated production function in 1960?

Small productivity gains from the elimination of fixed proportion rules undoubtedly reflect investment time lags. But the simultaneity of rules changes may have had an independent effect. With many efficiency-increasing opportunities, it would not be unreasonable to concentrate on those that were costless.

4. Greenberg classifies collective bargaining arrangements by

relating types of bargaining units to the strength and geographic scope of interactions among units. Using wage-adjustment uniformity as his main measure of the strength of interactions, he explores institutional and market factors that appear to be effective determinants of bargaining structure. He concludes that product market competition is the main factor delimiting the area of uniformity, while the degree of uniformity within the area depends mostly on spatial and organizational variables.

He has performed an heroic classification job, though one is struck by the omission of an industry like construction in a list that includes many minor groups. The chosen variables are reasonable in light of their probable impact on bargaining structure, and Greenberg has brought to bear a large amount of useful quantitative data. As he notes, the intercorrelation among variables is high. But the quantitative analysis treats each of these discretely, with the interrelationships being handled mainly in the interpretation of the statistical results. It would be useful if more of the intercorrelation could be shifted to the statistical analysis itself to give a better notion of the relative weights involved. This would permit further testing of Greenberg's interpretation of the data, though probably at the sacrifice of some of the industries now included.

5. Maurizi has chosen an occupation (self-employed dentists) relatively free from institutional constraints in order to study the effect of certain variables on hours of work supplied. He finds age and wealth negatively correlated with hours; length of queue and number of assistants positively correlated; and wage rates shifting from a negative to positive correlation when a simultaneous equations setting is substituted in the statistical analysis.

Despite the lack of an entirely suitable method for separating income and substitution effects, Maurizi's findings of strong substitution tendencies merit further work along the same lines. In this compressed version of his study, one cannot tell how queues were measured or whether the deliberate creation of queues has any impact on the results. Is there, for example, sufficient uniformity of practice among dentists so that queue-creation would not bias the results of a cross-section study? For similar reasons, it is impossible to evaluate the use of the fee variable to eliminate differences in queue length that are solely a function of price variation.

While the positive correlation of hours and assistants appears

reasonably well established by the study, it may be worth noting that theoretically a negative correlation might arise not only because of a correlation between income and assistants, but also because of discontinuities which allow both increased output and reduced hours when assistants are added.

6. Barth is undoubtedly correct in emphasizing that unemployment rates are insufficient to explain the demand aspects of female participation rates. It is important to know something about the composition of demand as well as its level. His industrial composition of demand analysis is a useful approach to this problem. However, one should be cautious in using national sex-employment ratios in two-digit industries to arrive at the hypothetical demand for female labor in Michigan. Given the breadth of two-digit classifications, it is necessary to know more about the dispersion of sex ratios within each industry before applying the two-digit averages.

A great advantage of this study over those dealing with the national labor force as a whole is that Michigan and its sub-units can be treated as open economies. An interesting result is the finding about perverse migration in depressed areas. Again, one would have to exercise caution about generalizing the results. Is the perverse migration a function of the distances involved in the moves? Would the same results be obtained for north-south migration? If not, and some of our large-city problems indicate that they may not, then the welfare implications may be just the opposite of those flowing from the Michigan study. From a policy viewpoint, Gray's study also indicates that immigration to depressed areas even in periods of rising demand may be undesirable (though not economically perverse) in the sense of maintaining substantial interarea differentials in unemployment rates.

IX

ANNUAL REPORTS OF IRRA

MINUTES OF THE IRRA ANNUAL SPRING
EXECUTIVE BOARD MEETING
MILWAUKEE, MAY 7, 1966

The IRRA Executive Board met on May 7, 1966 in the Holiday Inn Central Hotel, Milwaukee. President Arthur Ross presided at the meeting attended by Secretary-Treasurer David Johnson; Editor Gerald Somers; Board Members Frances Bairstow, Seymour Brandwein, Sar Levitan, Roy Reynolds, Arthur Saltzman; and Local Arrangements Chairmen Robert Garnier, Donald Morrison and Herbert Zollitsch of Milwaukee and Laurence Corbett of San Francisco.

Secretary-Treasurer Johnson reported that the Association's cash resources on March 31, 1966 were \$18,620.72, a balance similar to that of March 31, 1965. Fewer membership dues remained unpaid, but disbursements had increased, mostly for work begun on the *Directory*. Johnson was instructed to reinvest long-term cash resources at a more advantageous interest rate of perhaps 5%.

Saltzman questioned whether an organized effort had been made or should be made to promote contributing memberships from institutions which could be used to subsidize student memberships. It was noted that such memberships would probably come predominantly from corporations. Ross noted that among those in attendance at the Milwaukee Meeting were representatives from groups such as public administration, employees' unions, educators, etc., who were non-members of IRRA. He stated that their active participation was a matter of continuing concern to IRRA, and he suggested that follow-up membership invitation mailings be made to persons on these lists.

Johnson reported that the slate of nominees for the autumn election was complete except for one candidate.

Typesetting for the *IRRA Membership Directory* was in progress, and Johnson indicated that it should be ready for distribution to the membership in July.

Editor Gerald Somers reported that arrangements had been made for photocopy publication of the *Milwaukee Spring Proceedings* from camera-ready manuscripts prepared by each author. Publication would probably be in July, and, for the first time, copies would be sold rather than distributed free of charge. Commerce Clearing House had rejected "Collective Bargaining in the Public Service" for publication this year, indicating that it was a subject of insufficient interest to their readers, who are predominantly in the private sector. CCH

has been increasingly reluctant to publish IRRA Spring Proceedings in the last few years and feel they must be selective, depending on the subject matter of the particular meeting. Somers said that a low bid for publication locally in the Madison area had been tentatively accepted, but that suggestions of the Executive Board for further investigation of commercial publishers, academic journals and the Bureau of National Affairs would still be possible. Ross stated that the subject matter of this meeting should be one of great interest; and, therefore, a commercial publisher might be willing to print the *Proceedings* as a book, with the last 4000 copies for distribution to IRRA membership at minor cost. It was recommended that advertising be done in a few journals such as the Journal of Human Resources, NEA, Public Administration Journals, etc. The cost would be very small and could include a listing of article titles. The editor was instructed to investigate other printing possibilities before proceeding with the photocopying if the alternatives were not feasible.

Somers, reporting for the volume editor, Sol Barkin, indicated that the International Labor volume was proceeding well; Barkin was editing the manuscripts; and the book was scheduled for publication in summer or fall 1967.

Sar Levitan presented his revised outline for the 1968 Income Maintenance volume. It has been reduced in length since the December board meeting while still permitting significant coverage of topics. Nine pieces of 8000 words each would permit fuller treatment of each and lend a greater research quality to the volume. Levitan listed titles of chapters and authors committed, and he requested suggestions from the Board at the Meeting or by mail for those topics not yet allocated. After further suggestions, the Board agreed that the editorial board, Levitan, Cohen and Lampman, were to have jurisdiction over further selection of subject matter and authors. Somers reminded them that the authors should be fully committed within the next two months; recent experience indicates that nine months to a year are required between submission of manuscripts and publication. A luncheon meeting of the chapter authors of the volume was authorized to be held during the San Francisco Meetings in December.

Levitan reported that the Johns Hopkins Press had expressed interest in publication of the 1968 volume, and he was authorized to explore this further. He was reminded that publication was conceived of by the Board as a continuing relationship, with manuscripts to be

accepted sight unseen on the basis of past performance. Somers was to recheck present contracts regarding the feasibility of using another publisher for the 1968 volume. He was also to encourage extensive bidding when renewing a contract for future IRRA publications.

Topics for the 1969 research volume were discussed in an effort to formulate firm plans for the publication before the December Meetings. A choice was necessary by that time because of the three-year lag which customarily occurred between initial plans and publication. Ross asked Board Members to prepare outlines on the following volume topics on which the Board's discussion had centered:

1. Bairstow: Ingredients of union and of management leadership, utilizing contributions from members with sociological and psychological backgrounds.
2. Saltzman: Human resources, labor factor, manpower, updated: of value as an independent evaluation rather than one by the establishment.

New thrust of federal retraining and state manpower programs.

Updated manpower volume (old one outdated).

3. Ross: Place of work and leisure, a sociological type of approach.

These outlines were to be prepared and sent to Ross and Somers within several weeks after the meeting for duplication and distribution to the other Board Members.

Ideas for the 1970 volume mentioned by the Board included a "pull together" volume on 1960's legislation, innovations in public policies on minimum wage legislation, poverty, and the manpower areas. No action was taken at this meeting.

The proposed establishment of an international industrial relations association was next on the Board agenda. Discussion focused on IRRA's participation in such an international association, the Association's approval of a broad statement of policy in this regard, and its authorization for delegates to attend a scheduled organizational meeting in London, June 30. Ross and Somers were delegated by the Board to represent IRRA at the London meeting in conjunction with their other professional commitments in Europe at that time. They were fully authorized to act for the IRRA with the exception of approval of financial obligation beyond the payment of annual association membership dues of \$50, tentatively proposed in the outline discussed by the Board at its December Meeting. It was also agreed

that the IRRA pay Ross's additional expenses of perhaps \$200 incurred in rearranging his itinerary to attend the London organizational meeting; but the Board specifically excluded action at this time for commitment with regard to future delegations or other expenses associated with the international organization.

President Ross announced program sessions and chairmen for the San Francisco December Meetings. Two joint sessions were scheduled with AEA: one session under AEA aegis on military manpower, to be published in the *AEA Proceedings*; the other joint session, a roundtable on wage guideposts, to be arranged and published by IRRA. Also scheduled was a session of contributed papers on Ph.D. thesis research. Under the general format of the program, speakers were to present 15-20 minute summaries of their papers (rather than read them) and a single discussant per session would then comment on the speakers' remarks.

Laurence Corbett, local arrangements chairman for the San Francisco Meeting, discussed plans and prospects for the December Meetings. The Executive Board Meeting was to be scheduled at 7:30 or 8:00 p.m. Tuesday evening prior to the meetings to permit members on the East coast to fly in on time after work. A brief Executive Board Meeting the following evening might then be necessary to consider the nominating committee's report. Secretary of Labor Wirtz was scheduled to speak at a dinner meeting probably preceding the smoker Wednesday, and the Presidential Luncheon (buffet \$4) would, tentatively, be combined with the Membership Meeting on Wednesday, December 28. The Board recommended that hotel room reservation cards should be in the hands of members by November 10, perhaps in a special mailing; and that preregistration and advance sale of luncheon and dinner tickets should be encouraged if permitted by ASSA (perhaps in a prepaid hospitality package similar to that of the Milwaukee Meeting). A program for wives and families of members would also probably be planned, Corbett reported.

The enthusiastic appreciation of Board Members for the Milwaukee Meeting was expressed by the Board, and President Ross was directed to write letters officially expressing the Association's thanks to Mayor Henry Maier, President of the Common Council Martin Schreiber, and Local Arrangements Chairmen Robert Garnier and Donald Morrison and members of their Committee.

The meeting was adjourned at 2:25 p.m.

MINUTES OF THE IRRA ANNUAL WINTER EXECUTIVE BOARD MEETING

SAN FRANCISCO, DECEMBER 27, 1966

The IRRA Executive Board met at 8:00 p.m., Tuesday, December 27, 1966, in the Sir Francis Drake Hotel. President Arthur M. Ross presided. Present were Incoming-President Neil W. Chamberlain; President-Elect George P. Shultz; Secretary-Treasurer David B. Johnson; Editor Gerald G. Somers; Board Members (13) Benjamin Aaron, Frances Bairstow, Seymour Brandwein, Douglass V. Brown, Woodrow Ginsburg, Nathaniel Goldfinger, George H. Hildebrand, Sar Levitan, David G. Moore, Roy R. Reynolds, Arthur W. Saltzman, Jack Stieber, Harold L. Wilensky; Arrangement Committee Members Laurence P. Corbett, James R. Lucas and Walter Slater of San Francisco and William R. D. Martin of Detroit.

President Ross first offered a word of advice to Incoming-President Chamberlain: he had found that the basis for a good year as IRRA President lay in the selection of good committees; and Ross noted the great job done by the committees for the San Francisco Meetings. He particularly commended the fine arrangements made by Larry Corbett and his local chapter committee.

Secretary-Treasurer Johnson reported a growth of 262 members during the year, from 2,693 in 1965 to 2,933 in 1966, a rate of growth above the average for the last 6 years and much above the average growth of IRRA membership for the years prior to 1960. He reported that, although the number of members gratifyingly increased in 1966, the amount of dues collections had decreased by \$1,904. A decrease had been anticipated in 1966 because of the exceptionally high collections in 1965 when 2,978 dues payments (for past, current and future years) were made by the IRRA's 2,693 members. Advance dues payments were encouraged for the first time in 1965. Johnson also noted that no life memberships had been paid in 1966 compared to five received in 1965 and that, although the number of library and institutional subscribers was up from 218 to 251 in 1966, their renewal notices had been mailed too late in November for payments to be reflected in the annual report. A final factor mentioned was the lower initial return of dues payments which may have resulted from inclusion of the membership renewals with the Autumn Newsletter rather than in a separate mailing, as had been done in 1965 and in 1964.

Almost 14,000 new-membership promotional letters and application cards were mailed during 1966 in comparison to 10,000 promotional mailings in 1965 and 5,000 each in 1964 and 1963. New-member promotions in 1966 included 6,000 to the portion of the American Sociological Association members who had not been contacted the previous year, 2,250 to the American Psychological Association members in the divisions of Industrial Psychology and of the Society for the Psychological Study of Social Issues, 1,200 to IR Center directors for distribution, and about 1,000 to IRRA Local Chapters. Johnson indicated that mailing lists were to be exchanged with the Public Personnel Association in 1967 (4,000) and mailings would be made to law, college, university, and public libraries (3,400). Hopefully, these letters would also promote the sale of the forthcoming Directory.

The Secretary-Treasurer announced that the Directory was at the printer and had been promised for mailing to the membership early in 1967. A copy of the page proofs had been made available for use of the Nominating Committee, and proofs were also available for members' inspection at the IRRA registration desk.

The Association's financial balance of \$18,403.80 for fiscal year 1966 was almost identical to the year-end balance of \$18,295.11 for 1965. However, only a small part of the printing costs of the Directory had been invoiced and paid by the end of the 1966 fiscal-year. Salaries, postage, office supplies and services were all considerably higher than in 1965 reflecting Directory preparation costs and extension of services to the larger national and local chapter membership. Increased costs also reflected other expanded activities of the Association in 1966 such as arrangements for reprinting IRRA's out-of-print volumes and participation in the International Industrial Relations Association.

Announcement was made of Bill Haber's gift to the Association of $\frac{1}{2}$ the royalties from the volume he had edited titled, *Labor in a Changing America*; the first royalty check of \$78.79 had been received. The Board expressed its appreciation to Dean Haber. When it was suggested that other members of the IRRA, particularly Board Members, might consider similar gifts, it was noted that a number of them had, in fact, contributed chapters to the Haber volume.

The question of differential dues for foreign members (defined by the Board as members other than those from Canada and the United States) was discussed. It was agreed that the offer to exchange rupees for dollars for Indian members' IRRA dues payments was helpful, but

it could not reach other areas of the world where exchange was also difficult, nor would such an arrangement compensate for disadvantageous exchange rates. It was agreed that the Secretary-Treasurer investigate a change in the Bylaws to decrease foreign membership dues to \$4. An amendment could then be formulated by the Board at its May meeting and presented to the membership for approval later in the year. In the meantime, a more lenient collection policy for foreign members was encouraged, and continuation of personal gifts of dues payment by individual members of the Association was commended.

Results of the autumn election were announced. Elected for President-Elect was George Shultz, and for Board Members were Frank H. Cassell, Woodrow Ginsburg, David G. Moore, and Jack Stieber.

Finally, Johnson was pleased to report that nineteen of IRRA's out-of-print volumes had been reproduced in 1966. All IRRA past publications are now available for sale as single volumes or in complete sets of the 23 original editions still in print, combined with the reprinted volumes. A set of the 42 volumes through 1966 was priced at \$173.25. University Microfilms, Inc. was to pay IRRA 10% royalty on the reprinted editions sold, and they would ship and invoice the volumes directly from Ann Arbor.

The request for affiliation submitted by the Hawaii Chapter was approved by the Board after it was ascertained that their bylaws were consistent with those of the Association, including the provision that their local chapter officers were members of the national Association. Johnson reported that a great deal of interest had been expressed during the past year in formation of local chapters. Information and assistance had been requested from interested groups in sixteen areas: Amherst, Spokane, Kalamazoo, Oregon, Albany, San Diego, Minneapolis, Seattle, Texas (Beaumont-Port Arthur-Orange area), Cincinnati, Ottawa, Los Angeles, St. Louis, Morgantown (West Virginia), Madras, and Israel. It was noted that the membership composition and functions of IRRA's nineteen active local chapters varied considerably from those of the national Association. Johnson presented a comparison of national IRRA membership with local chapter membership, by occupational categories, which had been summarized from the more detailed listing in the 1966 Membership Directory (pages 302 and 311).

Comparison of IRRA National Membership with Local Chapter Membership by Occupational Classifications

	Aca- demic	Gov- ern- ment	Arbi- tration Con- sulting Legal	Mgmt.	Union	Stu- dent	Miscl.	Mem- ber- ship Totals
National IRRA Members in 1966	1,003	390	303	494	154	168	124	2,636
Local Chapter Members 1965-1966	343	399	388	720	377	132	.....	2,359

IRRA Editor Somers presented the report on the International Labour volume, scheduled for 1967, from the chairman of the editorial board, Sol Barkin. Barkin indicated that although they had been slow in getting the final chapters to Harper and Row (one chapter was not yet completely translated), they were hopeful that the volume would still be distributed to the membership in 1967. Aaron noted again that, if one year was required to get IRRA research volumes out, the material was likely to be outdated by the time it was published. Shultz said that better publication time schedules were possible but depended on how much you wanted to pay. It was mentioned that some publishing houses had established six-month schedules. The Board requested Somers to investigate once again, if he didn't feel it was a vain exercise, the possibility that some other publisher might give substantially better time schedules.

Sar Levitan reported that chapters for the 1968 volume on Income Maintenance had been assigned for submission by May 15 and were to go to the publisher by September 1. One chapter had been left open for a particularly good new contribution if it came up. It was suggested that perhaps this might be a sociological-type evaluation of the whole concept of public assistance. Ross suggested "Freedom from Want" as a title, drawing on the tentative subtitle suggested by Levitan.

Somers reported that only two outlines of ideas for the 1969 volume had been submitted after the Spring Meeting, one by Frances Bairstow on "changed requirements for management and union leadership," the other by Art Saltzman on "manpower and human resources." The concensus of the nine comments received from Board Members on these outlines favored a manpower-policy volume with special emphasis on private programs and the interaction of private

and public efforts. Ross asked that an editorial board for the volume be established by Editor Somers in consultation with Chamberlain, Shultz and Ross.

Several suggestions for the 1970 volume were made by Board Members, including "Interpreting the Labor Movement II," "industrial relations in transportation industries," and "white collar unionism." Chamberlain requested that additional suggestions for the 1970 volume be sent to him by Board Members so that a volume topic could be discussed, and hopefully selected, at the Spring Meeting.

Editor Somers reported on the foundation of the International Industrial Relations Association (IIRA) in London, June 30, 1966, stimulated by a survey which the IRRA Executive Board authorized at its May 3, 1965 meeting in Buffalo. At that time the Board directed Somers to make inquiries to determine the interest in formation of an international association and the role of the IRRA in its formation. Representing the IRRA at the organizational meeting in London, Somers and the representatives of the British Universities Industrial Relations Association (BUIRA), the International Institute for Labour Studies (Geneva) and the Japan Institute of Labour formulated Articles of Organisation and plans for the First World Congress of the IIRA in Geneva, September 5-8, 1967. A Provisional Executive Committee was established, composed of the four founding national organizations. B. C. Roberts, representing the BUIRA, was selected provisional chairman; Robert W. Cox, International Institute for Labour Studies in Geneva, became provisional secretary; and Ichiro Nakayama, Japan Institute of Labour, and Gerald Somers, IRRA, were representatives of the two other founding organizations on the Provisional Executive Committee. Details on classes of members and other principal provisions of the IIRA's constitution were included in the IRRA Autumn and Winter Newsletters; and additional details on the First World Congress would be included in the spring and summer issues.

It was decided by the Board that Somers would continue to be the IRRA's representative on the International Association's Provisional Executive Committee and that he and another member would be authorized at the May meeting as delegates to the First Congress. It was decided that the IRRA would not attempt to solicit funds (other than membership dues) on behalf of the Inter-

national Association. The IIRA should look to some funding source outside the U.S., such as the ICFTU or the Japan Institute of Labour. Ross felt that the tentative program for the First World Congress in Geneva included too many diverse topics and that the over-all topics should be reduced to one or two a day with a number of papers under each subject. Regarding payment of \$50 dues for 1967, Ross explained that no further authorization by the Board was required since their previous decision had been to join the IIRA on a continuing membership basis.

Possible sites for the 1968 Spring Meeting were mentioned: Atlanta, Columbus, Des Moines, Philadelphia; but the Board decided to leave the choice open, until the Detroit meeting in May. Johnson was instructed to consult with Chamberlain and Shultz regarding any invitations which might come in.

Chamberlain announced that his program for the Detroit meeting was planned as described in the Winter Newsletter, but that it was possible that he might add a few other participants.

Bill Martin then told the Board of local arrangements for the meeting in Detroit. Excellent attendance was anticipated from the Detroit Chapter's active group of almost 400 members, and the topic this year was likely to interest and bring in groups not ordinarily involved in IIRA.

Themes for the 1967 Winter Meeting in Washington were suggested. They included a review of government's labor policies; a critical evaluation of manpower policies; price statistics, labor statistics and other measurement problems. Chamberlain indicated that he welcomed any further suggestions for the December sessions from the Board, either at the meeting or through the mails.

The Board approved the appointment of Somers for an additional three-year term as Editor of the Association.

Finally, Ross remarked what a pleasure it had been to work with the officers of the Association and with the Members of the Board. He expressed his appreciation particularly, and the gratitude of the Board as a whole, for the contributions of the retiring Board Members: Nat Goldfinger, Frank Pierson, Arthur Saltzman.

The meeting adjourned at 10:30 p.m.

IRRA GENERAL MEMBERSHIP MEETING

SAN FRANCISCO, DECEMBER 28, 1966

President Arthur M. Ross called the general membership meeting to order at 4:00 p.m., Wednesday, December 28, 1966. In his capacity as chairman of the meeting, Ross remarked that it was his short and pleasant duty to introduce Neil W. Chamberlain, the incoming President for 1967, and to turn over the chairmanship to him.

Accomplishments of the Association in the year 1966 were noted.

1. IRRA Meetings: New York, Milwaukee and San Francisco outstanding in programs, attendance and special events; New York and Milwaukee (held in fiscal year 1966) financially successful as well.
2. IRRA Publications:
 - a. Volumes distributed in 1966—Inclusion of the Index of IRRA Publications 1960–1965 in Proceedings of the Eighteenth Annual Winter Meeting; publication of the “best seller” 1966 Spring Proceedings, *Collective Bargaining in the Public Service*, from the Madison office and for sale for the first time (tentatively scheduled for a second printing); 1966 Membership Directory of 2933 members—increased in size from 1819 members in the 1960 edition—and including for the first time supplemental historical information on IRRA since its organization in 1947.
 - b. Reproduction of IRRA’s out-of-print publications (nineteen volumes) by University Microfilms, Inc., for sale as single volumes or in complete sets in combination with the 23 IRRA original editions still in print; complete sets of the 42 volumes through 1966 priced at \$173.25.
3. Membership: increased by 262 to 2955 at year’s end.
4. IRRA Local Chapters: Hawaii became the nineteenth IRRA Local Chapter actively functioning in 1966.
5. International Industrial Relations Association (IIRA): formation June 30, 1966, with Articles of Organization, Provisional Executive Committee and plans for the First World Congress in Geneva, September 5–8, 1967.

Ross requested the Secretary-Treasurer to repeat statistics comparing national IRRA members with those of local chapter members by occupational classifications (see minutes of the Executive Board for detailed listing). Differences in membership composition and, therefore, in functions were noted.

Secretary-Treasurer David Johnson reported that the Association was in a sound financial condition and was continuing to grow. The cash balance was healthy but would be reduced by payment for the Directory. He foresaw no dues increase in the immediate future despite the comparatively high costs of operation for fiscal year 1966.

President Chamberlain announced plans for 1967 IRRA meetings. The Spring Meeting would be held in Detroit on Friday and Saturday, May 5-6, 1967, and the sessions were to be presented in informal panels with ample discussion and no prepared papers. IRRA members repeatedly had voiced approval of this arrangement in past programs. He anticipated that the theme, "Parallels between Race Conflict 1967 and Industrial Conflict 1937," would be one of particular interest, especially in Detroit. The 1967 winter program in Washington had not yet been formulated, and Chamberlain invited suggestions for topics and participants from the membership at the meetings or later in writing.

Chamberlain also announced that Jerry Somers had agreed to serve a fourth three-year term as Editor of the Association.

A question was raised concerning clarification of the relationship of the new IIRA to IRRA. Somers explained that IIRA was neither solely an organization of organizations nor of individuals, that the Provisional Executive Committee had worked out dues of members and associates which were \$50 for member national associations, \$25 for institutes and university departments which wish to become associated with the international organization, and \$5 for individuals. IRRA was one of the four founding organizations, and was represented with the other three on the Provisional Executive Committee.

Other suggestions made by members included the following: that the Secretary-Treasurer explore group and charter flights to the IIRA World Congress in Geneva, and that information for travel arrangements be printed in the spring issue of the Newsletter; that sessions of contributed papers, similar to those in the 1965 meeting be reestablished in order to encourage more participation by young members; that it should be the potential role of

the IRRA to open channels between state and local governments in the collective bargaining field, making available research findings to both.

Disappointment was expressed that not one Canadian participant had been included in the San Francisco Meeting. It was suggested that the many parallels between Canadian and U.S. experience could provide useful comparative information which might well be drawn upon in future sessions.

Chamberlain then asked for other suggestions for improvement and change in this especially appropriate setting, the "home of active agitation for reform." When none were forthcoming, President Chamberlain expressed the hope that he would discharge the duties of President in the year ahead as well as had his predecessors.

The meeting was adjourned at 4:50 p.m.

AUDIT REPORT
HOUGHTON, TAPLICK & CO.
CERTIFIED PUBLIC ACCOUNTANTS

December 15, 1966

Executive Board
Industrial Relations
Research Association
Madison, Wisconsin

Gentlemen:

We have audited the cash receipts and disbursements of the Industrial Relations Research Association for the fiscal year ended November 30, 1966. We submit herewith our report consisting of this letter and the following exhibits:

- Exhibit "A"—Statement of Cash Receipts and Disbursements for the Fiscal Year Ended November 30, 1966
- Exhibit "B"—Comparative Statement of Cash Receipts and Disbursements for the Fiscal Years Ended November 30, 1966, and November 30, 1965
- Exhibit "C"—Bank Reconciliation, November 30, 1966

The available cash resources of the Industrial Relations Research Association on November 30, 1966, totaled \$18,403.80 consisting of \$8,183.80 on deposit in the First National Bank checking account, \$5,000.00 invested in the Home Savings and Loan Association, \$220.00 on deposit at the First National Bank (savings account), and \$5,000.00 invested in a First National Bank savings bond. The balances were confirmed directly to us by the bank and savings and loan association with the exception of the savings bond that was inspected December 12, 1966.

As set forth in Exhibits "A" and "B," the cash receipts for the fiscal year totaling \$28,463.23 exceeded the disbursements of \$28,354.54 by \$108.69. The cash receipts for the 1965-66 fiscal year were \$1,190.13 less than the cash receipts for the 1964-65 fiscal year. This decrease in income appears to result from the slowness in the collection of membership dues. The cash disbursements for the 1965-66 fiscal year exceeded the cash disbursements for the 1964-65 fiscal year by \$3,656.61. This increase is principally due to the publication of the IRRA membership directory that is published every six years. More labor apparently was expended because of this publication along with a sizable increase in postage, services and supplies.

During the year, there was transferred out of the First National Bank checking account, a net amount of \$220.00 deposited in a First National Bank Savings Account and \$5,000.00 invested in a First National Bank Savings Bond.

The cash receipts journal was footed by us for the entire year. All cancelled checks returned by the bank during the year were examined by us and traced to the disbursement journal. The cash disbursements journal was also footed for the year. The source information of dues income was tested for a portion of the year.

In our opinion, the accompanying statement of cash receipts and disbursements present fairly the cash transactions of the Industrial Relations Research Association for the fiscal year ended November 30, 1966, on a basis consistent with that of the preceding year.

Respectfully submitted,
HOUGHTON, TAPLICK & Co.
Certified Public Accountants

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

COMPARATIVE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Fiscal Years Ended November 30, 1966, and November 30, 1965

	Year Ended November 30			
	1966	1965	Increase	Decrease
Cash Receipts:				
Membership Dues	\$19,227.00	\$21,023.00		\$1,796.00
Subscriptions	1,972.00	2,080.00		108.00
Sales	2,159.27	2,066.52	\$ 92.75	
Royalties	655.76	396.34	259.42	
Mailing List	605.76	340.00	265.76	
Travel, Conference and Meetings	3,352.45	3,537.75		185.30
Interest Income	414.79	200.00	214.79	
Miscellaneous	76.20	9.75	66.45	
Totals	<u>\$28,463.23</u>	<u>\$29,653.36</u>		<u>\$1,190.13</u>
Cash Disbursements:				
Salaries and Social Security	\$ 9,102.90	\$ 5,088.82	\$4,014.08	
Printing	1,465.21	1,715.76		\$ 250.55
Postage	2,416.85	1,480.68	936.17	
Services and Supplies	1,977.62	1,093.81	883.81	
Publications	11,653.72	12,199.49		545.77
I.R.R.A. Conference and Meeting Expense	1,585.01	2,989.73		1,404.72
Miscellaneous	153.23	32.16	121.07	
Telephone and Telegraph	.....	97.48		97.48
Totals	<u>\$28,354.54</u>	<u>\$24,697.93</u>	<u>\$3,656.61</u>	
Excess of Receipts over Disbursements				
	\$ 108.69	\$ 4,955.43		\$4,846.74
Add: Beginning Bank Balances	13,295.11	8,339.68	\$4,955.43	
	<u>\$13,403.80</u>	<u>\$13,295.11</u>	\$ 108.69	
Less: Net transfer of funds	5,220.00			\$5,220.00
Bank Balance, End of Year	\$ 8,183.80	\$13,295.11		\$5,111.31
Home Savings and Loan Certificate				
#3384 Purchased in 1954	5,000.00	5,000.00		
First National Bank—Savings	220.00		\$ 220.00	
First National Savings Bond Number G000617 (4½%)	5,000.00		5,000.00	
Available Cash Resources	<u>\$18,403.80</u>	<u>\$18,295.11</u>	<u>\$ 108.69</u>	

X

**PROGRAM OF NINETEENTH
ANNUAL WINTER MEETING,
SAN FRANCISCO**

PROGRAM

**IRRA Nineteenth Annual Winter Meeting
San Francisco, December 27-29, 1966
Sir Francis Drake Hotel**

REGISTRATION \$3.00, Windsor Room

December 27: 8-10 a.m., 12-2 p.m., 5-9 p.m.;

December 28: 8-4; December 29: 8-12 noon.

Tuesday, December 27

2:30 p.m. Joint Session with AEA, S. F. Hilton

MILITARY MANPOWER PROCUREMENT *

Chairman: *Harold Wool*, U.S. Department of Defense, "The Supply of Military Personnel in the Absence of a Draft," *Stuart H. Altman*, Brown University, and *Alan E. Fechter*, Institute of Defense Analysis.

"Re-Enlistments in the U.S. Navy: A Cost Effectiveness Study," *Franklin Fisher*, Massachusetts Institute of Technology, and *Anton S. Morton*, Arthur D. Little, Inc.

"The Economic Cost of the Draft," *Walter Y. Oi*, University of Washington.

Discussants *George H. Hildebrand*, Cornell University
Paul A. Weinstein, University of Maryland

6-8 p.m. Reception (Wine Tasting), Franciscan Room

Chairman *Laurence P. Corbett*; S.F. IRRA Chapter, Hosts.

8:00 p.m. Executive Board Dinner, Yosemite Room

Chairman *Arthur M. Ross*, Bureau of Labor Statistics

8:00 p.m. IRRA Nominating Committee Dinner

Chairman *Frederic Meyers*, University of California, Los Angeles

Wednesday, December 28

8:30 a.m. Session I, Empire Room
 CRITICAL EVALUATION OF THREE
 MANPOWER REPORTS

Chairman *Richard A. Lester*, Princeton University

Papers "An Evaluation of the Report of the National Commission on Technology, Automation and Economic Progress," *Herbert E. Striner*, Upjohn Institute for Employment Research.

"Employment Service Task Force Report," *Herbert S. Parnes*, Ohio State University.

"The 1966 Manpower Report of the President and the Secretary of Labor," *George H. Hildebrand*, Cornell University.

Discussant *Margaret S. Gordon*, University of California, Berkeley

10:30 a.m. Session II, Franciscan Room
 CURRENT CONFRONTATIONS IN LABOR LAW

Chairman *Benjamin Aaron*, University of California, Los Angeles.

Papers "Collective Bargaining and the Antitrust Laws," *Theodore St. Antoine*, University of Michigan.

"Section 8(a) (1) and (3) of the Labor Act in the Wake of the Lockout Decisions: Of Balancing Hostile Motive, Dogs and Tails," *Walter E. Oberer*, Cornell University.

"The Individual Right to Eliminate Employment Discrimination by Litigation," *Alfred W. Blumrosen*, Rutgers University.

Discussant *Derek C. Bok*, Harvard University.

10:45 a.m. Session III, Joint with AEA, S.F. Hilton
 GUIDEPOSTS AND INFLATION—Panel Discussion*

Chairman *Albert E. Rees*, Princeton University.

- Panel *William G. Bowen*, Princeton University.
John T. Dunlop, Harvard University.
Otto Eckstein, Harvard University.
George P. Shultz, University of Chicago.
- 12:30 p.m. Presidential Luncheon, Empire Room.
 Chairman *Neil W. Chamberlain*, Yale University.
 Presidential Address "Second-Generation Wage-Price Restraints," *Arthur M. Ross*, Bureau of Labor Statistics, USDL.
- 2:00 p.m. Session IV, Empire Room
 EUROPEAN EXPERIENCE WITH INCOMES POLICY
- Chairman "Some Tentative Generalizations about European Incomes Policies," *Adolf Sturmthal*, University of Illinois.
- Panel "Incomes Policy in France," *Neil W. Chamberlain*, Yale University.
 "National Wage Policies: Lessons to Date, Europe and the U.S.A.," *Everett M. Kassalow*, University of Wisconsin.
 "Incomes Policy in Great Britain," *Robert B. McKersie*, University of Chicago.
 "Incomes Policy in the Netherlands since 1945," *Martin P. Oettinger*, University of California, Davis.
- 2:00 p.m. Session V, Franciscan Room
 TECHNOLOGY, INFORMATION, AND
 MANAGEMENT ORGANIZATION
- Chairman *George Strauss*, University of California, Berkeley
- Papers "A Framework for the Comparative Analysis of Organizations," *Charles Perrow*, University of Wisconsin.
 "The Failure of Intelligence: Knowledge and Policy in Government and Industry," *Harold L. Wilensky*, University of California, Berkeley.
 "Programs as Factors of Production," *Herbert Simon*, Carnegie Institute of Technology.
 "Some Implications of Computers for Management," *Charles A. Myers*, Massachusetts Institute of Technology.
- Discussant *Thomas L. Whisler*, University of Chicago.

- 4:00 p.m. General Membership Meeting, Empire Room
Chairman *Arthur M. Ross*, Bureau of Labor Statistics.
- 4:00 p.m. Employment Security University Consultants Meeting,
Monterey Room
Chairman *Sam A. Morgenstein*, BES, USDL.
- 6-7 p.m. Social Hour, Fairmont Hotel, Grand Ballroom
- 7:00 p.m. Dinner, Fairmont Hotel, Grand Ballroom
Chairman *Arthur M. Ross*, Bureau of Labor Statistics.
Speaker "Misleading Truth," *The Honorable W. Willard Wirtz*,
Secretary of Labor.
- 9:00 p.m. Smoker, Fairmont Hotel, Grand Ballroom

Thursday, December 29

- 8:30 a.m. Session VI, Empire Room
MANPOWER IMBALANCES AS FULL EMPLOYMENT
IS APPROACHED
Chairman *George P. Shultz*, University of Chicago.
Papers "An Active Employer Manpower Policy," *E. Robert
Livernash*, Harvard University.
"The Short-Run Elasticity of Labor Supply," *Jacob
Mincer*, National Bureau of Economic Research.
"Manpower Program Implications of Skill Imbalances,"
Frank H. Cassell, U.S. Employment Service.
Discussant *Albert E. Rees*, Princeton University.
- 10:30 a.m. Session VII, Empire Room
EVALUATING THE WAR ON POVERTY
Chairman *Harold L. Wilensky*, University of California, Berkeley.
Papers "An Antipoverty Experiment: The Job Corps," *Sar A.
Levitan*, George Washington University.
"Program Evaluation and the Definition of Poverty,"
Oscar Ornati, New York University.
"Fighting Poverty: The View from Watts," *Paul
Bullock*, University of California, Los Angeles.
Discussant *Paul Jacobs*,* Center for the Study of Democratic In-
stitutions.

12:30 p.m. Luncheon for Directors of University Labor & Industrial Relations Centers, Monterey Room (by invitation)
 Chairmen *Ronald Haughton*, Wayne State University and
Dale Yoder, California State at Long Beach.

12:30 p.m. Luncheon for IRRA Local Chapter Presidents, Yosemite Room
 Chairman *David B. Johnson*, University of Wisconsin.

12:30 p.m. Luncheon for Authors of 1968 Research Volume, Hospitality Room
 Editor *Sar A. Levitan*, George Washington University.

2:00 p.m. Session VIII, Empire Room
 NEW QUESTIONS FOR COLLECTIVE BARGAINING

Chairman *John T. Dunlop*, Harvard University.

Papers "Promotion Systems and Equal Employment Opportunity," *Peter B. Doeringer*, Harvard University.
 "Adaptations in the Structure of Bargaining," *Matthew A. Kelly*, Cornell University, N.Y.C.
 "The Extension of Collective Bargaining to New Fields," *Jack Conway* and *Woodrow L. Ginsburg*, Industrial Union Department, AFL-CIO.

Discussant *J. Keith Mann*,* Stanford University.

2:00 p.m. Session IX, Franciscan Room

DISSERTATION RESEARCH

Chairman *Neil W. Chamberlain*, Yale University.

Papers "Impact of Defense Expenditures on Job Opportunities and Manpower Requirements," *Irwin Gray*, Pratt Institute (Dissertation: Columbia University).
 "Differential Contributions of Various Means for Adjusting to Technological Change," *Joseph A. Pichler*, University of Kansas (Dissertation: University of Chicago).

"Union Work Rules: A Brief Theoretical Analysis and Some Empirical Results," *Paul T. Hartman*, University of Illinois (Dissertation: University of California, Berkeley).

"The Structure of Collective Bargaining and Some of Its Determinants," *David H. Greenberg*, Rand Corporation (Dissertation: MIT).

"Empirical Evidence on Labor Supply: The Case of Dentists," *Alex Maurizi*, Brookings Institution (Dissertation: Stanford University).

"Economic Change and the Labor Force in Michigan," *Peter Barth*, Ohio State University (Dissertation: University of Michigan).

Discussant *Melvin Rothbaum*, University of Illinois.

SAN FRANCISCO LOCAL ARRANGEMENTS COMMITTEE

Laurence P. Corbett, Corbett & Welden, Chairman

Joseph Belardi, Hotel & Restaurant Employees

Roy Hoffman, National Labor Relations Board

Harold D. Huxley, Department of Labor

George Johns, San Francisco Labor Council

Robert Keller, Federated Employers

Richard Liebes, Building Service Employees' Int'l Union

James Lucas, Western Industrial Contractors' Assn.

Thomas Nicolopoulos, California Conciliation Service

Roy Reynolds, Kaiser Industries Corporation

Walter Slater, Department of Labor

Dan Scannel, Kaiser Services

Don Vial, University of California, Berkeley

Dale Yoder, California State at Long Beach

* Papers and discussions not included in the *IRRA Proceedings*.

LOCAL CHAPTERS OF IRRA 1966-1967

(The presidents for 1966-1967 are indicated)

- Boston*, Everett J. Burt, Jr., Department of Economics, Boston University
- Buffalo*, Tom Heyns, Industrial Relations, State University of New York at Buffalo (Student Chapter)
- Central Ohio*, Rankin M. Gibson, Lucas, Prendergast, Albright & Warren, Columbus
- Chicago*, Michael Eisner, Department of Management, Roosevelt University
- Detroit*, Jerome H. Brooks, National Labor Relations Board
- Georgia*, Mack A. Moore, School of Industrial Management, Georgia Institute of Technology
- Hawaii*, Bert T. Kobayashi, State Attorney General, Honolulu
- Iowa*, Max S. Wortman, College of Business Administration, University of Iowa
- Michigan State*, Thomas A. Fox, Jr., School of Labor and Industrial Relations, Michigan State University (Student Chapter)
- Montreal*, J. Weston Peacock, Canadian National Railways
- New York*, Maurice G. Benewitz, Department of Economics, City College
- North Texas*, Walter White, Federal Mediation and Conciliation Service, Denton
- Paris*, Yves Delamotte, Institute des Sciences Sociales du Travail, Paris (6^e)
- Philadelphia*, R. David Kreitler, Bell Telephone Company of Pennsylvania
- San Francisco Bay Area*, Roy O. Hoffman, National Labor Relations Board
- Tennessee*, R. E. Bertram, Tennessee Valley Authority, Knoxville
- Washington, D.C.*, Frank M. Kleiler, Labor-Management & Welfare Pension Reports, USDL
- Western New York*, Thomas R. Colosi, FMCS and State University of New York, Buffalo
- Wisconsin*, Edwin Kehl, Wisconsin State Employment Service, Madison

1966

IRRA
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Francisco

**Manpower
Reports**

**Labor
Law**

**Wage-Price
Policy**

**Technology
and
Management**

**Manpower
Imbalances**

Poverty

**Collective
Bargaining**

**Dissertation
Research**