

**PROCEEDINGS OF
THE TWENTY-FIRST ANNUAL
WINTER MEETING**

**INDUSTRIAL RELATIONS
RESEARCH ASSOCIATION**

**DECEMBER 29-30, 1968
CHICAGO, ILLINOIS**

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EDITED BY GERALD G. SOMERS

PRICE \$5.00

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Madison, Wisconsin 53706 U.S.A.

First Edition

Library of Congress Catalog Card Number: 50-13564

PREFACE

In keeping with the Association's traditional interests, the IRRA's Twenty-First Annual Meeting offered sessions dealing with union-management relations, the labor market, employee compensation and manpower policies. A session consisting of invited papers, presented by younger members of the profession, included these topics as well as discussions of organizational behavior.

There were two unique features of the 1968 meetings. The Presidential Address by George P. Shultz received national publicity as the first major speech by the Secretary of Labor-Designate after the announcement of his appointment. His words were carefully examined by all in order to detect possible policy directions of the new administration. His statements concerning wage-price guide posts anticipated by several weeks the official announcement on this subject by the Nixon administration. All IRRA members took special pride in the selection of their president as Secretary of Labor.

A second session which created unusual interest was that devoted to the "Government of Higher Education." In view of the timeliness of this topic, there was special significance in the paper by the country's most celebrated past university president, Clark Kerr, and subsequent discussion by two university chancellors, Allan Cartter and Edwin Young, and by one university president, John McConnell. It was a further source of pride that two had been former IRRA presidents and one a former Executive Board member.

We are grateful for the excellent program arranged by George Shultz and for the unstinting work of Robert McKersie and his committee on local arrangements. To the authors go our thanks for their presentations and preparation of manuscripts for these Proceedings. As always a special debt of gratitude is owed Betty Gulesserian, not only for her work in connection with all aspects of the meeting but, especially, for her assistance in the preparation of this volume for publication.

Gerald G. Somers, *Editor*

Madison, Wisconsin
February 1, 1969

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I

PRESIDENTIAL ADDRESS

PRIORITIES IN POLICY AND RESEARCH FOR INDUSTRIAL RELATIONS

GEORGE P. SHULTZ
Secretary of Labor

After a birth of dubious origin and a tortured adolescence, the field of industrial relations has come of age. Knowledge derived from research increasingly contributes to the discussion and formulation of private and public policies.

Scholars on the campus find professional counterparts in union, company and governmental circles. Although controversy may still be carried out in an adversary manner, there is wider agreement on the definition of problems and the techniques of analysis than when this Association was founded twenty-one years ago. Building on past efforts, we can grapple with current problems from a base of experience and with a sense of professional continuity.

Our Association, in its conception, its membership and its Proceedings epitomizes this march of professional effort. I address the Association today in this spirit, a spirit that seems appropriate for me as I contemplate coming responsibilities.

I am the first President of the Association to be nominated for a Cabinet post and, of course, I have wondered if the members knew what they were doing when they elected me. At the least, I can assume you knew you were voting for a Republican and I compliment you on your good judgment in doing so!

The field of industrial relations, in my view, is problem-based. It is not a discipline in itself but rather draws on many disciplines for theory and technique to understand and help solve the problems arising in the work place, the labor market and at the bargaining table.

What are the principal issues that currently command the attention of policy-makers and academics in the field of industrial rela-

tions? What do we know about them and what do we need to know further?

First, in my judgment, are issues of race and employment. How can the large number of black citizens and others who have not shared in the bounty of America be brought more effectively into jobs that are useful to society and that have potential for personal and economic growth of the individual?

Second are issues of prosperity without inflation and, in particular for us, their relationship to collective bargaining and other forms of wage determination. How do we combine high employment and a stable price level with the freedom that is as essential an attribute of the American economic and social system?

Third are issues created by the wide diversity of interests among individuals and institutions and within institutions, a diversity undergoing constant change, producing stress and sometimes conflict. How can legitimate diversity of interests be better recognized and conflict accommodated without disruption to the more general social and economic order?

Fourth are issues of evaluation. Whether we are talking about governmental programs or the wide variety of private efforts to tackle important problems effectively, we need to assess continuously how well these efforts are working and what measures could be taken to make them more effective.

RACE AND EMPLOYMENT

The close relationship between policy issues and research is vividly illustrated by the dominant concern over questions of race and employment. Like other elements in American society, we gave scant attention to this question until recently. An examination of the Proceedings of the IRRA reveals that before 1966 it was virtually ignored at the annual meetings of this Association. I do not rattle this skeleton in order to admonish you (and myself) but merely to indicate that until the problem of race and employment became a burning policy issue, it enjoyed relatively low priority in the allocation of our research efforts. For many years, we were all content to quote the same venerable studies without being sensitive to the explosive changes in the world around us, changes with sharp meaning in the work place, the labor market, and at the bargaining table. Today, however, we all are keenly aware that, despite recent years

of sustained full employment, substantial numbers of black Americans, particularly those in the younger age categories, have not been brought into the mainstream of constructive work activity.

Statistics on this point abound and I will not belabor it further except to underline the danger that the appalling unemployment experience of black teen-agers may be increasingly carried forward into their years as young adults.

Our new appreciation of the problem of race and employment, and of the job problems of disadvantaged whites, Mexican Americans and others as well, clearly has forced us, as professionals, to assess the relevance of what we already know about the operation of labor market institutions, and to identify more precisely the questions which require intensive examination. As is often the case, a concern over what we don't know provides a bridge between existing knowledge and the new intellectual terrain.

First, we have learned that the maintenance of high levels of employment is a crucial variable in determining the success or failure of programs to expand the economic opportunities of members of disadvantaged groups. A high level of employment may not be a sufficient condition to insure the complete diffusion of economic opportunity, but it surely is a necessary condition. For many years, we have watched the unemployment and participation rates of black Americans fluctuate disproportionately with the unemployment rate of the economy as a whole. The evidence strongly indicates that, at least today, those at the end of the queue because of stark deficiencies in education and training, let alone discrimination, are unlikely to reach the personnel office unless there is a strong and sustained demand for labor.

Second, we know that information systems play a critical role in the development of efficient labor markets. Innumerable studies have confirmed the fact that the most important sources of information about jobs are informal, consisting of friends, neighbors, or relatives. If Negroes are highly concentrated in ghetto areas and interact with others who are unemployed, this clearly implies that special measures—measures that tap into the grapevine—will have to be taken to expand the quantity and quality of labor market information available. The problem is rendered more acute by the fact that a large share of new jobs in metropolitan areas is located in the

suburban ring, which is separated from the ghetto by distance, cost, and culture.

Third, our knowledge of human relations in the work place should alert us to the special problems involved in bringing large numbers of black workers into plants and offices from which they have heretofore been excluded. Experience has already indicated that under these circumstances supervisors cannot conduct business as usual but, instead, must develop a new sensitivity to the causes and significance of different patterns of work group behavior. Moreover, one of the eternal verities of human relations—the importance of communication networks in the plant—takes on a renewed importance in the current period of adjustment, when differences in interest are often compounded by differences in rhetoric. And by now, we surely know that paternalism in one form or another cannot be used as an effective approach to personnel administration. What failed in the 1930's and 1940's, under pressures for industrial democracy, will surely fail when applied to groups whose movement into new sectors of the labor market is part of a general drive for dignity and self-realization.

Our interest in questions of race and employment has also helped to identify those areas where new knowledge and insights are necessary. We have long realized that hiring standards change significantly over different stages of the business cycle. But there has been little systematic effort to analyze the relationships between hiring standards and actual job requirements and, further, to extend this analysis to a consideration of possible job redesign. Certainly, experience with the programs initiated under the aegis of the National Alliance of Business and the Federal Government show that many people formerly excluded from employment by some traditional hiring standards can perform quite acceptably on the job.

Although recent public and private manpower programs have given primary attention to the recruitment and placement of large numbers of disadvantaged workers, this constitutes only the first stage of what will be a continuing process of development. Once these workers are on the job, what additional steps must be taken to permit and facilitate upgrading consistent with the long-run manpower requirements of the firm? To what extent do existing promotional channels incorporate traditional notions of progression

rather than the changing set of job relationships? In recent years, the significance of on-the-job training has been more fully appreciated, but we must still identify the techniques by which on-the-job training can be linked to institutional programs to meet the special problems of disadvantaged workers.

Other questions arise which clearly will impinge upon collective bargaining. In the establishment of a system of "industrial jurisprudence," a variety of rules have been developed to insure equity in the work place. These include rules governing discipline, probationary periods, bidding procedures, and seniority units, to name a few. As the nature of the labor force changes in the plant or industry, these rules are certain to come under new scrutiny.

Research should help to identify the direction of changes, the problems that arise in developing and implementing new rules, and an understanding of the variables that make for success. One way of conducting such research at the work place is through the study committee technique. Experimental programs will greatly enhance the potential acceptance of new and novel approaches. When the parties have lived with such an experiment, they have a sounder basis for developing more permanent and timely adjustments. These are sensitive and volatile areas, and they can often be examined more openly and constructively in a study-committee atmosphere than in a moment of a crisis at a contract deadline.

Last, the problem of race and employment poses difficult questions of identifying the most effective incentives, or combination of incentives, to employer action in this area. Currently, public and private programs to expand the job opportunities of disadvantaged groups have embraced a wide array of incentives, including appeals to self-interest, precepts of social justice, and direct subsidies. Other incentives, such as the use of tax credits, have also been proposed. Doubtless, each of these incentives, whether of morals or materialism, has some role to play in moving forward an effective program. However, we still have a great deal to learn about how we can most effectively harness the creative capacities of the economic system to promote the widest possible distribution of job opportunities. In the long haul, most jobs have come and undoubtedly will continue to come from businesses in the private sector, and our structure of incentives must incorporate this reality.

Prosperity, Stability and Freedom

The importance of high levels of employment as a necessary condition for the solution of the problem of race and employment merely adds a new dimension to the perennial issue of maintaining prosperity without inflation. This problem embraces many considerations outside the normal work jurisdiction of the members of this Association. However, when we add collective bargaining and other forms of wage determination to the picture, the issue of prosperity and inflation presents a clear case where strong links must be forged between policy and research in industrial relations.

Although new wage theories recur with the frequency of new baseball franchises, past research has helped to pierce some of the controversy and obscurity that have often characterized our discussion of the relationships between employment levels and wage developments. Extensive work in the "Phillips Curve" tradition has demonstrated that there is a persistent inverse relationship between the rate of change of wage levels and unemployment levels. The slope and position of the curve may vary from country to country and over time, but the fact that there is such a relationship now seems incontrovertible. The problem is to shift the terms of this relationship so that lower levels of unemployment and a reasonably stable price level are mutually consistent goals. I will touch on three methods of doing so, involving approaches to labor management, manpower policies, and efforts in the work place to raise productivity.

We know that behind the Phillips Curve there is a complex set of institutional and market factors linking together the wage settlements in particular firms or industries with changes in other economic variables. Certain key bargains may establish "orbits of coercive comparison" which have an important impact on the expectations of workers, if not on the actual course of events. But additional research has shown that the tendency towards uniformity of wage increases generated by the pattern-setters is pulled in two directions by other economic considerations. On the one hand, variations from the pattern are likely to arise as you move away from the pattern-setter and special product market factors become consequential. On the other hand, with low levels of unemployment, the inter-industry wage dispersion generally is reduced, indicating

that the pressures for uniformity in wage increases tend to overwhelm the pressures for diversity engendered by differential market factors. There is the clear implication that diversity in wage changes will be maintained to the extent that the structure of bargaining recognizes differences in market conditions between industries, but that sustained full employment narrows the discretion of the parties.

All of this implies that the American economy is much too complex and market forces much too powerful for the application of a simple wage-price guideline. I have written and spoken on the use of such a guideline enough so that I need not elaborate again my negative views on that subject. Further, the experience of other countries, which is mixed at best, does not seem transferable to our decentralized system for wage and price setting. Although our attention may be fixed on General Motors and U.S. Steel, we should not ignore the fact that there are thousands of situations in which union and management negotiators carry out their tasks removed from the analyst's eyes but with a major cumulative effect upon the course of events. Moreover, the relatively rapid rise of the wages of non-union workers during periods of high employment attests to the basic power of labor market forces.

There are, however, two critical lessons to be learned from our wage-price experience of recent years. First is the importance of competitive checks in controlling the movements of wages and prices. Perhaps the most striking example is steel. For ten to fifteen years following World War II, insatiable demand for this product was accompanied by rapidly rising prices—and wages. In the last ten years, however, substitute products and imports have brought severe competition to the domestic industry, and price and wage behavior has been in sharp contrast to the earlier period. Without these competitive checks, neither the pleas nor the threats of government officials would have stemmed the rising tide.

The second lesson is the need for consultative processes and hard efforts for exposition of government policies and for understanding of the problems of private decision-makers. The techniques of listening have been unduly neglected in recent years. The problem of designing the forms and procedures to be used for consultation, exposition, and listening and relating them to the process of wage determination constitutes a question for research that makes the

concept of "political economy" more than an antiquated term in the college catalogue.

Another range of questions involves the relationships among high employment, price stability, and manpower policies. Manpower policies in the United States initially were an import from abroad. As developed in countries like Sweden, their primary objective was to bank the fires of inflation by enlarging the available supply of labor and improving its skills and allocation. In the United States, manpower programs were initially designed to deal with unemployment arising from changes in the structure of labor demand and supply. More recently, the orientation of national manpower policies has been changed in response to the problem of race and employment and the decline in the general level of unemployment. We have yet to assess the potential of manpower programs for lowering the unemployment rate at which prices are relatively stable. As economists, most of us are aware that relatively small changes at the margin can have consequential effects. Certainly, the relationship between manpower policies and wage developments is an important and intellectually challenging field for investigation, as well as a critical policy area.

Last, discussion of the problem of prosperity without inflation has usually proceeded at the level of the economy as a whole. This frame of reference reflects the undeniable importance of monetary and fiscal policies and the major bargaining agreements. Nonetheless, the problem is not independent of events at the plant level. To the extent that productivity constitutes an intervening variable between wages and prices and to the extent that productivity itself is the product of human efforts, we must be sensitive to those changes in institutional arrangements that will permit the maximum realization of potential productivity gains. In countries such as Great Britain, there have been strenuous efforts at "productivity bargaining" whereby wage changes are geared to modifications of work rules and working conditions that promote an increase in output. In the United States, a number of exciting industrial relations experiments have been conducted whereby the parties have engaged in joint efforts to increase the productiveness of the plant or firm. Renewed attention should be given to the question of how men, acting through labor-management institutions, can contribute to their own well-being. Both research and policies designed to cope

with the problem of prosperity without inflation must have relevance at the plant level, where a multitude of important economic decisions are still made.

The Resolution of Conflict

In a fundamental sense, the field of industrial relations is concerned with the constructive management of change in the work place, the labor market, and at the bargaining table. The great achievement of personnel management and collective bargaining in this country has been the development of orderly procedures for the determination of wages and working conditions and for the resolution of day-to-day grievances. These procedures have not worked without friction, nor have they eliminated the recurrence of problems that appear to defy rational solution. Perfection is as elusive a goal in industrial relations as it is in other areas of organized human activity. Nonetheless, the existing system of industrial relations has generally performed well and has helped to facilitate institutional changes which, in other nations, have been marked by widespread conflict and enduring schisms in society.

In the past decade, the economy has been transformed by pervasive technological and structural changes and the composition of the labor force is rapidly shifting in age, sex, education, and residential patterns. With a few notable exceptions (and I'll probably be much more conscious of these exceptions a year from now) the parties have managed the change with skill and the absence of destructive conflict. Seniority systems have been altered to reallocate employment opportunities, new systems of consultation have evolved, and a variety of fringe benefits have been devised to cushion the impact of change on the individual workers. By and large, the parties have succeeded in balancing equity with efficiency so that no Luddites have come forth to destroy the machines. Even in major confrontations, there has been a general willingness to abide by implicit rules of behavior which limit the scope and intensity of the dispute.

These achievements do not constitute a cause for self-congratulation nor the dismantling of institutes for the study of industrial relations. As in other sectors of society, labor-management institutions are now under intense pressure both from within and without.

As a dean, I can look back with nostalgia on the days when we complained about apathetic students. In labor-management relations as well, there is evidence of change and conflict which we have yet to identify and fully understand. The emergence of conglomerate firms and the pressure for coalition bargaining are giving a new face to collective bargaining in many important sectors of the economy. The upsurge of union organization in the public sector at all levels has been accompanied by distressing strikes and will have a profound effect on public administration and the allocation of public resources. Within the unions themselves, the apparent increase in the number of contracts negotiated by the leadership but rejected by the rank and file provides evidence that established procedures for decision-making in collective bargaining may require some adjustments to reflect the divergent interests of the membership. Within the plants and the labor market, black workers, civil rights groups, young workers, lady workers, and craft workers are all seeking changes in the rules that have governed our behavior over a long period of time. And within government, the acceptance of new responsibilities, particularly in the manpower area, means that existing administrative arrangements will have to be continually reviewed in order to permit the maximum and efficient attainment of legislative goals.

These challenges to the policymaker should constitute both a goad and an opportunity to researchers in industrial relations. For example, there is an immediate need to study methods of handling union-management relations in the public sector. We must determine the extent to which private sector experience is transferable and can be sufficiently creative to develop procedures adapted to the complexities of public administration.

Some accepted concepts of collective bargaining must also be modified or redefined. For many years, we have viewed collective bargaining essentially as a two-party situation, carried out by monolithic institutions. Such a simplified notion no longer stands the test of reality, if it ever did. Instead coalitions and subgroups exist on both sides and many external groups seek a "piece of the action" at the bargaining table, particularly in the public sector. What methods can be devised to permit the expression of special group interests within the work place and at the bargaining table? What is the relationship between the structure of collective bargaining and the

incidence of strikes and contract rejections? What will be the effect of coalition bargaining and expanded employer alliances?

Essentially, the problem is one of opening new channels for the expression of diverse interests in collective bargaining and in the labor market and of re-examining those government policies that make it difficult for the parties to recognize diversity of worker interests. In the absence of such channels, frustration and conflict are sure to result. The essence of the American system of industrial relations has been its capacity for developing procedures for change while keeping conflict at tolerable levels. These new challenges, to policymakers and to those engaged in academic research, will test this capacity and require creativity in modifying the structure and conduct of bargaining.

Does It Work?

The problem of evaluation constitutes another link between policymakers and research, whether conducted in an operating or academic setting. As we are all aware, many units of government, companies and unions have embarked on new programs designed to deal more effectively with major problems that confront us. At the same time, many old questions remain unresolved. In each case, attention must be given to the question of how to decide between one course of action and other alternatives; and, once a program is initiated, how its success or failure is to be evaluated. The need for effective evaluation is a continuous one, but is especially acute when large amounts of public and private resources are involved and when the consequences of misconceived programs may be far-reaching. In effect, the need for sound methods of evaluation transcends any particular substantive problem. We all need tests and standards that will keep us honest men.

Major contributions have been made over the past two decades to the development of systematic procedures for the evaluation of public and private programs. Cost-benefit analysis is now a part of the standard vocabulary of professors and politicians alike. Drawing on economics and operations research, various measures have been devised by which the costs of a program and the flow of benefits from it may be estimated. This has introduced a rigor into the administrative process which has not always been present in the past. However, the chant "cost-benefit analysis" cannot be used as a

blanket certification of efficiency. Several questions still must be considered, particularly when evaluating labor market and labor relations activities and programs.

First, concentrated attention must be given to the question of defining the appropriate criteria for estimating "costs" and "benefits."

In assessing programs to aid the disadvantaged, should we merely count jobs and earnings or somehow take account of the fact that some jobs provide better long-run prospects than others? How do you calculate the indirect or "external" effects of particular manpower programs, effects such as the reduction of juvenile delinquency? To what extent can you weigh and assess essentially qualitative outputs such as a heightened sense of personal worth and dignity?

The problem of determining the appropriate criteria is accentuated when focusing on union-management relations. For many years, the absence of strikes and other overt forms of conflict was viewed as a primary measure of the goodness or badness of the quality of labor-management relations in a particular company or industry. We have since learned that this is a naive view. The absence of strikes may be evidence that the employer must bend to a strong union, or that the union is powerless to modify the employer's offer, or of course, that the relationship is indeed a sound one. Conversely, the presence of strikes should certainly not be viewed as a symptom of vigor in the collective bargaining situation. We should be wary of accepting exclusive criteria for evaluation merely because they are highly visible, or easily quantifiable, and appear to be congruent with current norms.

Further, amid the hue and cry of "there ought to be a law" or "amend the Act," there is a paucity of solid research on how important parts of particular statutes are working in practice. What, for example, is the impact of Board decisions under the Fiberboard doctrine, and how is that doctrine affecting union bargaining strategies and the management decision process at the work place? Answers to such questions would give more meaning to discussions of legislative or administrative actions.

Yet another problem of evaluation is the appropriate time period within which the evaluation should take place. It is easy to count placements and calculate earnings two months after the completion of an ambitious program of retraining and placement. It is another

and more difficult task to follow through and attempt to measure the more enduring effects of a program on individual workers, and on the overall performance of the labor market. Too often, it seems to me, there has been a tendency to institute drastic modifications of programs, particularly in the manpower area, based essentially on short-term evaluations. In order to make intelligent judgments, it may be necessary to allow time to let the dust and the data settle.

Of course decisions cannot always await the arrival of complete information and the perspective of time, and are made in the light of available evidence, whatever that might be. Nevertheless, by building evaluation techniques into the normal administrative process and by supplementing these efforts with longer-range studies, a cumulative body of evidence can be created to enhance the quality of decisions. At both levels, then, there is much to be gained through the continued interchange of policy and research. On the one hand, procedures must be developed so that evaluation is an integral part of the administrative process, while on the other hand, external evaluations in a longer-term framework must take place. This is the essence of "learning while doing," and I hope we all can develop this capacity more fully.

In Conclusion

As I start my new job, I can understand how you might believe that I am now moving out of the bargaining unit as far as the IRRA is concerned. I assure you that exactly the opposite is true. In the area of industrial relations, policymakers and researchers have a demonstrated community of interest. Our policies can only be as good as our knowledge permits. I will provide one of the moving targets if you will afford me your wisdom and, above all, the independent judgment that is the essential element of the professional tradition.

Last, let me thank you for the honor that you have bestowed upon me by electing me President of the IRRA. I have greatly enjoyed working with you and appreciate your confidence. Although my prospective position is an appointive one, it has been comforting to know that I have been able to win at least one election before taking office.

*II Distinguished Dinner Panel **

ISSUES IN THE GOVERNMENT OF HIGHER EDUCATION

INDUSTRIAL RELATIONS AND UNIVERSITY RELATIONS

CLARK KERR

Carnegie Commission on the Future of Higher Education

The older field of industrial relations and the field of university relations are connected in several interesting ways; and equally interesting are their divergences.

The first inter-relationship is through the people involved. A remarkable number of university administrators—presidents, chancellors, provosts, deans—have also been active in the industrial relations field. The first such person at a high level was Frank Graham, member of the National War Labor Board in World War II and president of the University of North Carolina. The two sets of experiences have been sufficiently similar so that one has often led to the other. Understanding of and tolerance for multiple and intense pressures mark both endeavors. More recently, as at Columbia and San Francisco State, third parties from the industrial relations field have been drawn in to comment upon or to assist with the mediation of university disputes.

The second connection is through the similarity of topics. Mutual concerns include: salary structures, fringe benefits and labor markets; human relations; management prerogatives, the responses of management to challenges to its power, and the professionalization of management; the rise of organized internal groups with their own goals and bureaucracies; the development of conflict, and of methods for its resolution—even including strike-breaking; and the impacts of public agencies and the laws and the powers of the state.

* The discussion by Allan M. Cartter, Chancellor of New York University, presented in this session, is not included in the published *Proceedings*.

More specifically, as illustrations, the company town and the campus community have much in common, and the concept of "mutual survival" has many similar applications in the plant and in the groves of academe.

Scholars drawn from industrial relations have already turned to studies of two university relations topics in particular: (1) student unrest and student movements, and (2) the creation of and consequences of high level manpower; and more scholars are on their way.

No other field has so many intellectual similarities with university relations as does industrial relations. Industrial relations is interdisciplinary; it deals with individuals and groups and organizations and governments, all interacting with each other; it is concerned with the dynamics of change—the industrial relations field has long recognized the theme of Heraclitus that "all is flux, nothing is stationary." These several characteristics also now mark the study of university relations.

The third similarity is in the history of the emergence of a new interdisciplinary field. Industrial relations as an identifiable field developed particularly after World War II. It has now reached maturity. University relations is now becoming a field in its own right, and going through some of the same stages: a massive increase in the numbers of studies being made, the development of inventories of these studies, the sorting out of studies into sub-fields, the growth of contacts among scholars with similar concerns, and the formal association of scholars and practitioners in discussions of research results. Whether university relations will become formally organized as did industrial relations remains to be seen. If it does, it might even be associated with industrial relations. The first IRRA meeting with a university relations topic was in the spring of 1968 when Douglas Brown of Princeton gave a paper on "Academic Administration—An Industrial Relations View." However, the central discipline for industrial relations is economics, and for university relations it is probably going to be sociology or social psychology. Nevertheless, it is to be expected that there will be increasing and substantial contact between the fully developed (even over-developed) field of industrial relations and the under-developed field of university relations; and the latter has much to gain from the former.

The fourth and most important connection is the common need to understand the development of a great new social force. Marx once wrote that the "windmill" gave rise to "the feudal lord" and the "steammill" to the "industrial capitalist." The feudal lord was confronted by the peasants; the industrial capitalist, by the working class. We have now moved beyond the windmill and the steammill into new sources of power beyond the elements on the face of the earth and the coal underneath. We have moved to electricity and the atom. Society now has professional managers, both industrial and political, instead of feudal lords and industrial capitalists. They are confronted, not by peasants or workers, but increasingly by intellectuals—students and intellectually trained experts of many sorts. The new society is not feudal or strictly capitalist, although it may be too early as yet to call it fully "post-industrial." Certainly it is heavily based on ever newer technology. It is increasingly "technotronic." Technology has moved beyond the harnessing of the wind and steam and, in the course of doing so, has thrown up a new intellectual class. The campus has taken the place of the manor or farm and of the factory as a prime locus of social conflict. The new confrontation is with centralized industrialism under whatever auspices, with large-scale bureaucracy and its IBM card, with the dominance of the technocratic over the more humane, with the visions of Orwell and of Marcuse.

Industrial relations has been concerned with the emergence over the past two centuries of a different social force—the manual worker—under a different technology. The machine gave rise to the worker, the worker to unions, unions to new political movements, and all of these to new social arrangements of vast import. Industrial relations has been concerned with the contrasting views of this process: of Marx on revolution and the "dictatorship of the proletariat"; of the Webbs on political evolution and the rational socialist state; of Commons and Perlman on economic evolution and "job control" unionism; of Slichter on changing market structures and the "laboristic state." The field has been torn by the now fading controversies among the contending schools of thought.

Today there is a new social force growing out of a new technology and it also may have vast import. There are now the students and the intellectual professionals—including the professoriate, the "scientific estate," the "techno-structure." They constitute the

new vanguard groups, increasingly on a world-wide basis. In the United States today, over one-quarter of the total population lives its daily life in a school as students and teachers and administrators; and beyond the school are the "think-tanks," and the "R and D" enclaves in government and industry.

The workers are by now an older, more settled, more conservative force. To the extent that industrial relations has been concerned with the emergence and absorption of new social forces, it should now turn also to a consideration of the students and the intellectuals of many sorts. The student and intellectual class has some of the elements that Marx thought he saw in the working class: it is growing in size, and elements of it are becoming more radical. There are now over 6 million university students in the United States and soon there will be 9 or 10 million. The disaffected elements among them find allies in the intellectual professions and in the ghettos.

University relations deals with the people and the ideas that constitute this new social force, as industrial relations once did with the people and the ideas involved in the earlier and now largely assimilated force of the workers.

As the campus moves toward the center of the stage, some lessons may be learned from the history of industry. I should like to suggest a few for consideration:

1. A new social force need not necessarily emerge fully triumphant; Marcuse may turn out to be as wrong as Marx. In France in May of this year, a revolutionary transformation was temporarily a potential; but in California earlier, as more recently in France, it has been the reaction that is triumphant. The popular fears of 1964 and 1968 may turn out to have been as excessive in university relations as those of 1886 and 1919 were in industrial relations in the United States. An early stage of radicalism and violence may be followed, not by more radicalism and violence, but by containment and absorption and reform; and thus early violence may end not in revolution but in a more or less uneasy peace. The seemingly "logical" conclusion that flows from an anticipated unilinear trend may be the most illogical outcome of all.
2. The *in loco parentis* of the college campus may prove no more

viable than did the company town. It may be better to separate the functions of landlord and merchant and policeman from those of teacher.

3. The workers were turned into participating citizens with full political and legal rights, by the 1860's in England and even earlier in the United States. Were students to vote at 18 and were political structures to become more responsive to their interests off campus, then a similar process will have taken place. The counter-part of this will be that the campus is no longer "off-limits" to the police and the courts. Students will no longer be a class-apart.
4. The workers secured more rights in the factory: their unions were recognized, contracts were signed providing shared authority over pertinent issues, the law came to protect them more. A similar acceptance of students in aspects of the internal decision-making process on the campus, such as rule-making, disciplinary matters, and curriculum formation, is now underway.
5. Peace-keeping machinery was set up in industry. Now it is emerging on campus—from grievance handling to settlement of organized disputes. It is no more possible to produce B.A.'s with billy clubs than "coal with bayonets."
6. Conditions were improved for the worker, with higher real wages and more considerate treatment on the job. On campus, the comparable possibilities are improvements in the quality of the curriculum and more personal treatment of students by faculty and staff.
7. The state came to assume a more impartial role as between capital and labor. Today, the state "owns" most of higher education. To become impartial, it will need to give up "ownership" by granting autonomy to the campus, by making all campuses essentially "private"; and thus, also, placing them more in competition with each other.
8. New attitudes of tolerance and "mutual survival" emerged out of conflict in industrial relations, and will need to evolve in university relations if the campus is to be a viable environment for scholarship.

9. The impact of the workers, viewed in its totality, brought new arrangements into industrial relations which made this new social force compatible with the productive functions of the firm. Once again the new social force of the students and associated faculty will have to achieve compatibility with the central functions of the campus.

All this makes what is now going on sound like a re-run of an earlier film—the perils of Pauline with a happy ending. But there are some very great differences :

1. The university students constitute a smaller mass than the manual workers did, their membership turns over much more quickly, and the chance of a “solidarity” point of view among students (and allied intellectuals) is much less likely than among workers; and thus they are less likely to be able to mount a cohesive political movement.
2. Students (and allied intellectuals) are less immediately essential to society. They can withdraw their efforts and not many may care. This places them outside the economic power structure.
3. The “new class” tends to be inherently more volatile, more given to fads, less stable in its views than the workers. The shifting and divided views of intellectuals make it harder to create traditions, settled policies and an effective permanent bureaucracy.
4. The comparative lack of political and economic power tends to turn this volatile “new class” toward periodic confrontations rather than toward long-term bargaining relationships. The tactics of confrontation lead to more permanent and violent opposition than do those of “responsible” bargaining by unions. Thus, while unions became more, not less, acceptable in the long-run, the agencies and actions of intellectuals may become less, not more, acceptable.
5. Students are comparatively “irresponsible” about the costs of disruption in order to get their demands, since disruption costs them nothing in their paychecks, does not mean that their families go without food, does not injure their permanent source of livelihood; and, additionally, they do not have the personal discipline of the daily job and of work. Consequently,

they may be more destructive in their methods. The campus can stay closed longer from their point of view than the factory from the point of view of the worker.

6. Demands are more unlimited. They are not for higher wages and shorter hours; for "more, more, more and now" in a materialistic sense. Demands are less for a good living and more for a good life, which means new styles of life and a higher quality to all of society. These are demands that cannot be bought off for another nickel or dime a year. Students may never be satisfied to the extent the workers have become. The workers are by now more conservative. Students may not follow this same pattern or at least to the same extent.
7. The movement of the workers led in the direction of the welfare state and even the socialist state, and this direction was compatible with the centralizing tendencies of industrialism. Schumpeter once thought the intellectuals would push society in this same direction with their attacks on the industrial innovators, with their predilections for rules and bureaucracy; so that capitalism would slide into socialism with hardly a whimper. The students (and their allies) lead more toward syndicalism or anarcho-syndicalism, with an emphasis not on the state but on individual and small group autonomy. We have tended to neglect the anarchism of Bakunin, the syndicalism of Sorel, the guild socialism of Cole, since capitalism, socialism and communism alike rejected them. These views of society now need to be re-examined. The emphasis is now against both the consumptionist society of capitalism and the state control of socialism, in favor of producer (and student) sovereignty. Communism with its devotion to control and conformity may come to look like not radical reform but like total reaction, with pluralistic capitalism something in-between. But current ideology may not be the permanent ideology. We may be witnessing just the first Utopian stage, similar to the 1840's.
8. The campus is more complex than the factory. It is at once a market where people pick and choose, a guild where masters teach apprentices, a democracy where each person has a voice,

a bureaucracy that administers rules, a corporation that holds property, a church that has its own religion of academic freedom and the rule of reason. Governance, as a result, is subject to few, if any, clear-cut solutions either theoretically or practically. Relationships are more fragile, more easily destroyed. The actions of quite small groups are potentially more likely to break the campus asunder. The campus is a hot-house plant that withers before the hot wind of disruption.

So this new social force may have other consequences than did the workers. Confrontation as a tactic is harder to absorb into society than is "responsible" bargaining; unrestricted demands more difficult to satisfy; syndicalism harder to adjust to, since it is essentially incompatible with highly organized, large scale, interdependent, advanced industrial society; the campus harder to preserve when subject to disruption. Consequently, this new social force may turn out to be more sporadic, more uneven, more unpredictable, more permanently—although intermittently—radical, more damaging to the existing social fabric than was the new social force of the workers one century and more ago; and thus the "happy ending" all around is less assured. But it may be as difficult in 1968 to divine the ultimate meaning of 1964, as it was in 1852 to see the full meaning of 1848.

Yet we need to try to be sensitive to the new realities. Advanced industrial society gives rise to affluence, encourages permissiveness in the home, church and school, and creates a new volatility of opinion and conduct as communications and travel bring instantaneous contact with people and events around the world. University students reflect the new affluence, the new permissiveness, the new volatility more than do the members of any other group. Their behavior gives some clues to the new culture being born. The workers by now represent the old culture of mass solidarity, the "standard rate," the supremacy of materialistic goals, statist solutions. The students are now the "forerunners." What happens first on the campus may happen later and to a lesser degree in the broader society. We should be alert to the new possibilities.

Thus there is this new social force to understand. Beyond understanding lies the development of reasonable responses; and what happens in the longrun depends very much on the wisdom of the

responses in the shortrun. The most difficult set of adjustments may be those which involve making the new technology that integrates and dominates consistent with the new education (which it requires) that diversifies and liberates.

I should now like to turn to a discussion of "the role of the university president," which was the topic originally assigned to me. Quite obviously that role is now a more difficult one than it was in more "normal" times before the campus, along with the ghetto, took the place of the factory and the farm as a principal locale of social unrest.

I once wrote, in more "normal" times, that the president had three main roles: the role of the "mediator" who kept the peace and held together, rather loosely, the disparate elements of the modern "multiversity"; of the "initiator" who was responsible for such progress as there might be and who, since "progress is more important than peace," should be willing to "sacrifice" peace to get progress; and of the "gladiator" who fought for freedom and quality. I noted that the "dividing lines" between being a mediator and a gladiator "may not be as clear as crystal, but they are at least as fragile."

I would now make three changes in this commentary as a result of the new situation and greater experience :

1. I would not say that "progress is more important than peace." This was said in the face of faculty conservatism, which was then the main barrier to change. I would now say that "progress is *most* important *to* peace." This is said in the face of the student revolt against the academic status quo. I would now emphasize the importance of quick solutions to reasonable requests; and I would point out the natural alliance between the president and moderate student leaders in getting some changes against faculty opposition.
2. I would not again use the word "mediator." It seems to have been the one word remembered among the three words used. More importantly, it is a word that is frequently misunderstood. It seems to be commonly thought that the mediator plays only a passive role of passing messages back and forth. The larger role I had intended to imply of holding a community together through mutual understanding and persuasion is not

the connotation the word "mediator" carries to many people, although I had insisted that the "mediator" should be concerned not with the "workable compromise" of the day but rather with the "effective solution that enhances the long-run distinction and character of the institution." What I had meant to suggest, and still believe, is that the president must work mainly with persuasion and not with dictation and force.

I would now use the phrase "campus leader," which carries a more positive and less passive connotation, which emphasizes responsibility for the coherence, cohesion, integrity and structure of the institution. I would add that it is important to have a sense of community on the campus and a sense of participation throughout it, and that this requires great attention to size, that it not be too excessive; to rate of growth, that it not be too rapid; to internal structure, that it not be too monolithic; to channels of communication, that they not be too clogged.

May I introduce a personal historical note that, as a university chancellor and president, I concentrated heavily on the roles of "innovator" and "gladiator" and by comparison less on the role of "mediator." In particular, I made almost no effort to "mediate" with Ronald Reagan or Max Rafferty or Hugh Burns (of the State Senate Committee on Un-American Activities), or with the leaders of the Far Left. History may tell whether this was the wise or unwise choice; whether it would have been better to be more of a "mediator" among *all* groups and less of an "innovator" and "gladiator."

3. I would add, with some regret, a fourth presidential role. This is the role of "image maker" creating a favorable image of the institution and of himself as the public symbol of the institution. In modern society, with the mass replacement of face-to-face relations by intermediate images, images become crucial. Reputation becomes perhaps more important than character; appearance than reality; public relations than actual results. This is particularly true of a large institution with many far-flung publics. Thus the president must be concerned with his own image and the image of his institution (and the two are so closely related) for the sake of the con-

tinuity and progress of the institution. He must protect his position and himself in it; let others be expendable; not always be in the front lines himself; associate himself with the positive; and allow others to be associated with the negative, with trouble. He may not be a giant, but he should look like one; and he may not be a saint, but he should appear to be one.

I would append the note that the role of "image maker" can be overdone, and that "selective cowardice" can become simply cowardice. Under current circumstances, however, this last possibility can be a particularly attractive option as adversaries within and without the campus make the president their opponent, and these adversaries are more potent than ever before. A president always faces the major choice of "optimal" behavior to maximize the quality of his institution or of "survival" behavior to maximize his own longevity. In the conditions of modern university life, the tendency of many presidents is to place "survival" first; yet the need for "optimal" behavior has seldom been more urgent.

The role of president has once again become absolutely central. There is a new era that calls for "giants" as there were when Eliot and Gilman and Harper and Wheeler led the American university into its modern form; for men who will successfully perform all these major roles simultaneously; for men who will be initiators and gladiators and campus leaders and image makers. Herman Wells of Indiana once wrote that it was also important, above all, to "be lucky." There is this caveat, however—that it is less likely that one will "be lucky" now that university relations have taken on so many of the characteristics that once marked industrial relations in their bloodier days, now that the campus has replaced Haymarket Square and the Embarcadero.

To end on an optimistic note: industry in the United States in the 1960's is stronger than in the 1930's, and partly because of the successful adjustments to the problems of the 1930's; and the campus in the year 2000 may equally be more effective than in the 1960's if reasonable responses are made to the problems of the 1960's. I think these reasonable responses will be made.

DISCUSSION

JOHN W. McCONNELL, PRESIDENT

University of New Hampshire

It is a unique and most rewarding experience to hear Clark Kerr review the parallels between industrial relations and university relations not only from the vantage point of his long career as scholar and practitioner in labor relations, but also with the wealth of insight he gained in the midst of revolutionary changes on the campus at Berkeley. This paper was no academic exercise; it bears the mark of deep thought and personal involvement. My remarks merely elaborate and support the conclusions Clark Kerr has already stated so well.

Interest in government of higher education has been widespread for some time. Most of the earlier studies have been designed to improve the efficiency of colleges and universities. Now this interest has taken on a new urgency. Student unrest and the thrust of student demands challenge long-standing concepts about the goals of higher education and the roles of presidents, governing boards, faculty and students in university government.

In this discussion we need to distinguish between liberal arts colleges and universities; between private control and public control; between single campus and multi-campus institutions. I am identified with a small multi-campus state university—my ideas reflect this relationship.

The presidents of public universities are caught between the upper and nether millstones. The one is a complicated structure of university government crying out in anguish for more efficient administration and positive executive leadership. The other is the insistence of faculty and students for direct participation in decision making over the entire spectrum of university affairs. As students have said emphatically—there is no decision about the university which does not vitally affect them. Presidents may easily get ground to powder unless some balance can be achieved between the leadership role and the executive function.

The university today is much more like an industrial conglomerate than a single product company—it is more like the government of a state or municipality than a corporation. The job of president in-

creasingly calls for the skills of political leadership in addition to those of business administration. This fact has great significance for the kind of experience and the kind of training required for future university presidents.

Contrary to much popular opinion there is really not much difference between the goals of the university as seen by faculty and as perceived by administration. The antagonisms which have arisen on many campuses are not the result of differences in goals. (I am aware of the conflict which frequently arises because of professional identification of some faculty and institutional loyalties of administration. But this is usually a problem of a new faculty.)

Antagonisms usually arise because of procedural failures. One usually finds a lack of effective structures for faculty-administration discussion of steps to be taken to achieve common goals. Many universities even now do not have a Senate, or Faculty Council, or other representative body to discuss and consider matters of basic importance to the institution's well-being. Or if present, the Senate may include many faculty who are not really opinion makers among their colleagues.

There is an absence of frequent, direct and informative communication with the faculty about what the administration is up to. In a crisis, the need for communication is recognized, but in less critical times administration often acts as though some system of mental telepathy would keep faculty informed of administrative decisions. This is not good enough.

In my opinion, in this period of testing, faculty and administration must make their identification with common goals explicit by carefully thought out procedures.

Will the faculty take the time to join with administration in the time consuming processes of decision making? My experience indicates that they will—if terms of office and periods of appointment to boards and committees and types of recognition and systems of rotation are reasonable and effective.

The ability of the president to initiate must not be curtailed. In a period of change, innovation is essential. This is not a plea for unlimited dictatorial powers—far from it, but it is a proposal that the president serve as a kind of prime minister, a leader but ultimately responsible to faculty colleagues. The faculty is not organized to exercise the power to change, although committee reports may point directions—the faculty can, however, respond to the president's pro-

posals for policy and procedural change. With communication and consultation at each step, the president's ability to turn critical situations into major forward thrusts is greatly enhanced.

A president faces few situations as disturbing as a massed group of students outside the administration building urging that the president respond to demands. In any case, the long walk from his office to speak to such a group is enough to churn one's stomach—but *if* the president knows that what he has to say has the support of his faculty he can talk with strength and determination.

Meeting with student groups to resolve genuine issues has many troublesome problems—the most worrison is the transient nature of student leadership. Agreements, understandings, working relationships arrived at with painstaking care one year ago may be casually set aside by a new crop of leaders this year. In student opinion, *today* marks a new starting point—achievements are measured from zero as of this moment. Thus the problem of dealing with unrest is very elusive. The present turmoil on the campus must sooner or later reach some form of stability.

Some student groups have proposed a permanent staff officer, paid out of student fees, as advisor to student government—in effect he would be a business agent. On the positive side, such an officer could give some historical perspective and a rational assessment of issues to student representation. Along similar lines changes are needed in the office of student affairs. In the 1930's negotiations with new unions were the responsibility of the president of the company, just as today the president of the university is the focal point of student unrest. Eventually there arose a group of competent labor relations directors who took this function off the president's back. I look for a new type of student dean, with new skills and insights, to deal with the emerging forms of student power.

Peace at any price is no more appropriate to a university than it is to any other institutional relationship, although I must admit that periods of tranquility are most welcome. Among the many penetrating observations made in Clark's address the one that struck me most forcibly was the point that change is an indispensable condition of peace on the campus. Superficially there may be a paradox here, but it must be clear to everyone that intelligent, orderly, fast-moving changes bring a kind of excitement and exhilaration to a campus that prevent student activism from finding an explosive issue.

DISCUSSION

EDWIN YOUNG, CHANCELLOR
University of Wisconsin

There is a danger in believing that the management of a university, wherein many things are negotiated or arrived at by consensus, is closely comparable to the practice of industrial relations. University administrators are primarily administrators and not mediators. This does not mean that they should or could be authoritarian or unsympathetic to views different from their own. In fact, even more than other managers they must be aware of the views of faculty and of students. But in the end their decisions must be such as to keep the university on its main course and not as a product of compromise between forces which may have directly opposite purposes.

I would underline particularly Mr. Kerr's statement that students are a transient group and are not organized in such a way that any agreement reached with student leaders can be in any sense a settlement. In addition to the rapid turnover in the student population, students have no goals comparable to wages, hours and working conditions. All of this may change some day if students become highly organized, but I don't think it is in the foreseeable future.

One of the reasons for the existence of this panel is the fact that a number of us out of industrial relations have become university administrators, out of all proportion probably to our numbers in the population. This arises, I believe, because in our industrial relations practice as mediators and arbitrators we have learned that there are usually many sides to an issue, that very rarely is one party all wrong, and that careful analysis of a problem of relations between people will often point the way to a solution. This is the skill and experience that we bring.

This very approach to differences between human beings may sometime be our undoing if we are dealing with the true revolutionary or anarchist. And there are such on the campuses although their numbers are very small and their following arises from their ability to capitalize on some general grievance. Some of us have discovered that attempts to satisfy such people can only lead us to distorting the purposes of the university.

There are only a few industries, including the New York subways, where the management is dealing with employees and with customers at the same time, and this gives another very special dimension be-

cause, although faculty and students sometimes join against administrators in universities, often the grievances that are coming to the front these days are grievances against rules that the faculty has made. Perhaps some new models of management and of human relations need to be evolved.

I would suggest for anyone trying to understand the predicament we administrators are in that they remember that, whatever the outward manifestations, the dissatisfaction of students stems from a basic idealism instilled by our generation. For the dreams that we dreamed in the thirties are not fulfilled in spite of full employment and a greatly expanding gross national product. We have gathered together on our campuses the ablest of the younger generation, and there they reflect in part our frustrations. They feel that we did not solve the world's problems nor have we left them the mechanism to do so. I would be unnaturally kind if I did not observe that the loudest of them seem more concerned with shouting their frustration than with getting down to the hard work of solving the problems. There are many, however, who work very hard preparing themselves for careers that will help mankind, and we must find a way to support and strengthen their endeavors and to try to make universities relevant in the best sense of that so often misused word.

III

IMPASSE RESOLUTION, THE COMMUNITY, AND BARGAINING IN THE PUBLIC SECTOR

MULTILATERAL BARGAINING IN THE PUBLIC SECTOR*

KENNETH MCLENNAN AND MICHAEL H. MOSKOW

Temple University

The multilateral nature of collective bargaining in the public sector has been alluded to by many commentators, but the distinction from the bilateral approach which frequently characterizes private sector bargaining has rarely been explicitly discussed.¹ By definition bargaining is multilateral when more than two groups are involved in the bargaining process. It is possible for the additional parties to participate in the negotiating sessions, but typically the third party groups operate on the fringe of the bargaining. In order for these groups to influence bargaining, they must be in a position to impose a cost (economic, political or otherwise) on the parties to the agreement.²

Under this definition of multilateral bargaining it is conceivable that bargaining in the private sector which begins as a bilateral process may assume multilateral dimensions. This transformation would occur if the parties thought that the federal government intended to use its power to impose a cost on them. Only a few recent situations have occurred, however, when such power was displayed. Examples would include government threats to release stockpiles of raw mate-

*The Temple University Manpower Research Institutional Grant from the U.S. Department of Labor provided partial support for this study.

¹ See for example, George H. Hildebrand "The Public Sector" in John T. Dunlop and Neil W. Chamberlain (ed.) *Frontiers of Collective Bargaining*, (New York: Harper and Row, 1967), pp. 126-28.

² It has even been argued that bargains can frequently be struck when there is no communication between the bargainers, simply by tacit observation on the part of both parties of some salient feature of the situation. The same reasoning can be applied to third party involvement in the bargaining process. See: T. C. Schelling, *The Strategy of Conflict* (Cambridge: Harvard University Press, 1960), quoted in Kenneth E. Boulding, *Conflict and Defense* (New York: Harper and Brothers, 1962), p. 314.

rials such as aluminum or reassigning federally financed construction contracts. Similarly, the use of the Taft-Hartley eighty day injunction in some instances may have changed bilateral bargaining to multilateral bargaining.

On the other hand, mediation and appeals for restraint without sanctions do not constitute multilateral bargaining. The mediator's role is to secure a settlement regardless of the impact of the terms on the parties. Any system of "wage-price guide posts" which relies on voluntary compliance is similarly not multilateral.

Consumer groups, in some instances, may be able to impose moderate costs on the parties in private sector negotiations. Some consumers can switch their purchases to competing products if the settlement raises prices or if a strike cuts off the original source of supply. This transfer usually reduces profits and employment thus negatively affecting both parties. The existence of industry-wide agreements, pattern setting bargains, and the influence of union wage rates in the nonunionized sector restricts incentives to transfer purchases. Nevertheless, marginal transfers of purchases can be influential particularly in a competitive product market.

The typical multilateral nature of bargaining in the public sector is usually attributed to the pricing characteristic of the market for a public service. Some public services are supplied at no direct cost to the consumer as in the case of public education and police protection; other services are provided at a price below the average cost of providing the service. In either case consumers are to some extent being subsidized.

The subsidy is borne out of tax revenues which are provided by both users and nonusers of the service. Consequently, taxpayers will have an interest in any labor-management negotiations which are likely to raise the cost of the service and which may also increase the cost of financing the subsidy. If taxpayers are organized into groups which represent their views to decision-makers and threaten to impose a political cost, it is likely that there will be an indirect effect on negotiations.

Variations in Public Sector Multilateral Bargaining

Multilateral bargaining varies among public employment jurisdictions and among different services within a jurisdiction. The exact extent of multilateral bargaining depends on the existence of

an interest group structure, the scope of bargaining, the perceived impact of a work stoppage, and to some extent the bargaining tactics of the parties.

The interest group structure consists of a number of groups or individuals who represent sections of the community to the suppliers of the service. Well-defined interest group structures tend to develop when the public places considerable importance on the quality of the service. In general, organized interest groups at the federal and state level tend to be more permanent and have better financial backing than local groups. Many local interest groups are voluntary organizations, and their effectiveness varies to some extent with the personality and enthusiasm of their leaders. In small communities, the lack of a permanent well-defined interest group is likely to restrict the amount of communication between the parties to the negotiations and segments of the community. For this reason, the potential extent of multilateral bargaining in small communities is expected to be much less than is possible in large cities. It is possible, of course, for an individual who holds a key position in the power structure of the community to perform the same function as the interest group structure.

The scope of bargaining varies within the public sector. For example, federal employees do not bargain on wages, while some groups of social workers have attempted to bargain on aspects of their professional relationship with clients. Obviously, interest groups will be more active in negotiations if the topics being negotiated relate to their major goals. Because of the present limited scope of bargaining for federal employees, theoretical considerations suggest that multilateral bargaining is not yet present at that level.

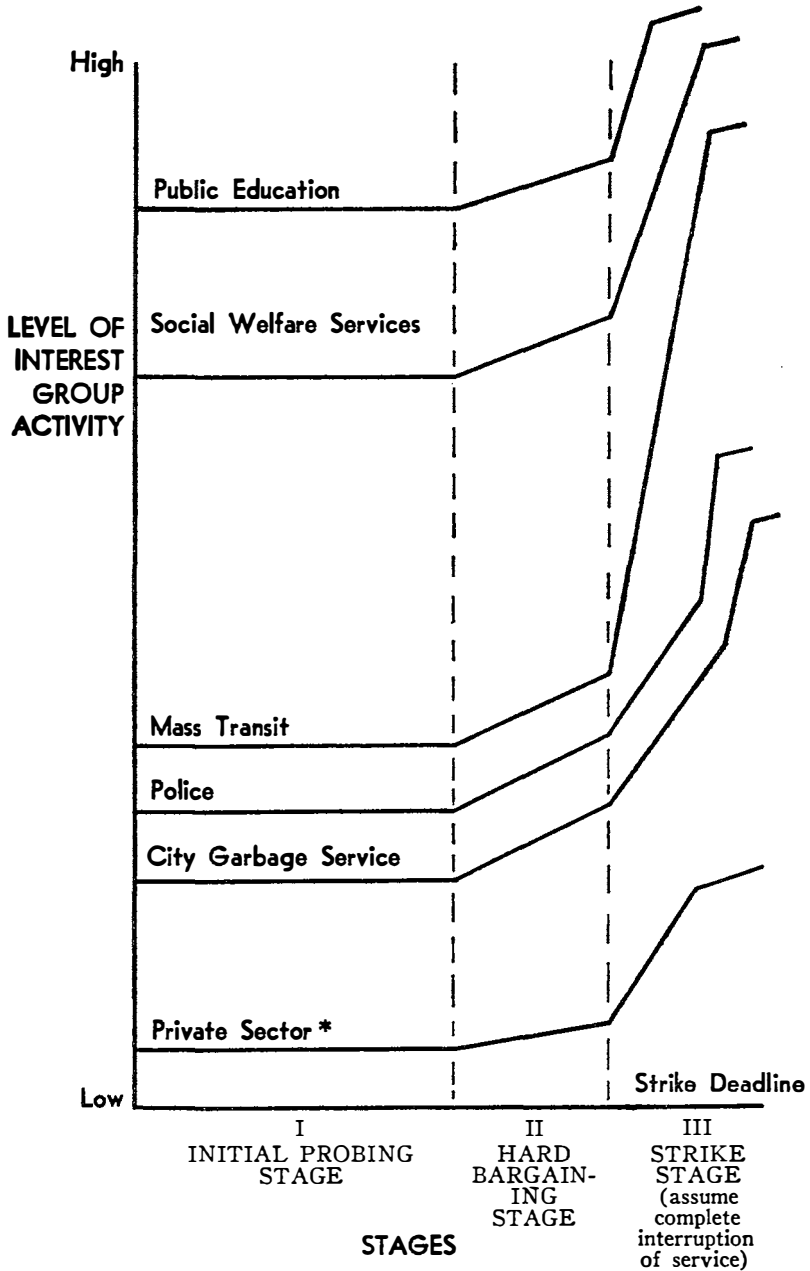
The amount of multilateral bargaining, particularly just prior to a strike deadline and once a strike has occurred, depends greatly on the perceived impact of a work stoppage. Not all services within the public sector directly affect the public, and in some instances an acceptable alternative is available.

In part, the tactics of the parties reflect their desire to increase their relative bargaining power by gaining support of important interest groups. Since few alternative sources of supply for most services exist in the public sector, it is expected that each side will be more aware of the need for public support than is the case in the private sector.

This theoretical discussion of the variations in multilateral bargaining is illustrated in Figure I which shows expected interest group activity during negotiations for the private sector and for selected public services in urban areas. Bargaining is divided into three stages: the Initial Probing Stage (I), the Hard Bargaining Stage (II), and the Strike Stage (III). Interest group activity in the Initial Probing Stage is concerned mostly with the quality of the service. In Stage II, interest group motives begin to shift to concern over possible interruption of the service. Once a strike takes place, interest group activity focuses almost entirely on ending the work stoppage. These three stages, of course, represent a general statement about multilateral bargaining in the public sector. Exceptions from the general pattern may occur in some cases. For example, during the strike stage of the recent prolonged New York City teachers dispute, interest group activity was divided between those whose main concern was ending the stoppage and others who still focused primarily on the quality of the service.

The shape of the "Expected Interest Group Activity" (EIGA) line depends on the four variables discussed earlier: the interest group structure, the scope of bargaining, the perceived impact of a work stoppage, and the tactics of the parties. In the initial probing stage, the EIGA line depends primarily on the interest group structure and the scope of bargaining. In public education and social welfare services, interest groups are well organized and bargaining frequently includes topics such as class size, case load, and procedures for professional employees to participate in policy decisions. As a result, third party activity is relatively higher in the initial probing stages than in other services depicted in Figure I.

Third party activity is likely to increase slightly in the hard bargaining stage as the negotiations are given widespread publicity in the news media. Once the strike deadline is reached interest group activity then increases rapidly depending on the groups' perception of the impact of a strike. Activity continues to increase after the strike occurs, but at some point the activity will level off and possibly decrease as the public adjusts to the work stoppage or establishes substitute services. The rate at which activity levels off will vary among public services according to the difficulty involved in providing acceptable substitutes. For instance, provision of national guard troops as a substitute for striking police probably would re-



* For explanatory purposes, it is assumed that the private sector is a homogeneous group of producers. In practice, the perceived impact of an interruption of service varies among products. Consequently, it would be more accurate to represent the private sector with several different curves.

FIGURE I. Expected Interest Group Activity in Urban Areas

duce public pressure for ending such a work stoppage. Once a strike occurs, management may adopt tactics which sometimes reduces interest group pressure to end the strike and thus increases its bargaining power by trying "to keep the plant open" or provide a partial service. During a recent strike of social workers, monthly checks were still mailed to welfare recipients so that pressure from "customers" to end the strike was reduced substantially. This type of management action, which rarely occurs in the private sector, results partly from multilateral bargaining in the public sector. In addition, public sector strikes usually are illegal which gives management added incentive to attempt to provide services during a strike. A similar effect occurs when the consumers of the service try to provide a substitute service. Parents sometimes have threatened or attempted to keep schools open during teacher strikes.

The shape of the EIGA line in the hard bargaining and strike stage most likely will be different in nonurban areas. The perceived impact of a garbage strike in an urban area is depicted as relatively high in Figure I. The perceived impact of a similar strike in a rural area, however, would undoubtedly be much less since consumers often would be able to dispose of their garbage.

Private Sector Bargaining

The bilateral nature of private sector bargaining generally restricts third party action particularly during the initial probing stage of negotiations when the supply of the product or service to the consumer is not interrupted. An exception to this generalization may occur during the hard bargaining stage when the strike is imminent and after the strike has occurred. The consumer then becomes aware of the likelihood of economic loss or inconvenience through the interruption of supply and he will attempt to find substitute sources of supply. As mentioned earlier, this potential loss of customers puts pressure on the negotiators.

The multilateral characteristics which sometime develop in the private sector, however, are quite different from multilateral public sector bargaining. First, as already mentioned, the timing is different since multilateral pressures in the private sector occur only in the final stages of negotiations. A second difference is in the amount of third party influence. Because virtually no market mechanism reveals immediately consumer preferences in the public sector, interest groups

become the vehicle for transmitting consumer demands. In contrast, third party activity in the private sector is less prevalent since the market allows the consumer some choice in selecting the product or service.

Consumer choice in the private sector is in some instances more apparent than real. Little incentive exists for the consumer to switch to another supplier because of lower price in industries with noncompetitive product markets where oligopolistic pricing is common. In cases where the consumer may switch to avoid interruption of service, the supplier will build up inventories before the strike so that the customer will not be lost. If the product or service is perishable as, for example, in the case of transportation or newspapers, the employers will cooperate to avoid permanent loss of customers to any one employer.*

Finally, an important difference is that apart from the rare cases of government intervention in bargaining, the multilateral influence in the private sector is characterized by autonomous individual action. This approach is significantly different from the highly organized cooperative activity expected in many areas of public employment.

Multilateral Bargaining in Public Education

Some support for the foregoing theoretical analysis was provided by the results of an interest group study in a large city school system. Extensive interviews were conducted with representatives of interest groups, members of the Board of Education, representatives of the Superintendent of Schools, elected city officials and the teachers' union which is the recognized bargaining agent.⁸

In conducting the interest group study, the following necessary

* See the employers' agreement to use the lockout in the New York newspaper industry. Similar motivations lie behind the "Mutual Aid Pact" in the airline industry.

⁸ For a detailed discussion of the methodology including the problem of identifying the interest groups within a community power structure and the characteristics of the actual groups studied, see: Kenneth McLennan and Michael H. Moskow, "Teacher Negotiations and the Public Interest" in *Emerging Sectors of Collective Bargaining*, ed. Seymour Wolfbein, forthcoming. For specific interest group studies at the community level also see: R. Dahl, *Who Governs?* (New Haven: Yale University Press, 1961), R. Presthus, *Men at the Top: A Study of Community Power* (New York: Oxford University Press, 1964), and C. E. Thometz, *The Decision Makers: The Power of Dallas* (Dallas: Methodist University Press, 1963).

conditions were established for demonstrating the existence of multi-lateral bargaining:

- (1) that some of the goals of the interest groups relate to topics included in the scope of negotiations,
- (2) that the interest groups pursue their goals by trying to influence the parties involved in negotiations either directly or through an intermediary,
- (3) that at least one of the participants to the actual negotiations believes that the groups represent segments of the public and respond to the pressure from the interest group leaders.

The first necessary condition was clearly satisfied.⁴ For example, the teacher transfer plan was probably the most widely discussed issue during negotiations. All community groups expressed their views about the existing teacher transfer clause. The plan provided for basically voluntary transfer and in the opinion of most local education and taxpayer groups this feature of the plan was desirable. These groups were afraid that if the plan was made compulsory (i.e. the superintendent can assign teachers anywhere within the system) the best teachers in each group's neighborhood school would be reassigned to some other school. Those who favored the present plan, however, thought that some modification which would give the superintendent more control over the assignment of faculty was desirable.

The civil rights organizations and the groups representing upper income, highly educated "liberals" (classified as intellectual groups) strongly opposed the voluntary plan often viewing it in rather emotional terms. To the black community and the intellectuals, it had become a symbol of the "double standard" in education which the white establishment in the school system and the union have allowed to develop. Removal of the voluntary feature of the plan was seen as the first step toward equalizing educational opportunity in the school system. Civil rights groups thought that changing the transfer clause would improve the quality of education by allowing the superintendent to reallocate more highly qualified teachers to ghetto areas. On the other hand, the intellectuals thought that changing the transfer clause would result in faculty intergration which would improve the quality of education. The possibility of loss of teachers

⁴For a detailed description of the results of the interest group study, see McLennan and Moskow, *op. cit.*

from the system under a compulsory plan was not thought to be serious though some groups felt it might be a short run problem.

The second necessary condition (that interest groups attempt to influence the parties) was also supported. The pattern of interest group pressure was fairly complex with most groups focusing their attention on the part of the decision-making structure which was most likely to be sensitive to each particular group. Most of the pressure was directed to some part of the employer side (Board of Education, Superintendent, Mayor, and so on) with little attempt to influence the union directly. There was some evidence that the black community sought to influence the union through the local union membership.

The existence of multilateral bargaining also requires that the pressure from the community groups has some substantial effect on the bargaining stance of either the union or the employer. The case study showed that interest group activity was a major force in determining the employer's position on the transfer clause which was a crucial issue in the negotiations. Because of the community pressure, a majority of the Board of Education was prepared to bargain for a change in the transfer clause "to the point of taking a strike."⁵

Conclusion

In this paper the authors attempted to explain and to analyze multilateral bargaining in the public sector. A case study in an urban school district tended to support the hypothesis of multilateral bargaining, but school districts, of course, are not necessarily typical of all public sector jurisdictions. School districts are governed by boards of education instead of a single individual. In addition, these governing boards frequently have power to levy their own taxes. As a result, it is concluded that further testing of the concept of multilateral bargaining is desirable in order to refine the concept and to ascertain what differences, if any, exist among various public sector jurisdictions.

⁵ Of course, the case study provided other examples of the relationship between interest group goals and the scope of bargaining. The related concept of educational policy and the content of negotiation has been discussed previously in Michael H. Moskow, *Teachers and Unions* (Philadelphia: University of Pennsylvania Press, 1966), and Myron Lieberman and Michael H. Moskow, *Collective Negotiations for Teachers* (Chicago: Rand McNally and Company, 1966).

A further conclusion is that interest groups in an urban school district do not appear to be concerned with all items negotiated by the board of education and teachers organization. Instead the groups tend to focus on a few issues which to them have symbolic importance.⁶ As a result, if multilateral bargaining takes place in other public jurisdictions, it is predicted that it will also focus on symbolic issues because the interest groups do not have the time and resources to concentrate on the details of the agreement.

The case study also showed that the board of education attempted to legitimize its own position by obtaining support from segments of the community. The board developed procedures to increase the ease of communication with interest groups. This relationship between the community and the board led to interest group pressure on issues discussed in collective bargaining. It is predicted that in all public sector jurisdictions where government administrators or elected officials rely heavily on support from segments of the community to legitimize their positions, collective bargaining procedures established are likely to be transformed from a bilateral to a multilateral process.

⁶ For a discussion of interest groups' emphasis on symbols see: M. Edelman, "Symbols and Political Quiescence." *American Political Science Review*, September 1960, p. 696. School decentralization is another issue which is likely to have increasing symbolic importance. See: Michael H. Moskow and Kenneth McLennan, "Teacher Negotiations and School Decentralization" in *The Community School* (Washington, D.C.: The Brookings Institution), forthcoming.

FACT FINDING IN PUBLIC EMPLOYMENT DISPUTES: PROMISE OR ILLUSION?

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Seventeen years ago, at the Fourth Annual Meeting of this Association, William M. Leiserson chose as the topic of his Presidential Address: "The Function of Mediation in Labor Relations." The main thrust of his remarks was that of all dispute settlement procedures mediation was the least understood and "the weakest link in the chain of processes by which we try to maintain the national policy of relying on collective bargaining. . . ." ¹ "What then is this thing that we call mediation?" he asked. In contrast, arbitration and fact finding seemed to him to be well-defined procedures governed by "commonly understood customs or rules." ² Whatever the merit of these observations may have been, or may still be, as concerns private-sector dispute settlement techniques, my thesis today is that fact finding as a procedure for resolving contractual impasses in the public sector is characterized by the same ambiguities in concept and the same randomness in practice which Leiserson attributed to mediation in the private sector. Instead of deploring this diversity and lack of uniformity, however, I propose instead to examine the process at this relatively early stage of its development in the hope of raising some questions as to the conditions under which fact finding may be a promising procedure for settling disputes in the public sector, as distinguished from those situations where its invocation may prove to be only a snare and a delusion. Hence it should be obvious at the outset that I have posed a question in the subtitle: "Promise or Illusion?" to which there can be only one answer: "It depends."

¹ Industrial Relations Research Association, *Proceedings* (December 28-29, 1951), p. 12.

² *Ibid.*, p. 4. For a later attempt to develop a "theory of mediation," see Carl M. Stevens, "Mediation and the Role of the Neutral," in J. T. Dunlop and N. W. Chamberlain, eds., *Frontiers of Collective Bargaining* (New York: Harper and Row, 1967), ch. 11.

SOME DEFINITIONS AND CONCEPTS

The Private Sector

Although the "name of the game" is fact finding, this is a misnomer, since the sport itself has very little to do with fact finding in the literal sense of determining objective facts through the judicial processes of trial and proof in order to provide evidentiary answers to the resolution of impasses. Even so eminent a practitioner and pragmatist as the late William H. Davis was guilty of a lapse into this kind of simplistic reasoning when, in response to a question from Senator Taft during the 1945-1946 hearings on the proposed Labor Fact-Finding Boards Act, he said: "As to fact-finding, we cannot disagree about a fact; we can only be ignorant about it."³ A more realistic description of the process was offered by Labor Secretary Schwollenbach in opening the same hearings:

"S.1661 would provide for the appointment of fact-finding boards consisting of persons who have no pecuniary or other private interest in the matter, to investigate labor disputes which seriously affect the national interest and to make a report containing their findings of fact and recommendations with respect to such disputes. This provision recognizes clearly the general public concern in both the prevention of work stoppages which seriously affect the national public interest and in being informed with respect to the issues involved in such controversies."⁴

³ *Hearings before the Committee on Education and Labor, U.S. Senate, 79th Cong., 1st and 2nd Sessions re S. 1661. . . .* Part I, p. 133. A somewhat different evaluation was offered by Senator Morse at the same hearing when he remarked: "Fact finding is becoming another great sanction in the thinking of the American people, although fact finding itself is not going to solve anything. I want to point out that in labor disputes the facts divorced from judgment is a very sterile thing." *Ibid.*, p. 97. An even finer and more complicated distinction was made by William Leiserson who stated:

"The actual value of such [fact-finding] boards is that they pass judgment on the issues. . . . And they marshal the facts to support their opinion. . . . Where real fact finding is needed is not there, and not in the form of public pronouncement. It is in the mediation process. That is where you need real fact finding."

A moment later he commented that the term "fact finding" as applied to the proposed boards was "misleading. It is really an arbitration board, a board for passing judgment." *Ibid.*, p. 142.

⁴ *Ibid.*, p. 7.

Examining the essential elements of this description of the game, we find that it involves two groups of contestants; labor and management; a board of neutral or disinterested referees, called fact finders; formal rules of procedure under which the game is to be played (for a period not to exceed thirty days); and a definition of the goal; namely, to win the acclaim of the spectators (i.e., the public), in order to convince the players that they should accept the verdict of the umpire. Should this goal fail of achievement, the parties are then left free to "slug it out," or in the more contemporary idiom, to "sock it to" each other, and to the public. This particular design of the game of fact finding, modelled upon the Emergency Board procedures of the Railway Labor Act, was, of course, subsequently modified by the Taft-Hartley Act in 1947 which eliminated the recommendatory powers of the neutrals and extended the length of the playing period to eighty days. The neutrals are commissioned only to inquire into the causes and circumstances of the dispute, but in some instances they have engaged in mediation during the cooling-off period. Thus it can be seen that in the private sector statutory fact finding, at least on the federal level, has been conceived as a step between the breakdown of collective bargaining and the onset of a legal strike or lockout in essential industries. Whether the process is, or should be, one of mediation or of adjudication, however, has provoked endless debate among academicians and practitioners, alike.⁵ These uncertainties have multiplied as the fact-finding process has been transposed to the public sector where the rules of the game are somewhat different.

The Public Sector.

In the public sector there are, according to conventional theory, three sets of players all competing for the acclaim of the public or the electorate: public management, the employee organization, and the legislative body or budgetary authority. There are also two sets of referees: the fact-finding body which renders the initial decision and the legislative body which delivers the final verdict.

⁵ For an excellent example of this controversy see "Procedures under the Railway Labor Act: A Panel Discussion," in *Proceedings of the Eighteenth Annual Meeting of the National Academy of Arbitrators, 1965*, Dallas Jones, ed. (Washington: B.N.A., Inc., 1965), ch. 2.

Public management and employee organizations are regarded as adversaries. In the first round of the game the task of the referee, or fact finder, is to determine the positions of the players and to recommend what in his judgment would be a fair outcome of the game in order to persuade the ultimate umpire, the legislative body, to accept his verdict. The goal here is not primarily one of using public opinion to influence the parties. Rather the object is to enlighten the public so that it, in turn, can bring pressure on the lawmakers to adopt the recommendations. As George Hildebrand puts it: "Fact finding with recommendations is a way to redirect the pressure of opinion and to economize on the legislators' time, while providing them the guidance they need. In these respects, a fact-finding tribunal can play a role much like that of a parliamentary select committee in England."⁶ In this model of the game the role of the neutral is primarily adjudicatory in nature, one of determining on the basis of facts, evidence, and argument what the "correct" settlement should be. Since recourse to economic action or strikes is unlawful, or outside the boundaries of the game, the final decision is to be reached by what Hildebrand terms "straight political bargaining involving diverse interest groups."⁷

The model described above has a number of variants, however, which may change the role of the neutral. In some instances, the public management and the employee organization may not be antagonists. Instead they may have common goals, such as improving education or enhancing the efficiency of the public service. Where this is the case their common adversary may be the legislative or budgetary authority, and the purpose of fact finding, to which they may readily, even enthusiastically, agree is to gain an ally who may be able to persuade the public and the legislature to accept the terms on which they are tacitly in accord. Here the goal is exactly the reverse of that of fact finding in the private sector: it is to exert the pressure of the parties on the public. The role of the fact finder in this situation is similar to that of the arbi-

⁶ George H. Hildebrand, "The Public Sector," in J. T. Dunlop and N. W. Chamberlain, eds., *Frontiers of Collective Bargaining* (New York: Harper and Row, 1967), ch. 5, p. 147.

⁷ *Loc. cit.* See also George H. Hildebrand, "The Resolution of Impasses," in *Proceedings of the 20th Annual Meeting of the National Academy of Arbitrators*, 1967, D. Jones, ed. (Washington: B.N.A. Inc., 1967), pp. 287-297.

trator in making a consent award. A minor variant of the game I have just described is one in which the public employer, the employee organization, and the legislative body are all in accord. Here the fact-finder's report is required to "save face" for the negotiators and the legislative body. In other words the game is merely a sham.

In another situation the fact finder may initially act as a mediator to bring the parties who are adversaries to agreement. But in order to persuade the principals, the rank and file, or the legislators, or both, to accept the settlement, the fact finder must issue recommendations embodying the agreed-upon terms in his report. Here his primary function is one of mediation, not adjudication, appearances to the contrary notwithstanding.

I shall mention only one final variant of the many which come to mind. Where the legislative body and the public employer are identical, as in the case of the independent school board, or the town council, the classical model breaks down completely. For here there is no independent legislative body to consider the merits of the fact-finder's recommendations. In this situation the fact finder may play a role similar to the one he occupies in private-sector bargaining. His goal is to influence the public to bring pressure for settlement on the parties.

Moreover, in this version of the game, fact finding cannot have the finality which is built into the model design. There is no second referee or umpire. Hence resort to economic warfare or strikes may become more common in those situations where the final decision can be unilaterally imposed by the public employer who rejects the recommendations of the fact finder. In this situation the fact finder has no alternative other than that of striving for the accommodation of competing interests. His primary role is that of mediator.

I have ventured on this excursion into model building primarily to make one point. It is that the fact finder in the public sector must understand that his role or function will vary according to the circumstances in which he finds himself. Fact finding is not necessarily adjustment or adjudication. It may often be a mixture of both with a large infusion of political and strategic considerations.

FACT FINDING IN THE PUBLIC SECTOR

Broadly speaking, fact finding in the public sector has been designed as a procedural substitute for strikes and lockouts which are currently prohibited by law. Of the seventeen states which have enacted comprehensive labor relations laws governing the public service, nine provide for fact finding if collective bargaining and mediation are unsuccessful in resolving impasses.⁸ Five of these nine states, Connecticut, Massachusetts, Michigan, New York, and Wisconsin have had the most extensive experience with fact finding to date. With the exception of Wisconsin, little or no research has been published either on a state-by-state, or a comparative basis, so that any evaluation of these fact-finding experiences must await the completion of more systematic studies. Fortunately, just as Wisconsin has served as the pioneer in the enactment of public employment legislation, its laws dating back to 1959 and 1962, so the successive studies of fact finding in Wisconsin by James L. Stern and Edward B. Krinsky are prototypes of the kind of research which needs to be undertaken elsewhere.⁹ A few studies on a more limited basis have been made or are currently under way in Michigan, New York, Connecticut, and Massachusetts, and a major inter-urban comparison of municipal collective bargaining by Arnold Weber and his associates promises to yield substantial insights into the processes of impasse resolution.

There is, of course, no dearth of published raw material in this field. Fact-finders' reports are flooding the market, making

⁸ These states are Connecticut, Massachusetts, Michigan, Minnesota, New York, Rhode Island, Vermont, Wisconsin, and, most recently, New Jersey. Good comparative summaries of these statutes can be found in: *Report of Task Force on State and Local Government Labor Relations, 1967* Executive Committee, National Governors' Conference (Chicago: Public Personnel Association, 1967); J. P. Goldberg, "Labor-Management Relations Laws in Public Service," *Monthly Labor Review*, June 1958, vol. 91, pp. 48-55; and R. S. Rubin, *A Summary of State Collective Bargaining Law in Public Employment*, New York State School of Industrial and Labor Relations, Public Employee Relations Reports, No. 3, 1968.

⁹ J. L. Stern, E. B. Krinsky, and J. B. Tener, *Factfinding Under Wisconsin Law*, 3rd edition, 1966 (Madison: The University of Wisconsin, University Extension, 1966). See also J. L. Stern, "The Wisconsin Public Employee Fact-Finding Procedure," *Industrial and Labor Relations Review*, Vol. 20, October 1966, pp. 3-19. An interesting analysis of the school dispute cases in Wisconsin through December 1967 has been made by Zel S. Rice II, Commissioner, Wisconsin Employment Relations Board, in an unpublished speech, "Reaching Impasses—Mediation and Fact Finding," 1968.

available rich sources for studying substantive matters such as major issues, criteria and standards, reasoning, and conclusions—data which, when analyzed, should also throw light on the whole question of the potential uses of arbitration of impasses in the private sector. Some statistical data on the operation of fact finding and some tentative evaluations are also becoming available in the reports of administrative agencies and the surveys of various state commissions such as those in Michigan, Massachusetts, and New York. What is needed, however, is systematic investigation of the results of fact finding in terms of the acceptance, non-acceptance, or modification of “awards,” the attitudes of the parties toward the process, whether or not fact finding has been followed by strikes or by the strikeless resolution of impasses, and the impact of the procedure on the collective bargaining process itself. Until research fills this empirical gap and provides factual data to illustrate the varieties of fact-finding experiences so as to permit the analysis of conditions responsible for failure or success, abstract logic or speculation will not be very helpful in pushing us beyond the present limits of our knowledge. Hence, while I for one cannot answer the question posed in the submission, intriguing though it is, I am hopeful that the progress of empirical research in this field will yield more solid answers than those I have suggested today.¹⁰

¹⁰ Because of space limitations it has been necessary to eliminate two-thirds of the original paper dealing with comparative state experiences on the basis of which I advanced a number of research questions and hypotheses. The entire paper will be published in the July 1969 issue of the *Industrial and Labor Relations Review*.

PUBLIC EMPLOYEE BARGAINING IN EUROPE: WHAT LESSONS FOR THE UNITED STATES?

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Unionism and collective bargaining in the public sector have a longer and more extensive history in Western Europe than in the United States. Public managers and union leaders in the U.S. can profit from a study of this European experience. We propose here to deal only with a few of the major areas where European experience may shed some light and teach some lessons about the process of public employee bargaining as it may develop in the U.S. in the years ahead.

This is not to argue that American experience will or should parallel the European in all respects. Obviously, there are some important economic, social and political environmental differences, as between Europe and America, which make total transfers of institutions and policies in public bargaining impossible. Even granting such limits on transferability, it should be possible by borrowing from European experiences to structure the new systems of labor-management relationships in public employment more smoothly and more rationally.

WHY PUBLIC EMPLOYEE UNIONISM AND BARGAINING CAME EARLIER TO EUROPE

At the outset it seems useful to indicate some of the reasons why public employee unionism and bargaining developed more rapidly in Europe, as compared to the U.S. In the first place a number of industries such as railroads, local utilities, mines and

¹This paper is confined primarily to the problems of civil servant type employees as against, for example, public employees in manual work who often do not hold civil service status. I have also concentrated on national government or federal level civil servants. The study concentrates upon the experience of Sweden and Britain as well as Germany. I should like to express my thanks to the International Studies Program of the University of Wisconsin whose assistance made possible a brief trip to several Western European countries in April 1968, where I had the opportunity to discuss some of the problems of public employee bargaining with government and union officials. An earlier draft of the paper benefitted from the comments of my colleague Professor Lee Hansen.

even some industrial plants have long been owned and operated by the government in European countries, in contrast to the U.S. where they have ordinarily been in private hands. This placed European governments in the role of a large scale employer of manual employees.

European unions had, as was also true in the U.S., first taken root among manual employees in the private economy. It was relatively easy for manual unionism to spread from the private to the public sector, particularly when so many of the jobs being done were similar. Once they were committed to bargaining with manual employees in the public sector, European governments were not in a strong position to resist the demand for bargaining on the part of their non-manual employees.

Secondly, for a variety of reasons unionism as a mass phenomenon, generally, developed earlier in Western Europe than in the United States. During the period of World War I and thereafter, unionism was extended permanently to large masses of factory workers in most European countries. In the U.S., during the twenties, unionism remained largely confined to skilled workers in industries such as construction, printing, local trucking and transit. There were a few other exceptional industries such as mining, breweries and clothing where substantial unionism had been achieved by the 1920's, but it was only in the thirties and forties that mass unionism of semi-skilled and unskilled workers took hold in U.S. manufacturing.

The phenomenon of mass unionism, even when it is limited primarily to manual workers, seems, during the course of time, to legitimate unionism and bargaining throughout the society, and to facilitate its growth among other occupations and industries. In this sense the U.S. is probably a decade or two behind Western Europe, and we can anticipate the spread of unionism to many other, still largely untouched work groups in the U.S.

The recent pace of unionism among new groups in the U.S., such as foreign service employees of the U.S. State Department, large numbers of policemen and some publicly employed doctors, not to mention nurses and teachers, suggests that this gap may be closed fairly quickly. Among groups that are unionized in Europe which are still untouched in the U.S. one might mention non-

commissioned and commissioned officers in Scandinavia and in Germany.

Far fetched as it may seem, the Lutheran ministers in Sweden are well unionized, and their union (they have no temerity in calling it a "union") is affiliated to the professional employees federation in Sweden. Admittedly the existence of a State established church in Sweden and the extension of civil service classifications to most ministers several years ago enhanced the unionizing prospects. Still, even the phenomenon of collective representation among the clergy in the U.S. no longer seems so remote as one studies the demands set forth by the leaders of a new National Federation of [Roman Catholic] Priests' Council which include: the "Use of mediation boards to settle disputes in dioceses between bishops, laymen, priests, and nuns."²

U.S. managers can best adapt to the future by remaining as flexible as possible, and expect union type demands and organization to crop up in the least expected areas.

BARGAINING IN THE PUBLIC SECTOR: AN EVOLUTIONARY PROCESS

While collective bargaining among European civil servants has gained greater acceptance than in the U.S., to date, it should not be imagined that this was accomplished by European unions without their hurdling some formidable obstacles. As late as the period of World War I in nearly all countries the civil servant was regarded as "His Majesty's" own employee. As such he had a special status in the society and the idea of his unionization or engaging in collective bargaining was almost unimaginable.

Some sense of this special status of the European civil servant can be gleaned from his position in Germany today, since that country has not witnessed the evolution in civil service labor relations experienced in most other countries, and there is only a minimal use of collective bargaining in determining civil servants' working conditions. German civil servants are still regarded more as

² *The Milwaukee Journal*, Sunday, December 15, 1968. As systems of collective representation are extended to so many and varied groups, it is questionable as to what happens to the concept or idea of the labor movement, as such. In the absence of any clear ideology, the existence of such a labor movement over and above the individual national unions has always been a tenuous matter in the United States anyway.

public officials than employees. As such their very lives, theoretically at least, are subject to public scrutiny in many respects. As Professor Sommerhausen has observed:

. . . The official must therefore so order his general way of life to conform to prevalent opinions on virtue, manner and morals . . . This discipline is especially strict in relation to school teachers and marriages must be notified as soon as they take place, including the name and profession of the father-in-law. . . .⁵

Not many other European governments went so far in their regulation of the lives of civil servants, even in the past; but this does convey some idea of the road which European civil service unions had to travel in reaching collective bargaining.

With Germany as something of an exception, almost everywhere else there has been a radical transformation in the labor relation status of the civil servant. He has formed his union, been recognized by government, and earned the right to negotiate.

For those who are inclined to resist public employee unionism here in the U.S., or believe its scope can or should be restricted to implementing civil service rules and laws, I suggest that European experience indicates an evolutionary perspective. More and more public employees are likely to be drawn into unionism and collective bargaining. The scope of issues falling within the bargaining relationship is also likely to expand.

It is true that the absence of parliamentary type party government in the U.S. will inevitably make the response to the challenge of government employee unionism different from Europe. Moreover, the skillful management of federal civil service salaries such as we have witnessed in the past decade, as well as the lobbying effectiveness of federal unions vis-a-vis the Congress, may render *direct, general wage* bargaining at the federal level unnecessary for the employee and his union. These are, however, details; the fact remains the scope and extent of collective bargaining in the public service are likely to broaden in the U.S. in the years ahead.

⁵Public Services International, *Negotiating Rights of Public Servants and The Right to Strike in Public Service*, London: 1966, p. 29. These regulations no longer seem to be fully operative in Germany today.

SPECIAL LEGISLATION NEEDED TO STRENGTHEN PUBLIC
EMPLOYEE BARGAINING

The process whereby civil service bargaining came to embrace more and more substantive issues such as the determination of wages and hours has, in Europe, often entailed the passage of a special piece of enabling legislation (or a special governmental order or decree). This has been true even in countries where *private sector* bargaining has usually had only an informal base, with little or no support in legislation.

In Great Britain and Sweden, to use these two examples, the right of union recognition and the right to bargain in the private sectors of the economy have historically been an informal matter. Moreover, unions of manual workers in the private economy generally felt no need to seek legislative assistance to obtain the right to bargain and/or to negotiate written agreements either in Sweden or Britain.⁴

Despite this traditional emphasis upon voluntary, informal industrial relations procedures and methods in both Sweden and Great Britain, both these countries found it necessary and/or desirable to formally guarantee the right of association for civil servants. Even more, these governments have also gone far in defining the scope of bargaining for civil servants.⁵

British and Swedish experience seems to support the path the U.S. has taken in recent years in seeking to expedite the process of union recognition in the public sector, via Federal Executive Orders and a growing body of state legislation.

In several continental European countries, such bargaining rights as civil servants enjoy often derive from the simple provision in the national constitution guaranteeing the rights of all citizens to form trade unions. In most cases these rights, as they have come to be applied to civil servants, have not yet embraced the right to ne-

⁴ In both Sweden and Britain the *white collar* unions in the *private sector* have felt compelled to go beyond the traditional system of voluntarism in their struggles for union recognition.

⁵ For a short description of the systems in Great Britain, see H. M. Treasury, *Staff Relations in the Civil Service*, London: Her Majesty's Stationery Office, 1965. For Sweden, see the pamphlets in English issued by the large white collar union federation TCO: *Collective Bargaining Rights of Swedish Civil Servants*, Stockholm: 1968, and *The Swedish Civil Servants, Conditions of Payment and Employment*, Stockholm: 1968.

gotiate a written collective agreement, unlike the case of Britain and Sweden (and Scandinavia generally).

PUBLIC EMPLOYEES AND THE RIGHT TO STRIKE

One of the important lessons to be learned from European experience is that in the critical matter of whether there should or can be the right to strike in the public sector, there is no single best answer. There are countries in which unions and managers have decided to dispense with the strike, and substitute alternative procedures for all dispute settlement in the public sector. In other countries the clear right to strike available in the private sector has been transferred almost bodily into the public sector. Moreover, in both systems, (as well as under variations of both which can also be found in Europe), given enough time and experience unions and government(s) have in most instances come to build a constructive relationship, with few work interruptions in the form of authorized or unauthorized strikes occurring today.

In several countries the right to strike is seemingly provided for all citizens, under the national constitution. It is not always clear, however, that this right includes civil servants. For example, in Germany although the constitution provides trade union rights for everyone, and these are presumed to include the right to strike for workers, there appears to be general agreement, among all parties, that civil servants do not enjoy the right to strike.

The general right to form unions in the French constitution, on the other hand, has led over time to the explicit acceptance of the right of civil servants to strike. A 1963 law allows civil servants strikes, provided appropriate notice is furnished to the proper authority—at least five days before the strike and the notice must indicate if it is a limited (duration) or unlimited strike, the place, date, hour, etc.⁶

In most continental European countries where this strike right has been conceded, the government, as in the case of France, can usually draw upon a reserve power, if a public employee strike disrupts a vital service. The drafting of strikers into military or national service, the use of the armed forces to man essential services—these and other devices have been resorted to, on some

⁶ Public Services International, *op. cit.*, p. 35.

occasions in the past, by the French (and a few other) governments when a civil service strike went beyond a short, token character.

Generally speaking, explicitly or implicitly, too, certain types of employees as police, firemen or members of the armed services are by law or custom forbidden from striking in most countries.

THE PUBLIC EMPLOYEE STRIKE IN SWEDEN AND BRITAIN

The 1965 statute which establishes bargaining rights and procedures for Swedish civil servants, including the right to sign full scale collective agreements, also grants the unequivocal right to strike. It was primarily to equalize the rights of civil servants with those enjoyed by workers in the private sector, that this law was enacted in Sweden.

To deal with strikes which may "imperil the public interest" in the private economy in Sweden, the leading Swedish labor federation and the Employers Confederation have a special procedure which refers the dispute to a permanent joint standing council. This council will render a decision in case of strikes, or threats of strikes, in disputes effecting any vital public interest or service.

In the public sector a special State Employee Council, the counterpart of the standing council in the private sector, performs a similar function. This State Employee Council consists of eight members, four of whom are appointed by the State and four by the central trade union organizations. Council decisions are taken by simple majority vote.

This dependence on a joint union-management body, with the implicit assumption that it will prevent strikes in essential services, is typical of the voluntaristic character of Swedish industrial relations.

On the other hand, in Britain where voluntarism has also been a hallmark of the private industrial relations scene, the union and management civil service parties have accepted a system of compulsory arbitration to resolve unsettled disputes, and strikes are a "disciplinary offense," if not precisely illegal.⁷ Actually, it was

⁷ A strike of postal employees several years back seems largely to have been winked at by the government. Punishment of a whole complement or class of employees can be next to impossible. Such strikes are extremely rare in the British Civil Service.

the civil service unions which struggled for some years to compel the government to accept arbitration as the method to resolve unsettled disputes; this was accomplished in 1925.⁸ A special Civil Service Arbitration Tribunal renders decisions which, broadly speaking, are binding on both parties.⁹

The tribunal's scope of action includes such matters as pay and allowances, weekly hours and vacations. Cases to the Tribunal are confined to whole "classes" of civil servants, and individual employees' disputes do not come before the tribunal. (These latter grievances are taken up by the union acting at the various ministry levels.)

For American students and industrial relations practitioners the character of the British civil service arbitration procedures are worth some special consideration. The commonly expressed fear of unions and management, in the U.S., that the very existence of an arbitration alternative will render collective bargaining on interest matters ineffective, with one party or the other always forcing the issue to arbitration, has been dealt with rather creatively by the British.

Negotiations leading up to any possible submission to arbitration are of two types, formal and informal. In the formal stages briefs are exchanged, and the various offers and counter offers are "on the record." At some point negotiations proceed to the informal stage where, presumably, the parties make last ditch concessions to one another in order to settle their disputes.

⁸The *voluntary* acceptance of arbitration as a means of settling important issues of interests (basic wages, working conditions, etc.) has long standing in much of British private industry, in the case of both unions and employers. This is, of course, in contrast to the U.S. where arbitration of disputes about rights (usually arising out of the interpretation and application of a collective agreement) is common, as opposed to arbitration over interest matters which is rarely practiced in the private sector.

⁹The Government must accept arbitration claims put forward by the unions: but "it is not compulsory for Government departments to go to arbitration when they themselves wish to alter conditions of service. It could not be so: the duty of Government is to govern, and steps must be taken quickly and without the possibility of challenge by a Tribunal which is not responsible to Parliament. . . ." See Richard Hayward, *Whitley Councils in the United Kingdom Civil Service*, London: Civil Service National Whitley Council (Staff Side), 1963. In practice, this power has not often been invoked by government and the procedure has worked well, although pay pauses and wage freezes in recent years in Britain have complicated industrial relations in the civil service.

If a case is not settled, and then is submitted to arbitration, the offers and positions revert to those that were on the table, on the record, as it were, in the formal stages only. Neither side can refer to the off the record negotiations, in their pleas before the Tribunal. It has not been unknown for an arbitration tribunal to make an award which one party or the other found considerably less favorable than its "opponent" had offered during the informal bargaining stages.

As a consequence of the procedure, with its elements of uncertainty, both the union or staff side, as it is generally called, and the management have come to shy away from excessive dependence on the Arbitration Tribunal. It is only the rare case that goes to arbitration today.¹⁰

The Swedish and British experiences, one with its emphasis upon full rights of negotiation and strike, and the other geared to a system or arbitration with no real right to strike, carry one general message for the U.S. Dogmatic insistence that only a "free" system of civil service bargaining with full right to strike (and lockout), or its counterpoint that there can be *no* right of public employees to strike, both seem more ideological than realistic. Neither Swedish nor British experience is *directly* applicable to our situation; both, however, suggest that there are at least several possible roads to pursue in this matter of impasse strikes.¹¹

UNION CARTELS OR GROUP BARGAINING TO EXPEDITE REPRESENTATION

One of the most vexing problems confronting many "new" civil

¹⁰ For interesting observations on the arbitration process under the Whitley Council set-up, see S. J. Frankel, "Arbitration in the Civil Service, Part 2, *Whitley Bulletin*, July 1961, pp. 103-107.

¹¹ Canadian authorities, in recent years, seem to be following a policy almost diametrically opposed to that of the U.S. as regards strikes in the public service. Unlike the U.S. legislation or executive orders on these matters in recent years, which has prohibited public employees from striking, most of the new Canadian laws permit strikes in the public service, with some stipulated exceptions. Under the federal system, at the time it gains recognition from the Canadian government, a union must stipulate whether it wants arbitration or conciliation in the settlement of a dispute to which it becomes a party. If the union "opts" for arbitration it is then bound to submit unsettled disputes to the Public Service Arbitration Tribunal, whose decisions become final and binding. If the conciliation route has been chosen, the union is free to strike, after stipulated conciliation procedures are exhausted. A majority of the unions have opted for arbitration.

service bargaining system, and the U.S. at the Federal, State and local levels is no exception, is the problem of a multiplicity of unions with bargaining rights on behalf of different groups of employees. How to compose these different claims and make the system effective is no mean task.

Confronted with the existence of several different unions operating on behalf of employees in different civil service classes or ministries, one of the most useful things the bargaining parties in most of Europe have learned is the necessity for cartel-like arrangement among the unions. In Britain and Sweden, much as is the case in the U.S., no single union has a monopoly, or even a near monopoly of recognition in the civil service, but governments and unions have devised arrangements to overcome this problem.

The national civil service unions in Britain have been grouped together in the so-called Whitley Council—first laid down by government initiative—which enables them to present a common front to public management. Similar joint bargaining cooperation has developed in Sweden, though here the route was less formal.¹²

At different stages of development, one side or the other may take the initiative in structuring these kinds of cooperative or cartel like arrangements. In the early stages in Europe, when the unions were poorly organized they were often interested in a joint approach to deal more effectively with government on civil service system wide basic issues, such as a general wage increase or major fringe benefits. As the bargaining systems "age," the government soon comes to see that joint negotiations on many items are an absolute necessity, if the government is to prevent whipsawing by different unions.

The situation in N.Y. City this past fall when the various unionized services were whipsawing city management, provided a vivid illustration of the government's need for a common bargaining table around which to meet all, or most of the unions with whom it might be negotiating. Curiously enough, an earlier N.Y. City report, sponsored by City Officials, had pointed to the need or possibility of

¹² These joint-union arrangements in both countries do not, however, preclude bargaining by individual unions on some matters affecting particular classes of civil servant employees, or those in particular ministries, whom they alone represent.

developing such group bargaining procedures.¹³ This possibility has not been pursued very vigorously by public officials.

To go down this road, of course, in N.Y. City and elsewhere, i.e., to encourage unions to cooperate with one another, to bargain jointly with public management, is likely to provide an immediate fillip to union power. It will help the unions to bargain on basic civil service regulations, matters which usually are beyond the competence of any single union since civil service rules are system wide. I suggest, however, that American public managers face this issue and act positively upon it. By taking the lead in encouraging, perhaps even insisting on joint bargaining, public managers may be able to gain some of the advantages, along with any disadvantages that the wider relationships produce.¹⁴

The foregoing examples only illustrate the constructive lessons which can be learned from public sector bargaining abroad. Surely the development of this new collective bargaining area in the U.S. should be the occasion for more reason and less conflict than has been the case in the past in the private sector, and, until now, much of the public sector.

¹³ The so-called Lindsay report, issued in 1966, sought to provide any union or group of unions representing 50% or more of the employees the right to request the city to negotiate with them, on basic hours, wages and working conditions; in other words to negotiate, presumably, on civil service rules and regulations themselves. Much of this report has since been incorporated into legislation in New York City.

¹⁴ Time prevents any discussion of what European experience suggests on where and how critical responsibility for bargaining on the public-management side might be lodged. Briefly, in Sweden the 1965 legislation established a special Government Employee Negotiations Board (Statens Avtalsverk) with full power to negotiate and sign agreements on behalf of the government. In Britain the management counterpart of the unions Whitley Council group is a special office in the Treasury, which has the power to negotiate fully on behalf of the government.

DISCUSSION

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H. G. Wells once wrote, "No passion in the world, no love or hate, is equal to the passion to alter someone else's draft." I am afraid that I am as susceptible as the next man to this fervor; therefore, it is revision or additional commentary that I would bring to each of these papers.

In part, my feeling about them undoubtedly results from the newness of the field and the rapid state of its development. For most of us, experience with public employee bargaining is at most five or six years old. It is, therefore, not surprising that the conclusions reached in these papers are tentative, and that others might wonder whether something different could not have been said. Social institutions mature at a rather slow rate, and systematic observation and analysis of them come even more slowly. Private sector bargaining, now at least a generation old, still has many unsystematized aspects. It is hardly surprising, then, that the same is true of public sector bargaining. I acknowledge with respect the efforts of each of these papers to try and bring some order into this new field. I would nevertheless suggest that much yet remains to be done.

Professors McLennan and Moskow, as I read them, tell us that multilateral bargaining occurs whenever third parties having the power to impose economic or political costs upon the negotiators influence the bargaining positions taken at the table and the outcome of negotiations. They say further that while multilateral bargaining can occur either in the private or public sector, it is far more common in the latter.

Collective bargaining, whatever else it may be, is a system for decision-making. Public sector bargaining is, therefore, a system for governmental decision-making—and they are saying that governmental decision-making is different than in private areas. Of course it is; whoever thought that it wasn't? The decisions made by the government are usually more central to our lives, affect more of us, and are directly or indirectly paid for by us all. Therefore, far more people are concerned with governmental decisions, and they bring this concern to bear on the public bargaining table. But

do we really add to our knowledge of public sector negotiations by calling this multilateral bargaining?

A concept well known in politics is the pressure group—the organized body bringing influence to bear to affect the nature of governmental decisions. Particularly germane here is the so-called catalytic pressure group that works through existing organizations to change policy direction or to accelerate the rate of developments already underway.

Is not this exactly what happened in the negotiation that McLennan and Moskow examine? Community pressure groups worked through other organizations—the school board, the school administration and the teacher's union—to achieve their ends and to ensure that certain interests already present at the bargaining table were reinforced and operative.

I would suggest that we confine the concept of multilateral bargaining to situations in which more than two parties are present at the table. A classic example is now beginning in Paris at the Viet Nam negotiations, but such three or four party negotiations are not unheard of in industrial collective bargaining. The Ocean Hill—Brownsville dispute in New York might also be considered an example of multilateral bargaining. Actual or tacit negotiations seem to have taken place there between three or four different interests, and specific agreements had to be reached with each before even the present uneasy truce was possible.

In summary, McLennan and Moskow have done an interesting job of analyzing community impact upon public bargaining. Let us, however, call it what it is—pressure politics in the classic mold.

Everett Kassalow has given us an introduction to an area about which we should know a great deal more. A number of the industrialized democracies of Western Europe have far more experience with civil service unions than we do. Despite some basic differences in fundamental institutions, I believe we have much to learn from them. My comments on Professor Kassalow's paper are more in the nature of footnotes, suggesting possibilities additional to those he mentions.

He gives a number of reasons why public employee unions came earlier in Europe than the United States. I would suggest another. The lower general propensity of Europeans to strike over interest disputes, (at least lower than the United States), may have made

public sector negotiations more palatable and easier to accept there than here.

He suggests that general wage bargaining may not be necessary for federal employees in the United States. I would agree as to employees covered by the Classification Act. I think, however, that wage bargaining for blue collar wage board personnel may not be very far away.

Professor Kassalow notes that in Britain the existence of civil service arbitration procedures has not rendered bargaining on interest matters ineffective or sterile. Perhaps so, but it is worth noting that under the new Canadian federal legislation far more unions appear to be opting for arbitration rather than for the strike alternative. In time, this development could lead to ever-increasing reliance on arbitration awards to set contractual terms. Of even more pertinence, in Australia it appears that the existence of permanent arbitration procedures has led to the virtual atrophy of public sector bargaining muscles.

He projects the likelihood of union cartels to expedite the bargaining process. I agree with the likelihood but not without some trepidation. The Belgian unions have combined so well that in the early 1960's, not liking what was offered in salary bargaining, they succeeded in overthrowing the government!

Finally, as Professor Kassalow would be the first to agree, there are many important areas not touched on in his paper. I could suggest many of these, for it is all too easy to suggest researches that someone else ought to undertake. Perhaps most important among these, however, is the question of relationships between those responsible for negotiations and those responsible for raising revenues and approving expenditures. Related to this, and of deepest concern to me, is the whole question of public resource allocation over the collective bargaining table. Hopefully, current researches, including a study that we have underway at the University of Michigan, will provide us with answers to many of these important questions in the near future.

In her paper, Jean McKelvey has given us a fascinating analysis of fact-finding. Before commenting on her work, generally, however, I would like to correct some of her figures. This necessity arises because of the problem to which I referred earlier; the rapid movement of events in this field.

Dr. McKelvey states that experience with fact-finding in Michigan has been considerably less satisfactory than that in New York or Wisconsin. I hope I will not be considered chauvinistic if I point out that the most recent data, not yet published and therefore not available to Jean, do not support this view. In the first ten months of 1968, Michigan had 94 situations in which fact-finding procedures were completed. Of these, 25 were settled by the fact-finder through mediation. This is an experience rating of 27%, slightly better than the New York experience. The fact-finder's report was accepted by the parties as a basis for settlement 46 times. This acceptance rate of almost 50% is again slightly better than in New York.

In a quarter of the cases, about the same in both states, the report was not fully accepted as a basis for settlement. The fundamental difference between our experience and that of New York is that in Michigan strikes occurred every time that the fact-finding report was not accepted, whereas in New York the unions very often accepted something less than the recommendation rather than strike. The real question to which we should address ourselves, therefore, is not why fact-finding works differently in different states but why the incidence of strikes is so much different. My own guess would be that the differences are related to the nature of punitive devices which are used against striking unions and their members, the extent of union organization and militancy, and the political environment in the different states. My hunches, however, are no substitute for sustained observation and analysis.

In conclusion, I would like to reemphasize what I believe to be the basic point of Dr. McKelvey's paper. This is that fact-finding is not a unitary and unambiguous technique to be used in dispute resolution. It is instead a vague procedure to which are attached certain attributes and ground rules that are adapted to fit whatever seems most likely to settle a particular dispute at a particular time. Fact-finding has varied functions and can at times and under certain circumstances be quite useful.

We Americans often characterize British problem-solving as "muddling through." I often think that in the field of dispute resolution we do exactly the same. Fact-finders, like everyone else involved in trying to settle critical disputes, perform varied roles depending upon which seem best to meet the problem. I, and

others like me, have been appointed to serve as fact-finders in a particular dispute only to find that before it was settled we served as mediators, advisory arbitrators, neutral chairmen of negotiations, and even as binding arbitrators. Experiences of this kind make me distrustful of trying to find *the* set of procedures—the panacea—that will provide the key to dispute resolution in the public interest.

It seems significant to me, as a student of government, that we have appeared to create solutions to critical strikes even though in a real and fundamental sense the techniques we use are only partially effective as a defense against them. Existing “emergency procedures” and “impasse procedures” are in no sense adequate to real emergencies except to the degree that the public is lulled into passivity because of the symbolism represented by the words “emergency procedures.” We of the industrial relations profession are not soothed, and we should not delude the public. We are simply engaged in an unending search for flexible techniques that will serve as a substitute for the strike and, at the same time, will keep some kind of pressure on negotiators in order to maintain the therapeutic values of unrestricted collective bargaining.

DISCUSSION

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Addressing myself first to the broad issues raised in the Kassalow and McKelvey papers, let me note that practitioners particularly, on both sides of the bargaining table in the public sector, will frequently argue today that we have become preoccupied with the strike and impasse problem and that we had ought to put the issue on the back burner for the time being, at least, and get on with the bargaining job. Some management representatives will at least secretly acknowledge that an implied (even though illegal) threat of strike does tend to keep things going in negotiations. You will even find an occasional heretic avowing that public management had ought to stop relying on the frequently unenforceable injunction against the public employee strike, and begin to focus instead on ways to take and even break a strike by its employees as a means of balancing the power of the union. As a part time practitioner in this field, I find at least one-half of me in frequent short-run sympathy with this general position. My more contemplative, academic half, though, keeps insisting that there is a public policy issue here of great importance which will not go away, and which must, sooner or later, be resolved.

Evidently the early popular position espousing the virtually complete transfer to the public sector of private sector bargaining processes and procedures, coupled, of course, with complete prohibition of the strike, was not particularly well considered. Many failed to take seriously the clear lesson from the private sector that collective bargaining is essentially a power relationship, a process of power accommodation and an essentially zero-sum game based on concession-making and compromise which virtually must, to have meaning, carry a strike risk as a necessary corollary. Those who proposed formal negotiating relationships but with the universal strike ban evidently did not foresee the difficulty or impossibility, once organization and bargaining have begun apace, of enforcing the no-strike injunction in public employment, wholly apart from the wisdom of the underlying policy decision to prohibit such strikes. In short, those who counselled extension of formal bargaining to the public sector

coupled with the strike ban, overlooked the very serious problem, as Feinsinger puts it, of "exposing the impotence of a democracy."

A number of mea culpas have been said recently in periodicals and at conferences and several illustrious practitioners and academicians who once espoused the universal strike ban have now changed their views. The emerging currently fashionable position is for prohibiting strikes in the public sector only when it can be demonstrated to a court that such strikes jeopardize the public health, safety, or welfare. I doubt that this expedient panacea is any better considered or more elegantly reasoned than its predecessor constructs in this area.

First of all, the a priori argument against the strike right in public employment seems still quite powerful, and I have as yet seen no adequate rebuttal of the "traditional" position by those who would legitimize the strike in public employment bargaining. The advent of bargaining has not changed the fact that most governmental operations have been established by the public as monopolies, which provide products and services for which there are seldom close, readily available substitutes. The still viable and powerful sanctions of the competitive market are not often operative in public employment to provide any measure of discipline to the behavior of the parties and to guarantee that the resulting deal will not be altogether at someone else's expense—with little or no concern for budgetary or market realities. It still remains true that if the strike right is granted in public employment, there is a large risk that strong organizations will benefit at the expense of the unorganized, or at the expense of the relatively small and unimportant organizations and probably at the expense of the public at large.

Some of the recent denunciations of the strike prohibition in public employee bargaining and the styling of the resulting jail sentences as "cruel and unusual punishment" have, of course, a distinctly moral overtone. As a somewhat useful antidote to any guilt feelings we may suffer in this respect, I think it useful to keep in mind one of Kurt Hanslowe's observations:

If there be any doubt about governmental authority to outlaw the concerted withholding of labor by public employees, it might be recalled that government clearly has, and has asserted, the power to outlaw rig bidding on government contracts and combinations to fix the price of goods sold to the government, as officials of several electrical manufacturing firms learned by

going to jail a few years ago. There be no duty on the part of individuals to deal with the government but if one does so the government can take the position that one cannot conspire or combine against it.¹

Secondly, I doubt that the fact that in public employee bargaining today we are faced with very rapidly evolving and shifting structures of bargaining and power balances or imbalances between the parties has been adequately faced by the proponents of legitimizing the strike in public employment. For instance, some at least of the public employee organizations in this country have the potential, through the use of strike funds based on dues from literally millions of members, for presenting medium-sized and smaller governmental employers and municipalities with a tremendous inequality of "bargaining power" which might be analogized roughly to the situation which pertains today in negotiations between, say, a small newspaper on the one hand and the International Typographical Union on the other. Of much greater significance, as Professor Kassalow points out, the structure of bargaining in the public sector is or soon will be, shifting dramatically.

To use education (by far the largest single non-federal field of government employment) as an example, there are numerous forces extant, of which bargaining is one of the most important, leading to a centralization of decision-making on at least the state, if not ultimately the federal, level. For instance, assuming that teachers and other groups of public employees continue to strike, and strike successfully, it seems inevitable that the state will find it desirable and necessary to centralize decision-making on salaries and other important aspects of the employment relationship. If, for instance, large school districts are able to strike successfully at the expense of the small, and if large powerful organizations of public employees working in relatively essential services—in or out of education—are able, through the exercise of strike power, to starve the less vital and less visible functions of government, state legislatures will have to directly assume the role of bargaining agent on the employers' side. It seems likely that if it is decided as a matter of public

¹ Kurt Hanslowe, *The Emerging Law of Labor Relations in Public Employment* (New York: New York State School of Industrial and Labor Relations, Paperback No. 4, October 1967).

policy not to prevent public employee strikes, or at least to adequately control strike activity, chaos in budget-making and other aspects of the conduct of the governmental enterprise will result, making centralization of vital governmental decision-making inevitable.

With these possibilities in mind, and with respect to the proposal for giving courts the problem of deciding when to preclude public employment strikes—in a state like Illinois, for instance, what will a court decide, or what should a court decide, as to whether a statewide strike by teachers constitutes a threat to public health, safety, or welfare? Will it make any difference whether the strike runs for a day or for a month? And, is this a type of problem which we should throw to a bewildering variety and multiplicity of courts within a given state and among the states? Disparate judgments among jurisdictions are sure to result as to who should be allowed to strike and when, to the increasing confusion and dissatisfaction of the public, their governmental employing agents, and public employee organizations alike. Can we afford to throw at our courts a constant stream of problems, involving at this moment in our history, as they will, a continuing basic challenge to the authority of the government and the orderly conduct of the public business? I have sincere doubts as to whether either the fabric of the body politic in general or the cause of bargaining in the public sector can stand this kind of strain. Also, I think we must ask whether granting a limited strike right in public employment will make it more or less difficult to prohibit those strikes which everyone seems to acknowledge must be prohibited.

All three of the papers we are considering, by both example and exhortation, should motivate a more relaxed analytic, research-based approach to the study of impasse resolution in the public sector, and should encourage us to resist adoption of easy, simplistic solutions to either the pragmatic or public policy aspects of the problem.

McKelvey has a number of specific research recommendations with respect to impasse resolution and I would endorse them all. I would add, though, that in addition to researching ways and means for inducing peaceful settlement of public employee disputes, we will also need a study of the long run impact of power exercise by public employee groups on the governmental decision-making process, and a study of the impact of bargaining in public employment on the distribution of public services and resources.

I have already touched on one of Professor Kassalow's important observations regarding a rapid shift in structure of bargaining in public employment, and I would only add that the foreign evidence obviously indicates that we have not done all we can in experimenting with creative impasse resolution procedures such as the combination mentioned by Kassalow, of simultaneous formal and informal bargaining looking toward the possibility of either settlement by the parties or fact finding.

With respect to Moskow and McLennan, I don't feel that they have proved their case regarding the multilateral nature of public employee bargaining. The single piece of evidence from which they adduce multilaterality relates to a concession made on teacher transfer rights by the teacher union in one of our large cities. The concession was demanded by the board, under pressure from minority and civil rights groups, in the interests of achieving balanced, integrated staffing. Now this is admittedly a subjective judgment on my part, but given what I know of the transfer problem in big city school bargaining, the concession made in this instance was relatively slight and has had little ultimate impact on the problem of balanced staffing among the schools of the city in question.

What we have in the Moskow-McLennan case, I think, is some evidence that interest groups had an impact on negotiations, little evidence that the impact was at all significant in magnitude, and no evidence that any impact which was manifested resulted from the ability of the interest groups to impose any direct, short run costs on the parties at the bargaining table for their failure to agree on terms specified by the interest groups. To achieve status as a party to a multilateral bargaining relationship, it seems to me that you would have to prove that you exercised a relatively significant degree of power in the negotiating process and, accordingly, that you had a significant impact on the outcome.

The Moskow and McLennan theorizing is elegant and their case study is most interesting; they describe a process which they would prefer to call multilateral and which I would still style as essentially bilateral. Is the terminology important? Yes.

To label public sector bargaining multilateral strongly implies that affected consumers, taxpayers, or other interest groups impose constraints on the parties at the table and wield significant power in the bargaining process. Because of the possibly vital nature of the

service provided and the monopoly power status of the enterprise and the employee group, exactly the opposite is more likely, on net, to be the case. The nub of the strike problem in public employment is that while consumer groups set the outer boundaries for settlement by the parties in the private sector by imposing implied or actual cost[s], in terms of sales and employment opportunities, such costs are clearly not imposed, at least in the short run, on the parties in public sector bargaining.²

My judgment to date is that in comparison with the kinds of usually conclusive pressures that the market mechanism transmits to the parties in private sector bargaining, interest group activity in public sector bargaining is, on net, a pathetically inadequate and impotent substitute. Indeed, there is good reason to believe that the ultimate impact on the educational enterprise of interest groups of the sort to whom Moskow and McLennan would assign bargaining process "participant" status has been less since the advent of bargaining and since the creation of the teacher bargaining unit as a strong independent power center than before. So far, as in the recent New York struggle over decentralization and community control, any interest group activity or power exercise that approaches effectiveness must evidently be of a magnitude which threatens destruction or wholesale restructuring of the governmental enterprise and escalation of disputes which far transcends the negotiation process.

²Of course, "public vs. private" is no longer the crucial distinction to be made in analyzing the impact of employee group power in collective bargaining on goods and services markets in the U.S. For instance, in the private sector, if the service or product lost by a strike results in complete unavailability of a relatively essential product or service, public displeasure will be manifested through political channels, much as is the case in the public sector. It's not public or private that makes the difference, it's essentiality or non-essentiality and monopoly or non-monopoly status of the enterprise and the employee group that now distinguishes the limits of power and the invocation of market or political sanctions.

IV

UNION-MANAGEMENT COOPERATION REVISITED *

THE SCANLON PLAN—PAST, PRESENT AND FUTURE

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Since the book, *The Scanlon Plan: A Frontier in Labor-Management Cooperation*,¹ was published in 1958, there have been few published reports on subsequent developments. It will be the intent of this paper to bring up to date later developments in the use of the Scanlon Plan and to examine the growth and significance of the Plan and the Scanlon philosophy in today's labor-management relations scene.

In reviewing these developments, we shall attempt to place in proper perspective some various aspects of the Scanlon Plan and hopefully correct some misconceptions about what the Plan is and how it should function. The specific aspects of the Scanlon Plan which are often given greatest attention are: (1) as a plant-wide incentive system, (2) as a vehicle for employee participation, and (3) as a focal point for union-management cooperation. These areas will be discussed, particularly as they relate to Scanlon's basic philosophy.

I. Criteria for Judging a "Scanlon Plan."

The sparse literature² which has been published in the last ten

¹ Fred G. Lesieur (ed.), *The Scanlon Plan: A Frontier in Labor-Management Cooperation*, M.I.T. Press, 1958.

² Robert B. McKersie, "Wage Payment Methods of the Future," *British Journal of Industrial Relations*, Volume I, No. 2, June 1963, pp. 191-212.

J. J. Jehring, "A Contrast Between Two Approaches to Total Systems Incentives," *California Management Review*, Volume X, No. 2, 1967, pp. 7-14.

Herbert R. Northrup and Harvey A. Young, "The Causes of Industrial Peace Revisited," *Industrial and Labor Relations Review*, October 1968, Volume 22, No. 1, pp. 40-42.

*The discussion by Victor Gotbaum, presented in this session, is not included in the published *Proceedings*.

years on the Scanlon Plan reflects largely a lack of understanding of the real contribution which Joseph N. Scanlon made in the field of labor-management relations. The three articles cited above, which are based largely on individual case studies, reflect an academic bent toward putting the Plan in certain categories. The Scanlon Plan is looked upon as being a plant-wide incentive system with a particular type of measurement indicating the degree of success,³ or the Plan is looked upon as a kind of committee structure within a plant through which suggestions are processed.

It is only natural that these structural elements of the Plan be given attention in an academic study, as they provide tangible measures which can constitute criteria for success or failure. However, the emphasis which has been given to these structural aspects unfortunately overlooks the importance of Scanlon's philosophy. Scanlon felt that the structural aspects of the Plan were only tools for implementing the basic attitudes and philosophies of the various parties in their efforts to achieve union-management cooperation and employee participation.

In short, Scanlon would have looked upon some of the particular case situations in the mentioned literature as being empty shells of structure, similar in outward appearances to a true Scanlon Plan but lacking the heart, the emotion, the philosophy, and the attitude of a truly cooperative enterprise. Scanlon felt that every employee could contribute on his job a great deal more than the usual company organization permitted. When he talked about employee participation he was talking about two-way participation, that is, from the bottom up and the top down, 8 hours a day, 5 days a week, 52 weeks a year. The degree of employee involvement in company problems and the management leadership directed toward this end were of primary importance to Scanlon. The structural elements of the Plan were secondary.

II. Some Misconceptions.

Some misconceptions about the Scanlon Plan seem to be so widespread as to require clarification in this paper. Three such misconceptions are: (1) that the type of productivity measurement employed identifies whether or not a plan is considered a Scanlon

³ The Scanlon Plan is sometimes categorized as a "production sharing plan." See J. J. Jehring, *op. cit.* p. 8.

Plan, (2) that a type of committee structure in the factory organization identifies a Scanlon Plan, and (3) that the presence of the structural elements denoting a Scanlon Plan is sufficient basis for judging the particular application of the Plan.

An apparently very widespread misunderstanding revolves around the feeling that if a plant-wide incentive plan utilizes a particular type of productivity measurement, that plan automatically is labelled a Scanlon Plan, whereas if the plan utilizes a different measurement of productivity it should not be considered a Scanlon Plan. Perhaps the reason that a Sales Value of Production⁴ type of measurement has been considered synonymous with Scanlon may be due to the fact that the example used for illustrative purposes in the book happened to be a Sales Value of Production type of measurement.

Actually, the Scanlon philosophy has been implemented in each of the situations with which we are familiar by a study of accounting data to determine what type of measurement best fits the accounting system and other needs of the particular situation.

Scanlon himself did not say that one type of measurement was preferable to another. He did say that the type of measurement employed should fit the needs of the particular situation and that it should be kept as simple as possible to promote maximum understanding on the part of employees. In fact, in some of his early work Scanlon utilized profit-sharing⁵ as a basis for determining performance and bonus rewards, yet it is amazing how many people today think that if the basis for bonus is profit-sharing the particular plan has no relationship to a Scanlon-type plan.

At a Scanlon Plan Conference held in April 1968 under the auspices of the Industrial Relations Section of the Massachusetts Institute of Technology, twelve companies with extensive experience under the Scanlon Plan reported four different types of measurements being employed. Of the twelve companies, three reported that they used the relationship between total payroll and net shipments as

⁴ Fred G. Lesieur, *op. cit.*, Chapter 6, pp. 65-79, "Sales Value of Production" is net shipments during the accounting period plus or minus the change in inventory.

⁵ Joseph N. Scanlon, "Profit Sharing Under Collective Bargaining: Three Case Studies," *Industrial and Labor Relations Review*, Volume 2, No. 1, October 1948, pp. 58-75.

See also Russell W. Davenport, "Enterprise for Everyman," *Fortune*, Volume XLI, No. 1, January 1950, p. 2.

the basis for bonus determination. Seven of the twelve companies said they used a Sales Value of Production type of measurement, but among these seven there was wide variation in practice as to what was considered Sales Value of Production. In some cases, the change in total inventory was used in addition to net shipments to arrive at the Sales Value of Production; in other cases only a partial inventory was used; in some cases the inventory was valued at cost; in other cases inventory was adjusted to achieve a sales valuation. One company of the twelve reported using a Value Added type of measurement.⁶ The twelfth company reported that it used the relationship between payroll and a count of physical production units upon which sales dollars were imputed.

Clearly the practice of companies using the Scanlon Plan does not support the view that the type of measurement used is synonymous with Scanlon. On the contrary, a review of situations using the Plan shows that there has been a great deal of variety with respect to the type of measurements employed.

A second area of considerable misunderstanding involves the identification of a Scanlon Plan by the mere presence of a particular type of committee structure. Although it is true that a typical Scanlon Plan implements employee participation through a system of departmental committees and an overall plant committee, the mere presence of such a committee structure does not necessarily denote the Scanlon philosophy at work.

Our experience in working with a wide variety of Scanlon applications suggests that the *kinds* of employee and committee activity may be far more important in determining the success of the enterprise than is the mere structure of the committee system. In the eyes of many (including some of the "experts" who have been making case studies of the Scanlon Plan),⁷ the committee structure is viewed simply as a vehicle through which suggestions by employees are processed. Processing suggestions is only one of a number of functions performed by Scanlon committees. In fact, the most successful Scanlon activity finds such committees discussing departmental problems, company problems, setting goals and targets, analyzing cost factors, and in general supplementing and implementing

⁶ "Value Added" is Sales Value of Production less purchased materials.

⁷ See footnote 2.

any of the management and accounting tools which are available in the company.

A third area of misunderstanding which should be clarified if the Scanlon Plan is to be placed in its proper perspective involves the lack of recognition that the attitudes and philosophies of the parties entering into the Plan are a very important ingredient as opposed to the structural elements of the Plan, (i.e. the type of measurement and committee structure).

We are not familiar with the situation described by J. J. Jehring which he says was "patterned in a broad way after the Scanlon production-sharing program."⁸ However, from reading the study it should be easy to predict that the departmental committees would not function very effectively where they are set up on the basis that "foremen could not serve on the production review committee, and the committee was in no way to conflict with the responsibility and duties of the foremen."⁹ Also, it should be easy to predict that any type of bonus measurement will not be successful unless it is administered with a view to protecting the equity of all parties concerned during conditions of substantial change. The management of the company described in this case study clearly did not want Scanlon activity nor did it subscribe to Scanlon's philosophy. It apparently wanted some sort of automatic bogey which would pay bonuses when the company was profitable.¹⁰ It should also be mentioned in connection with this case study that the maintenance of an individual incentive system in conjunction with a so-called Scanlon Plan is a practice that is very definitely contrary to Scanlon's philosophy.

While discussing the literature, some brief mention is due the Lapointe case study on industrial peace revisited ten years later.¹¹ The conclusions reached from these authors' field research are essentially that the company was mismanaged in many basic respects during the period from 1952 to 1962, and that the Scanlon Plan

⁸ J. J. Jehring, *op. cit.*, p. 8.

⁹ *Ibid.*, p. 9.

¹⁰ For some conclusions expressed by a very able group of researchers who looked at several cases of Scanlon philosophy in action, see Sumner H. Slichter, James J. Healy and E. Robert Livernash, "Union-Management Cooperation." *The Impact of Collective Bargaining on Management*, Chapter 28, pp. 864-877.

¹¹ Northrup and Young, *op. cit.*

in that situation did not provide the atmosphere for good management or for good performance on the part of employees.

The executive vice president of the Lapointe company during the period of time from which Northrup and Young have drawn their conclusions has read their findings. He has submitted for publication a report bearing on the facts contained therein. Without attempting to preempt Mr. Dowd and his publication, his statements of fact which he of all people can well document should not be overlooked here.¹² In brief, Mr. Dowd states that contrary to what Northrup and Young seem to have learned from the management which succeeded the Prindiville ownership, the Lapointe Machine Tool Company was a most vibrant and active leader in its industry during the period in question. Lapointe's leadership included the areas of product design and engineering, sales industrial engineering, equipment maintenance, and ability to expand productive capacity in the face of national emergency (the latter in spite of having to train unskilled people to perform highly skilled operations while expanding capacity three-fold).

He says that Lapointe was profitable during periods of drastic reduction in product demand as well as drastic expansion. Contrary to the Northrup and Young conclusion that the company suffered a loss of market share, Dowd cites the Department of Commerce and the National Machine Tool Builders' Association reports which show that Lapointe, in fact, improved its sales position by approximately 50%; in other words from 20% of the market to 30%. Mr. Dowd, in effect, concludes that the Scanlon Plan was an integral part of the program at Lapointe for furthering excellence and leadership in terms of product design, engineering, manufacturing capabilities, and labor relations. He further concludes that the situation has turned back towards the previous position of internal cooperation since the ownership has again passed hands.

III. Growth and Significance of the Scanlon Plan.

In the past ten years there has been a steady and substantial growth of applications of the Scanlon Plan and also interest in the Plan in terms of inquiries to the Industrial Relations Section at

¹²The following conclusions and excerpts are from the as yet unpublished statements of Mr. Edward M. Dowd, former executive vice president, Lapointe Machine Tool Company, Hudson, Massachusetts.

M. I. T., inquiries to Fred G. Lesieur Associates, Inc., and in purchases of the book previously mentioned.

At the time the book¹⁸ was published, there were perhaps 50 to 60 known situations in which a Scanlon type of plan was in use. At the present time, ten years later, there are approximately 120 to 130 situations utilizing a Scanlon Plan. In addition to these situations that are definitely known to us, evidence suggests that there probably are anywhere from 300 to 500 situations in the United States and Canada employing some version of a Scanlon-type plan.

The number of inquiries concerning the Scanlon Plan channeled either through the Industrial Relations Section at Massachusetts Institute of Technology or through Fred G. Lesieur Associates, Inc., has numbered between 50 and 100 per year during the past ten years. It is impossible to ascertain how many such inquiries have been followed up with an installation of a Scanlon-type plan. However, we do run across enough situations later on that have installed some version of the Plan to suggest that the number of such installations may be substantial.

Sales of the book have exceeded all original expectations since its publication in 1958, and is in its sixth printing. This book has been something of a best-seller for its publisher, M. I. T. Press. Contrary to the pattern of sales for many books, sales of *The Scanlon Plan* have not tapered off with the ensuing years but continue at a relatively high rate ten years after its original publication. In fact, M. I. T. Press has recently made the book available in soft cover in addition to the original hard cover version. This suggests that the publisher anticipates a continuing high rate of sales.

Participation in Scanlon Plan Conferences which are held periodically by the Industrial Relations Section of the Massachusetts Institute of Technology has shown a similar increase in interest. Ten to fifteen years ago, such Conferences found several "interested" companies represented and perhaps 50 to 75 participants in session. In the most recent such Conference, the companies represented numbered 26, and the number of participants from 150 to 170 persons. Each ensuing Conference has seen a steady growth in attendance and participation.

Attendance at these Conferences includes a group of new companies interested in learning about the Scanlon Plan and a group

¹⁸ Fred G. Lesieur, *op. cit.*

of companies with actual experience operating under the plan. The participants with experience under the Plan spend approximately half of their time at the Conference sharing their experiences with the other teams from companies using the Plan. The remainder of their time is spent in discussing their experiences with the newcomers who are studying the Scanlon Plan for the first time. Growth in attendance at these Conferences has been roughly proportional between interested newcomers and experienced Scanlonites.

To us, one of the most significant signs of emerging interest in the Scanlon philosophy is the size of corporations which have recently indicated their interest. Ten years ago it was commonly thought that application of Scanlon was limited to small and medium-sized firms and was more predominant in privately owned than in public corporations.

In contrast, the attendance lists of the most recent Scanlon Conferences at M. I. T. have included a number of very large corporations. Scanlon's concepts have been successfully applied in a division of one of the world's largest corporations and have been under the careful scrutiny of a number of other corporate giants. One billion-dollar corporation has its vice president of personnel make periodic reviews of developments in the application of the Scanlon Plan. Another internationally recognized industrial leader has successfully adopted the Scanlon Plan in one of its divisions and is currently studying the Plan's applicability in its other operations. Table I shows the size distribution of companies attending the two most recent Scanlon Conferences at M. I. T.

The situations which have reported to us their experiences under a Scanlon Plan suggest that the benefits of applying Scanlon's philosophy of union-management cooperation and employee participation may be substantial. These reports provide an interesting contrast when compared with the kinds of union-management problems that one reads about in the newspapers daily.

The number of strikes reported by these situations have been few and far between. These experiences tend to support the view that both parties in labor negotiations can approach the bargaining table in an adult and constructive manner and can arrive at mutually satisfactory settlements without the need for strikes.

In areas of labor contract administration, these situations report relatively few grievances and relatively little need to seek out-

TABLE 1
Corporate Size Distribution of Companies Attending Scanlon Conferences: In
Terms of Annual Sales Volume (in 000,000)

Annual Sales (Millions)	1968 Conference		1965 Conference	
	With Plan	Without Plan	With Plan	Without Plan
Under 10	4	1	4	3
10-25	3	3	2	1
25-50	1	1	1	1
50-100	1		3	
100-200	2	3	1	
200-300	1	1	1	1
300-400		1		
400-500				
Over 500	1	3		3
Total Companies	13	13	12	9
Listed on New York Stock Exchange	4	6	4	3
Listed on American Stock Exchange	1			
Average years of experience with Scanlon plan	9		7	

side help in the form of arbitration of grievances. There appears to be widespread feeling in these situations that by living Scanlon's philosophy in the work atmosphere can result in relatively more human activity directed toward constructive thoughts about improving the performance of the operation and relatively less human activity directed in the areas of dispute. The net result appears to be a company with a better competitive position and better profitability, and employees whose total pay including Scanlon bonuses tends to be higher than comparable jobs in the labor market.

The one quantitative study which has been made of the productivity achievements enjoyed in a number of Scanlon Plan situations was reported in the 1958 book.¹⁴ The results of that study indicated that the ten situations had achieved in excess of a 20% improvement in productivity as compared with their own base period experience. Reports from other companies during the ensuing ten years suggest that the conclusions of that study represented a fair sample of successes achieved under the Scanlon Plan.

In a forthcoming paper which we are preparing for the *Harvard*

¹⁴ *Ibid.* Chapter 10, pp. 109-117.

Business Review, we examine the experience of three situations, each having at least fourteen years of working with the Scanlon philosophy, and each of which is substantial in size and complexity. It is hoped that in that paper we can discuss in detail which is not possible here some specific environmental factors which have been considered inhibiting with respect to successful application of the Scanlon Plan. Each of these situations has undergone substantial change in either ownership or leadership, both management and union. Each has had periods of substantial growth and prosperity and periods of economic hardship and lack of bonus opportunity. Each faces a different type of competitive product market; each is in a different type of labor market. The conclusions reached from that study are that in spite of size and complexity and changing environmental conditions, Scanlon philosophy can be implemented over the years with continuing success during good times and bad.

IV. Conclusions.

As we have attempted to describe, recent literature on the Scanlon Plan has tended to place too much emphasis on the structural elements of the Plan and too little emphasis on Scanlon's underlying philosophy. If Scanlon's intentions are to be followed, the Plan should not be viewed simply as a plant-wide incentive system or a suggestion system. Rather the Plan should be looked upon as a total program, a philosophy of how management and employees (and the trade union) can work together in a cooperative fashion.

The last ten years have seen substantial growth in interest in Scanlon's ideas. We expect to see this rate of growth increase in the next ten years. Certainly, Scanlon's philosophy sincerely applied can make an important contribution to the improvement of labor-management relations in almost any enterprise.

UNION-MANAGEMENT COOPERATION—IS THERE AN AGENDA FOR TOMORROW?

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This paper bears its present title because I think we must ask the question in this way before we can offer a reasonable speculation about the focus of union-management cooperation in the future. The atmosphere and expectations around the Scanlon Plan and other—in my view, less well-conceived—frameworks for cooperation seem to have changed substantially since the early 1950's. The literature, popular and professional, has, in the past decade, been virtually silent on a subject which evoked considerable discussion twenty years ago. Except for special cases, such as the TVA and the Nunn-Bush Shoe Corporation,¹ little new writing has been done. Recent studies have either ignored² or denigrated³ union-management cooperation as a serious factor in American industrial relations. Our leading students in the field have looked at developments outside the United States rather than within.⁴

Since the decline of the "employee representation plans" of an earlier era, serious efforts of labor-management cooperation have been confined to a relatively small number of instances in the United States except during World War II, when there was first a rise and then, after the war, a substantial decline.⁵ But the small

¹ Martin Patchen, "Labor-Management Consultation at TVA," *Administrative Science Quarterly*, Vol. 10 (September 1965), pp. 149-174; Henry Lightfoot Nunn, *Partners in Production—A New Role for Management and Labor* (Englewood Cliffs: Prentice-Hall, 1961).

² Milton Derber, W. E. Chalmers, and Milton E. Edelman, "Union Participation in Plant Decision-Making," *Industrial and Labor Relations Review*, Vol. 15, No. 1 (October 1961), pp. 83-101.

³ Herbert R. Northrup and Harvey A. Young, "The Causes of Industrial Peace Revisited," *Industrial and Labor Relations Review*, Vol. 22, No. 1 (October 1968), p. 47.

⁴ Adolf Sturmthal, *Workers Councils* (Cambridge: Harvard University Press, 1964); Dorothea de Schweinitz, *Labor-Management Consultation in the Factory: The experience of Sweden, England, and the Federal Republic of Germany* (Honolulu: University of Hawaii, Industrial Relations Center, 1966).

⁵ A survey published in the *Monthly Labor Review* in August 1948, covered 287 joint committees; cf serial No. R1931, "Joint Production Committees," cf also Bureau of National Affairs, "Plant Labor-Management Committees," BNA's Personnel Policies Forum, June 1951.

Sumner H. Slichter, James J. Healy, E. Robert Livernash, *The Impact of Collective Bargaining on Management* (Washington: The Brookings Institution, 1960), p. 843.

number of cases did not deter students like Sumner Slichter and his co-authors from identifying the Scanlon plan as "a contribution to the art of management of first importance."⁶ Writing in 1949, Ernest Dale said:⁷

The accomplishments of the Cyril Bath Company, the Adamson Company, and the Apex Electrical Manufacturing Co. may in time become as well known as those famous plans begun some years ago—the Amalgamated Clothing Workers, the Baltimore and Ohio Railroad, the Canadian National Railways Plan.

The National Planning Association series which Clinton Golden supervised⁸ marked the culmination of a preoccupation with certain questions of labor-management relationships which seemed at the time to be of central importance to our economic and social order. They arose out of the events of the 1930's and 1940's which are the backdrop to industrial relations in our era. The tensions and polarizations of that period were alarming to some, stimulating to all. They led researchers in industrial relations in a search for arrangements which would respect the newly won rights of the industrial unions and at the same time offer the hope of stabilizing and supplementing the pattern of conflict through which these rights were being painfully established. Stability has a deep appeal in a society like this one, which historically shuns and disapproves of class warfare, values economic progress, and has traditionally used and sanctioned collective bargaining as an instrument which protects and advances these values.⁹

In this context, union-management cooperation appeared to offer much. It grew directly out of, and scrupulously respected, the newly-won bargaining rights and status of the new industrial unions. By altering the adversary posture to one which could deal with joint concerns and interests, it encouraged the relationship between the parties to broaden, and its style to change. It put workers' insights and perceptions to constructive use, harnessing them to legiti-

⁶ *Ibid.*, p. 877.

⁷ Ernest Dale, "Greater Productivity Through Labor-Management Cooperation," American Management Association, Research Report No. 14 (1949), p. 173.

⁸ Clinton S. Golden and Virginia D. Parker, editors, *Causes of Industrial Peace Under Collective Bargaining* (New York: Harper, 1955).

⁹ The unpublished as well as the published work of John R. Commons shows a deep attachment to these values in labor-management relations; cf. Louis Hartz, *The Liberal Tradition in America* (N.Y.: Harcourt, Brace & World, 1955).

mate self-interest. Its group incentive provisions made explicit the joint interests of workers and owners in the economic welfare of the enterprise, recalling and reinforcing an ideological argument stated somewhat earlier by Elton Mayo.¹⁰ It seemed to offer ways of grappling with some concerns of long standing to students of industrial society, such as alienation of workers from work, the furtherance of industrial democracy, and particularly the threat of perpetual class conflict.

The avoidance of resolution of conflict has been a perennial theme in American political and economic speculation. In economic life it had found earlier expression in the employees representation plans (ERP) and in the NRA; each was an attempt to find alternatives to conflict as a framework for organizing economic and social life. Union-management cooperation seemed to many to be a sophisticated and effective way to pursue and perhaps achieve that elusive goal. In his work, beside his integrity, energy, charm and perception, it always seemed to me that Joseph Scanlon understood and responded to these deep concerns, and that this was a major reason why his work had such appeal to students of my generation.

What we need now to ask is whether these same questions still matter and, if not, what has changed. Skeptics have often pointed out that the incentive to adoption of a Scanlon-type plan, or to other versions of labor-management cooperation, was rooted in the need to meet a crisis involving the very survival of the enterprise itself, and would therefore be limited in its appeal. Such plans were also seen as limited to enterprises where labor costs were an important share of total costs, where sophisticated means to standardize and to control such costs were not available to management, and to firms small enough to enable the commitment of top leadership on both sides and the committee structure itself, to function effectively.¹¹ The record appears to support the realism of such

¹⁰ *The Human Problems of an Industrial Civilization* (Cambridge: Harvard University, 1933), pp. 138-160).

The Social Problems of an Industrialized Civilization, ibid., (1945).

The Political Problems of an Industrial Civilization, ibid., (1947).

¹¹ Industrial Relations Counselors, "Group Wage Incentives—Experience with the Scanlon Plan," by Roy B. Helfgott, February 2, 1962. Shultz's effort to minimize these limitations does not, in retrospect, seem wholly persuasive; cf. George P. Shultz, "Variations in Environment and the Scanlon Plan" in Frederick G. Lesieur, ed., *The Scanlon Plan* (Cambridge: MIT Press), pp. 100-108.

limitations, at least so far, but this in itself does not invalidate the possibility of transcending them; indeed, the Kaiser Steel-United Steelworkers of America agreement appears to do so, though its permanence is still far from assured. The question is whether the dynamic forces once so active in private industrial relations are still at work. It was their implicit threat to stability, and the specter of possible class warfare, which provided the major stimulus to serious efforts directed toward confining and channeling labor-management conflicts and converting them to something more "constructive" and less threatening.

It seems to me that to ask these questions is virtually to answer them, in the negative. What were once seen as intractable and explosive conflicts have ceased to be so. Twenty years of further experience have demonstrated that in the private industrial sector, collective bargaining works; i.e., it meets workers' basic demands, it permits private profit and growth, it satisfies and fortifies the forms of organization on each side of the bargaining table: private management and free labor unions. The twenty years in question have been years of almost uninterrupted economic growth and prosperity, providing little basis for serious confrontations on traditional collective bargaining questions. The important strikes in the private sector have not been the life-or-death struggles of an earlier era. Many of the problematic questions which students of industrial relations once asked have been answered; something like permanent peace and mutual acceptance for mutual survival are now so widely spread and deeply rooted that they appear to be beyond challenge in private industry. Fringe benefits now probably exceed 25 percent of payroll costs in manufacturing. Annual salaries have begun to replace hourly wages. Extended leave benefits are now part of collective bargaining contracts. Health and welfare plans increase in scope and value. Pension benefits continue to rise, retirement ages to fall, and vesting rights to spread. There are few frontiers remaining to be breached. Indeed the problem seems more to preserve life and spontaneity against the routinization of the bargaining relationships than to worry about questions which once seemed central. In many respects private industry resembles the landscape which Mayo sought to evoke, though it may lack the savor and satisfaction that was part of the original description.

In the meantime the center of attention in labor-management

questions has shifted to new areas which offer many of the same challenging and perplexing questions which once so exercised us in private industry. Of these there are two which stand out: the struggle of the farm workers, and the development of collective bargaining in public employment. Both often appear to be reenactments of the earlier scenarios in industry in many respects, though not all; it is the passions which are aroused, the moralistically absolutist form in which the issues are often posed, and the real commitment of the workers involved to a struggle for rights and recognition which are most like the earlier struggles.¹²

It is therefore not surprising that the search for ways to transcend the present struggles should once more be under way, this time focussing on the public sector in response to the new militance of the major unions in the field, led by the American Federation of State, County and Municipal Employees (AFSCME) and the American Federation of Teachers (AFT). Indeed, this paper was suggested in part because of a program which involves union-management cooperation in support of innovative skills improvement and employee upgrading efforts in New York City, sponsored by District Council 37 of AFSCME and city officials operating the municipal hospitals. The details about the first programs in this effort have been described elsewhere;¹³ in brief, they involve, with the help of federal manpower training funds, in-service up-grading for low-level hospital workers, enabling them in some cases to move into licensed occupations, without interrupting their employment or jeopardizing their income and their seniority and other rights. The union involved, having adopted career opportunity as a central—and innovative—collective bargaining demand, has plans to enlarge these first efforts and to change in certain fundamental ways the process by which municipal agencies recruit and promote employees,

¹² The New York Times, a sophisticated observer of labor-management relations, has nevertheless been one of the most outspoken opponents of public employee strikes, prophesying doom in response to *any* such strike, by *any* group or workers, for *any* reason. One must wonder whether future students of labor-management relations will view these attitudes in retrospect any less harshly than contemporary students respond to the anti-strike, anti-labor views of the media in the pre-1950's era.

¹³ Richard A. Bumstead, "LPN Training: It's Worth the Struggle," *Training in Business and Industry*, Vol. 5, No. 4 (April 1968), pp. 30-33.

Sumner M. Rosen, "Building Career Ladders in Health Occupations—Opportunities and Obstacles (mimeo), New Careers Development Center, New York University, 1968.

just as it has already done with traditional systems of payments, pensions, and fringe benefits.

This program began as a response to deeply-felt needs on the part of the workers directly involved. It also reflects one of the important factors which differentiate the private and the public sectors, i.e., that public employees share with citizens at large a common stake in the relationship between the cost and the quality of tax-supported public services. Their special stake, of course, is their ultimate dependence on the taxpaying public for political sanction of the level of wages, hours, and benefits established through collective bargaining. Still another consideration is the growing dependence on public employment of the racial minorities now increasingly part of the central city population. There are several aspects to this development:

—it unites workers and citizens who share a common dependence on such municipal activities as health, welfare and education

—it heightens the importance of finding new ways to meet the skill and educational requirements for effective employment and meaningful opportunity in these activities;

—it poses the possibility that failure to deal with the issue of quality of service will create or exacerbate tension and ill-will between community residents on the one hand and workers in city agencies on the other, thus threatening part of the political base of support for union efforts to improve the lives of members;

—the increasing stress on decentralization and community control of key municipal activities makes it urgent that union and community groups share, as far as possible, a common agenda of action as well as a common experience of cooperation, lest conflict develop over the legitimate role of each in the area of employee rights, access to employment, and accountability for work performance.¹⁴

Do these factors provide a strong basis for the establishment of cooperative measures in public employment? If so, how meaningful and enduring are they likely to be? The impetus which has dramatized organizing and bargaining efforts in public employment will continue, and the struggle will not be easy. One reason is

¹⁴ The failure of the United Federation of Teachers in New York to understand this imperative was one of the more tragic aspects of the teachers' strikes in 1968, and will have serious long-run consequences.

that the federal-state system precludes the rapid establishment of a common framework of law and precedent in public employment, where the bulk of employees work for states and municipalities, as compared with the largely federal framework which has dominated rule-making for the private sector. Another is the backwardness of development of management skills in public employment, though these skills may, as happened in private industry, be upgraded relatively quickly where there is need to respond to the pressures of the unions. However, the system is far too fragmented to be overly optimistic in this regard; we will therefore see for some time a continuation of a defensive response by most public officials to unionism—bureaucratic, unimaginative, and unwilling to come to terms with the prospect of permanent and effective unions of public employees.

Cooperation, whether around skills upgrading or in other areas, requires that the basic ground rules between the parties be reasonably clear, that officials recognize the legitimacy of union representation, that they understand—if they cannot accept—the imperatives in union life which require, on occasion, militant action and energetic representation of workers' grievances and demands. Employers must learn to tolerate a style which may be the antithesis of the cautious, systematic approach characteristic of public administrators, and to focus on substantive questions about which the parties may have considerably more in common than emerges in any adversary encounter. Even in major cities, public officials are extremely slow to learn these lessons, even where the substantive questions of union recognition and legitimacy may be settled.

I am therefore drawn to the conclusion that labor-management cooperation in public employment is unlikely to spread widely or to establish deep roots in many places, principally because the basic struggle for union legitimacy and security will be so difficult to win. At the same time, I expect those few cases which offer the proper blend of circumstances—strong unions, relatively sophisticated public officials, a felt need to focus on the quality of public services—to develop some important innovations not yet seen in either the private or the public sectors. One such model is now under discussion in New York City. It involves the cooperative efforts of the city, the unions, and the universities in a new system of recruiting, training and upgrading municipal employees, using training and

testing methods which depart significantly from traditional civil service procedures, and are designed specifically to respond to the needs of racial minority members who are blocked, for a variety of reasons, from entry and career advancement in most city and state systems. It proposes to do this without compromising on the quality of service, though dealing realistically with some of the institutionalized means by which ability is traditionally measured, which may not be relevant to actual job requirements. It should also be noted that the New York City hospitals program provided the stimulus for an important union in the voluntary (non-profit) hospitals to negotiate a path-breaking training and upgrading program of its own. Local 1199 of the RWDSU has secured agreement from the League of Voluntary Hospitals in New York City, representing seventeen institutions with approximately 15,000 union-represented employees, that beginning July 1, 1969, one percent of gross payrolls—approximately \$1 million per year—will be set aside in a jointly-administered trust fund to conduct training and upgrading programs for these employees. The union sees this fund as making it possible to upgrade workers from the aide level to some of the credentialled and licensed occupations, particularly those, such as nursing, which are in chronically short supply. In so doing, with the cooperation of educational institutions, they will try to bridge what S. M. Miller has called the “credentials barrier,”¹⁵ which excludes so many minority group workers from access to these occupations under normal circumstances.

Such efforts are worth noting because, beyond the special concerns of public employers and unions, they involve large questions of manpower strategy which badly cry out for innovation and improvement. Successful integration of recruiting, training and promotion functions under the joint sponsorship of labor and management, and involving the skills and impartiality of the universities, may offer a model which can be emulated elsewhere, where our more traditional efforts at solving the underemployment problem have so far foundered badly, despite the commitment in recent years of significant resources, both public and private. If the efforts now being planned succeed, union-management cooperation will indeed

¹⁵ S. M. Miller, “Breaking the Credentials Barrier,” Ford Foundation reprint, 1967.

have produced an important social achievement. Those of us directly involved are guardedly hopeful.

Other areas for union-management cooperation which more closely resemble those familiar to us from the private sector may suggest themselves in the future in public employment as well, but there are several reasons why this is not likely to happen with much frequency. Despite the conventional rhetoric which values efficiency in tax-supported activities, the pressure of costs in a competitive setting, which is close to the heart of the Scanlon Plan, is absent in public employment. Public employment itself is based on political decisions as to what activities are necessary for society to undertake; cost is properly a secondary factor in these decisions. So many decisions about the organization of public activities, which directly affect costs, must be made in response to other than the criterion of efficiency that the efforts of employees are not likely to play the kind of role which has been characteristic of successful Scanlon Plan cases.

These are, moreover, issues in public employment more pressing than efficiency; perhaps the most important of these is the question of employment and career opportunities to the disadvantaged of our society. Given the relative stagnation of employment in the private sector,¹⁶ public employment will be the decisive area for present and future generations of minority groups, particularly those in the great cities. The cooperative efforts envisaged here will be linked less closely to the economic self-interest of employees, and more to the joint concern of public employers and unions with the solution to these pressing social problems. The example of Local 1199 indicates that such efforts will have applicability in other urban-centered activities, such as hospitals, which employ large numbers of minority-group employees. The likelihood that these efforts are not likely to multiply rapidly does not detract from their importance. The Scanlon Plan in its time was a significant contribution; the frontier has now shifted, but we cannot escape its challenge.

¹⁶ Manpower Report of the President, April 1968, pp. 180-181.

DISCUSSION

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In his appraisal of the Scanlon Plan, Professor Rosen has aptly observed that, "By altering the adversary posture to one which could deal with joint concerns and interests, it encouraged the relationship between the parties to broaden, and its style to change." As he noted, successful applications of this program have demonstrated the advantage of putting workers' "insights and perceptions to constructive use" and thereby, "harnessing them to legitimate self-interest." In fact, despite controversy as to the relative merits of this plan, I am in agreement with Professor Rosen's concluding observation that "The Scanlon Plan in its time was a significant contribution; the frontier has now shifted, but we cannot escape its challenge."

Upon an analysis of past and present experience with the Scanlon Plan, I find the conclusions of Messrs. Lesieur and Puckett somewhat defensive. The Scanlon Plan has great merit and has achieved great success when properly implemented. In fact, two of my clients launched a Scanlon Plan successfully. However, an important ingredient there was the psychological one of saving a dying business. Fortunately this factor is not present in all situations that call for Scanlon-type cooperation.

By citing examples of several corporate giants, Lesieur and Puckett attempt to rebut the common assumption that application of the Scanlon Plan has been limited to small or medium-sized firms. However, they leave us in the dark as to where, how and under what circumstances this program has been implemented in the large corporate structure. Frankly, I am skeptical as to how this spirit of cooperation can be successfully transmitted in a large organization. Possibly it has been applied on a purely divisional basis. If, however, it has been applied corporate-wide, I, as well as many others, am curious to know how.

I find that I am in basic agreement with several of Professor Rosen's conclusions. First, in private industry, our experience has proven that collective bargaining works. As he observed, in recent

years, the major strikes in the private sector have not represented the life or death struggles characteristic of the Armaggedons of the past. Indeed, today "something like permanent peace and mutual acceptance for mutual survival are now so widely spread and deeply rooted that they appear to be beyond challenge in private industry." Thus, I am in accord with Professor Rosen that the collective bargaining struggles on the horizon will arise, in all likelihood, in the agricultural and public sectors.

On the other hand, I must take issue with Professor Rosen's observations on the recent militance of public employee organizations without mention of the recent activity of the National Education Association and its various state affiliates. During the school year 1967-68, there were 114 teacher strikes, more than one-third the total number of such strikes that have occurred since 1940. Fifty-four percent of these strikes were conducted by non-union organizations. In New York City, most people think of the United Federation of Teachers as *the* organization. Though it is indeed a strong one, out of over six hundred school districts in New York State, the American Federation of Teachers has secured representation in only eleven. Affiliates of the New York State Teachers Association (NEA) have secured recognition in a great preponderance of the remaining districts. The bargaining strength of this organization is readily apparent from a comparative study of the salaries and fringe benefits negotiated last year by the Michigan Education Association with those obtained by other teacher organizations.

Furthermore, I cannot completely agree with Professor Rosen's observation that the federal-state system precludes a rapid establishment of a common framework of law in public employment. Under *Maryland v. Wirtz*,¹ there is strong precedent for the establishment of minimum federal standards for public sector employees. There the United States Supreme Court held that the Fair Labor Standards Act is applicable to employees of state hospitals and to custodial employees in the public schools.

On the other hand, I am in complete agreement with and wholeheartedly endorse Professor Rosen's insistence upon the need for skilled negotiators and highly trained personnel people in the public sector. It is equally imperative that until the federal government

¹ 392 U.S. 183 (1968).

enters this field that each state enact its own machinery to avoid needless public employee strikes for recognition. The success of this type of legislation is apparent from the experience under New York's Taylor Act, where in the first fifteen months of this Act's existence, there has been only one public employee strike for recognition.

From our experience in public employee representation, I cannot be as pessimistic as Professor Rosen when he states that he does not think that labor-management cooperation in public employment is likely to spread. Indeed, Professor Rosen himself cites an excellent illustration of the potential for cooperative development in the New York City hospital program.

Moreover, as collective bargaining in public employment matures, the use of the joint study committee provides an invaluable tool for the peaceful resolution of public employee disputes. Under several agreements recently negotiated by NEA affiliates, provision has been made for the establishment of joint study committees which meet periodically to discuss broad educational policies. In Huntington, Long Island, for example, community groups (a Negro group for one) have already channeled their requests and ideas to the Association's joint study committee.

In public education there is a particularly vital role for this type of study committee. As contrasted with economic matters that take pre-eminence at the negotiating table, we do not really negotiate over educational techniques or programs for meeting the problems of the disadvantaged student. Obviously, there is great need for this type of candid discussion and free interchange of ideas to provide solutions for the multi-faceted problems existing in each school system. Discussion rather than negotiation provides the best atmosphere for obtaining the objective of better education for the nation's school children.

Concerted efforts by both labor and management to develop an atmosphere in which this type of continuous dialogue can be maintained will provide an essential resource for the establishment of permanent and peaceful relationships in this area. In the long run, I am confident that the rule of reason will and must prevail in both the private and public sectors.

DISCUSSION

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There are, it would appear, three possible ways of identifying a Scanlon Plan: (a) the committee structure under which it operates, (b) the incentive system with a particular way of measurement, and (c) "basic attitudes and philosophies." Lesieur and Pucket reject the first two as distinctive characteristics and leave us with characteristic (c). This, however, raises two major difficulties:

1. How do we then distinguish a Scanlon Plan from any other system of incentive and participative management? More difficult still: Are we not confronted with a serious danger of circular reasoning? If any system of participatory management does not develop the attitudes and philosophies which the authors regard as characteristic of the Scanlon Plan, then it is not a Scanlon Plan. Put differently: the Scanlon Plan cannot fail, for the system that does not develop the desired "basic attitudes and philosophies" is simply not a Scanlon Plan.

2. In the view of the authors the Scanlon Plan is of almost universal applicability. I am intrigued by the word "almost." The most interesting issues start right there. What are the conditions under which it is not applicable? Why is it not applicable under these—unspecified—conditions? Closely related is the authors' observation that the plan—or the philosophy which it engenders—will do away with the need for strikes, and that the benefits of the Plan may be substantial. Benefits to whom—stockholder, management, employees, the union, the consumer? Are there no more conflicts left—except in the cases that do not come under the *almost* universal applicability of the Scanlon Plan—not even conflicts over priorities?

The Rosen paper starts out with the assertion that the basic problem which the Scanlon Plan was designed to meet, namely how to avoid explosive social conflicts between the working class and its employers which threaten the whole fabric of society, no longer exists, at least in the West. I agree with this and should like to add that at least in the traditional form which characterized the industrial societies until recently, social conflicts have profoundly

changed their character in all countries of the West, not only in the U.S. The shock to civilization which the experience of Nazism and Fascism provided; the long wave of prosperity in the West, accompanied by economic growth rates considerably above the long-term trend; a whole network of social reforms which have greatly reduced or even at times almost eliminated the probability of a confrontation between the social system and the working class—all these and many other factors have found expression in the events of the last few years. The new program of the German SPD adopted in Bad Godesberg, the behavior of the French CP and CGT during the unrest of 1968, the failure of the British Labour Government to engage in any substantial structural changes in the economic and social system are evidence of the reduction in the level of social tension between the groups that were the main combatants in the earlier phases of the evolution of the modern industrial society. Deliberate attacks on the existing social order do not originate any more with organized labor in the West, but rather with students, the youth, the intelligentsia. The problems of the advanced industrial society are of a quite different nature from those of early industrialism; to name only two:

1. Syndicalism—the all-too intimate cooperation between labor and management which under conditions of full employment may increase the danger of inflationary developments. Labor-management cooperation, in certain circumstances, can thus become a problem rather than a promise. Neither permanent hostility, nor all-too intimate cooperation of labor and management seem in the best interests of society as a whole, but rather a distance short enough to prevent outright hostility but sufficient to prevent joint conspiracies against the public.

2. The tremendous social and economic distance between the upper and lower levels of the working class—the Negro farm worker and the machinist or the member of the building trades, to use two examples that come to one's mind; for Western Europe the native and the foreign worker.

I have little to add to Sumner Rosen's paper on the problem of collective bargaining in public employment. Historically, the discussion in this country has run into a deceptive issue which has nothing to do with the substance of the problem. No question of sovereignty is involved in the bargaining problems of public em-

ployees. The honor of the flag is not at stake in a conflict over the pay-rates of street-cleaners, but a more real problem is involved, that of public health. The issue of whether strikes of public—or any—employees are admissible or not should not be argued about in the shadow of the flag but rather in the light of the necessities of life. An increasing number of Western countries have come around to this way of thinking and are then confronting the real issue, namely what substitutes can be found for an interruption of service in those activities—public or private—where an interruption is indeed inadmissible.

V

NEW DIRECTIONS IN LABOR STATISTICS

DATA NEEDS FOR MONITORING AND EVALUATING MANPOWER PROGRAMS

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Current trends in empirical investigation stress the utilization of large quantities of existing data. This is best seen in the specification of aggregative econometric models based on the decennial census or monthly surveys of the national labor force. Masses of data are also important in the evaluation of manpower programs. However, it is becoming apparent that a concentration on the quantity of data at the expense of quality can lead to questionable evaluations and erroneous conclusions.

The principal burden of this paper, elaborated in the concluding section, is that *existing* data could be utilized more imaginatively than has been customary in the evaluation of manpower policies; but, even more important, methods must be devised for the acquisition of *new* data of higher quality and greater relevance than much of the existing data.

LEVELS OF INVESTIGATION AND DATA NEEDS

Since statistical requirements are related to objectives, it is useful at the outset to distinguish between three types of investigation which are frequently confused: monitoring, evaluation and research. Although the nomenclature of government agencies draws some distinction between these processes, in practice they are clearly distinguished only at the extremes and fade into each other at many functional levels of application.

In the discussion which follows, *pure monitoring* is defined as an investigation to determine whether funds allocated to a particular program are being spent in accordance with the legislative objectives

prescribed for that program. It focuses on costs and the people who benefit rather than the benefits themselves. *Pure evaluation* is an effort to measure the effectiveness of a particular program in terms of costs and benefits, although in practice many appraisals called "evaluation" emphasize benefits with little regard for costs. *Pure research* is concerned not with any particular manpower program, but, rather, with analysis of broader aspects of demand, supply, socio-psychological variables, and the functioning of labor markets. At best, it provides insights which can be used for a fuller evaluation of specific manpower policies by illuminating the environmental context in which these policies function.

Since the investigative procedures are seldom found in pure form, their data needs are appraised on the basis of the following continuum: (1) Pure Monitoring (2) Monitoring-Evaluation (3) Pure Evaluation (4) Evaluation-Research and (5) Pure Research.

1. *Pure Monitoring* is essentially the province of the bookkeeper and accountant. It is concerned with "honesty" in the allocation and expenditure of funds. Although there have been a few celebrated cases of malfeasance, it can be assumed that the surveillance of accounting practices in manpower programs is no worse than that in other government programs or, for that matter, in private industry. Since, to my knowledge, there are no accountants in the Industrial Relations Research Association, little will be said about the procedures and data needs which stem from the principal objectives of pure monitoring.

It should be noted, however, that data on program costs, an important ingredient of evaluation, are customarily generated in the accounting procedure. The greater the detail and availability of cost data by specific program, the easier the task of the evaluator. All those who have attempted to find cost data in such programs as vocational education or manpower retraining know the difficulties of allocating costs to specific institutions and functions under customary accounting practices in these agencies. It is often the case that the needs of an economic evaluation are not readily met by the cost accounting procedures found acceptable in pure monitoring. As noted below, however, the translation of institutional cost data into the required form is the least of the problems of the cost-benefit evaluator.

2. *Monitoring-Evaluation*. When we turn from the mere money

side of the monitoring process to the question of the eligibility of participants in a program, we begin to enter the realm of evaluation. Monitors must know whether enrollees are in the appropriate categories of age, previous employment-unemployment, and income to be eligible for such programs as NYC and MDTA. The program evaluator, who is interested in benefits as well as costs, must also know *who* is benefiting, as well as the previous employment record and income of the beneficiaries. Since a full-fledged evaluation invariably calls for a before-after comparison of the enrollees' economic status, the "before" data needed by the monitor to determine adherence to eligibility criteria are also partial grist for the evaluator's mill.

In keeping with the monitor's needs, the reporting forms to be filled out as an operating procedure in almost all manpower programs, call for information on previous employment and earnings as well as such personal data as age and education. But woe to the investigator who relies on the availability of such data simply because he notes that they are asked for on the operating form. The fields of manpower evaluation are strewn with the bodies of those who said, "Let's not ask for age and education on our questionnaire because this information is called for on the reporting form." It is only later that he drops these key variables from his regression model upon finding that they are asked for on the form but not necessarily by the interviewer completing the form.

Data on previous employment, unemployment and income are even spottier in the reports of operating manpower programs. Even when figures are found in the correct column, there are serious questions of accuracy. Even if the form makes clear the definition of unemployment as compared with non-labor force status, or gross earnings versus net take-home pay, there is seldom confidence that these distinctions have been stressed in questioning the respondent. Although some programs are more reliable on this score than others (for example MDTA as contrasted with the Work-Experience program or most Experimental and Demonstration projects), it is clear that the forms filled out by operating personnel leave much to be desired in any full-fledged evaluation. And, indeed, they raise questions of reliability even for the monitor's concern with eligibility criteria.

3. *Pure Evaluation.* The evaluator of a manpower program wishes to relate the costs of the program to comparative data on employment, income and attitudes before and after the program. Essentially he wants to know what happened that wouldn't have happened in the absence of the program. In spite of some reasonably good case studies of retraining projects, Garth Mangum's appraisal of existing program data made in this meeting last year still holds:

For no program are there adequate valid data for evaluation of strengths and weaknesses and no program currently has a reporting system capable of producing such data. Data on the characteristics of enrollees are adequate in some but not all programs. Data on service provided are weak and follow-up data on program results are grossly inadequate and undependable. *Ad hoc* internal evaluations have been made of several programs, either in-house or by contract, but, for the most part, their coverage is limited, their data weak, and their investigations not probing.¹

In view of these deficiencies, one must marvel at the courage of those who state general evaluations of MDTA and other manpower programs.² For if pre-program operating data on employment and income are questionable, post-program follow-up data are even more doubtful. The universally stated finding of a 70-80 percent employment record loses much of its significance when we consider the definitional problems and the brief time-span of the official follow-up, on top of all of the customary reporting lapses. There is growing evidence that those first post-training jobs are likely to be brief. A three-month follow-up may tell very little about a program's lasting contribution.

An especially troublesome definitional problem concerns the concept "training-related occupation." It is customarily stated that "almost all of the 70-80 percent who were employed following their training were placed in 'training-related' occupations." Some non-governmental case studies have concluded that less than half of the post-training jobs were training-related. Since all jobs are

¹"Evaluating Federal Manpower Programs," *IRRA Proceedings*, Dec. 28-29, 1967, p. 164.

²Most recently, *Federal Manpower Programs: An Evaluation by the National Manpower Advisory Committee*. U.S. Dept. of Labor, H.E.W., 1968.

related in some way to each other, and since there is no agreement on the meaning of "training-related occupation," one might as well pick a figure out of the air as rely on some official pronouncements on this subject. Here we need some conceptual and definitional work before searching for data.

Data gaps in income are serious not only because they interfere with an evaluation of benefits, but also because income data are required for a calculation of opportunity costs. To the extent that operating forms omit information on the employees' income prior to or during the program, data on opportunity costs of enrollment are lacking and even painstaking efforts to disentangle accounting data on institutional costs fall short of the goal.

Fortunately, these serious deficiencies in evaluative data are known by most experts in the field, and sweeping generalizations are few. One saving note is that case-study evaluations of training programs, utilizing better data, generally conform to the optimistic findings of "official" evaluations.³ Even here, however, there are disturbing methodological deficiencies, as noted in the following section.

4. *Evaluation-Research.* Evaluation verges upon research when it becomes more sophisticated. Whereas all evaluation must involve some comparison of experience before and after the manpower program, the best evaluation looks beyond the experience in a particular manpower program in order to compare the benefits derived by its enrollees with the experience of a control group of workers, similar to the enrollees in every way except that they did not enroll in the manpower program under evaluation.

It is not possible here, and probably not necessary, to dwell upon the need for a control group in a full-fledged evaluation. It is sufficient to note that the growth of manpower programs in the 1960's coincided with a constantly increasing level of national employment and that, therefore, the poor, the unskilled and the unemployed could be expected to improve their economic status—as indeed most of them did—whether they were enrolled in a manpower program or not. Some type of control group is needed to determine whether the manpower program had an effect on the

³ Reviewed in Somers, ed., *Retraining The Unemployed* (University of Wisconsin Press, 1968).

economic status of enrollees that would not have occurred even in the absence of the program.

Unfortunately, most "official" evaluations of manpower programs have not included a control group. Although most of the case-study surveys have included control groups, there is still a question concerning the true comparability of the control and the experimental group. Although efforts are usually made to control for a number of key objective characteristics, it is much more difficult to control for differences in attitudes, ambition, etc., and yet these latter differences may be crucial in determining the employment and income gains of enrollees. In spite of careful efforts made by the evaluators, one is still left with the sneaking suspicion that the program enrollees were "better" before they enrolled in the program relative to non-enrollees, and, therefore, they could only be expected to be better than non-enrollees after the program as well. This suspicion surrounds my own work as well as that of others.

Evaluation takes on the trappings of research when it encompasses a comparison of the study program with other manpower programs that have similar objectives. The cost-benefit evaluations of particular manpower programs, with resultant rates of return, become much more meaningful when returns are compared with other alternative approaches designed to achieve the same income and employment objectives for the same types of workers. Such full-fledged cost-benefit research evaluations of a series of manpower programs are almost nonexistent. Given the pressing needs for data on particular programs, the data requirements for cross-program comparisons appear now to present a luxury beyond our means.

5. *Pure Research.* Since the techniques of pure research in the manpower field are somewhat beyond the scope of this paper, they will be mentioned only briefly here. It can only be noted that a complete and valid evaluation of specific manpower policies requires greater knowledge than we now have concerning the functioning of the labor market. Measures of costs, benefits and rates of return are meaningful only if they are placed in a context of greater understanding of the labor market in which manpower programs function. For example, we need to know much more about employer hiring practices and about the causes of high un-

employment rates among teenagers before we can formulate the most effective manpower policies to meet the problems of employment among the disadvantaged. Evaluations of particular manpower programs can provide some of these answers, but even the best evaluations of particular policies leave many questions still to be answered in the realm of "pure" research on the labor market.

Like the data needs for the evaluation of specific programs, the data required for broader labor market research must also be found in micro-surveys as well as in the masses of quantitative data produced by government agencies.

RECOMMENDATIONS

1. *Improvements in Existing Operating Data and Their Utilization.* The obvious approach to a solution of data gaps in existing operating forms is through the education of operating personnel. They should be instructed concerning the importance of asking the right questions before enrollment and in the follow-up period.

Since it is unlikely that such a program of education can be successfully applied in all manpower programs across the country, a more realistic approach might be the insistence on excellence for a carefully selected sample of manpower programs. In this probability sample of typical manpower programs, special efforts could be made, through instruction and surveillance, to insure that the forms were properly completed. This sample could then be used for the provision of bench mark data by which the reporting forms of all other programs could be evaluated. Such a compromise between the unobtainable goal of full and accurate data in all operating programs and the alternative of a continuance of present deficiencies should be possible without undue cost.

These improvements in the operating data produced by the programs themselves should be supplemented through the utilization of social security data on earnings and employment of enrollees and selected control groups. Although we are all aware of the limitations of social security data, especially with regard to the cut-off in reported earnings, these data on earnings, when appropriately adjusted, are far superior to the earnings data now acquired through the short-term and haphazard follow-up of manpower programs by operating personnel.

Plans are now underway to utilize social security earnings data

in the on-going evaluation of MDTA training. This is a significant departure in evaluation techniques, and it should be watched carefully with an eye to its extension to other manpower programs.

2. *Special Sample Interview Surveys.* Even with the improvement in existing data, utilization of such data and the incorporation of social security data, there are likely to continue to be serious gaps in the information required for a full evaluation of manpower policies. Federal funds must be used in connection with those from foundations and university sources to permit the extension of interview surveys among enrollees in manpower programs and appropriate control groups. Such surveys, giving careful attention to a lengthier period of follow-up than is customarily possible in government evaluations, would provide the necessary employment and income data for the calculation of opportunity costs as well as for comparison of benefits before and after the program.

Such interview surveys would also make possible an emphasis on attitudinal questions and an evaluation of such direct benefits as improvements in motivation, educational attainment, etc.

3. *Experimental-Research Evaluation Projects.* Since these interview surveys come after the fact, they are still not likely to include a valid control group. The ideal control group is a group of workers identical to the enrollees, with the same outlook, ambition, and attitudes as well as similar objective characteristics. This group can best be found among those who apply for admission to the manpower program, are accepted by the selection officials, and yet are not included in the program.

It is probable that such an ideal control group can be found only in a deliberately constructed experimental manpower program—one designed wholly for a research evaluation. There is now growing emphasis on such research experiments, and it is hoped that they will spread to the evaluation of manpower policies.

It can be concluded that the data needs for the monitoring and evaluation of manpower programs are qualitative as well as quantitative, and that the greatest deficiencies now lie in the former rather than the latter. Quality can be improved not only through improvements in the availability and utilization of existing data, but through the acquisition of new data by means of interview surveys and experimental evaluation-research projects.

STATE OF THE ART IN LABOR STATISTICS*

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This paper is primarily a report on the response of labor statistics to the recommendations of the Gordon Committee¹ and to the economy's changing data requirements, a discussion of a few recent developments, and an expression of some concern over the current state of affairs.

Unlike most such documents, the Gordon Committee Report has served as a blueprint for many of the improvements in the collection and reporting of labor statistics. A substantial proportion of its recommendations has been implemented in the past six years. In response to the Committee's concerns for the concept of unemployment, the dynamics of the labor force, and the characteristics of those reported as not being in the labor force, the definitions and methods of measuring employment and unemployment were changed, and data on individuals in and out of the labor force were expanded substantially. Effective January, 1967, the CPS sample was expanded to 52,000 households, improving the reliability of the statistics, and permitting the publication of more detailed labor force information.² At the same time the lower age limit for manpower measures was raised from 14 to 16 years, and the concept of unemployment was clarified so that it would include only those who were without work and who were currently available for and actively looking for work. Respondents were asked if they had been looking for work during the past 4 weeks, and if they had, what they had been doing in the last

*The preparation of this paper was made possible by the cooperation of Labor Department and Budget Bureau personnel who are intimately familiar with the labor statistics program of the Government. I am particularly indebted to Peter Henle, Margaret Martin, Vladimir Chavrid, Irvin Wingard, Thomas Gavett, Harold Goldstein and William Shelton. I am of course solely responsible for the views and opinions expressed in the paper, and for any errors of omission or commission.

¹Measuring Employment and Unemployment, President's Committee to Appraise Employment and Unemployment Statistics, September, 1962.

²Stein, Robert L., "New Definitions for Employment and Unemployment," Employment and Earnings and Monthly Report on the Labor Facts, February, 1967. The discussion of the revised survey is based on an analysis and study of the changes reported by Stein.

4 weeks to find work, and if there were any reasons why they could not take a job last week. The so called "discouraged worker" was eliminated from the definition of unemployment, and new questions were added to obtain information from persons not in the labor force on when they last worked, the reasons for leaving their job, the occupation and industry of that job, whether they want to work at the present time, the reasons they are not seeking work, and whether they intend to look for work of any kind in the next 12 months. Additional changes include the classification of persons holding a job but not at work as employed, even though they were looking for other jobs, the addition of new questions to improve the identification of persons on layoff, to record those on indefinite or more-than-30-day layoff, to improve the reporting of duration of unemployment and hours worked, and to permit more accurate estimates of the full-time and part-time labor force. A question was added on the reasons an unemployed person started to look for work, so that the unemployed can be classified as job losers, job leavers, reentrants and new entrants. (For reasons that are not apparent new entrants were defined to include unemployed persons who might never have worked full time but who had part-time jobs for two weeks or longer.) After an experimental period, but prior to shifting entirely to the new concepts, they were used for over a year to obtain independent estimates based on an experimental sample (MLS). A comparison of the estimates from the MLS survey with those from the regular CPS survey shows some significant differences in the composition of unemployment by age and sex, duration of unemployment, whether seeking full-time or part-time work, and in the composition of the employed by hours of work and class of worker. Although most of the differences are small, care should be used in comparing or combining the current statistics with the data for the period ending December, 1966. An unanswered question is whether there are any substantial changes in the seasonal characteristics of the series as a result of the revisions.

The first data on why the unemployed began looking for work was published in May, 1968, but current detailed data from the survey questions on persons not in the labor force has not yet been published. However, studies and tabulations are in process, and early in 1969 data on date last worked, reasons for leaving

last job, reasons for non-participation, and job intentions, will be published regularly. The new series, together with the earlier Special Labor Force Reports on persons not in the labor force, and the expanded data on full-time and part-time workers, will give us a substantially improved data base for understanding unemployment and for studying the dynamics of the labor force.

In spite of an extended research effort, recommended by the Gordon Committee, and conceptual and statistical modifications in gross change tabulations, unresolved problems affecting the reliability of gross change data have prevented their publication.⁸ One problem has been the possible bias due to the exclusion of non-identical cases in the sampled groups, who, because of their mobility, may experience different unemployment rates than the remainder of the sample. More serious has been the response variability caused by misclassification of reported employment status and rotation group basis. The extent of the problem is indicated by the fact that in some months the CP Survey indicates a substantial increase in the civilian labor force, while the net change shown by the gross change data is a large decline. Experiments to improve the data include development of data based on nonidentical persons in the rotation groups, to permit an estimate of the bias resulting from their exclusion. Another change was the tabulation of data based on only four rotation groups instead of six, in an attempt to eliminate a source of bias. The search for ways to make the gross change data useful continues at the Census Bureau and BLS, but there is no present indication that the major problems will be solved in the near future. One hopeful note is the report that the data are being examined to see if some components, such as specific age-sex employment status categories, are sufficiently free of the major biases to permit partial publication and analysis. This appears to be an area in which more resources could be devoted to research, since a major weakness of our labor statistics is the absence of any measure of occupational mobility

⁸ Hilaski, Harvey J., "The Status of Research on Gross Changes in the Labor Force," *Employment and Earnings and Monthly Report on the Labor Force*, October 1968. The discussion of gross change data is based on Hilaski's review of the problem.

or of the movement of persons among the labor force categories.⁴

A Special Labor Report, *Occupational Mobility of Employed Workers*,⁵ published in 1967, was based on supplementary questions in the January, 1966, monthly survey of the labor force. It was the first study of occupational mobility based on a national sample in twenty years. Serious consideration should be given to the use of regular surveys of this type to expand our knowledge of occupational mobility, and to explore the value of occupational mobility data for labor market and economic analysis.

In two other areas, hours and earnings, and occupational statistics, progress has been made in the directions recommended by the Gordon Committee. Starting in 1964 the collection of payroll and man-hours data was expanded, and sample coverage was gradually increased. In May, 1967, a new series for hours and earnings of production or nonsupervisory workers in private nonagricultural establishments was published, although estimates for a few cells had to be derived from secondary source material.⁶ However, data are still not available for supervisory and nonproduction workers, and estimates have not been published for major expanding service industries. There are few wage and salary data available for State and Municipal employees, an area of critical need because of their rapid acceptance of collective bargaining and use of arbitration. A major gap in wage data will be filled partially by surveys of employer expenditures for total compensation that will provide data on expenditures per hour for various fringe benefits, and are presently designed to cover the nonfarm economy every other year and various industries in alternate years.⁷ The new surveys will provide fully integrated statistics from a single source on expenditures for the different components of the compensation package per hour worked and per hour paid, reported

⁴The new series on why the unemployed started looking for work will provide some information on the categories from which people move into unemployment.

⁵Saben, Samuel, "Occupational Mobility of Employed Workers," Special Labor Force Report No. 84.

⁶Spinks, Arthur C., "Hours and Earnings for Workers in Private Non-agricultural Industries," *Employment and Earnings and Monthly Report on the Labor Force*, May, 1967.

⁷BLS Handbook of Methods for Surveys and Studies, Bulletin No. 1458, October 1966, p. 146.

separately for production workers and office workers. Labor costs and productivity estimates will be improved by the availability of more accurate estimates of total hours worked. While a full report on the nonfarm economy is in process, the first data were well hidden as an appendix to a Report on Employee Compensation in Selected Industries, 1966,⁸ which was designed to satisfy the need for supplementary information to the National Survey of Professional, Administrative, Technical, and Clerical Pay. Instead of hitch-hiking on a legislative requirement, surveys of expenditures for supplementary benefits and total compensation should be expanded to provide reliable data by industry. It is characteristic of wage data that they are collected for specialized purposes from selected fractions of the economy in such a way as to permit limited analytical or comparative use. What is needed conceptually, are wage and earnings data for individuals, associated with personal, occupational, industrial, geographic, and unionization data. Many of the special requirements could be derived by appropriate aggregation. However, since that ideal is remote, the various wage and salary data collection programs should be reexamined and revised so that they can be of more general analytical value. Some programs, such as Current Wage Developments, have grown piecemeal since they were instituted in response to particular needs.⁹ Their reexamination in terms of current objectives and other data programs would improve their value and make more efficient use of statistical resources.

A continuing weakness of the statistical system is the absence of reliable wages and employment data by occupation and industry. The community wage surveys and periodic industry wage surveys provide some data, but the specialized nature of their collection system limits their analytical value. Special surveys of professional, administrative, technical and clerical pay provide annual data on national averages and distributions since 1959, and there are studies of the employment of scientific and technical personnel in industry and government. Some progress is being made toward the goals of the Occupational Employment Statistics Program of BLS as they were stated in 1966:¹⁰

⁸ BLS Report 352, November, 1968.

⁹ BLS Handbook of Methods, Chapter 17.

¹⁰ The Occupational Employment Statistics Program of the Bureau of Labor Statistics, September 29, 1966, mimeo.

“to publish estimates of employment for a selected list of occupations that require substantial periods of training, are changing rapidly, or are critical to defense or national welfare, and to develop data on the changing occupational composition of major industries.”

Several industry pilot studies, including a survey in October of Metal Working Industries, have been completed, and experimental work is demonstrating the practicality of collecting occupational data from employers through mailed questionnaires. The use of job titles usually found in the industry surveyed has been effective, even when detailed job descriptions were not supplied. Gradual expansion of these surveys to a sample of between 80 and 100 thousand establishments would permit the development of national estimates of occupational employment. An interim goal that has been given high priority, is the use of industry surveys to provide data for the occupational profile of major industries, so that the industry-occupation matrix can be used for estimating employment in local areas and for projecting local occupational requirements. The area skill survey approach will probably be dropped.

Many important questions are unresolved, including the final form of the occupational classification system. The development of a Standard Occupational Classification was one of the original objectives of the Budget Bureau's Interagency Committee on Occupational Classification, when it was established over twenty-five years ago, and it remains as one of the Committee's long run objectives in spite of the substantial difficulties encountered.¹¹ One step toward that goal is the development of a new convertibility table between the new Dictionary of Occupational Titles and the Census classification systems. In one phase of that activity, BES personnel were able to code all but 6% of the responses to one month's CPS survey according to the six digit DOT classification system.¹² The convertibility of Census data into DOT classifications would substantially increase the analytical potential of the

¹¹ Miller, Ann R., Working Paper No. 66-2, Program of the Interagency Committee on Occupational Classification U.S. Bureau of the Budget, March 1966.

¹² Lewis, Leon, "Development of a Convertibility List Between the DOT and Census Classification Systems," Proceedings of the Social Statistics Section of the American Statistical Association, 1966, p. 205.

available data. Over the horizon is the possibility that employers could code their work forces by the DOT system. Two years ago, Leon Lewis of the USES reported that interest in the establishment of a general occupational classification scheme had been expressed by several employer associations,¹³ and some experimentation appears feasible. Job titles may be sufficient for the collection of occupational data from firms, but employer utilization of a uniform classification code would help to standardize the data. We are a long way from obtaining wage and employment data by occupation from employers, but substantial steps have been taken toward that goal.

Starting in 1965, State employment security agencies in cooperation with the BES and BLS have experimented with the collection of job vacancy statistics from a sample of employers in nonagricultural industries. Very little of the data collected once or twice a year since 1965 in 14-16 metropolitan areas has seen the light of day, and it is therefore difficult to judge the value of the experiments. The BLS conducted response quality check surveys for both rounds of vacancy surveys in 1965, and concluded that the conceptual and technical problems detected were not serious enough to "prevent the statistics collected in a national program from being useful for analytical and operational purposes."¹⁴ Two years later, we have not moved to a national program and we know little more about the operational or analytical significance of the job vacancy data than we did before the pilot surveys began.

Two studies¹⁵ report substantial negative correlations between vacancy rates and unemployment rates, although one warns of "numerous and appreciable deviations from the regression line."¹⁶ There is no evidence of a consistent relationship between changes in the levels of job vacancy and unemployment rates, and the

¹³ *Ibid.*

¹⁴ Job Vacancy Statistics, Hearings before the Subcommittee on Economic Statistics of the Joint Economic Committee, 89th Congress, Second session, May 1966, p. 37.

¹⁵ Myers, John, "Job Vacancies in the Firm and Labor Market," Report prepared for OMPER, September 1968.

Konstant, Raymond A. and Wingard, Irvin F., "Analysis and Use of Job Vacancy Statistics": Part I, Monthly Labor Review, August 1968, Part II, Monthly Labor Review, September, 1968.

¹⁶ Konstant and Wingard, Part I, p. 24.

authors of one study suggest that specific changes in structural-frictional factors occurred in areas where the two variables did not show an inverse relationship.¹⁷ The pilot surveys have not appreciably advanced our knowledge of the relationship between vacancies and unemployment, except to confirm its complexity and suggest that the effects of wages, occupation, industry, changes in employment, turnover, and labor force variables may have to be analyzed before we begin to understand the significance of job vacancy data. In a study of the variations among firms in the number of vacancies reported, John Myers¹⁸ found that the number of vacancies reported by a firm was substantially affected by the flow of separations, other than layoffs, and in some circumstances by recent changes in employment at the firm. Konstant and Wingard also report a high degree of correlation when vacancies are related to all separations other than layoffs,¹⁹ although they were not able to establish a relationship between vacancies and employment change in the areas surveyed.²⁰ "Conceptual and mechanical" problems have prevented the analysis of hiring rates collected as part of the pilot programs. In particular, it has been difficult to match pay rates associated with vacancies with prevailing wage information. One technique being tried is to have the local employment office personnel judge whether the wages reported for the occupational vacancies they code are higher or lower than comparable area rates. "Preliminary results of this program indicate that some 15 to 20 percent of those vacancies for which both occupational and pay rate data were reported had pay rates below those prevailing in the area."²¹

The sparse analytical payoff from three years of pilot surveys is attributable in part to the fact that the planning does not seem to have gone beyond the feasibility question, and until recently, the surveys were not designed with the question of data analysis or hypothesis testing in mind. The work done within the government with the estimates from the data has been primarily descriptive,

¹⁷ *Ibid.*

¹⁸ *op. cit.*

¹⁹ Konstant and Wingard, Part II.

²⁰ *op. cit.* Part I.

²¹ *op. cit.* Part II, p. 21.

or limited to the examination of simple two variable relationships. Ad hoc explanations of selected numbers do little to improve our understanding of the labor market processes that generate job vacancies, or the significance of job vacancy data. It is not always true that more information is always better, when there is no basis for interpreting or applying the additional data. For example, Konstant and Wingard present as one approach to the use of job vacancy data in evaluating local economic conditions and the implications of the data for local policy, a comparison of unemployment rates with total, long-term, and short-term vacancy rates.²² Aside from the formal question of the implied assumptions concerning the duration of unemployment and job vacancies, which they recognize, their diagnoses and policy conclusions are based on the assumption that similar patterns of vacancies would be generated in communities with different industry, occupation, and labor force patterns. When data are available to test that assumption, it will probably prove to be false. The high variance of the data, and the need to provide special explanations for unexpected relationships, should be taken as a warning that oversimplified comparisons are a dangerous basis for policy conclusions. It is too easy to defend the usefulness of a data collection program on the grounds that some people use the numbers, without pausing to question the validity of the applications. Only objective research can determine the potential value of job vacancy statistics. After three years of experiments, I have been unable to discover any convincing evidence that the area surveys add significantly to the information already available to local employment office personnel for operating and planning purposes. An unpublished BES study examined the relationship between the job vacancy data from the 1965 and 1966 surveys, and the corresponding unfilled openings data.²³ It found that the employment service coverage of job openings was unexpectedly high, and "compared favorably with many European countries where the public employment service is the primary hiring channel outside the firm itself." In most of these countries the operating data of the public employment service is the source of job vacancy statistics. However,

²² *op. cit.* Part I.

²³ Job Vacancies and ES Unfilled Orders, BES Staff, mimeo.

the report provides evidence that the unfilled openings are not a representative sample of job vacancies. There was fairly good correspondence between the two measures for the major occupational composition of job openings for all areas combined. However, it was not true for specific areas, particularly where unfilled orders were a small percent of total job vacancies, or where hiring channels for occupations represented in the vacancy data did not normally include the Employment Service. Again, in the aggregate, about the same percent of openings and vacancies were in the "hard-to-fill" category, while substantial variance between the two measures was found in individual areas. When "openings rates" were correlated with vacancy rates, the resultant correlation coefficient was .63, and when vacancy rates were correlated with openings and unemployment rates, the coefficient of correlation was about .80. Although both coefficients were significant, the standard errors were too large to permit reliable estimates of vacancy levels from the equations. The study concludes that "a procedure for estimating job vacancy levels from unfilled openings data cannot be derived from the data currently available without additional research. This is not only because of the wide variation in ES penetration among the various areas surveyed but also because not enough is known yet about the nature of job vacancies and their precise relationship to other job market data." But the study also demonstrated that aggregate unfilled openings appear to be reasonably representative of job vacancies, and that a majority of job vacancies and ES unfilled openings are found in a narrow band of occupations. The relevant question for operating purposes and for most planning activities is not whether job vacancy totals can be estimated from unfilled openings data, but whether the purposes for which job vacancy data might be collected in local areas can be served by estimates of vacancies made on the basis of employment service operating data and other information available to employment service personnel. For example, the annual estimates of shortage vacancies made by occupation in The Netherlands are based on a summation of estimates prepared by each local employment service office "based to a large extent on knowledge gained through frequent contacts with many employers throughout the year. . . . In effect, the local employment office estimates are apparently a combination of registered vacancies classified as a short-

age plus employer and employment office estimates of unregistered shortage vacancies.”²⁴ U.S. employment service people are apparently aware of many of the factors that make unfilled openings an unrepresentative sample of total vacancies in particular localities. A more critical test than the one reported in the BES study would be a comparison of the area vacancy surveys with estimates generated by the employment service using their total available information, based on the operational value of the two vacancy estimates.

The issue is far from academic, since the Labor Department is preparing to initiate job “opportunity” surveys in 71 areas. The cooperative Labor Turnover Statistics system operated by the BLS, the BES, and the State employment security agencies will be used to collect the data, extended in 31 of the areas to cover nonagricultural industries. In 19 of the areas vacancy data by occupation will be reported quarterly and classified according to the DOT, but the details in which estimates will be published will depend on a review of the results and the size of the establishment sample. The extended coverage of the projected vacancy surveys may represent a step toward a national vacancy program, but the path is a circuitous one, evidently based on the need to present the extended effort as a means of pinpointing areas of labor demand to which the Labor Department’s operating services can direct their attention. There is no indication of a research effort to determine if operating needs couldn’t be satisfied by a more serious utilization of the employment service information flow as well as by local area vacancy surveys. Publication of the job opportunity data with the associated turnover data will increase the analytical value of the job vacancy data, but the scope of analysis will be limited by the absence of any comparable occupational employment or unemployment data. Although the new series will be a substantial step forward, it may be more efficient to move directly to a survey designed to generate estimates of job vacancies by occupation on a national basis. The question of the relative value of local area surveys should be considered more carefully before they are extended beyond the present pattern.

²⁴ Shelton, William C. and Neef, Arthur F., “Foreign Job Vacancy Statistics Programs,” *The Measurement and Interpretation of Job Vacancies*, National Bureau of Economic Research, 1966, p. 158.

The most imaginative and innovative data collection program in recent years is the Labor Department's Urban Employment Survey.²⁵ It follows a series of experiments and activities designed to improve our understanding of urban unemployment problems, particularly in poverty neighborhoods. In November, 1966, surveys were conducted of poverty areas in eight large cities. In 1967 experimental surveys were conducted in New York, Boston, and New Haven, in which questions related to nonparticipation in the labor force, job seeking methods of slum residents, and respondent attitudes and motivations were tested. To expand our data on poverty areas, tabulations are now being made of labor force, employment, and unemployment data for the aggregate of census tracts designated as poverty areas, and data for the 20 largest SMSAs and for 14 of their central cities, on employment and unemployment by very broad population groups, will be available and may be released every six months. Special studies have been published of employment and unemployment conditions in urban poverty areas, including reports on individuals not in the labor force. The new survey will "examine in depth the employment problems, attitudes, and motivations of residents of poverty areas, in an attempt to pinpoint the problems and to measure changes in the situation in urban slum areas."²⁶ The initial plan is to obtain information from 3500 households annually in each of the poverty areas in New York, Detroit, Chicago, Los Angeles, Houston, and Atlanta, using local residents familiar with the neighborhoods to conduct the surveys. For comparative purposes the survey will include the non-poverty areas in Atlanta and Detroit. The scope and ambition of the project is indicated by survey questions that cover work seeking behavior, sources of income, work history, transportation to work, reasons for not looking for work, family and health situation, reasons for failure to obtain work, work intentions, attitudes and expectations toward jobs and life in general, and discrimination experience and beliefs. In addition to the diagnostic information that will be developed, the survey will provide objective evidence of possible changes in urban impact areas, that

²⁵ Root, Norman, "Urban Employment Surveys: Pinpointing the Problems," *Monthly Labor Review*, June, 1968, p. 65.

²⁶ *ibid.*

can be used to evaluate anti-poverty programs. The range of questions in the survey should make it possible to test many hypotheses concerning the nature and causes of poverty and unemployment in the urban ghettos. I don't know if any specific research design played a role in the survey design, but the program reportedly will include a substantial continuing research activity designed to develop and improve means for studying the social and economic elements of the poverty problem. Availability of the data is planned in stages starting with major household and personal characteristics for all poverty areas combined, followed in three months by the results for all items for the combined areas, and the major household and personal data for each poverty area, and at the end of 12 months, by detailed data on all items for each area. The value of the survey will depend in large part on the extent to which the data are made available for analysis and how expeditiously and completely they are published.

It was originally intended that the BLS would publish a series of studies of the prevalence and characteristics of labor contract provisions covering all of the subjects and practices contained in collective bargaining agreements. Only six bulletins in the series have been published out of a planned 30 to 40, and another eight studies are nearing completion. This effort has used a substantial majority of the professional resources in the industrial relations program since 1964, and understandably, serious consideration is being given to restructuring the program. The current procedure calls for the analysis, coding and aggregating of provisions of the approximately 1800 labor agreements covering 1000 or more workers.²⁷ It may be that a sample of these agreements, and a less detailed coding analysis of each contract provision, could develop most of the information that is of value to potential users. This is likely to be true if the studies are used primarily as a source of information on the types of clauses used in each subject area, and the general pattern of their use. Emphasis on accurate estimation of the number of agreements utilizing different provisions would appear to be of doubtful value, since the studies are quickly out of date. Among the alternatives proposed for the program

²⁷ BLS Handbook of Methods, Chapter 20, "Collective Bargaining Agreements," p. 167.

are studies of bargaining structure and practices in the public sector and among professional employees, and studies of the union institution and some of its activities. Although these are important subjects, detailed case studies and industrial relations and institutional research do not represent the most efficient use of statistical resources. A weakness of industrial relations data is that so much of it is in the form of special studies that have very limited analytical value. It would be better strategy to identify important variables, economic, behavioral, or organizational, and explore the possibility of developing a general statistical program to study them and their relation to relevant issues. A proposal to analyze contract provisions in terms of their significance for inplant industrial relations practices and problems is consistent with this viewpoint. Industrial relations data must have analytical potential if they are to be of value to practitioners, policy makers, or students.

Having helped Pennsylvania survive its initial period under compulsory arbitration for firemen and policemen, with the data available to the parties limited in large part to newspaper clippings, rumors, private surveys, and hearsay, I must endorse a high priority for wages and salary surveys of State and Municipal employees. I would prefer that these data be obtained as part of a general occupational wage program, but since the need is too great to postpone the surveys, they should be planned so that the data can be used to establish and test relationships of importance to the potential users.

This review of the "state of the art" has slighted many areas in which interesting and innovative work is being done, including surveys of education and training, studies of long-term unemployed, studies of secondary workers, comparative studies of unemployment rates and unit labor costs, and projections of labor supply and demand. Another paper on this program will discuss in detail the extremely promising work that has been done to provide greater access to micro data.

My very fractional review indicates that the labor statistics system has been quite responsive to informed recommendations for improvements and, particularly in recent years, to the statistical requirements created by critical social and economic problems. However, some surveys are tied too closely to the program needs of government departments, and in some cases the pressure for more

extensive and detailed statistics takes precedence over programs designed to evaluate their relevance and significance. The computer revolution should make it possible for data to be published more rapidly and in greater detail. On occasion there are unnecessary delays in data publication because the agency is processing its own analysis. But there is evidence of an increased research and analytical focus that will continue to upgrade the quality and utility of our labor statistics.

THE MICRO APPROACH TO MANPOWER RESEARCH

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A. Introduction

Guy Orcutt recently described several advantages of micro-analytic models.¹ I would like to report to you today some preliminary work undertaken at the Bureau of Labor Statistics (BLS) with the cooperation of the Bureau of the Census to develop a microanalytic model of labor supply.²

I shall organize my remarks along four lines: a description of the Current Population Survey (CPS); a preview of the BLS micro labor supply model; the uses of micro data in manpower research and a look to the future.

By micro data I mean characteristics are available for each household, family or each individual. By tabulated data I mean that only counts or cross tabulations are available.

B. Description of the Data Base—the CPS

The CPS is a national monthly survey of 52,500 households conducted by the Census Bureau.

The BLS and the Census Bureau are undertaking a joint effort to edit, systematize and document the micro data in a standard format from 1959–1967. I will describe this micro data here. A fuller description of the CPS can be found elsewhere.³

¹ Guy Orcutt, Harold W. Watts and John B. Edwards, "Data Aggregation and Information Loss," *American Economic Review*, Vol. 58 (Sept. 1968), pp. 773–787. And Guy Orcutt and A. G. Orcutt, "Experiments for Income Maintenance Policies," *American Economic Review* Vol. 58 (Sept. 1968), pp. 754–772.

² All opinions expressed are the author's alone and do not necessarily reflect the views of the BLS or the Census Bureau.

³ See for example, *Concepts and Methods Used in Manpower Statistics from the Current Population Survey*, (1967) issued jointly by the Bureau of Labor Statistics as BLS Report No. 313 and by the Bureau of the Census as CPS Reports, Series P-23, No. 22, and J. E. Morton, *Analytical Potential of the Current Population Survey for Manpower and Employment Research*, (Washington: W. E. Upjohn Institute, 1965).

All characteristics which might reveal the identity of the individuals in the file were removed. The following are some of the remaining characteristics:

1. Summary family detail
 - a. Primary, subfamily or secondary family
 - b. Residence
 - (i) Region
 - (ii) Central city of Standard Metropolitan Statistical Area (SMSA) of 1,000,000 or more, noncentral city of SMSA of 1,000,000 or more, other SMSA or not SMSA
 - (iii) Name of SMSA if one of 96 largest SMSA's
 - c. Number and age of family members
 - d. Total family income (dollar amounts shown under \$25,000) by source of income
 - e. Poverty code of family (developed by Mollie Orshansky)
2. Basic CPS questions relating to March of current year
 - a. Age, race and sex
 - b. Employment and labor force status last week
 - c. Hours worked last week
 - d. Reason for part-time work or no work
 - e. Duration of unemployment
 - f. Industry and occupation
 - g. Educational attainment
 - h. Marital status
 - i. Relationship to family head
3. Supplementary questions relating to previous year
 - a. Geographic mobility from previous year
 - b. Weeks worked
 - c. Main reason not working full year
 - d. Full or part-time
 - e. Weeks unemployed
 - f. Occupation and industry of longest job
 - g. Income by source and amount (dollar amounts shown under \$25,000)

All of this information can also be cross classified by combin-

ing characteristics of the head or wife or all other family members. For example, income of the family head can be cross classified by educational attainment of the wife. Income of family members other than the wife can be cross classified by the age of the wife of the family.

It was our objective in working with these files to make them internally consistent, consistent with the documentation which we wrote and easy to use. The amount of screening and editing of the files which we could have done was almost unlimited. We chose to undertake all of the screening and editing which we thought was reasonable to permit good estimates in our labor force supply model. We did not attempt to edit for seemingly contradictory cases as 14 year old doctors having incomes over \$25,000. We edited for consistency within labor force activity categories but not consistency between labor force and income questions.

C. Preview of BLS Micro Labor Supply Model

The BLS labor force supply model will attempt to explain three dependent variables: whether an individual was in or out of the labor force during March of 1967, whether the individual participated at all in the labor force during 1966 and how many hours an individual supplied during 1966. The latter variable was constructed from questions in the CPS pertaining to the number of weeks worked, the number of weeks looking for work or on lay-off, whether the individual was primarily full-time or part-time during 1966 and how many hours the individual worked in March of 1967.

We have divided the labor force into three subgroups: youth (16-21), adult men (22 and over) and adult women (22 and over).

Robert Lerman, a MIT graduate student, specified the variables for youth. Samuel Rea, a Harvard graduate student, specified the variables for adult males. I specified the variables for adult women.

Our model is a cross section micro model using data from the March 1967 CPS. The model has several interesting features:

First, the model links the characteristics of an individual's family with his own characteristics.

Second, some new area variables are included in the model which have not been used in previous micro models.

Third, the model does not assume additivity but specifies interactions between variables.

Fourth, three different measures of labor supply are used as the dependent variable as discussed earlier.

Fifth, a number of alternative income and substitution variables are used in the model testing the strongest economic determinants of the decision to supply labor.

The analysis of our empirical results has not been completed. However, I would like to illustrate our results by presenting a regression we estimated to determine the importance of labor market conditions in the SMSA on the labor force participation of women residing in that SMSA.

The dependent variable was whether or not adult women participated in the labor force during March 1967. All of the independent and the dependent variables were dummy variables.

The independent variables took account of the age, educational attainment and marital status of the individual women and the unemployment rate, short run change in employment and the relative employment opportunities for women in their SMSA of residence as well as whether or not the women lived in a poverty area. Only the 25,146 women in the sample residing in the largest 96 SMSA's were included in this particular regression. The dependent variable took on the value of one if the woman was in the labor force and zero if the woman was out of the labor force.

Because the dependent variable is dichotomous and because the sample is clustered, the usual assumptions made about the variance-covariance matrix of ordinary least squares errors do not hold. However, the net effect of the violation of these assumptions is to over-estimate the standard errors of the regression coefficients. Consequently, all significant coefficients would be even more significant if we estimated our model correctly. The regression coefficients would also differ slightly from what they would be if we had used weighted estimates. Both of these problems will be discussed more fully in our forthcoming study.

All of the regression coefficients except the constant term represent deviations from an arbitrary level of each characteristic.

The arbitrary levels include:

Age: 22-34

Educational Attainment: Under five years
 Marital Status: Married husband present
 Unemployment Rate of SMSA: Under 3.0 percent
 Relative Employment Opportunities for Women: See text
 Poverty Tract: Not residing in poverty tract of SMSA
 Employment Change in SMSA: Below 3.50 percent

The results from our illustrative regression are shown below with t values shown in parentheses. The individual variables take on the value "one" if the individual has any of the following characteristics:

$$L = .1063$$

(4.1)			<i>Educational Attainment</i>
	<i>Age</i>		
+ .0800A ₂₅₋₅₄	35-54	+ .0907E ₅₋₈	5-8 years
(10.0)		(4.2)	
+ .0203A ₅₅₋₆₄	55-64	+ .1370E ₉₋₁₁	9-11 years
(1.8)		(6.4)	
- .1428A ₆₅₊	65+	+ .1836E ₁₂₋₁₅	12-15 years
(-4.6)		(8.8)	
		+ .2596E ₁₆₊	16+ years
		(11.3)	

Marital Status

+ .3039 MAR OTH	+ .5003 NEV MAR
(17.1)	(30.9)
Ever married—Husband not present	Never Married

BES Unemployment Rate 1965-1966 SMSA of Residence

- .0056 UR _{MED}	- .0128 UR _{HIGH}
(- .7)	(-1.3)
Between 3.0-4.4 percent	Above 4.4 percent

Relative Employment Opportunities Available to Women in the SMSA of Residence

+ .0422 REL 2	+ .0498 REL 3	+ .0715 REL 4
(3.6)	(3.8)	(4.2)
	(See Text)	

Lives in Poverty Tract of SMSA as Defined in the 1960 Census

$$+.0170 \text{ POV} \\ (2.1)$$

BLS non-agricultural payroll employment change in SMSA of residence from 1965-1966

$+.0323N_{\text{MED}}$	$+.0527N_{\text{HIGH}}$
(4.1)	(4.9)
Between 3.50 and 6.49 percent	Exceeds 6.49 percent

Interactions

$-.0099A_{35-54} \text{ MAR OTH}$	$-.0874A_{35-54} \text{ NEV MAR}$
(-.5)	(-3.4)
$-.0894A_{55-64} \text{ MAR OTH}$	$-.1762A_{55-64} \text{ NEV MAR}$
(-3.7)	(-5.1)
$-.2609A_{65+} \text{ MAR OTH}$	$-.3845A_{65+} \text{ NEV MAR}$
(-11.1)	(-11.7)
$-.0808A_{65+} E_{5-8}$	$-.0782A_{65+} E_{9-11}$
(-2.6)	(-2.3)
$-.126A_{65+} E_{12-15}$	$-.1551A_{65+} E_{16+}$
(-3.9)	(-3.5)
$R^2 = .168$	

Mean of dependent variable = .405

Standard error of estimate = .448

The final terms in the regression are interactions. They reflect our belief that an additive regression model is inappropriate. Our previous empirical work and a priori beliefs have led us to include interactions between marital status and age for all ages as well as interactions between educational attainment and age for women over 65. All of the interactions were negative.

A woman with all of the arbitrary levels previously mentioned would have a predicted labor force participation rate of 10.6 percent equal to 100 times the constant term. A woman with all of the same characteristics except with 5-8 years of educational attainment instead of under 5 would have a predicted participation rate of 19.7 percent.

The relative opportunities variable which we used measures

the ratio of the average employment/population ratio of all adult women in each SMSA to the overall employment/population ratio of all persons 16 and over in the SMSA based on a twelve month average of CPS data for 1966. We then divided the SMSA's into four groups reflecting differences in this ratio. REL 1 includes SMSA's with the lowest relative opportunities and REL 4 includes SMSA's with the greatest relative opportunities. The labor force participation rate for women living in REL 4 was 7 percentage points higher than for women living in SMSA's with REL 1.

A measure of the unemployment rate and employment change in the SMSA were both included. It was our belief the employment change variable would reflect short run changes in overall employment opportunities while the unemployment rate variable would reflect longer run changes. Our results indicate that the short run influences have a more important effect on labor force participation of adult women. In our forthcoming study, improved specification of the unemployment rate variable suggests women living in areas with very low unemployment have a higher labor force participation rate than women living in other areas, *ceterius paribus*.

Our results for age, educational attainment and marital status are nothing new but we must include them because of their importance.

We plan to include race, number and age of children in future regressions as well as other income and substitution effect variables.

A much more thorough discussion of this and other findings will appear in our forthcoming monograph "A Micro Labor Supply Model."

D. *Micro Data in Manpower Research*

Three advantages of using micro data are given by Orcutt: (1) The elimination of small sample biases; (2) The improvement in precision of estimates; and (3) The improved possibility in detecting misspecification.⁴

I think of these advantages—the most important is the third. So many times we wish to disaggregate a tabulation for proper specification of a model. Government statistical agencies are be-

⁴Orcutt, Watts and Edwards, p. 785.

ginning to realize that they cannot anticipate all future needs for data with a single tabulation program but must provide the flexibility to tabulate data as the need arises.

This new flexibility will impose responsibility on the researcher. The researcher will not ask what data are available but rather should ask what questions have been asked in the survey. If these questions do not suit his purpose he should be willing to recommend that additional questions be asked.

The researcher should have responsibility for interpretation of the results of the tabulation. The agency should provide the tabulation and technical assistance for a fee and should not permit the tabulations to be released if they violate the confidentiality restrictions imposed to protect the respondents in the survey. I believe this should be the only reason for prohibiting access to the data.

Because of the familiarity of the agency with the technical problems of the data, because of confidentiality problems and because the agency can make tabulations faster and cheaper than the user, I recommend the agencies make tabulations or do the statistical work for the user rather than releasing the micro data. This is not a hard and fast rule. The $\frac{1}{1000}$ sample provided by the Census Bureau has been of great value to hundreds or perhaps thousands of researchers who have used it.⁵

E. *A Look to the Future*

In this section I will describe a technology of data availability which I believe could be made available if sufficient demand for micro data were shown.

Micro data on individuals and families could be stored on computer disks with very fast random access devices and indexed in such a way that cross tabulations from these disks could be obtained in seconds. One computer firm put a 40,000 individual subsample of the $\frac{1}{1000}$ sample of the 1960 census on such an indexing device and obtained a tabulation in less than one second.⁶

With such rapid processing time it would be feasible to link

⁵U.S. Bureau of the Census, *U.S. Censuses of Population and Housing: 1960, 1/1000 and 1/10000, Two National Samples of the Population of the United States*, Processed.

⁶Thomas Marril, "On Line Retrieval and File Maintenance with Large Data Bases," 1968 *NEREM RECORD*, Vol. X, p. 48.

time shared consoles across the country into a computer at the BLS or the Census Bureau.

The document we have prepared in our project could provide users with the necessary codes to request tabulations using a computer console.

Only nonconfidential characteristics would be stored on the disks so that there would be no danger of violating confidentiality no matter what data the user obtained.

The total cost of the final product under such a scheme i.e. research or desired cross tabulations would probably be much lower than the total cost of research today, however, the distribution of costs borne by the government statistical agency and the user would shift more to the statistical agency. When dealing with large data files, it is impractical for each user to pay the large fixed cost for the programming and computer time to obtain cross tabulations or regression which a government statistical agency could provide at low marginal cost. What is worse, however, is that much of the potential research with micro data is not done at all.

Because of the problems outlined in the previous sections we are not likely to see on line retrieval of micro data in the immediate future. What the BLS could do in the immediate future is to provide a procedure for supplying cross tabulations from the CPS to handle certain standard requests. Such a procedure is made possible by two developments:

(1) The uniform format CPS file worked out jointly by the BLS and Census Bureau described in this paper, and;

(2) A generalized cross tabulation program developed by the Australian Government.⁷

Unfortunately it is unlikely the BLS or the Census Bureau will give priority to outside researchers when they both must respond to increasing demands imposed by congressional mandates at same time holding employment at prescribed levels.

⁷ See J. A. Wilson and H. F. Brophy Commonwealth Bureau of Census and Statistics, *A Generalized Table Generator* (Cambera, Australia: unpublished, 1967).

AN EVALUATION OF PRODUCTIVITY STATISTICS

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The real output and input estimates that underlie productivity relationships are essential for analysis of changes in economic aggregates and structure, and thus as background for formulation of policy measures designed to promote relatively stable economic growth. Some progress has been made during the past decade in expanding and improving productivity statistics, but there is much work left to do.

As I view it, the agenda of unfinished business consists of the following major items: (1) the interested governmental statistical agencies should work towards providing a full range of real output-input relationships for the economy, and the several sectors and industries for which data can be obtained; (2) the output and input concepts need more careful definition, particularly in the service sectors, private and public; (3) the collection and processing of basic quantity and/or value and price data must be further expanded and improved, and the industry coverage of productivity estimates increased; (4) progress in the direction of regional estimates, and of company, establishment and other organizational measures is needed; (5) the experimentation with plausible alternative methods of measurement should be encouraged; and finally, (6) much more use of output, input, and productivity statistics in analysis of economic aggregates and structures, including price relationships, is necessary if policymakers are to have the knowledge they require to guide the economy towards more effective realization of the material aspirations of the community. In the limited time at my disposal, I shall elaborate somewhat on selected aspects of these agenda items.

Productivity Concepts

In this paper, I am interpreting productivity broadly as the relationship of output to one or all associated inputs, in real terms. I am thinking particularly of output-input relationships over time in

a dynamic context, rather than the average and marginal productivity concepts of static equilibrium theory. I am also thinking primarily in terms of output-input ratios, although productivity may also be approached in terms of rates of change in the scalar, or "shift factor" in statistical production function analysis.

To be most useful in analysis, industry gross output series should be related to input measures for the broad classes of labor, capital, and intermediate products (and possibly subdivisions of each) individually and in combination. To obtain non-duplicative, additive measures for the economy and its major sectors, real intermediate costs are deducted from the gross output measures, and the resulting net output or "real product" measures may be related to the basic factor inputs singly and in combination.

My own work at the National Bureau of Economic Research, and that of some of my colleagues, has employed the total and partial factor productivity approach.¹ Among the Federal Government statistical agencies, the Economic Research Service of the Department of Agriculture has prepared admirable total and partial productivity ratios for the farm sector. The Bureau of the Budget in its pilot study *Measuring Productivity of Federal Government Organizations*, was able to prepare total and partial productivity index numbers for several of the agencies included in the study. The Bureau of Labor Statistics continues the more conservative practice of measuring only output per manhour or per employee. This is understandable in terms of the Department of Labor's primary focus on labor problems. Yet I do not believe that the restricted range of the Department's productivity estimates is justifiable. Even from the standpoint of explaining changes in "unit labor requirements," the effects of factor substitution and changes in overall productive efficiency must be quantified, which requires measures of non-labor inputs and the associated partial and total productivity relationships.

In this connection, the development in recent years by the Office of Business Economics in the Commerce Department of industry real product estimates, and of real capital stock estimates for the private economy by broad industry divisions, opens the way for the development of a full range of "official" productivity measures—

¹ See John W. Kendrick, *Productivity Trends in the United States*, (Princeton University Press for NBER, 1961). I am in the process of updating the estimates contained in that volume.

especially if OBE publishes its gross output and real intermediate input series as well as the real product estimates; and if it develops further industry breaks of its real capital stock estimates. If BLS chooses not to expand its range of productivity indexes, it would seem logical for OBE to supplement its traditional concern with real product and associated factors by developing explicit productivity measures.

One final point on concepts concerns intangible inputs. Total tangible factor productivity may be interpreted as providing the best general guide available to the trends in cost-reducing technological and organizational change and associated improvements in the "quality" or productive efficiency of the factors. It has become a favorite sport of economists during the past decade to attempt to "explain" statistically the movements of the so-called "residual" (i.e. changes in total factor productivity viewed as the difference between rates of change in real product and in combined tangible factor input). The work of Edward Denison, Zvi Griliches and Dale Jorgenson comes to mind. I, too, am engaged in an effort to measure the stocks and inputs of "intangible capital" which may largely explain the trends in total factor productivity. I believe that this is worthwhile and promising research; but, it is the sort of experimental estimation and analysis best conducted by private research groups and individuals rather than by government agencies.

Definition of Outputs and Inputs

The definitions of outputs and inputs must be clear, meaningful, and operational before statistical implementation can begin. While outputs are generally industry-specific, inputs are generalized. The chief problem regarding the major input classes relates to the degree of internal detail and weighting. Should manhours be weighted separately for occupational and industry groupings; should real capital stocks and inputs be weighted according to rates of property compensation in the various component industries of a sector; or should inter-industry resource shifts show up as part of productivity change? Should real capital stocks be measured gross or net of accumulated depreciation for production and productivity analysis? Should they be adjusted for changing rates of utilization of capacity, or should this be reflected in the productivity measures? I have given my own answers to these questions, but the issues are still controversial.

Definitions of outputs are generally fairly well accepted in manufacturing and extractive industries. Construction is still plagued with the problem of adjusting custom-built structures for comparability through time. But the chief areas to which much more thought must be devoted to defining output units are the service industries. The deficiencies of the OBE real product estimates in this sector are well brought out in a forthcoming volume of the Conference on Research in Income and Wealth, and constructive suggestions were made for improvements.² Victor Fuchs and his associates at the National Bureau of Economic Research are making progress in measuring output and productivity in this large and growing sector,³ but more remains to be done. It will be helpful if government statisticians can meet industry groups to determine just what are the service units in their industries—banking, insurance, brokerage, and so on. Similarly, it is incumbent on analysts in government agencies to specify the missions, and output work units which implement the various functions of the agencies, so that unit-cost-weighted output aggregates can be used in government productivity measures. The Budget Bureau study is just a beginning; I have estimated elsewhere that at least 75 percent of the outputs of civilian government agencies can be measured. And productivity measures in the public sector can serve as particularly useful management tools, since profit and loss statements are not available as a gauge of efficiency. We tend to forget that improving productivity in governmental operations can make an important contribution to economic growth generally.

Finally, there is the perennial problem of quality changes in goods and services. Despite some advance in this area, our inability to make adequate adjustments must remain a qualification to output and productivity measures.

Data Collection and Estimation

Our data collection systems are relatively good in the commodity-producing industries, other than construction. The recent Census

² *Production and Productivity in the Service Industries*, Volume 34 of *Studies in Income and Wealth*, National Bureau of Economic Research, scheduled for spring, 1969.

³ See Victor Fuchs, *The Service Economy*, unpublished manuscript; also, Victor Fuchs and Jean Wilburn, *Productivity Differences Within The Service Sector*, NBER Occasional Paper 102, 1968.

Bureau volume with indexes of production for more than 400 4-digit industries is a landmark, and represents marked progress since the pioneering work of Fabricant. The data on farm output and prices have been reasonably good for a long time, and show what adequate funds for statistics can do. The statistics on the regulated areas are plentiful as a by-product of the regulatory interest. It is chiefly in the service areas that expanded and improved censuses and sample surveys are needed to provide value, quantity, and/or price data—once we are clear on just what we want, as stressed in the previous section on concepts.

Data on employment and hours are reasonably good for many industries; in the non-commodity areas where reporting vehicles are weakest, the labor data can be obtained along with the value data in the improved censuses and surveys mentioned above.

Tangible asset data need improvement all down the line, particularly with respect to detail by type of asset and by industry. A comprehensive survey of the existing data and recommendation for improvement are contained in the report of the Wealth Inventory Planning Study which I headed, *Measuring the Nation's Wealth* (U.S. Government Printing Office, 1964).

Regional and Establishment Estimates

The large volume of establishment data in the economic censuses, and company data in IRS records, would make possible much more estimation and comparative analysis of productivity in plants and firms than has thus far been undertaken. A program of direct plant-level productivity studies, such as those which were done by BLS in the late 1940's, would yield useful insights and could be resumed, although the benefits must be weighed against the relatively high costs involved. One beneficial by-product of the BLS plant-level studies was to increase "productivity-mindedness" in private industry, and to stimulate productivity measurement by companies.⁴ I would like to see further expansion of productivity measurement within firms, or by trade associations for their members. Such measures can be very useful not only as tools for management analysis and control, but more importantly as background for budgeting and long-range projections.

⁴ See John W. Kendrick and Daniel Creamer, *Measuring Company Productivity: Handbook With Case Studies*, National Industrial Conference Board Studies in Business Economics No. 89, 1965.

The economic censuses also make possible regional productivity estimates and comparisons of trends and levels. Such comparisons make it possible to analyze how much differential regional trends is due to the differences in industry composition and how much is due to the differences in productivity trends within the same industries. To make the same sort of estimates and comparisons on an annual basis would require considerable enlargement of the census and other surveys, which would be quite costly. Before considering annual series, the periodic economic censuses should be exploited more fully.

Along the same line, I should mention in passing the desirability of compiling productivity estimates for other countries to permit international comparisons. After all, relative national productivity trends are a key ingredient in relative rates of economic growth, and affect international competitiveness, given fixed exchange rates. Further, relative changes in industry productivity are a chief element in changing comparative costs, and thus in changing patterns of trade.

But expansion of international productivity comparisons awaits further development of productivity statistics in other countries—a subject that lies outside the purview of this paper. I would only urge that Federal and international statistical agencies make full use of the statistics presently available for international comparisons, and encourage their further development within a consistent industrial classification framework.

Methodology

It is not always apparent which of alternative estimating methods is preferable. This is definitely the case with respect to the weighting procedures—the extent of internal weights; the weights to be used; and the base-period(s) to be chosen. Unfortunately, there is no unique solution to the “index number problem.”

Are deflated values to be preferred to unit-value weighted quantities? In the latter case, the two approaches ideally yield the same results if complete and consistent value, price, and quantity data exist; if they do not, one chooses the alternative for which the relevant data appear to be better and more abundant; but the choice is not always obvious.

In these situations, and others in which plausible methodological

(and conceptual) alternatives exist, the statistician is well advised to calculate alternative measures, and to indicate the sensitivity of the resulting series to the alternative methods (or concepts). The individual or agency also has a responsibility to indicate which is the preferred measure for the sake of the less sophisticated statistical users. For the more sophisticated user, occasional sensitivity analyses are helpful in interpreting results, and possibly making a different methodological choice from that of the statistics producer.

Productivity Analysis

In the foregoing discussion we have referred to various analytical uses of productivity estimates. The expansion of the range and coverage of the productivity estimates, which I have urged, would facilitate more comprehensive analyses. I suspect that even our present body of output and input statistics are not fully exploited in analyses. But that is a reason to urge more analysis, and not an argument to restrict expansion of data and estimates.

Regarding analysis, I would encourage more work on causal factors behind productivity advance, and on economic impacts, at all levels. In particular, the inter-relations among changes in factor productivity, factor prices, product prices, sales and production, and factor demands should be explored more fully.

Ultimately, statistics on quantities and prices of outputs and inputs, and the productivity relationships will form a key element in comprehensive structural models of the economy which will complement our present final demand models. A beginning on such structural models has been made in Volume 32 of the *Studies in Income and Wealth* series, entitled *The Industrial Composition of Income and Product*. It is my hope that further expansion and improvement of output, input, and productivity statistics will eventually make possible the kind of structural analysis envisaged in that volume, and thereby further enhance the role of economists as policy advisers.

VI

PREVENTIVE MEDIATION AND CONTINUING DIALOGUE*

THE ARMOUR AUTOMATION COMMITTEE EXPERIENCE

HAROLD E. BROOKS
Armour and Company

Introduction

The Armour Automation Committee was established in 1959 following a series of plant closings that presented serious problems in dealing with the workers being displaced and the way in which new plants were to be manned. The specific things that have occurred as a result of the workings of the committee have been reported in a number of publications that are available. For the purpose of this statement no attempt is made to summarize or highlight the very able work that has been done.

I have chosen to attempt a judgment as to what the main contributions of the vehicle of the committee have been from the point of view of management and to briefly explain or illustrate my conclusions. Perhaps in so doing it will stimulate thinking on the subject of our panel.

Role of the Neutral

The very fact that the committee has operated with neutral chairmen has been a prime factor and has contributed a great deal to what has been accomplished. For some time we have had the good fortune of having the position shared by two co-chairmen—Clark Kerr and George Shultz. The committee has been fortunate in having Dr. Kerr's help from the very beginning. The skill and resourcefulness of these two gentlemen cannot be overrated.

Probably parties who are adversaries at the bargaining table naturally find it difficult to take full advantage of existing oppor-

* The discussion by David Previant, presented in this session, is not included in the published *Proceedings*.

tunities for exploration of problems and attempting constructive solutions. The neutrals by testing out attitudes, avoiding the hardening of positions by the parties, and encouraging the examination of all possible alternatives, unquestionably have made it possible for the parties to progress further than they would alone. The more knotty problems can be kept fluid by calling for more facts, conducting a study, or simply carrying the subject over for another meeting while moving on to other items on the agenda.

There have been many times when the chairmen briefly recessed a meeting and called for separate side conferences with the parties. In this fashion the chairmen were able to seek out possible areas of agreement that would open up opportunities for the parties to make constructive progress. Also, we were able to put off for a more opportune moment a subject that would have led to an impasse.

The role of the neutrals has been important not only in the conduct of the meetings but in separate communication with the parties. Greater background and depth of understanding, as well as communication, were accomplished in contacts by the neutrals in more relaxed meetings with individual parties unhampered by the time limitations of a crowded agenda. Having enjoyed a long continuity in the chairmanship there has developed a close knowledge of the parties' affairs and interests which has contributed to the judgments rendered and has served as a basis for imaginative and creative suggestions.

Experimentation

Individuals and institutions probably can accept change more readily under experimentation than under conditions of more permanent commitment. Considerations such as the fear of not being sure of all the possible implications of a proposition, the reluctance to establish a precedent that might commit for the future, the unwillingness to move without broad communication and conditioning, and a host of other considerations—all unquestionably tend to restrict change and even limit creative thought going to change. In my judgment it is the opportunity to experiment with possible solutions without too serious forward commitment that constitutes one of the greatest contributions of the Armour Automation Committee concept.

An early understanding arrived at in the committee was that

expressions of the parties in discussion would not constitute commitments. Similarly, it was agreed that the acceptance of an experimental plan including the authorization for use of money was not to be used as precedent on a broader basis. The committee was viewed clearly not as a bargaining vehicle but an effort to study problems and to indulge in creative thinking and experimentation. Except where the parties specifically authorized to the contrary, the results of the work of the committee is referred to the parties for whatever policy action they wish to take.

The value of such procedure can possibly best be illustrated by reference to work that has been done in the area of transfer of workers. In 1959 there was very little to go on out of the experience of our own and others with the problems of transferring workers displaced by a closing.

When jobs at another location were first offered to displaced workers, there was considerable reluctance on the part of these people to cast off from their home town and follow their jobs to another location. Extensive interviews began to make clear some of the fears and uncertainties that existed. Moving expense itself was a consideration. Then there was the concern of loss of employment at the new location. How would one ever get back to his former location where he would be among old friends and where he might feel more sure about locating other employment. Certainly not many were able to make up their minds quickly, and the matter of what would constitute a reasonable period of time for the decision was raised. The matter of seniority loss and where one would fit in the seniority list of the new location were extremely important.

Through the vehicle of the Armour Automation Committee, it was possible to some extent to establish temporary rules and to make immediate money available to carry out various approaches to see what might be learned. For instance, the fear of how a worker would get back to his former community was very real. The committee might feel that there was very little possibility of the problem actually arising but to see what could be done with transfer, it was actually agreed that workers transferring from Oklahoma City to Kansas City would be allowed moving expense to return to Oklahoma City if they should become permanently laid off at the new location.

The matter of how to provide adequate seniority protection to transferred employes under some conditions remains a problem because it was a tough one. But it was a considerable aid when in 1961 there was agreement that new employes hired after August 7 could be bumped by employes with greater seniority permanently closed out of another plant. Other provisions were outlined to overcome resistance to the end that a reasonable transfer experience was accomplished.

Out of our transfer experience it became clear that willingness to pack up and move was essentially related to how steady workers felt the new employment would be. Where we had a new plant to offer as a replacement and workers went over with their seniority, a relatively high percentage followed their jobs. Where all that could be offered was essentially the bottom of a seniority list in an older plant, the proportion taking transfer was relatively small.

Resolving Specifics

Our union contract states—"Except as explicitly provided otherwise below, the findings and recommendations of the committee shall not be binding upon the parties but shall be made to the Company and to the Unions for their further consideration."

In practice the parties have found it practical to ask the chairmen to provide a ruling on certain matters and in so doing the vehicle of the committee has served another very important purpose. There are times when a rule is needed, and the contract itself does not provide an answer. Because of the long continuity of service of the chairmen and the parties' faith in their impartiality, there has been a willingness to accept a judgment that could be relied on to reflect the equities and rightness in the light of the "whole" and "ongoing" situation. To be sure, some rulings may have seemed hard to take on the part of one or the other party, but there was something positive in removing the subject from further conflict. Also, the general respect of the parties for the committee could be relied upon to have a ruling accepted.

One subject that has been before the committee since the very beginning is that going to the definition of a replacement plant. Over the years there has been some progress in at least partially

answering this question and some language has actually been embraced in the contract. However, with the great possibilities for variations that exist as obsolete facilities are closed in part or total while facilities of varying nature are built or acquired, the problem of establishing fixed rules has proven difficult. A very important contribution of the committee has been this ability to arrive at a rule when such action was indicated.

Help with Credibility Gap

There have certainly been times when there has not been complete understanding between our management and our unions. There is, of course, nothing unique about this. The fact that the parties met other than at the bargaining table and addressed themselves to an agenda, part of which at least consisted of items in the not too controversial area, certainly contributed something to the general ability to work constructively. When the controversial areas were then approached as was necessary on most all occasions, progress or no progress was obtained, but in any case it was another effort to make progress.

One of the most difficult subjects of controversy confronting the committee was present at the very start. This was in meeting the demand for information pertaining to the company's forward plans. This one subject itself could very well have taken us far apart if we had not had rather frequent discussion of the problem, particularly differentiating between speculative plans and actual commitments to a course of action. It took a very considerable length of time over many meetings before there was any degree of acceptance for the principle that the interest of both parties would be adversely affected if plans were discussed before they could be made as commitments because of the expectancy that would be built in the minds of the employes. While credibility at times became rather thin over the subject of the company's plans, communication was kept fluid until specific commitments were possible and the track was kept open to attack other problems in constructive manner.

Retraining and Placement

One of the finest pieces of work that has been done by the Armour Automation Committee centers in the retraining and place-

ment activity that has been organized in the communities where we have closed plants. When it has appeared that the volume of need would justify a special effort, the committee has generally made a study of the situation and approved a plan of action. To carry out the work of such projects it has been possible to attract the services of high caliber personnel interested in the subject and usually tied in with a university and also enlisting the help of local schools. The leadership engaged has looked upon the work as an opportunity to do practical research that would serve as a basis for writing and publishing. While no blanket right to publish has been granted in advance, the committee has had an understanding with those carrying out projects that in all likelihood publication would be allowed but not until after the parties had the opportunity to review the material.

It seems clear that the level of talent that has joined us in this work has had a great deal to do with the enlisting of broad participation and cooperation in the communities of closed units, and with the aid of the co-chairmen particularly it has been possible to secure understanding and assistance from federal and state agencies and programs. Some interesting things have been experimented with in both training and placement areas through the committee. Most of which have been reported.

While the number of persons processed through various training programs as well as the number actually placed in jobs through the services of the committee may not always be impressive, the fact that these avenues have been available and have demonstrated a potential for broader application is the more encouraging measurement of success. At least a modest amount of data has been developed to measure what can be accomplished along retraining and placement lines. It is probably fair also to state that in communities where the committee has attempted to bring about a desirable degree of cooperation on the part of all who had a contribution to make has left these communities with an experience that may have continuing benefit in performing work of a like nature for others.

Early Negotiations

It will be recalled that Armour and its principal unions in the food business negotiated a new contract early in 1967 about six

months prior to the expiration of the previous three-year contract. This was the first time that we had not gone to the finish line or beyond in negotiating a renewal of the contract. The negotiations took place without the usual buildup of agitation and demonstration of strength and uneasiness among workers throughout the plants which had been customary in most previous prenegotiation situations.

It is difficult to see how such a change in negotiation practice could possibly have taken place if it had not been for the long extended experience in working together that had been accomplished through the joint efforts undertaken by the Armour Automation Committee.

Of particular importance to the early negotiations was the determination in advance that there was a fair mutuality of interest on the part of the parties. Again the role of the co-chairmen was important in giving the reading to the parties. Through the use of a third party sensitive to the situation and thoroughly knowledgeable in the area the parties were able to arrive at a judgment of the prospects without having to assume a direct advance position. This made direct negotiation feasible.

Expense

Related to accomplishment and the span of time covered, the cost of the committee has been relatively modest. In setting up the committee a formula related to shipments of product was used until an aggregate contribution of \$500,000 had been made. Additional credits of \$250,000 have been made available since the \$500,000 was reached, and it would appear this should be adequate for perhaps another year. Thus the expense of the committee chargeable to the fund has on the average been less than \$100,000 a year.

In all likelihood management might have incurred at least a good part of this total expense even though there had not been a committee. Certainly cost is not a very great limiting factor to the use of the vehicle.

THE ILWU-PMA MECHANIZATION AND MODERNIZATION AGREEMENT

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In 1963 at a meeting of this association in Boston, Lincoln Fairley, then Research Director of the International Longshoremen's and Warehousemen's Union (ILWU), listed the factors that he thought contributed to the success of the M&M Agreement. He listed seven factors:

1. The existence of the hiring hall with rotational employment among all employees. The hiring hall more or less automatically overcomes the problems that would arise because of differential rates of productivity change from employer to employer. Work opportunity fluctuates for the entire work force, not for the employees of individual employers. It is difficult to see how, in a multi-employer industry, an M&M plan could otherwise be applied.

2. Equally necessary has been the machinery of joint registration, now on a coastwise basis. Without this, the parties could not have controlled the number of workers to the point where a plan to increase productivity could have been adopted. Where there is a surplus of workers, a union cannot agree to a program that forces some of them out of their jobs. Such a program is one of the employer's prerogatives. It is partly for this reason that the ILWU has supported other unions in their fight to maintain the types of rules which we were in a position to modify but which they must hang onto.

3. A rate of productivity increase that is not greatly (if at all) in excess of the anticipated rate of attrition or alternatively, of course, a sufficiently rapid rise in output.

4. Agreement that the gains from the increased productivity effected by the plan shall be over and above normal, expected improvements in wages and fringe benefits. East Coast employers in last spring's negotiations with the ILA appeared to be demanding changes in gang sizes and a more flexible work force as a condition of contract settlement including wage increases. The same seemed to be the case in the railroad's bargaining over the fireman issue. A union can hardly be expected to relax rules, no matter

how restrictive they may allegedly be, as a condition for getting a wage increase it believes itself entitled to on the usual grounds. The work rules at issue have been in effect for a long time and were taken into account in past bargains. Many employers have been seeking an unfair bargaining advantage on the basis of the public hullabaloo over "featherbedding."

5. A strong union, with sufficient internal discipline to undertake its share in administering a radically new set of work rules, and with sufficient confidence on the part of the rank and file in the policies recommended by the leadership.

6. A correspondingly strong and effective employers' association equally capable of handling its administrative functions and with sufficient vision to recognize that workers are entitled to share in the benefits of productivity increase.

7. An effective and flexible grievance machinery capable of handling without breakdown a heavy added load of cases and backed by a good faith willingness on the part of both sides to make the plan work. This last item is as important as any.

Some of these, if not all, would find sympathetic concurrence from the employers. Others that might seem more meaningful to employers are in the outline prepared for this meeting. From the vantage point of today it might be useful to examine the conditions that Mr. Fairley and others assumed were precedent to a successful agreement and see to what extent they have stood the test of time.

I should like to divide my comments into two sections. The first I would call "The Agreement Revisited," using Mr. Fairley's comments as a departure point. In the second section I should like to comment briefly on some problems.

I. THE AGREEMENT REVISITED

Effect of the Jointly Operated Hiring Hall

There is no question that the existence of the hiring hall and rotational employment was critical to the concept of the Agreement at the beginning and has been critical since. The importance of rotational hiring was recognized early in the original discussions for the following reasons: (1) If you ask the work force to accept technological change with a concomitant potential reduction in hours, it is considerably easier politically, morally, and economically to

do so when such reduction is shared equally by all employees. (2) Since the employers historically accepted a jointly operated hiring hall, they were constitutionally prepared in 1960 to take control of the registration of the work force. This move protected the large investment made in each employee as a price for change. (3) The rotational hiring hall a natural vehicle for getting industry-wide agreement on problems that affected work availability. By contrast, one of the principal stumbling blocks to similar agreements in other parts of the country has been the prevalence of archaic hiring practices.

Productivity Measurement

A rate of productivity increase not greatly in excess of the normal attrition rate was envisioned as realistic at the beginning of the Agreement, but failure to properly measure change has complicated the picture.

At the time of the signing of the first Agreement, all calculations were based on an assumed rate of attrition, approximately four percent a year. This figure was an historical figure used for the projections normally made under the longshore pension agreement. Experience under the new agreement revised that figure upward, at least in the early years. A substantial number of longshoremen for example took advantage of the provisions for voluntary early retirement. However, statistics with respect to annual attrition are readily available but productivity measurement is not so easy.

In the early years of the Agreement, the employers invested a substantial amount of money for special staff to develop reliable data for productivity measurement. In fact, earlier attempts were made during the negotiations with the assistance of the Bureau of Labor Statistics. Both efforts failed. The employers did not gear up their own organizations to produce reliable data largely because most of them feared the basic concept of productivity measurement. In my view, much of this fear was based on apprehensions that proven gains would be used to bolster future demands. They feared that the union would not give proper weight to capital inputs, they feared their own loose reporting systems and they worried about competitive advantage in a highly volatile and rapidly changing industry. The union was and is convinced, however, that

productivity increases have exceeded original predictions and that employers are realizing large gains that they are not sharing with employees. Whether this is true or not and whether or not it is equally true for all employers does not change the fact that this belief has contributed to suspicion, particularly among the younger members of the work force not interested in economic benefits at retirement.

One thing is clear. The glamorous gains attributed to containerization, with its capital intensive input in ships, cranes, boxes, land and other equipment has obscured gains made on other operations that are not capital intensive. Where the relative weights lie is not clear from the kind of industry-wide statistics developed by the association but it is a problem that is creating tension in administration and negotiation.

Uses of the Grievance and Arbitration Machinery

Management representatives would agree that the grievance and arbitration machinery has been the basis for a continuing dialogue during the life of the Agreement. A grievance and arbitration procedure is often the last place to look for this. On the West Coast, the grievance and arbitration process has been a part of the Agreement since the middle thirties but has operated with only limited effectiveness; even since 1949 when the so-called "New Look" came to the waterfront. After 1949 there were no *major* strikes but guerilla warfare, violations of the contract and use of the grievance procedure as a convenience rather than a requirement was typical. The grievance procedure was honored more in the breach. The contract language necessary for good administration was all on the books but what changed all this prior to October 1960 was the employer's administration of the Agreement. The so-called "Performance and Conformance" program, predated the Agreement and tested the employers' willingness to give up some autonomy on labor policy to the Association. Therefore, the administration was put into a healthier framework; steamship company control of contract administration centralized in a policy-making body in the association. This has stood the test of time. At the top of that structure, directly under a policy-making executive committee composed of presidents, sits the Coast Steering Committee. This employer committee is composed of the chief industrial relations or

other ranking officers of the principle steamship companies and one representative of the stevedoring and terminal companies. Since it functions as the negotiating team of the association and the policy-making body directly under the president, it sets basic labor policy for the entire Coast, and acts as the employer representative on the Coast Labor Relations Committee, the top appeals body under the grievance and arbitration section of the basic contract.

It is here and particularly at the CLRC level that the continuing dialogue occurs. Disputes referred to this body get there in a variety of ways but its decision making power is broad. There is no formal barrier to raising issues of importance at the Coast Committee level and the CLRC now has taken jurisdiction over longshore registration.

Although the move from decentralization to centralization has given rise to local resentments, it is unlikely that the Agreement could have been put into operation without this. Whether or not centralization of authority is a concomitant of continuing dialogue in all cases is not clear. It is hard to imagine any other successful structure when operations are as diffuse and non-repetitive as most are on the waterfront.

Effect of Two Long-Term Agreements

The willingness of the parties to sign two long-term agreements has been a positive factor in the Agreement. The overall stability that inevitably flows from this is enhanced by the ability of management to plan for long-term investments in technology. In many ways, the latter is more important than the apparent advantages usually associated with uninterrupted operations. Maritime labor relations has a myriad number of components any one of which can halt the operation. A long-term agreement with ILWU is an important factor but it is not a *guarantee* of uninterrupted operations.

II. SOME PRESENT PROBLEMS

Recent events have strained the parties' relationships and the Agreement itself. The sources of these strains provide some insight into the strengths and weaknesses of the Agreement and perhaps some bases for predictions about the future. It is popular to attribute radical change in the collective bargaining field to such subjective things as changes in the cast of characters. The pro-

fessional knows that more serious threats to basic understanding are usually posed by outside forces. I think this has been true of the M&M Agreement.

The principal strain on the Agreement at the present time is caused by two related factors. The first is the rush to containerization. The second is the failure of other segments of the industry to find constructive solutions within their own bargaining frameworks for resolving many of the issues posed by rapid and intense technological change. Although much is being made at the moment of the effect of East Coast negotiations on West Coast problems, I believe the first to be more important in the long run. Let us deal with each in turn.

In 1960, when the Agreement was originally signed, there is no question but that the advent of containerization and the use of other types of prepackaging of shipments off the dock was a principal motivating force for both parties. However, with one or two exceptions, all interestingly enough by operators at that time engaged exclusively in the domestic trades, operators as a group made little or no real commitment to container systems or even to the construction of container ships during the first six years of the Agreement. In fact, one of the principle problems in the early days was a feeling among many of the employers that only one operator was benefitting from the Agreement. Even after the renewal in 1966, and even as of this date, few operators have sizable container operations. In the last three years, however, commitments by both foreign and domestic operators all over the world have mushroomed. Ships are off the drawing board and in the yards—a few are in operation. Capital commitments are large.

The potential significance of all this for the longshore work force has suddenly come into sharp focus. The concerns lie principally in reduction of hours on a coast-wide basis, jurisdiction of residual work, and the compensation properly assignable to the work force for its share of what they feel will be unprecedented gains in productivity on the horizon. The situation is complicated by the nature of the changes which have dimensions that go beyond the introduction of new technology.

Containerization is a transportation process *and* a packaging process. The most efficient movement is that which involves the least number of handlings of the container and the least number

of changes of the contents in any single through movement.

To state the simplest case:

The most efficient packaging for a through movement of machine tools from the United States to Japan would be to load the container at the factory and discharge it at a single location in Japan, preferably where all its contents would be used. The historic process of handling the packages on the docks as individual items has not only been eliminated by off-dock filling of the container, but the container has also eliminated the need for using longshore labor to stow the package in the hold of the ship. This ideal technology, however, is not the whole story.

The Longshoreman can accept the fact, however reluctantly, that work has been eliminated by the "machine" or even by the "system" which now reaches far inland. He is not nearly so sanguine about collection centers and rehandling points much closer to home. Unlike the classic case, the work has not literally been eliminated by the machine—a fact which may be distressing but is inescapable. In the container case the "work" may merely have been moved to a distant, or not-so-distant point. But how distant? Where is the point at which the work realistically disappears? The difficulty is compounded by the fact that when the work moves, it has often moved out of the jurisdiction of the employer, out of the jurisdiction of the union in many cases and some would argue out of the jurisdiction of the Agreement as written in 1960 and renewed in 1966.

The complications of this are clear. Recently, in San Francisco, the Teamsters Union picketed some docks demanding that they provide the labor to service containers that were to be "stripped" on the docks—a function the ILWU feels is clearly theirs under the Agreement when such work is done on the dock. The ILWU also claims such work when performed off the docks—how far off is not clear. As of this writing, it appears that ILA may have reached agreement that "off" is within a 50-mile radius of some agreed upon central point.

Since the rush to containerize world wide, the failure of the East and Gulf Coasts to resolve these basic issues in the use of containers has had an effect on the West Coast. The question of who does the work of stuffing and unstuffing containers where the system moves such work off the dock complicates negotiation if

approaches by the parties vary widely in different areas of the country. The issues are further complicated on the West Coast by the fact that the parties have not used the intervening years to resolve other issues concerning work historically performed by non-ILWU labor and there is also, as I have mentioned, a general feeling that the employers are gaining disproportionately under the Agreement.

At the risk of suffering the fate of all prognosticators, that of being proved wrong, I predict that these issues will be resolved within the framework of the present Agreement. I believe this primarily because the Agreement has been tested in the past, been strained but not shattered. It has proved to be elastic and it should continue to provide enough room to meet present challenges. Past experience does not indicate that the ILWU wishes to change the basic concepts that led to the Agreement or scrap it because of events in other parts of the country. In my judgment, there is too much value already built into the system that neither party wishes to abandon.

The only question is whether the participants will use the structure to find the solutions to the outstanding issues. I think that they will.

THE STEEL EXPERIENCE: MYTH AND REALITY

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In 1965 the authors of a very thoughtful and accurate appraisal of the Human Relations Committee in the basic steel industry wrote that the committee had "achieved success probably beyond that hoped for by its creators."¹ Ironically, by the time that this work appeared in print the committee no longer existed and David J. McDonald, the president of the United Steelworkers of America when it was established, had been defeated for re-election in a campaign based, in part, on opposition to the committee. The "new approach" to collective bargaining in the basic steel industry, which had been so highly praised when it produced peaceful settlements in 1962 and 1963 after the holocaust of the 1959 strike, thus appeared to die contemporaneously with the applause over its apparent success.

Something did die in steel negotiations in 1965. What ended then, however, was not the concept of the Human Relations Committee as originally conceived, but something quite different.

As recounted more fully in "Creative Collective Bargaining,"² what became known as the Human Relations Committee was originally denominated the Human Relations Research Committee. It represented a compromise response to a union proposal that the eleven major companies join with the union in a program similar to that which the union had agreed upon with Kaiser Steel, when Kaiser broke with the industry and settled independently during the course of the 1959 strike: a tripartite committee, with three distinguished neutrals, charged with the responsibility for developing a long range plan for the equitable sharing of the company's gains between stockholders, employees and the public. The companies opposed the use of neutrals and were reluctant to engage in any such fancy projects as a long range sharing plan. They proposed, and the parties eventually agreed upon, a "Human Relations Research Committee" (the title was the invention of the chief

¹ James Healy, ed., *Creative Collective Bargaining* (Englewood Cliff, N.J.: Prentice Hall, 1965).

² Note 1 *supra*.

company negotiator, R. Conrad Cooper). The Committee was to be composed of representatives of the parties (the union and the eleven major companies) but, in a gesture to the union's original proposal, was to be "under the co-chairmanship of two persons of outstanding qualifications and objectivity, one to be designated by the company parties . . . and the other to be designated by the union." The Committee's function was to "plan and oversee studies and recommend solutions of mutual problems" in specific areas. As a sop to the union's demand for Kaiser-like committee, the first subject designated for study and recommendation was "Guides for the Determination of Equitable Wage and Benefit Adjustments." The remaining subjects were the job classification system, wage incentives, seniority, medical care, and "such other over-all problems" as the parties might by mutual agreement refer to the committee.

The distinctive characteristics of what was hailed as a new approach to bargaining in the steel industry were the provisions for "persons of outstanding qualifications and objectivity" and the provision for study of guides for the determination of future wage and benefit adjustments. Joint study between negotiations of subjects such as the job classification system was not a novelty in steel. Despite the periodic intervals of public acrimony and bitter dispute, there had been a long history of quiet study and development between negotiations in such areas, going back to the joint inequity committee which developed the basic steel job classification system as the result of a directive of the War Labor Board in World War II. Indeed, the relationship between the Steelworker's Union and the basic steel companies had always exhibited a somewhat schizophrenic character. Every three years or so the parties would arrive at Armageddon and denounce each other publicly and bitterly: this type of conduct had, indeed, reached its apogee in the 116-day 1959 strike. At the lower level of daily administration of the agreements and the solution of day-to-day problems of interpretation and application, and the solution of such problems as job classification, however, there was a continuing, mature and sophisticated relationship based on mutual acceptance by each party of the other party's status and needs, and a relatively objective search for solutions to joint problems. Thus, for example, the arbitration system in steel is probably the most highly developed system of private law, complete with digests of decisions and other

indicia of a system of law, in the United States.³ The job classification system, which provided not only a manual but thousands of benchmark jobs which were at least supposed to apply uniformly throughout the entire industry, is virtually unparalleled in American industry.

The really new feature, therefore, was not the provision for continuing study of mutual problems. The contract, in this respect, merely made more formal and expanded somewhat a development which had previously began. The significant developments were the apparent provision for neutral co-chairmen, and the assignment as a subject for study of the development of "guides" for the settlement of the controversies which had created the periodic and bitter disputes overlaying the good continuing relationship between the parties.

Neither development came into being. The somewhat ambiguous provision for neutral co-chairmen was first to go. The parties chose, as the "two persons of outstanding qualifications and objectivity" to chair the committee, the chief negotiators for the parties: R. Conrad Cooper and David J. McDonald. Indeed, the Committee as a separate research organization never existed, except in name. With one exception (the substitution of Marvin J. Miller for Arthur Goldberg) the members of the committee were precisely the members of the "top committee" which had handled the negotiations on the basic economic issues in 1956 and 1959. The study function of the Committee was in fact not performed by it, but by subcommittees, appointed for each of the designated areas of study, and consisting on the Union's side of the top headquarters staff personnel (the so-called "technicians").

The "guides" committee, the other genuine attempt at innovation, came to absolutely nothing. Before its transformation in 1962 into a "statistical materials subcommittee" it produced one sheet of paper listing all of the factors which could be argued to be relevant to the determination of the amount of periodic wage and benefit adjustments! The other more conventional subcommittees, on the other

³ There has never been in the basic steel industry any such litigation concerning the arbitrability of disputes as has characterized the relationship of the General Electric Company and its unions. Nor, since the recognition of the union as the bargaining representatives in all of the major companies, has there been one piece of litigation concerning the enforcement of arbitration awards, or, except for cases designed to test or make law such as *Inland Steel Co. v. NLRB*, 170 F.2d 247 (7th Cir. 1948) a single unfair labor practice proceeding.

hand, were highly productive in expanding and developing further the concept of mutual study designed to provide the information necessary for bargaining on subjects such as seniority, vacation scheduling, incentives, grievance procedure, etc.

This study function was not, however, what brought the public praise subsequently heaped on the Committee. That resulted from quite a different development. As already noted, the Committee consisted, with a small variation, of the same small group which was responsible for the negotiation of the basic economic settlement in the industry.⁴ The Committee became the vehicle by which this group was converted from an *ad hoc* creation at each negotiation to a permanent body. And this conversion occurred precisely at the time that it became apparent to both sides that bargaining in steel would have to be radically transformed.

Until the 1959 strike both the steel union and the companies had operated on the assumption, which may or may not have been correct, that the demand for steel was essentially inelastic both as regards price and as regards the immediate availability of the product. The amount of steel production lost by a strike was simply made up later.

Given this assumption as to the underlying economics of the steel market, it was not surprising that there were steel strikes roughly every three years since the close of World War II. From the companies' point of view a strike sometimes served the useful function of tightening up the market in periods of slow demand which might, in the absence of a strike, lead to some undercutting of the price

⁴ For those who are not familiar with steel bargaining, I should note that there is a master agreement for each company, covering a range from one plant in Inland Steel to dozens for United States Steel. The formal negotiating committees are rather large. On matters on which they have competence, they sometimes establish subcommittees who do drafting of particular contract provisions. But even the subcommittees do not do the really significant bargaining. The significant bargaining is done by a top-level committee, on an eleven company basis, consisting on the union's side of the three top officers and from one to three of the top non-elected professional staff. In Goldberg's time, it was the three top officers and Goldberg. Subsequent to his departure and the establishment of the Human Relations Committee it consisted of the three top officers, two lawyers and the director of the joint studies program under the Human Relations Committee. On the company's side it consisted, and still consists, of two representatives from United States Steel and one representative each from Bethlehem and Republic Steel. This was the top negotiating committee, the "summit" as it was called in 1956. It was within this group in which the basic agreements as the economics of a settlement were reached. And it was this group which constituted the Human Relations Committee.

structure. It also served to eliminate the necessity for unemployment compensation payments which would accompany any substantial layoff and of avoiding the seniority problems involved in such layoffs. From the Union's point of view the periodic strike similarly avoided the serious problems of interrelationship between individuals involved in substantial layoffs, served to toughen the fiber of the membership and avoided the potentiality of the charge of "sellout" or of soft bargaining which would have accompanied a succession of settlements without a strike. The periodic strike, therefore, served the interests of both parties and without, they both assumed, substantial detriment to either the profits of the companies or the total wage income of the members of the union.

The 1959 strike showed that this assumption was false. Business was lost to competing materials and to imports which was never regained. Indeed, the industry discovered, the loss in business may have exceeded the immediate loss in production because of strike-induced changes in customary buying habits, changes in specifications of materials, and the ability of foreign suppliers to insist on long term contracts. Thus, as a result of the 1959-60 strike, there was both in the steel industry and in the union leadership a recognition, for the first time, that a strike caused genuine and irreplaceable losses to both profits and work opportunities.

The companies primarily, and the union secondarily, also learned that the very anticipation of a strike caused an inventory build up which produced real and substantial losses of the same kind even if there were no strike. It was not only that high production in the buildup period required the use of high-cost facilities, overtime, etc., thus raising average costs. It also induced the same shift in demand to imports and other materials by customers who were either unable to meet their inventory needs or sought a hedge against the possibility of a strike.

It was in this context that the industry and the union leadership utilized the Human Relations Committee device to avoid not only strikes but customer anticipation of strikes by early settlements in 1962 and 1963. The Human Relations Committee became a negotiating device. It was its success as such a device, not the very important study work which was carried on under its auspices, which caused it to be hailed as a radical new development in collective bargaining technique. Achievements such as the industry-wide

restructuring of seniority rules governing layoffs, the creation of an inter-plant job opportunities program, the complete revision of the job classification manual and the negotiation of an "experimental agreement" covering such sensitive areas as contracting-out, were ignored in the public satisfaction derived from the achievement of economic settlements in 1962 and 1963 in the absence of a strike or even the threat of a strike. Unknown to the public was the fact that both the union and the industry were slowly working their way to a "permanent" contract: an agreement without any fixed termination date which either party could re-open at any time. Relationships had not quite reached the state of mutual trust which alone could make such an agreement possible. But the successes of 1962 and 1963 clearly pointed in that direction.

The successes of 1962 and 1963 were achieved, however, at the cost of cutting out the second rank of international union leadership, (the district directors) as well as the local union leadership from the negotiating process and of appearing to enhance the role of the "technicians," as the lawyers, economists, and research specialists who worked under the Human Relations Committee were called. And this was certainly a factor, even if not the only factor, in the revolt against the leadership which eventuated in the deposal of McDonald and the election of a new set of international officers who took office in mid-1965. "Give the union back to the membership" was the campaign cry, and it worked.

Contributing to this result was the very strong feeling expressed at that time by some of the leaders of the revolt that it was a mistake to make "early" settlements with the industry. The companies, it was said, would never come up with the ultimate dollar in an economic package until the last minute. Any early settlement therefore was a poor settlement. And the economic packages in 1962 and 1963 were, in fact, slim ones, although it can be argued that the depressed state of the industry and the lack of militance of the membership would have made any settlements in those years small, no matter what the negotiating technique.

In any event, this history made it clear that when the new officers took over, with the 1965 negotiations incomplete, the Human Relations Committee would have to go. And it did. When the 1956 negotiations were concluded in August after the companies, true to the predictions of the newly installed officers, came up at the last

minute with a much more substantial economic package than they had offered earlier, there was no provision for a Human Relations Committee.

But there were provisions for continued studies of particular subjects: apprenticeship, testing, training and a permanent provision for joint review of any problems which might arise in the functioning or the grievance and arbitration procedures. And there was a provision for the designation of additional subjects by the parties.

With respect to the continuing study function, then, all that died in 1965 was in fact the name. Both parties continue to recognize that the only practical method of coming to grips with the most difficult and sensitive problems is to explore them freely and thoroughly under what are still called "Human Relations Rules:" no statement is binding either on the speaker or the party he represents, no study involves a commitment, and—most importantly—all of the discussions are off the record and cannot be relied upon in future negotiations unless some understanding is reached. There are still industry-wide study committees (now called committees rather than subcommittees). Those committees not only study but reach agreement on some problems. Indeed, the 1965 agreement set deadlines for the apprenticeship and testing studies. The use of "neutrals" is still, with one exception to be discussed later, eschewed. And, surprisingly, the studies have, since 1965, been overseen by a joint committee, which meets regularly and which is, in fact, composed of the members of the "top" negotiating committee—the Human Relations Committee in all but name.

But the problem of loss, to both the industry and the union membership, created by crisis bargaining remained unresolved in the 1965 agreement. As the 1968 expiration came into view it became apparent that, if similar damage was to be avoided, something would have to be done. The supposedly nonexistent Human Relations Committee, which had in fact been meeting periodically to oversee the study work, addressed itself to the problem. Politically, in light of what had gone before, the early agreement solution would not do. By late 1967, almost a year before expiration time, an alternative was devised after long, careful and secret deliberation: a proposal for an agreement, to be entered into well in advance of negotiations, that if settlement was not reached in negotiations, the dispute would be referred to arbitration. It was a carefully constructed program

which sought to assure customers that there would be no strike while, at the same time, to avoid the usual impediment to agreement created by the knowledge that arbitration is at the end of the road and to create the maximum possible incentive for the parties to reach agreement. This was done by making "Human Relations Rules" apply to the entire negotiation if agreement was not reached, and by permitting either party to raise any issue, whether or not previously settled and whether or not previously raised, in any arbitration which would result in failure to reach agreement.

The proposal was an extraordinary one in many respects. On the union side it took enormous courage to risk the charge of labor statesmanship; on the company side an agreement to arbitrate economics was a basic break with the past and was tantamount, in the light of other settlements which would guide any arbitrators, to the largest opening economic offer ever made to the union. This "Human Relations" experiment was, however, never tried. The union's Executive Board refused to agree. Some who had supported McDonald, but were now loyal to Abel, believed it was political suicide; others, who had opposed McDonald, resisted for the same reason that they had objected to early settlements and the "technicians": they wanted the good old fashioned way.

As a result the 1968 negotiations followed the once-traditional pattern. Inventories were accumulated, imports reached new highs and, once settlement was reached, the production rate dropped to 50%. The settlement was accepted, under the new and more democratic procedures adopted by the new leadership, but only by a hair's breadth, and then only because it was tendered for acceptance at the last moment on the brink of a strike.

The failure of the "Human Relations" approach to the negotiation of the economic settlement in 1968 may be laid to union political history, the "credibility gap" created by the industry's performance in 1965, or the inherent conflict between an open, democratic negotiating process and an efficient system of settlement which must, of necessity, involve an element of secrecy as well as reliance upon technical staff, or to a combination of all three. It should not obscure, however, as the publicized success of the Human Relations Committee in 1962 and 1963 did, the real achievement in terms of continuing dialogue which the Human Relations Committee, under whatever name, constitutes.

PREVENTIVE MEDIATION

CHARLES L. BOWEN

Federal Mediation and Conciliation Service

Section 203 of the LMRA of 1947 established the duty of the Service to engage in preventive mediation activity for the purpose of minimizing the impact of labor-management disputes.

Conflict has long been recognized as an inherent factor in a free economic system. And industrial peace in a free economic system, requires thoughtful and intelligent management of that conflict—if a maximum of freedom in collective bargaining is to be sustained with a minimum of loss to labor and management goals. In carrying out this concept, Cyrus S. Ching, the agency's first National Director under the reorganization of the mediation function by the LMRA of 1947, proclaimed preventive activity as an integral part of the prescribed duties of the Service.

It is interesting to note that at that time, the National Labor-Management Panel, members of the Executive and Legislative Branches of government, and groups of employer and union representatives nationwide, all gave preventive mediation enthusiastic endorsement as an important supplement to the regular dispute mediation function of the Service.

Early efforts were primarily informal and involved two principal functions: (a) Liaison and consultation services with labor and management. This enabled Commissioners of the Service to develop confidence with key members of the labor-management community, so as to collect information and maintain surveillance of developing trends, so that timely assistance may be proffered when the need exists. (b) Implementation of means to improve the day-to-day labor-management relationship in order that collective bargaining may be practiced in an atmosphere most favorable to peaceful settlement of disputes.

In the early 1960's, there were several factors involved in the agency's decision to greatly intensify efforts in the preventive mediation field. Competition among producers—in the world market—even human skill and effort, both domestic and foreign, was surging. Technological change, automation, etc., with the attendant problems of job security, were making issues in bargaining more

complex and more numerous. During this time, representatives of labor and management of large industries began experimenting with preventive activities as a better means of resolving complex problems than the previously accepted, crisis bargaining methods. Basic Steel, West Coast Longshore, and the Meat Packing Industry, were examples of the most widely publicized efforts.

In December 1964, the National Labor-Management Panel reported to the President and the Public, their encouragement of the results of the Service in this area, and recommended further expansion and intensification of preventive activity at all levels of labor and management. I think at this point, this chart will indicate the response by labor and management in general to the efforts of the Service in carrying out this important objective.¹

Federal Mediators are in the unique, and perhaps advantageous position, of being able to maintain an impartial surveillance of the trends, problems, and complexities of the labor-management bargaining arena. By maintaining contact and the confidence of the parties, they are encouraged and often led by the mediator to identify their problems and to engage in corrective preventive activity. The following are some specific types of preventive mediation activity he may recommend.

- I. 1. Labor-Management Committees—designed to meet regularly on a year-round basis. This type of activity is considered as the most practical foundation or base from which to establish a meaningful labor-management relationship. Mediators have been successful in establishing and leading meetings of this type when the parties might not otherwise meet. A respected neutral chairman can open channels of communication and cause the parties to engage in thoughtful, objective discussion of mutual problems. This creates a better climate for analysis of divergent viewpoints and helps to establish a better relationship for future understanding and respect. The following are some specific types of functions for which a committee may be initiated.
2. Pre-Negotiations—to help clear up a sometimes voluminous list of issues that clog up communications during

¹ (See Preventive Mediation Chart attached at the end of this report.)

crisis bargaining. This can be beneficial regardless of whether a complete agreement is reached prematurely or not.

3. Post-Negotiation review—by negotiating committees before foremen and stewards, who are charged with administering the contract. This helps to clear up erroneous interpretations of contract language when mutual understandings of negotiating committees are reduced to writing for interpretation by others. Can be applied in initial contracts as well as established bargaining relationships where a need is evidenced.

4. Study Committee—These are usually ad hoc committees formed to resolve a particularly complex problem. Mediators will normally suggest this forum when a complex problem is complicating normal progress in a crisis bargaining situation; the purpose being that the matter can be set aside and resolved later without the pressures of deadline bargaining.

When the function of any of these last three mentioned committees is completed, the mediator will normally endeavor to lead the parties into the regular joint committee category to maintain a base for sound labor-management relationships, as previously mentioned.

- II. Consultations—As the mediator gains the confidence and respect of the parties in the area in which he works, the more likely they are to call on him for assistance and advice when problems erupt involving their day-to-day relationship. For the most part, these are ad hoc situations and, if left unresolved, they can degenerate into situations which could cause wildcat strikes, slowdowns, or lockouts. In any event, the harmony and efficiency of the industry is seriously impaired. And most certainly these problems will become issues at the collective bargaining table. With the wide experience the mediator has had in dealing with all facets of labor-management problems, he can be very helpful in cooling emotional tempers and securing more orderly discussion for an objective analysis of causes of the problem. In these situations, the mediator will employ techniques much the same as in dispute mediation in helping the parties to find an accommodation of their differences.

- III. Continuing Liaison—This type of activity generally applies to industries that are widely dispersed, geographically. Some examples of this could be the maritime industry, newspaper and construction industries, large corporations that negotiate nationally for all plants, etc. Mediators servicing specific territories are given assignments to maintain surveillance of the particular segment of the industry or corporation within that area. While a trend or new development in a single area may not be meaningful to the overall industry situation, coordination of reports from all areas can give the National Office a fairly accurate picture of a situation that might become troublesome, affecting such an industry.
- IV. Training—This category is applied primarily to foremen and stewards, although it does not preclude extending to other levels of labor and management. It is aimed at developing skill and expertise in such areas as communications, leadership, human relations, and responsible grievance handling. This activity is handled in a strict impartial or bipartisan manner that could be given separately or jointly with both parties.

Since the tone of the entire labor-management relationship will generally originate at this level, it is vital to both labor and management that foremen and stewards have some skill in the subject areas previously mentioned. However, the facts are, as frequently observed by mediators, that labor and management, in their preoccupation with their other objectives, have woefully overlooked or neglected this area. Upon further analysis, the Service has concluded that in many instances—

- (a) Foremen are frequently promoted for technical competence rather than proven leadership ability, and
- (b) Steward elections or appointments are frequently little more than personality contests or political considerations, rather than proven leadership competence.

Therefore, the Service, in carrying out the intent of the LMRA, has little choice but to attempt to fill a need and devote some attention to this field.

- V. Community-Wide Activities—This area encompasses endeav-

ors, such as joint or tri-partite community forums, Industrial Relations Research Association Chapters, labor-management seminars in conjunction with universities or colleges, etc. This falls into the category of a more long-range type of activity in which a mediator, when he determines a need in the community he serves, may act as a catalyst in getting a program of this nature started.

It would be impractical to attempt to mention all of the numerous other areas, fields, or techniques that the Service has on occasion addressed itself to. Suffice it to say that it is now apparent that a substantial portion of the labor-management society has accepted the concept of preventive mediation as an extension of the free collective bargaining procedure. FMCS stands ready to offer assistance in any area in which a need is required and desired by the parties.

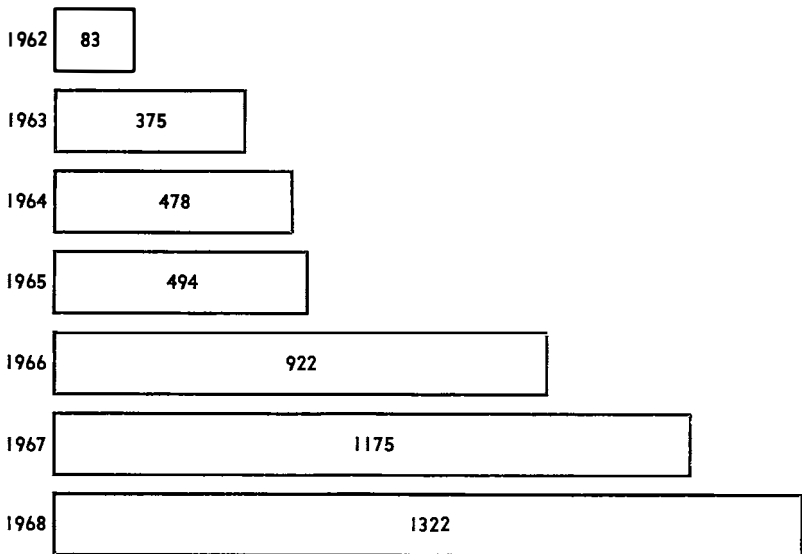


Figure 1. Preventive Mediation Case Activity by Fiscal Years.

A LABOR REPORTER'S OVERVIEW

A. H. RASKIN

New York Times

If we are genuinely interested in the restoration of "law and order"—that touchstone of the Presidential campaign—the place we have to start is in making social institutions worthy of respect. Among those most in need of shoring up is collective bargaining, now at a lower point in public esteem than in 1947 when the post-war strike wave resulted in the adoption of the Taft-Hartley Act.

Youth is repelled because it interprets collective bargaining as a process of cynical accommodation by unions and employers embodying all of the most selfish attributes of a value system youthful rebels reject. Residents of the ghetto and others on the outskirts of hope dislike bargaining on the ground that its main purpose is to build higher and higher protective walls around better and better jobs for those inside the sacred circle and then pass the bill onto the total community. The public is generally losing faith because it sees no sign that it gets either protection or consideration; this goes both for strikes and settlements. And now comes the final blow in the form of widespread rank-and-file upset of agreements negotiated in good faith by unions and employers.

The root of these rejections lies only partly in the general breakdown of institutional authority now sweeping the universities, the Catholic Church, etc. In the case of unions, the revolt is in large measure an outgrowth of the whole "crunch" philosophy under which muscle, rather than reason or science, becomes the determinant of what is fair in labor-management relations. Once workers get imbued with the notion that contract deadline is the moment when the world stops, they see no reason why they can't practice oneupmanship on their own leaders. That brings the one-two punch, in which the leaders use the strike club or the strike threat to get every penny they can squeeze out of management and the membership builds on that by voting down the settlement.

As long as the fix remains so obsessively on countdown bargaining, the chances for getting some sense into negotiations are slim. This is a terrible reflection on both sides that more than three decades after the Wagner Act was passed, neither believes

any real movement can be achieved until the guns are cocked. The nature of current problems, especially the need for focus on how to provide greater opportunity for total community involvement, the entry of the disadvantaged, revision of exclusionist practices, adaptation to automation, etc., makes the year-round conference method an infinitely preferable course.

There is little chance for getting much sanity when anarchy is on the march, but groups like this ought to start conditioning thought for the shift. The worst part of the bargaining record is that, over-all, unions have not even kept pace with the productivity rise in terms of real earnings. They go through endless strife, alienate community and their own members alike, and still wind up moving backward. Unionism would be contributing to its own survival as well as social order by moving toward continuous dialogue as a substitute for crunch.

VII J. B. S. Hardman Memorial Session

PERSPECTIVES ON THE PROBLEMS OF UNION LEADERSHIP

INTRODUCTION

JACK BARBASH

University of Wisconsin

J.B.S. Hardman's contribution to the scholarly study of the labor movement contrasts with current modes and styles. In more than a half-century of writing and action J.B. never deviated from a central standpoint—labor as a social movement and contender for power in a free society. But he never permitted the large view to blunt his moral and ethical sensibility.

J.B.'s labor scholarship was not something apart from his vocation as a labor editor but integral to it. Under his tutelage *The Advance* was not only the official organ of the Amalgamated Clothing Workers but also an incisive and brilliant commentary on the world of labor, and indispensable to anybody trying to understand it.

Vocation as a calling—not as a job—is indeed a fitting stamp for J.B.'s work. He carried out his own work in this spirit of vocation. He also sought to create a climate in which union work could be a vocation for others as well. *Labor and Nation* was conceived by J.B. as a magazine to advance this idea of union work as a calling. It is, I believe, a serious commentary on the stature of the American labor movement that it allowed *Labor and Nation* to go under for lack of support.

As critical as J.B. was he never was pompous or self-righteous. He said many harsh things about labor leaders and their strutting pretensions but somehow he managed to say them without malice and with a feeling for the imperfections in the human condition which we are all heir to. But above everything else anybody who ever knew him was reached by J.B.'s unvarying personal decency and sensitivity in dealing with people.

Since we planned this *fest* session for Hardman another great student of labor has left us. David J. Saposs was the last living member of that great association of scholars whom John R. Commons brought together at the University of Wisconsin to write the classic first two

volumes of the *History of Labor*. Like Hardman, Saposs' studies came out of the clamor of conflict as a commitment to labor as a movement. Where Hardman's context was mainly labor journalism Saposs' investigations were carried on in the crucible of public policy. Both Hardman and Saposs influenced a generation of students not only through their writing but for those more fortunate enough to know them, as teachers.

Our field can sorely afford to lose these men because of what they were and because of what they stood for. We can best honor them by restoring to the study of labor some of the humane values which Hardman and Saposs brought to our field and to halt the headlong rush toward technique, blandness and triviality.

Nothing can convey the spirit of J.B.S. Hardman as well as his writings. Without any pretense to representativeness here are a few random excerpts from his work over the years.

J. B. S. HARDMAN
SELECTED QUOTATIONS

On the early days of trade unionism

The early days of trade unionism were abundant in preamble radicalism. Statements of rather modest immediate objectives were, as a rule, escorted by cheerful declarations of what was wanted in the distant but just and glorious future. The combination of far-reaching ultimate objectives and a very moderate program of immediate action would not seem contradictory. The pioneers of American trade unionism knew what they wanted done in their own day and had no doubt as to what was due to come on that great day of reckoning which they thought was far off but inevitable. There was comfort in that sense of certainty, and from it came an effective rallying call. If on close examination it was found that that knowledge was really no more than an abiding faith, what did that matter? The movement was the stronger for having been mostly a theology.

American Labor Dynamics, 1928, p. 105

On unions and social power

Effective trade unionism necessarily finds itself in the center of a great many social relations, and an active participant in attempts to solve the most vexing problems of the state in its widest ramifications. In this manner, it easily and unavoidably proceeds from

preoccupation with immediate objectives to the tackling of ultimates. It cannot accumulate social power outside of an active relation to social issues, and it cannot effectively wield industrial power unless it is socially powerful. The realization of this interdependence of *immediates* and *ultimates*, and action on that realization, make for two types of trade unions, vital and vigorous on the one hand, and senile and declining on the other. Trade unions of the first group may be described as *organizations*. Those of the other kind constitute the *movement*. The trade unions of the one type are static and have no bearing on the power-relation of the industrial order. Unionism of the second category is dynamic and leads toward a redistribution of power and under certain conditions may prove a factor in the transfer of social power to the workers. However, no Chinese wall exists between trade unions of the two types. Sooner or later, trade unions may be expected to shift from the static to the dynamic group. As a matter of fact, a state of continuous flow of unions from one type and category into the other is the rule rather than the exception. *American Labor Dynamics*, 1928, p. 112

On the Content of Unionism

As to the content, unionism is a compound of intelligent self-interest and self-denying idealism. In its day-to-day performance, it is simultaneously an exercise in give-and-take bargaining, in tricky diplomacy, in statecraft at its best, and in rough-and-tumble battling for the ends of the movement.

In its conduct and behavior, the union is at once a town meeting, a militant encampment, a religious revival assemblage and a session of stockholders accepting a directors' report; the "house of labor" is not readily or easily understood.

Labor and Nation, October 1945, p.47

On "bread and butter" Unionism

The overemphasis on the "bread 'n' butter" idea of unionism, as a guide to the understanding of labor, is of but limited meaning and is on balance misleading: it leaves the questions unresolved and the questioners unconvinced. If "bread 'n' butter" is all that there is to unionism, why do not the opponents dispose of the disturbing movement by offering better bread and richer butter and more of both to the workers? Of course, by "bread alone," even if buttered, unionism could not survive, still less achieve its phenomenal growth and enhanced status in American society. Nor could any

other social contingent similarly progress on that restricted diet. "Bread 'n' butter" in a general sense underlay all social movements in recorded history, yet it would be a meager and fruitless reading of the history of man's advance upon this earth that would reduce all conflict and adjustment to mere rearrangement of the distribution of basic foodstuffs.

The House of Labor, 1951, p.58

On Why Workers Join Unions

Workers join unions not as discussion clubs but as service organizations through which they propose to gain certain advantages: job protection, security, advancement, and the like. To some, not a large number of workers, the union may offer an opportunity for political advancement, that is, for securing standing and other gains as officers, spokesmen, and leaders of men in the organization, and via the latter, in the community or even in the national political arena. Only gradually—and not by any means to all workers—the union may become a *movement* involving *values*.

The House of Labor, 1951, p.218-219

On the Labor Press

A writer in the lay Catholic magazine, *Commonweal*, some time ago analyzed "the scope of a Catholic paper," suggesting that the aims and objects of that press are "the *enlightenment* (of the readers) by telling . . . things which (they) need to know . . . or telling or reminding of things which are . . . worth knowing; *enrichment*, by wise comment or information about any matters not necessarily formally religious, which play a part in our lives; *confirmation* in our faith and our determination to live by it, by careful . . . exposition and explanation of principles or practice under attack. . . ."

It is a good "scope:" enlightenment, enrichment, confirmation. The union press might inscribe that on its masthead. But although unionism, not unlike religion, is an admixture of a faith, of an art, of a way of life, and of an institutionalism, there is nothing in it that is taken on faith. All things in unionism must prove themselves.

The House of Labor, 1951, p.223

On Workers' Education

And, true as it may be that organization is itself education, "the school of hard knocks" is not the total source of union wisdom. At

some point in the unionist's empirical educative process, the acquiring of actual knowledge, the kind that comes through learning, is needed to supplement orientation through experience. With every day of our time, the business of being a responsible unionist grows in complexity, calls for exercise of judgment, for possession of a sense of values. Yet labor education has not recognized the importance of formal learning. The union as a whole is getting even more deeply involved in the mainstream of the intellectual contests and encounters that actuate national life, and to a constantly increasing degree, international life as well. And the individual unionist worthy of his membership card cannot in safety stay out of intellectual contact with the realities of twentieth century labor life. It is the function of labor education to achieve that "holy wedlock" of theory and action—or it just isn't education.

The House of Labor, 1951, p.476

On David Dubinsky

Dubinsky was not a "labor statesman"—a term *Webster's* has not yet caught up with and does not define. I submit that candid labor employers and editorialists, who like big words, use this pompous term to honor a labor leader who, overcome by the massive abstraction of "broad industry interest," has lost sight of the individual worker's interest; whose "responsibility" has reduced union mobility to cautious circular motion; who looks at his past as material for biographers and at the future as grist for the same. In this sense of the term, no one can accuse Dubinsky of being a "labor statesman." Despite his many friends in high places, Dubinsky never forgot that he was voted into leadership by a membership who knew the lower depths from long experience.

"David Dubinsky, Labor Leader and Man," *Labor History*, Spring 1968 Supplement, p. 54

On John L. Lewis

What went into the making of his decision was a basic trait of the man's character, and is the key to the understanding of his life course. It is an abiding egocentrism linked with an inability to differentiate the personal from the public in his relation with the labor movement and in the conduct of his labor leadership. Having carried out critically necessary modernization of the old union traditionalism, John L. Lewis left unaltered in himself the old

business-unionist view of the role of the leader in the movement. That view reflected the private businessman's sense of his business enterprise, in essence one of property and tenure and the exercise of personal power.

The only explanation of the Lewis action that makes sense, in the circumstances, is that he considered his leadership as coterminous with absolute dominance. It would seem incredible that he should consider his judgment on a vital public issue as the absolute moral law for all labor. Yet it is in the light of just such a view that his action is understandable—and it is in character. He weighed his political judgment of Wilkie vs. Roosevelt, and did not hesitate to look upon it as *ultimo ratio*. He prepared to punish the dissenters in the severest way he knew, his own withdrawal from CIO leadership. He could not mete out a greater penalty, since surely he was the superior and the indispensable man, and his resignation would mean the destruction of the CIO.

"John L. Lewis," "Labor Leader and Man," *Labor History*, Winter 1961, p. 24

On Labor History

Those who viewed the Hegelian dialectical "trinity" as descriptive of history's evolutionary process could see the corroboration of their theory in the development of American unionism. In accord with the Hegelian idea there is: the "thesis"—inclusive unionism in the first of the three noted periods of American labor history; the "anti-thesis"—limited unionism in the second period; and the "synthesis"—the re-emergence of inclusive unionism, enriched by past experience and made more effective by assuming the most salutary traits of the anti-thesis and by shedding, under the critique of the opposition, what was weak in its own earlier mode of operation.

"Limited and/or Inclusive Unionism," *The Labor Movement—A Reexamination*, 1967, p. 11

On the Union Mission

These circumstances call for imbuing union activity with a new sense of mission—a hard-boiled determination to get things done—since unions are pioneering not in a wilderness but in a highly sophisticated, though bewildering, atmosphere which demands: grow or die.

"Limited and/or Inclusive Unionism," *The Labor Movement—A Reexamination*, 1967, p. 18

UNION LEADERSHIP AND THE PUBLIC INTEREST

E. WIGHT BAKKE
Yale University

I choose today to view union leadership from the perspective of an ordinary citizen and to consider America's labor leaders as positive contributors to creating and maintaining an evolving democratic process of self-government, not only for union members, but for all of us. If there is any No. 1 public interest that is it. My interest today is not in their democratic ideals, or their rhetoric, though both have at times moved apathetic citizens off of dead center. I want rather to focus on how *what they did*, as organizers and leaders of working people, and on how the power they accumulated and used to keep their unions in effective working order, have contributed to the possibility that a democratic society is more realistically possible now than it was when they began their efforts. I am interested in the contribution they made just because they were hard at work at their daily jobs, whether or not they were idealists and dreamers or hard headed pragmatists, whether or not they were stimulated and guided by a vision of the significance of their work for creating a more democratic society.

It should be obvious that the contributors in that sense, were the humble as well as the "greats" of the labor movement, the local as well as national leaders. The task has been the work of many hands. Moreover, I am going to emphasize the *positive* contributions. I make no apology for that. Those positive contributions stand as credits whatever may be the debits on the other side of the ledger. I shall, however, take the opportunity to raise a question here and there about the present and future challenges faced by labor movement leaders if past contributions to the democratic process are to continue.

Among the many contributions of labor leadership as *practical doers* to the evolving kind of democracy we actually experience, I have chosen to discuss five.

Contribution Number 1. Labor movement leadership has created and maintained an effective center of collective economic, political, and social power for workers with which the power centers serving the interests of other groups in the population must come to working

terms. The existence of that center of collective power for workers was essential, not only for industrial democracy, but for political democracy as well. The procedures worked out for coming to terms among these collective power centers produces a major part of the system of governance in industry and the community and the nation. If one of them is dominant, unilateral determination of the conditions and processes of life and work for the people involved is possible, whether that determination is dictatorial or paternalistic. When the power centers are numerous, strong enough to balance each other, however, unilateral action on the part of any one of them does not even serve the special interests of its own constituency. The process of seeking a mutually acceptable working consensus, a mutually advantageous relationship, and a live-and-let-live course of action achieves better results than unilateral action. Indeed the abandonment of unilateralism becomes a necessity. The consequence is that the possibility of governance by the process of mutual consent is increased in both industrial and political life.

Since this process is the most important distinguishing mark of a democratic system, the rise to power of trade unions strong enough to make possible a strong voice by working people in industrial and political decision-making produces an essential condition for such a democratic system.

As long as each large class of persons in the country who have vital interests in common, are associated in organizations able, as effective instruments of power, to promote those interests in relations of individuals to the state and to each other, it is difficult for one class to take advantage of, or deny a hearing to, the others or to exploit them for their own purposes. That situation is a prior condition for the realization of more positive characteristics of democratic life. The chances for mutuality are increased to the extent that unilateralism is made difficult or impossible by the existence of multiple power centers.

Even more important is the fact that the rules of interaction which it is necessary to work out among power centers become a major part of the realistic operational content of the many abstractions associated with democratic governance, such as self determination, individual opportunity, freedom of speech, association, and movement, equality before the law, participation in rule making, and the dignity and worth of the individual. When generalized in their application

by custom, law, and judicial interpretation, these rules become a part of the evolving and living constitution providing the statement of liberties and responsibilities of all the people in all of their relations of work and life.

The continual challenge of the public to labor leadership, however, is the same as that directed to the leadership of other power centers. That challenge is to recognize the legitimacy of, and come to *mutually* agreed upon terms with, the collective instruments of power organized by those whose interests are different from, and may even run counter to, their own. Adamant unilateralism by labor leadership is no more tolerable and no more democratic than adamant unilateralism exercised by the leadership of other power centers. The strike weapon when employed in fact to bring an employer, and even at times, the government, to terms by imposing an unescapable and intolerable loss of essential goods or services on members of the public when there is no alternative source of such goods and services, comes close to union unilateralism. The challenge of the public to labor leaders to find a better way is understandable and reasonable. In the private industrial and business sector, the restraints imposed by the market normally discourage or make impossible ignoring this challenge. It is peculiarly applicable, however, to the leadership of unions of government employees.

Contribution Number 2. Labor movement leadership created the organizational mechanism making possible the effective participation in industrial and public affairs of representatives of the working people along with members of the existing "establishment," and making necessary a consideration of the characteristic interests of that large segment of our citizens who are working people in arriving at a consensus on policy decisions and their implementation. The organization of workers into unions made their interest as working people highly visible, and raised, in very practical terms, not only the danger of ignoring those interests, but, what is even more important, the positive value which a consideration of those interests could have in deciding what kind of public policy and action was likely to be widely acceptable, and hence practicable, likely to be just, and hence a sound foundation for democratic governance.

Moreover, before the organization of unions, even had members of the Establishment recognized these dangers and the value of

participation by representatives of this large portion of the population, how were representatives to be located and selected?

If approximation to the reality of democratic governance is increased by the inclusion of an ever widening portion of the citizenry among those who make decisions about the conduct of public affairs and by the adaptation of that conduct to the needs and interests of that widening portion, then the leadership of American unions have made that approximation more practically possible. They have done it just by the very fact of organizing and operating the unions which provided the mechanism that focused public attention on the need and desirability for consideration of the working mans' needs and points of view, and provided a practical solution as to how persons aware of those needs and points of view, could be found and selected for participation.

Now it should be clear that in the performance of this *representative* function, enlarging the scope of participation of workers in public affairs, the relevance of a high degree of internal union democracy to the adequacy of that performance is quite clear. Hence, the continued improvement of the quality of this contribution of labor leadership to democratic action in national life must be premised on the continued perfection of the democratic processes within the unions and the federations themselves. The growing and frequently passionate demand of the negroes for full and power-giving participation adds urgency as well as difficulty to their task in meeting this challenge.

Contribution Number 3. Labor movement leadership succeeded in adding to the agenda for dialogue and bargaining among those who make the rules of industrial and community life, items which humanized those rules. The realistic nature of the democracy we achieve in America will necessarily be influenced by the fact that it is done within the culture and activity environment of a business civilization, that is a civilization in which the principles of governance and management are heavily influenced by those principles considered essential to the management of business enterprise. To meet their responsibilities, managers, not only of profit oriented organizations, but of all sorts of institutions, including trade unions, have to pay primary attention to the following principles of business operation: efficiency, authority, minimal cost and opportunity cost, discriminatory supervisory evaluation.

Moreover, there is a natural and understandable tendency for management to allow these managerial principles to continue to dominate the setting and administration of the terms of the employment relationship *unless* the employee has the freedom, ability, and power to insist on the recognition of his personal human objectives as legitimate, and, from his point of view, of equal weight, in the setting and administration of those terms.

The labor movement leadership over the years has insisted on putting on the agenda, for dialogue and bargaining, principles for governing the employment relationship which humanize the results of *unrestricted* application of the principles just named.

Labor movement leadership has thus been a prime mover in making it possible for employees to accomplish the following results:

1. To temper employment terms advantageous to productive *efficiency* with terms advantageous to achieving *human satisfaction, progress, security, and justice* and to maintaining physical and mental health among employees.
2. To couple employment terms advantageous for maintaining *directive authority*, moving downward in the hierarchy, with terms advantageous for maintaining *representative authority*, moving upward in the hierarchy.
3. To mitigate the controlling effects of market, budget, and tax restrictions on the determination of wage costs by giving equal weight to standards of compensation which are considered equitable in relation to the worth of the service rendered and in relation to the price paid for similar work in other occupations, and by facing management with a situation in which the calculation of *opportunity costs* must take into account the impact of their wage decisions on their employees morale, cooperation, loyalty, and above all, their willingness to work.
4. To mitigate the supervisory *discriminatory evaluation* of employees by establishing standards which are *non-discriminatory* with respect to social, racial, national, sexual, political, or source-of-influence characteristics of particular individuals.

This humanizing of the principles governing the employment relationship is a contribution of no small significance in the democratization of this all important area of human employment relationships. And what they did for their members in this way had a fall-out

which benefited not only those members, but all workers. It also helped to redefine operationally, the concept of "good management" in all areas of private and public endeavor.

Contribution Number 4. The efforts of the great majority of labor movement leaders to develop group solidarity, which is the chief source of union power, were directed to stimulating the kind of group consciousness which supports rather than weakens the working man's sense of being an integral part of the whole body politic. The result is that, whether the American organized worker is participating as a union member in the political or in the industrial process, his spontaneous way of identifying himself is, "I am an American working *man*," not, "I am a member of the working *class*." Those who sought to cement the organizational loyalty among workers by proclaiming their unity with the working class of the United States or the world, have had only passing success. Their names survive in history as those who *failed* to build a lasting structure of labor organizations whose solidarity depended on class consciousness.

The implicit ideology supporting the practical efforts of generations of American labor leaders to develop group solidarity and group consciousness among workers is as American as apple pie. Moreover, it not only offers no threat to the strengthening of democratic relations of organized workers with all other citizens, it increases the possibility of such relations. True, that ideology stresses the reality of their common interests with the workers in a particular craft, industry, firm, community, the nation, and even the world. But the unity needed to advance those interests demands that organized workers conceive of themselves, not as *set apart from*, but as *interdependent with*, all other American citizens. That ideology assumes the ultimate mutuality of interest and the reciprocal contributions of unions and other institutions to each other. It assumes the interdependency of functions performed by unions and other economic, social, and political institutions in the creation of a whole system of American work and life that none of them could create alone.

An organized worker can play an effective part in creating the group solidarity within, and thereby strengthen the power of, his union, without feeling, asserting, and demonstrating in action, his primary, and certainly not his exclusive, orientation toward the

working class. He need not abandon his faith in his own capacities and his faith in his own capacities and his aspiration to advance himself as an individual. He can recognize the importance of the capacities and functions of those who own and manage the enterprises by which he and his fellows are employed, and he can cooperate in the effort to make those enterprises more profitable without letting his fellow unionists down. He can play his part individually or collectively in community affairs as a head of a family, as consumer of community services, as a promoter of artistic and religious endeavors, as a citizen among citizens, on the basis of the *common* interests of all members of the community germane to all these roles, without constant reference to how a member of the *working class* should play that part.

Leadership, in striving for union solidarity, has, therefore, left open the possibility that individuals, and the unions and federations themselves, can interact democratically, effectively, and reasonably, with all other individuals and groups in an effort to reach a democratic consensus on public policy and action, through the processes of democratic decision making.

The challenge to continue that approach to creating group solidarity is greater today than ever before. The self interest of trade union organizers is thoroughly involved. A growing potential source of recruits for union membership is the white collar, service, and professional workers whose self image is even further removed, than is the self image of blue collar workers, from identification with a *working class*. The public's interest is equally strong. The development of the actual processes of democratic decision making and consensus in the past has counted heavily upon the contributions of professional and other white collar workers, for among them are many whose self image predisposes them to reliance on reason rather than force, individual persuasion rather than collective power, self advancement rather than group benefits, and in whom the motivation to serve in accordance with professional standards is at least as strong as their desire to be served.

The expression in thought and action of such predispositions has contributed greatly to the evolving processes of arriving at consensus through mutual consent and to making that process more civil. It would be no service to the cause of an evolving democracy to weaken

those predispositions in the process of organizing and developing group solidarity among these newer recruits to the labor movement.

Contribution Number 5. Labor leadership has created and managed a channel for the popular protest of those outside the establishment against the works of the establishment considered unjust. By doing so, they provided an effective alternative to revolution and a mechanism for protest the operation of which could be integrated with the operations of other orthodox agencies of popular government in a stable democratic society.

There are some who say that labor leaders have been the *promoters* of that protest, the agitators whose strident voices stirred large numbers of workers to active resentment against conditions of work and life which, but for the agitators, they would have found tolerable, if not entirely satisfactory. Only lack of familiarity with the facts of industrial and political life for workers would make that conclusion as to a "grin-and-bear-it" predisposition possible as a generalization applicable to all workers. However subdued and held back by expediency and lack of power to do anything else, the experienced causes for protest were, and are, there. The role of labor leadership has been to raise the hope that those causes were not unremovable through organized negotiation and action, and to *manage* the protest and organize its expression in a way that had some chance of getting permanent remedial results. And by chipping steadily away at one cause at a time, they reduced the accumulation of explosive frustration and resentment which revolutionary activists count on to blast the foundations of presently organized society. The disdain with which generations of revolutionary leaders, from Marx to the present, have looked upon Western, and especially English and American, trade unions, and the invectives they have hurled at trade union leaders for their so-called disloyalty to, and even betrayal of, the working class, should be ample evidence of the success of those trade union leaders as managers of popular protest and its direction into constructive reform, rather than into revolutionary channels.

There are some who contend that labor leaders are not doing as well at this job of managing and channeling protest today. As long as the causes of protest were on the industrial front, that is, rooted in relations between managers and workers, the arrangements for collective bargaining worked out by labor leadership as a technique of managing not only protest, but aspiration, worked passably well.

There are no insurmountable obstacles in the way of their continuing to do so, although the frequency of wildcat strikes and the mounting proportion of bargains worked out by labor leaders which are turned down by the rank and file, reduce somewhat the confidence with which this prediction can be made.

But if they face a challenge to stay on top of and channel protests in relation to the terms and conditions of employment, the challenge is even more demanding in relation to protests rooted in the lives of their members as *citizens* and expressed primarily in political action.

A major difficulty in meeting that challenge arises in part from the fact that the attitudes and action predispositions of workers in politically relevant matters are rooted not only in protest and in aspirations, but also in fear; and further, that the objects of protest, aspirations, and fear are not just those experienced by workers as employees, but as citizens, as fathers, as home owners, as taxpayers, as members of religious groups and racial minorities, and as self achievers in a wide variety of societal roles. Now labor leaders are all of these also. But so is George Wallace, many of the leaders of the Black Power movement, and others who seek to channel protests, aspirations, and fears of people into support for mass action which has fascist rather than democratic possibilities.

However, union leaders, particularly local union leaders, have always found that the status achieved among their fellows in the process of collective bargaining drew them inevitably into the role of the managers of protest and aspiration among their fellows in the wider area of community interests which union members shared with all citizens.

What I am saying is that the potential contribution to orderly democratic processes which can be made by union leadership through this role as social and political leaders is growing. The protests of working people as *citizens* against burdensome taxation, against public civil rights policies which seem to them to reduce the value of their property or their position of special privilege with respect to certain kinds of jobs, against inadequate city services, against the interruption of those services by strikes of public employees, against schooling irrelevant to their aspirations for their children, against involvement in the horrors of wars for which they can see no compelling reason, against practices maintaining a second class citizenship, against corruption, highhandedness, and maladministration in

political office high and low, against the substitution of mass pressure, blackmail, and violence for legal action by particular groups, against discrimination and against inequality in access to the community means of increasing well-being and an escape from poverty, and even against actions suggestive of arrogant unilateralism of fellow workers in other unions, these are protests which are bulking larger in the lives of working men and women. At certain times and places they appear to bulk larger than any real or imagined exploitation by their employers. A great opportunity and indeed a responsibility, faces American labor leadership, both local and national, to use the standing and respect and competence gained in the management of industrial protest to channel these kinds of socially and politically oriented protest into constructive reform of the organization and processes of our common life.

CHALLENGES TO UNION LEADERSHIP IN AN ERA OF CHANGE

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Center for Community Change

J. B. S. Hardman's reflections on the labor movement forty years ago, as set forth in *AMERICAN LABOR DYNAMICS*, are as contemporary as this morning's newspaper.

In Hardman's words: "Today, even as a hundred years ago, trade union organizations remain an exercise in chance-taking, mostly, if not exclusively, based on native predisposition and intuition rather than on summarized and differentiated experience."¹

Or there is the lingering lament of an aging officialdom, which too frequently symbolizes—to the public and to its membership—dried-up idealism and a stalled drive for reform. As described by Hardman: "Superannuated leaders, who have long outlived their usefulness, are probably met more frequently in the labor movement than in any other militant social movement."²

In more recent years Hardman noted the surge of unionism in the 1930's and pointed out how, at that time, our nation's political and legislative forums began to feature major contributions by labor to ensuing debate, discussion, and decision-making. That effort supplemented the basic drive for improvements in wages, working conditions, security, and other job-related issues.

Hardman realized that as trade unions fight "for an ever larger share of the proceeds of production," their influence automatically permeates social and legislative fields. As they exercise this compounded power (which Hardman designates, "social power"), they are, he feels, contributing to their own industrial growth.³

Like many others, Hardman decries the uninspired performance of unions in recent years—their failure to attract a proportionate number of recruits from the 10-million-expanded labor pool; to solicit membership in the sectors of fastest rise (service, white collar, and government); and for their overall, downhill influence among

¹ *American Labor Dynamics In the Light of Post-War Developments*, Edited by J. B. S. Hardman, Harcourt, Brace and Company, New York, p. 95.

² *Ibid.* p. 96.

³ *Labor in Midpassage*, J. B. S. Hardman, Harvard Business Review, January-February, 1953, p. 44.

those both within and without the labor movement. His suggested remedies are comprehensive but general—a broad overhauling and reorientation of union outlook and practice, plus a “new sense of mission.”⁴

To Hardman, the primary emphasis of union activity was to expand membership, and then to use the accumulated power to improve the economic status and security of each worker. His warfare was a “battle against poverty,” but a battle waged primarily to transform the control and the condition of the work environment. His “poverty” was the poverty of the worker, the victim of depression, recurring recessions, starvation wages, job insecurity, and loss of income during periods of illness, accident, or old age.⁵

For millions in our nation’s mines and factories those economic spectres were conquered in part by: the organization of new industrial unions under the CIO, the development of an orderly method for determining bargaining agency under the NLRA, the emergence of sympathetic public opinion, and the development of powerful, effective collective bargaining.

The result—management’s former autocratic control of the conditions of employment became just a yellowed page. Through bargaining between their employers and the unions of their choice workers succeeded in creating an industrial democracy, a civilized setting at the work site where they could wrestle with such work-related issues as wages and production standards. Their imprint also extended to the structuring of a grievance procedure for resolving the complaints of a worker who felt he had been unjustly treated; and a seniority system that replaced capricious and/or discriminatory hiring and firing practices.

Since 1950 collective bargainers have been unfolding a steadily expanding list of benefits for union members. The worker now enjoys far greater job and income security in times of economic downturn or personal adversity, and has been guaranteed pension plans; health, accident, and insurance protection; and many other benefits.

Impressive as this showing is, it, by its very success, has helped

⁴The Labor Movement A Re-Examination, *Limited and/or Inclusive Unionism: Central Contention in Organized Labor*, J. B. S. Hardman, Industrial Relations Research Institute, Department of Economics, The University of Wisconsin, and the State Historical Society of Wisconsin, p. 18.

blunt many labor leaders' awareness of the needs and aspirations of millions of Americans who are not shielded by a labor-management agreement.

Many groups today cling to precarious employment with no assurance of ultimately sharing in the produce of their labor. Indeed, many are excluded from the coverage of such basic legislation as minimum wage, unemployment compensation, and workmen's compensation.

If they are not helped, unions must be willing to bear the justified criticism of doing more and more for fewer and fewer. Today the job-site is multi-faceted: it is the factory, the halls of Congress and State legislatures, and even the neighborhoods and communities where the workers live.

The labor movement's wealth, in numbers and in resources, dictates its investing heavily in each of these areas. But funds alone will not be sufficient. A restructuring and realignment of all organizing efforts must be the blueprint. Infusion of new ideas, development of a better understanding of worker attitudes and motivation (and the careful utilization of that information), training programs for organizers, far-closer cooperation between unions in selecting targets and in implementing drives are but a few of the steps that unions must take to reach the worker most distant from wage and fringe-benefit gains and the protection of a strong collective bargaining agreement.

In the past, efforts by the union movement to excite strong, grass-roots support for specific state legislation has succeeded only rarely—only where the union member has been convinced that he will be directly affected—and usually the enthusiasm has been negative, preventative, such as the outpouring of union members on the referenda on the right-to-work laws of 1958.

On the national level it has been difficult to drum up similar broad enthusiastic support, except around such issues as Social Security—and, in particular, Medicare. Nevertheless, the lobbyists at the top of the union pyramid, as representatives of their multi-million-member base, have contributed greatly to the passage of such legislation as the Civil Rights Act, the Elementary and Secondary Education Act, and other social welfare measures. Today the halls of Congress have become the extensions of the union bargaining table; but they are frequented by just these few professionals,

with the bulk of union membership playing little, if any, role in securing passage of legislation.

Some might suggest that this lukewarm interest of the rank and file should provoke labor leaders into abandoning their political education and legislative functions—that they should surrender these obligations to other groups. Yet we know such a suggestion is unrealistic. No other political force in our society is willing, or prepared, to assume such responsibilities.

What we must do, however, is discover more avenues to the members—to every aspect of their lives—and then perfect our methods of detecting their concern and relating it to the rest of society—particularly to those who are not in the mainstream.

For it has become clear that the labyrinth, multi-level structure of today's unions has severed leaders' personal ties with their members. Therefore, the 1960's find many workers' fears and frustrations not only unvoiced but unknown.

Clearly, union leaders, in order to recapture a more pervasive measure of influence in the qualitative lives of their members, must go beyond the plant. For maximum impact, their theoretical political and legislative education must also be pragmatic—it must be patterned to affect a worker's total life, and must produce results. Now that the job-site has been secured, the home-site, the community-site, must be tackled.

For today when a worker files out of the factory, he heads home through factory-made air, is propelled along by a body-crushing transit system, and gazes out at a city of crumbling brick and stagnant rivers.

When he crosses the threshold of the one piece of property he owns, he finds the dinner conversation centering on one son's impending departure for Viet Nam, another son's dropping out of college, his neighbor's wife's being accosted, the school board's decision to bus Negroes into his community, and the Mayor's recent proposal to raise the property tax.

His mind numbed by these seemingly insoluble problems, he flips through the union paper, only to be greeted by laudatory endorsements of the Johnson-Humphrey Administration and the past performance of his union's leaders. It, once again, becomes apparent to him that his frustration has been muzzled—that he has no direct

recourse, no spokesman who can articulate his disillusionment, his needs.

This then is the labor leader's challenge. Can he perform the expanded steward service of improving the life of the worker after the 5:00 o'clock bumper-to-bumper migration has transported him from the plant to the suburbs?

Common strands link the disquietude in most of our lives. Many of our problems—for all their regional appearance—encumber an entire nation. For this reason an effort must be constantly made to weave each "local issue" into a national framework. In order to be more effective unions will have to expand and reshape their efforts to include a widening participation in community affairs, a participation that should span from coast to coast. In order to remain viable unions must continue to involve themselves—to an ever-increasing extent—in the resolution of national and local issues which bear so directly and heavily on each of the members.

This will not be easy. For cutting wide across any path of change is the ever-present generation gap—a fissure that is marked by talking rather than listening, learning, and evaluating.

But, the effort must be made. For example, especially in light of the fact that approximately 50 percent of unions' present membership is between the ages of 20 and 30, their leadership must become more deeply embroiled in the fight for a fair draft policy. In this struggle they must also vie for the achievement of real community representation on the Selective Service Boards.

Also, in a parochial sense, unions must continue to protect their own standards by insisting on union-constructed, public schools, staffed by union-safe-guarded teachers. But, in a more universal sense, they must insist on and strive for the peak-development of each child—and the consequent extinction of the stunted student, i.e., the drop-out, the forced-out, and the shunted-aside.

In addition, at the neighborhood level, unions must ally themselves with organizations dedicated to the updating of antiquated public services and to the maintenance of those which are adequate. As a tributary of the financial lifestream of these public services, unions must demonstrate a policy flexible enough to embrace either a program for reductions in the property tax or, at a minimum, a stabilized property tax, coupled with a progressive state income tax, and possibly an appropriate Federal revenue sharing plan. At present,

loopholes and inequities pockmark our tax structure; thus unions must shoulder the twin responsibilities of effecting tax reform and realigning tax burdens for greater equity.

Implementing the new directions I have suggested, politically and legislatively, will not be easy. Unions and their spokesmen have become adept at proclaiming goals, outlining programs, and adopting periodic convention resolutions to carry out such programs. But we know that these resolutions are paper-thin. Their substance must be supplied at the state and local levels by professional legislative interpreters and executors.

At the national scene, the legislative branch must support more lobbyists, knowledgeable in substantive material and trained in the intricacies of Congress. But the job doesn't end there. The Executive branch must also be prodded by a labor staff whose specific assignment is to work with administrative agencies and Federal departments. Up to now, we have not allocated sufficient resources to this job, especially in view of their mushrooming activities.

The scandalous and unconscionable delays of the Department of Agriculture to use fully its authorized food stamp, and food distribution programs to feed the hungry illustrate the kind of administrative decision that adequate monitoring should have prevented. Food was not distributed, and people starved.

Another illustration—the HEW's long overdue rulings which will end (in July, 1969) the routine but degrading investigations of welfare recipients. Or, the provision in the latest housing bill that requires housing for low income ghetto families be built and contracted for by the neighborhood residents to the maximum extent feasible.

In short, a panoply of important legislation now on the statute books will live up to its promise of progress only to the extent it is vigorously enforced.

With rare exceptions, state and local agencies do not deal effectively with education, consumer protection and other social and welfare programs. There is an urgent need for a group of technically skilled people who can effectively administer such programs, many of which labor has helped to enact. In the absence of such a corps what has been won in legislation can well be lost in execution.

But even if labor's administration is honed and legislative victories scored again and again, these successes should only be isolated

moments of pride for her leadership. For there remain the excruciating hours-days-years of helping to rebuild our society—a society whose most salable products, for many of her citizens, are disaffection and disillusionment. Her youth, her aged; her minorities, her majority; her workers, her non-workers have all been affected.

An additional, overriding question is how can the labor leader help forge the link between periphery- and inner-city residents: the economically secure on the rim and the economically deprived at the hub?

As Deputy Administrator of the Housing and Home Finance Agency in President Kennedy's Administration and as Deputy Director of the Office of Economic Opportunity in President Johnson's, I became deeply involved in the resolution of this question. At that time our goal was to unearth and unleash all available resources for the benefit of every American. Realizing how frequently our over 30 million poor citizens (be they black, brown, white, etc.) were victims of red-tape detours around established sources of power, we strove to open up direct routes for them. The labor movement did not join this effort.

At that time unions were preoccupied only with formulation and passage of legislation, not with its implementation. They had already jeopardized their credibility by a locked-in attachment to the Johnson-Humphrey Administration and in so doing faced the double jeopardy of no attachment at all to contemporary society. Their former pugnacious spirit fading, their relevance began to fade also.

Thus when I rejoined the IUD (the Industrial Union Department), I tried to recapture a sense of relevancy by channeling a portion of unions' energies to the working-poor. Community unions were organized so that benefits would accrue not only to the well-paid, but to the miserably low-paid as well (i.e., migrant-farm and other agricultural workers and employees of other poorly paying industries). An industrial democracy had to be fashioned for the Sixties, comparable in effectiveness to that of the Thirties.

Our efforts met with random success. Intermediate direction and ultimate results were fitful: some projects were applauded, others were not. But in general, there was little applause from the labor movement—whether it was for our efforts in Watts, East Los Angeles, or elsewhere.

For this reason—and because we wanted the greater freedom of action available in an organization apart from the labor movement—we established the private, non-profit Center For Community Change. The Center, financed in part by the Ford Foundation and working closely with the Robert F. Kennedy Memorial Foundation, seeks self-sufficiency for individual communities of poor people and their full participation in the life of the total community.

Because the impoverished are packed together in varying degrees of degradation, we determined we must develop within each community a unique organization, one that would be pliable to the desires and needs of that particular group.

As members of the Center we will be in evidence only in the embryonic stages of that development: that is, in helping to identify local leadership and, in turn, helping them rally community meetings where hopes and disillusionments can be laid bare. Once similar aims have been surfaced, priorities can be determined, and solutions to mutual problems sought.

In effecting these solutions we shall provide the technical assistance, leadership training, and interpretation of legal and governmental rights necessary for local residents to negotiate social change. We shall confront at the negotiating table any political or economic force that attempts to impose constraints upon these local groups—and whenever union leaders try to impose such limitations, we shall arbitrate with them too.

We hope to multiply the six communities with which we are presently associated (Watts, East Los Angeles, and Delano, California; Newark, New Jersey; Woodlawn in Chicago, Illinois; and MACE, Mississippi Action For Community Education, in the Mississippi Delta) to fifteen by the end of 1969 and thirty by the end of the following year.

Although a number of Federal and State laws have been passed to assist these have-not communities, frequently those allocations have not reached their destinations. En route they have been diverted by an administrative maze: from Congress through Executive Department guidelines to regional office rules and regulations. Often this web of rulings ensnare the community, preventing their obtaining funds for purposes which they feel have the highest priority and for which the funds were supposedly set aside.

Since these groups do not possess the negotiating skills to extricate themselves, there is a real need for an organization that will monitor the handling of key welfare and social legislation for them. That is the purpose of our Citizens' Advocate Center, which has created a network of lawyers to serve as an ombudsman for these mute minorities.

The sinew of the Center will be in its counterpart, the Committee For Community Affairs, which will provide legislative, research, and other social-action services for it and for any other organizations devoted to constructive social change. The Committee will also be non-profit but will concentrate mainly on the passage and analysis of legislation benefiting the poor.

At the present time we are not aware of any reaction from either AFI-CIO or non AFL-CIO unions other than the UAW which has consistently supported the objectives for which the Center for Community Change has been organized. What we are aware of is that too frequently unions have ignored those outside the establishment—they, too, have been guilty of a lack of concern, a lack of action.

As members of the Center For Community Change we feel we shall prove most useful when we help the citizens of each community tell their own story and fashion their own ending. The words have got to be their own: the yardstick of our success will be the length of time it takes for us to become superfluous.

Self-generated power through organization is our ultimate goal for the alienated—the igniting sources will have to be such non-profit groups as ourselves, private foundations, unions, and Federal, State, and local government.

Fragmented, our goal is the eventual emergence of health, day-care, community, and recreation centers; vastly enhanced public schooling and housing for low and middle income groups, both qualitatively and quantitatively; and more and better job opportunities.

The intertwining theme remains involvement—self-determination—the very participation which denotes our national and individual pride. We, the majority, possess it—they, the minority, demand it.

DISCUSSION

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Mr. Bakke has emphasized five contributions which labor leadership created and maintained:

1. An effective center of collective power for workers, with which power centers serving the interests of other groups in the population must come to terms.
2. The creation of organizational mechanism making possible the participation in industrial and public affairs of representatives of working people.
3. Adding to the agenda for dialogue and bargaining, items which humanize these rules. Productive efficiency to achieve human satisfaction, security, justice, and maintenance of physical and mental health among employees.
4. Efforts of leadership to develop group solidarity and group consciousness.
5. Labor leadership has created and managed a channel for popular protest of those outside the establishment against the works of the establishment, considered unjust.

These are the techniques for implementing the democratic process in our country. Encouraging the decision-making process not on a unilateral basis but on one involving the active participation of many groups. In fact, the struggle of American democracy has been one of power groups in every phase of our history—attempting to wrest a larger share of the “material pie” for themselves.

American labor from the founding of the nation to the Civil War, marked the evolution of the craftsman to the wage worker. The function of the labor leader was to sense and give voice to the claims and aspirations of his followers. These changed with the changing economic conditions whether the labor leader was William Sylvis, Uriah Stephens, Terence Powderly, Samuel Gompers, William Green, John Mitchell, John L. Lewis, Joseph Baroness, David Dubinsky, Philip Murray, Sidney Hillman, Walter Reuther. The leaders were compelled to reflect the changing political philosophy, economic and technological changes of their period in order to maintain their following.

Recently in a survey conducted by the School of Business Administration of the University of Michigan among 108 union presidents, the question of rating the greatest labor figures in United States history in order of preference and to give reasons, was considered. Greatness could be defined in any way respondents wished but "ability, innovative ideas, ethical standards and contributions to labor's and the nation's progress" had to be included as part of the measuring stick. Sidney Hillman—(died July 10, 1946) was named one of the four greatest labor leaders; the others were Samuel Gompers, Eugene V. Debs, Philip Murray.

J. B. S. Hardman, born in Russia in 1882, was an articulate spokesman for the implementation of democracy but also for the trade union as a dynamic tool for the democratic forces. Exiled from Russia in 1908 because of his participation in democratic and labor union activities, he came to the U.S. in 1910 and did graduate work at Columbia University until 1913. He told his co-author, Maurice Neufeld of Cornell University, of his first encounter with an American labor leader. He served as a free wheeling journalist when he first reached this country. "He found himself, as I recall, in Cleveland, wandering about during lunch time. To his surprise, he stumbled upon an impressive building which proved to be the national headquarters of one of the railroad brotherhoods. J.B. entered, but no one seemed to be around, and he soon entered an office where a well-dressed gentleman, who turned out to be the international president, inquired whether he might be of help to the young visitor. There ensued a long interview during which the Russian revolutionary asked the president to explain the sumptuousness of the union's offices and the size of the officers' salaries and expense allowances, as detailed by the president, at J.B.'s request. The president replied by describing meetings in New York City with the presidents and other officials of the railroad companies when collective bargaining negotiations were conducted or problems arising during the life of the contract were discussed. The president told J.B. that he and his fellow union officers often had to lunch or dine with their company counterparts during such occasions. Members of the union don't want me to be worrying during important negotiations, said the president to J.B., whether I shall have to pick up the check or whether the company official will. They want me to keep my mind on important matters."

Hardman, who was eager to further the acceptability of the trade unions in this country by the various power groups, had enough of his Socialist doctrine burned into his soul so that he was awed by the philosophy of the president of the Railroad Brotherhood. However, he had three notches in his yardstick for measuring democratic progress of workers:—

1. International living in peace and security.
2. Economic organization of life, freedom from want and insecurity or oppression, freedom from the insecurity of unemployment, illness and poverty.
3. Organization of living in communities upon a basis of social equality, elimination of minority fear of discrimination because of race, origin or faith.

Source LABOR AND NATION—AUGUST, 1945. *Notes on the Promise of American Life.*

Hardman became editor of *Labor and Nation*, a magazine which became the intellectual spokesman for labor unions; chairman of the Interunion Institute, an organization to hammer out policies and programs for progressive unions; co-author and editor of *American Labor Dynamics*, *House of Labor*, *Rendezvous with Destiny*. In a series of questions he propounded matters which are still to be answered by historians of labor:

1. As our industrial society becomes more complex, labor unions become desperately in need of professional services.
2. There arises a basic requirement for information and assistance to labor leadership.
3. Competence is primary qualification for jobs on the union staff.

Hardman foretold many of Bakke's observations today from a different point of view—meeting different problems but with similar dedication to the implementation of democracy!

VIII

PUBLIC POLICY AND THE STRATEGY AND TACTICS OF COLLECTIVE BARGAINING

CURRENT DECISIONS OF THE NLRB AND OF THE COURTS

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Introduction

In October, 1968, the National Labor Relations Board issued its long-awaited decision in *General Electric Co.*,¹ the coordinated bargaining case. What I shall do in this paper is discuss the Board's decision in that case, the likelihood that decision will be sustained on judicial review, and certain issues left unresolved by that decision.

I. General Electric

The facts in *General Electric (GE)*, stated most briefly, were these: In 1965, a number of different international unions representing GE employees in separate bargaining units joined together to form the Committee on Collective Bargaining (CCB). The stated purpose of the CCB was to formulate a set of common goals and to achieve those goals through "coordinated" bargaining with GE. It was understood by the participating unions that when the common goals were determined, as they subsequently were, no union would deviate from these goals without first consulting the other unions.

Beginning in November 1965, the CCB sought a meeting with GE to discuss the common demands of the cooperating unions, but GE refused to participate in multi-union discussions. At this point, the unions retreated. One of them, International Union of Electrical, Radio and Machine Workers (IUE), wrote the Company,

¹ 173 NLRB No. 46 (Oct. 23, 1968).

announced it was abandoning its request for joint bargaining, and sought a meeting solely between GE and the IUE negotiating committee. GE agreed to this suggestion, and the two parties arranged a date and time for a meeting.

In preparation for that meeting, IUE added to its negotiating committee, as nonvoting members, one representative from each of the other seven unions that had comprised, with IUE, the Committee on Collective Bargaining. IUE's stated purpose in adding the representatives of the other unions was to give it the benefit of their experience in negotiating with GE. Additionally, IUE claimed, this device would provide adequate inter-union communication as a means of avoiding the "whipsawing" GE was thought to have practiced in the past, i.e., signing a contract with one union on terms favorable to the Company and then using that contract as a lever to obtain favorable contract terms from other unions. GE, however, refused to meet with IUE as long as representatives of other unions were present, relenting only after IUE had filed unfair labor practice charges protesting its failure to meet, and a Federal district court had ordered it to do so pending the Board's resolution of the unfair labor practice charges.²

The Board, with Member Jenkins dissenting, sustained the Union's contention that GE, by its refusal to bargain with IUE, had violated Section 8(a)(5) of the Act.³ The critical issue, as the Board saw it, was quite narrow. While GE claimed that the outside union representatives, though formally representing IUE, in fact intended to bargain for their own unions, the Board found this claim unsupported by the evidence before it. Indeed, the Board stated, GE, by its refusal to negotiate at all with the IUE committee, had prevented any demonstration by the outside union representatives as to their intentions. Thus, it was unnecessary for the Board to decide whether attempted bargaining by members of the IUE negotiating committee on behalf of unions other than IUE, i.e., multi-unit or joint bargaining, would have privileged the Company's refusal to negotiate. Similarly, the Board found a lack of evidence to support the Company's contention that the several unions were "locked in" to an understanding that none would sign a con-

² *McLeod v. General Electric Co.*, 257 F. Supp. 690 (S.D.N.Y.), rev'd, 366 F.2d 847 (2nd Cir. 1966), rev'd and remanded, 385 U.S. 533 (1967).

³ 29 U.S.C. § 158(a)(5).

tract until all had satisfactory offers. Thus, it was unnecessary for the Board to decide whether proof of such an agreement would have justified a refusal to bargain. In sum, on the Board's view of the facts, the sole issue of law before it was whether the mere presence on the IUE negotiating committee of persons normally representing unions other than IUE justified the Company's refusal to bargain. The Board had little trouble resolving that issue against GE, and, I dare say, the reviewing courts, assuming they accept the Board's findings of fact, will agree with the Board on the legal issue.⁴ Indeed, those courts that have thus far had occasion to review the principle of *GE*—that the presence at the bargaining table of persons from unions other than the bargaining representative does not justify the employer's refusal to bargain—have accepted that principle.⁵

The starting point for analysis of the Board's decision in *GE* is Section 7 of the Labor Act.⁶ Section 7 provides that "employees shall have the right to . . . bargain collectively through representatives of their own choosing," and this right has repeatedly been held to include the derivative right of the bargaining agent to select the individuals who will act in its behalf.⁷ Admittedly, in a few cases the Board has held that an individual was subject to a conflict of interests so severe as to disqualify him from serving as a representative,⁸ but the principle of those cases would not

⁴ The Board also rejected (3-2) GE's defense that no violation of the Act could be found in its refusal to meet with IUE prior to the date on which the existing contract, by its terms, was subject to reopening. The Board found that GE, despite the fact it was under no obligation to do so, had agreed to early reopening, and held that when parties agree on early reopening, they are subject to the same standards of good-faith bargaining as if the contract expressly provided for such opening. Discussion of this issue would be outside the scope of this paper and will not be attempted. Any statements I make as to the likely or desirable outcome of *GE* in the courts should be read with this fact in mind.

⁵ See *Standard Oil Co. v. NLRB*, 322 F.2d 40 (6th Cir. 1963); *McLeod v. General Electric Co.*, *supra*, n. 2; see also, *American Radiator & Standard Sanitary Corp. v. NLRB*, 381 F.2d 632 (6th Cir. 1967).

⁶ 29 U.S.C. § 157.

⁷ See cases cited in n. 5, *supra*. See also, *NLRB v. Roscoe Skipper, Inc.*, 213 F.2d 793 (5th Cir. 1954); *NLRB v. Deena Artware, Inc.*, 198 F.2d 645, 650-651 (6th Cir. 1952), cert. den., 345 U.S. 906 (1953); cf. *Prudential Insurance Co. v. NLRB*, 278 F.2d 181 (3d Cir. 1960). Compare, *NLRB v. Kentucky Utilities Co.*, 182 F.2d 810 (6th Cir. 1950); *NLRB v. International Ladies' Garment Workers' Union*, 274 F.2d 376 (3d Cir. 1960).

⁸ See *Kennecott Copper Corp.*, 98 NLRB 75 (1952); *Douglas Aircraft Co.*, 53 NLRB 486, 489 (1943); cf. *Bausch & Lomb Optical Co.*, 108 NLRB 1555 (1954). But cf. *NLRB v. David Buttrick Co.*, 399 F.2d 505 (1st Cir. 1968).

appear to control here. Perhaps the best way in which to demonstrate this is to analyze the contrary arguments raised by Board Member Jenkins in his dissenting opinion in *GE*. Member Jenkins took the position that a representative of, for example, IAM, temporarily serving on the IUE negotiating committee, would find it virtually impossible to separate the interests of IAM from those of IUE. Such a representative would thus tend to argue against a particular employer proposal that would be to the advantage of IUE if its acceptance would put pressure on IAM to accept a similar or less satisfactory proposal not in the best interests of IAM. Were the IAM representative to take such a position, it would not only be harmful to IUE-represented employees, who might lose benefits otherwise available to them, but harmful also to the employer, which would "find it virtually impossible . . . to achieve its aims and possibly amicably settle one phase of its negotiations and obtain a certain measure of industrial peace. . . ." ⁹

In the first place, however, the non-IUE representatives on the IUE negotiating committee did not have the power to prevent IUE from accepting a company offer satisfactory to IUE. Not only were all non-IUE representatives without a vote on the negotiating committee, but the negotiating committee itself was limited to recommending to the IUE Conference Board whether the latter, composed solely of IUE representatives, should accept or reject an offer by GE. The ultimate decision was made by the Conference Board. Thus, the danger of any injury to the interests of IUE employees through the presence on the negotiating committee of representatives of other unions, whose interests might differ from those of IUE, would not appear substantial.

It is, of course, possible that the presence at the bargaining table of representatives of other unions might discourage IUE from engaging in negotiations leading to a settlement on terms advantageous to it, but not to the other unions. Nonetheless, it was the judgment of all the unions, including IUE, that the pursuit of individual, short-term advantage by one union on behalf of employees represented by it would, in the long run, be harmful to the common interests of all GE unions and employees. It would hardly be appropriate for the Board, especially in view of the pro-

⁹ *Supra*, n. 1 at p.19.

tections against injury to employees resulting from possible conflicts of interest, to substitute its judgment for that of the employees' chosen representative as to how the long-term economic interests of those employees might most satisfactorily be advanced, i.e., by separate or coordinated bargaining. For, to the extent the question is one of advancing employee economic interests *vis-a-vis* the employer, primary responsibility unquestionably rests with the employees' chosen representative, not with the Labor Board.¹⁰

Nor would the Board have been warranted in proscribing the presence of representatives of unions other than IUE on the second ground relied on by Member Jenkins—that GE was thereby deprived of the opportunity to settle one phase of its negotiations and thus obtain a certain measure of industrial peace. This is not because Member Jenkins was wrong in his assessment as to the effect of the presence at the bargaining table of representatives of unions other than IUE. To the contrary, he would appear quite right in suggesting that their presence would tend to discourage IUE from engaging in negotiations leading to a settlement advantageous to it, if that settlement would not be in the best interest of the other unions. Thus, their presence might well prevent the employer from obtaining “a certain measure of industrial peace.” Stating the same thought slightly differently, the presence of representatives of other unions, by discouraging an individual settlement on terms favorable to IUE but not to the other unions, might well encourage economic confrontations. It might also lead to the result that an economic confrontation, if it does come about, will be substantially broader and longer lasting than it would have been if each union had bargained individually. Indeed, it would seem clear that it was primarily to present GE with the spectre of several strikes at the same time if it did not bow to the unions' common demands that the several unions dealing with GE decided to utilize a system of coordinated bargaining.¹¹ In this sense, too, the unions' bargaining tactic, with its implicit threat of wide-scale economic confrontations, would tend to be destructive of industrial peace.

¹⁰ Cf. *NLRB v. David Buttrick Co.*, *supra*, n. 8.

¹¹ This is not to say that the unions had necessarily agreed that none would sign a contract until all did, since the independent action of each union in holding out for the goals that all had agreed upon could also present the employer with a number of strikes at the same time.

However, and here we come to the nub of the entire dispute, industrial peace is not normally to be purchased at the cost of depriving a party of a bargaining tactic or weapon that would strengthen its bargaining position. To the contrary, the Supreme Court held in *Insurance Agents*¹² that, while the Act compels the parties to bargain in good faith, in the hope that this will result in the peaceful negotiation of collective agreements, it does not preclude them from resorting to tactics destructive of industrial peace in order to strengthen their respective bargaining positions. "The presence of economic weapons in reserve, and their actual exercise on occasion by the parties, is part and parcel of the system that the Wagner and Taft-Hartley Acts have recognized."¹³ Hence, the Board is not free to forbid a bargaining tactic or weapon because it is destructive of industrial peace, and properly declined to excuse GE from its bargaining obligation on the ground that the presence of representatives of other unions on the IUE negotiating committee would be disruptive of industrial peace.

The final point in Member Jenkins dissent in *GE* was that to allow representatives of employees in other units to attend and participate in negotiations for a unit which they do not represent "may have the effect of broadening or narrowing, at the pleasure of the unions concerned, the numbers, types and locations of the employees covered or affected by the bargaining. This, in turn would conflict with the responsibility of the Board to determine the scope of the appropriate unit under Section 9 of the Act. . . ."¹⁴

This argument can be disposed of briefly. Even Member Jenkins did not assert that the presence of representatives of other unions must inevitably lead to multi-unit bargaining without the employer's consent. Indeed, representatives of other unions, aware of the doubtful legality of pressing for multi-unit bargaining, might be scrupulously careful to avoid such pressures. Under these circumstances, the majority would quite plainly appear to have been correct in holding that the mere possibility that representatives of unions other than IUE might seek multi-unit bargaining did not warrant forbidding the attendance of such representatives at the IUE negotiations.

¹² NLRB v. Insurance Agents' International Union, 361 U.S. 477 (1960).

¹³ Id. at 489.

¹⁴ General Electric Co., *supra*, n. 1 at 20.

DISCUSSION

LEE C. SHAW ¹

Seyfarth, Shaw, Fairweather and Geraldson

It has recently been seriously contended ² that the National Labor Relations Board and courts should take a new look at a long line of decisions with the objective of making coordinated bargaining a mandatory subject of company-union negotiations. The NLRB appears to have embarked on a course which would achieve such a result and now seems engaged in a three-pronged attack to force employers to bargain on a coordinated basis.

To evaluate this emerging trend and to determine its ultimate acceptability, it is necessary to consider the current economic atmosphere and the relative bargaining strength of labor and management. The nation is undergoing a period of acute inflation due in substantial part to inflationary wage increases negotiated by unions and backed up by strikes and the threat of strikes.

In the years 1967 and 1968 the Consumer Price Index rose nine points. Interest rates are now at an all-time high. During the month of October, 1968, 480 strikes commenced involving over a quarter of a million workers. This represents an increase of about 85% over the same month in 1960. Despite taking the brunt of all of those strikes, management has not been successful in holding back the tide of rising wages. Contract settlements have skyrocketed: the median first-year wage increase in 1968 was 7.5% over wages being paid in 1967. That increase is double what it was in 1965. One out of eight settlements was 10% or higher.³ Various national officials are split over the question of whether we should return to the relative sanity of the wage-price guideposts abandoned as a result of the settlement of the airline strike in 1966.⁴

¹ John Paul Kennedy assisted Mr. Shaw in the preparation of this paper.

² See S. Goldberg, *Public Policy and the Strategy and Tactics of Collective Bargaining* (1968).

³ Statistics are taken from current BLS reports.

⁴ Secretary of Labor Shultz, for example, opposes wage-price guideposts, while others, such as Sen. Proxmire (D-Wis.), favor them.

In short, management bargaining power appears to be at a low ebb and no relief is yet in sight. The Board appears to be worsening this already bad situation by further weakening management's position through the removal of whatever bargaining advantage some employers may have gained by multi-divisional or multi-plant operations.

The Legalities of Coordinated Bargaining

The duty to bargain owes its existence to the National Labor Relations Act which provides that an employer and the designated representative of an appropriate unit of its employees must bargain over rates of pay, wages, hours, and other conditions of employment ("mandatory" subjects of bargaining).⁵ The duty to bargain is thus limited to mandatory subjects as they affect employees in an appropriate unit. Courts and the Board have held that an employer has the right to confine its negotiations to the appropriate, certified unit despite a union's demand to negotiate for employees outside the unit. The Board has held that demands affecting employees outside of the unit are not mandatory bargaining issues.⁶ The Supreme Court has ruled that one party cannot force the other party to bargain over demands which are not mandatory bargaining subjects.⁷

The Present Predicament: "The NLRB Box"

Recent decisions of the Board indicate the Board favors coordinated or multi-plant negotiations, but for 22 years the Board has favored the certification of single-plant bargaining units. The Board has put itself into a "box" of its own making, since it now appears to prefer to accommodate unions by adopting a policy of encouraging coordinated bargaining. At the same time, and especially very recently, multi-plant companies have attempted to contain the further expansion of union bargaining power by insisting upon single-plant negotiations. Nevertheless, many employers have been pressured into master contract negotiations.

The previously-decided cases of the Board and the thousands of single-plant certified units have blocked some of the union attempts

⁵ See Sections 8(a)(5), 8(b)(3), 8(d), and 9(a) of the National Labor Relations Act, 61 Stat. 140, 29 U.S.C. §§ 150, *et seq.*

⁶ See, *e.g.*, *International Longshoremens' Ass'n.*, 118 N.L.R.B. 1481 (1957); *District 50, Mine Workers, Local 15173*, 142 N.L.R.B. 930 (1963).

⁷ *NLRB v. Wooster Div., Borg-Warner Corp.*, 356 U.S. 342 (1958).

to force multi-unit negotiations because to do so has been found to be an unfair labor practice.

Escape from the "Box"

The Board appears to be engaged in a three-pronged attack to escape from its self-made "box." The first part of this effort is exemplified by the *U.S. Pipe* case⁸ where the Board held that several unions could precommit themselves to certain common goals, prohibiting departure from those goals without the consent of all unions involved. This case has generated three serious problems: first, as a result of permitting such interunion agreements, employers may be faced with a mass walkout, much the same as if illegally forced into a coordinated bargaining situation; second, by permitting a series of identical demands from a number of separate unions under one employer, the *U.S. Pipe* case opens the door to illegal union conspiratorial agreements; third, the *U.S. Pipe* case permits unions to come to the bargaining table with a closed mind, thus undermining the bargaining process itself.

The second part of the Board's evident plan to escape the "box" is illustrated by the recent *General Electric* case.⁹ In that situation, the Board found that an employer must at least begin negotiations with a union even when the union bargaining committee is partially composed of "outsiders"—members of other unions which also represent employees of the employer. This decision is disturbing because it greatly enhances the ability of unions to form conspiratorial agreements while at the same time making the problems of proof of such agreements insurmountable.

The final technique employed by the Board to escape from its "box" (and to force employers to bargain on a coordinated basis) is the use of the Unit Clarification Petition. In *Libbey-Owens-Ford Glass*,¹⁰ the Board merged several plant-wide units in an unprecedented and highly questionable exercise of its right to police unit certifications. The result of the Board's action, if permitted to stand,

⁸ *United States Pipe & Foundry Co. v. NLRB*, 298 F.2d 873 (5th Cir.), cert. denied, 370 U.S. 919 (1962).

⁹ *General Elec. Co.*, 173 N.L.R.B. No. 46 (1968); see also *Standard Oil Co. v. NLRB*, 322 F.2d 40 (6th Cir. 1963); *Minnesota Mining & Mfg. Co. v. Meter*, 385 F.2d 265 (8th Cir. 1967).

¹⁰ *Libbey-Owens-Ford Glass Co.*, 173 N.L.R.B. No. 187 (December 13, 1968); and see *McCulloch v. Libbey-Owens-Ford Glass Co.*, 68 L.R.R.M. 2447 (D.C. Cir. June 7, 1968).

would be to force an employer to bargain on what in effect would be a coordinated basis.

Evaluation of the Current Trend

Numerous technical challenges may be made to thwart the attempts being made to force management to bargain on a coordinated basis. On a larger plane, these attempts may also be criticized as being contrary to our national labor policy, which the Supreme Court said does not contain a charter for the National Labor Relations Board to act at large in equalizing disparities of bargaining power between employer and union.¹¹

Of course, from the viewpoint of some corporations, coordinated bargaining is not altogether bad. In fact, a few industries prefer to bargain on a coordinated basis, however, other industries have sought to avoid it because they feel that coordinated bargaining weakens their position at the bargaining table. In general, "vertical" corporations, where many interdependent plants are involved, do not object to coordinated bargaining because a corporate-wide strike would have the same effect in time as a strike at only one of the company's plants. "Horizontal" corporations, producing products in different locations on an independent basis (*e.g.*, most conglomerates), usually object to coordinated bargaining because the security obtained by diversifying is threatened by corporate-wide strike action.

Forcing corporations to engage in coordinated bargaining would have an adverse effect on the current national labor situation: strikes would become longer (witness the 9-month copper strike over the issue of coordinated bargaining); union power would become increasingly centralized, potentially leading to a wide variety of indirectly related problems (*cf.*, the Teamsters Union which bargains centrally with the trucking industry); government intervention and confrontation with all the attendant political ramifications would be more common (*e.g.*, the airline strike of 1966); and smaller companies and smaller unions would be hard pressed to maintain their separate, independent existence.

Some Suggestions for Solution

How should this matter be resolved? First, coordinated bargaining

¹¹ See *NLRB v. Insurance Agents' Int'l. Union*, 361 U.S. 477 (1960).

should be declared a permissive, not a mandatory, subject of bargaining. Any attempt to side-step such a declaration should be deemed to be an unfair labor practice. Second, all-for-one-and-one-for-all agreements should be declared unlawful and the Board should reconsider its decision in the *U.S. Pipe* case because of the threat this decision poses to the bargaining process. Third, the Board's position in the *Libbey-Owens-Ford* case should be reversed and the merging of entire units through the use of the UC Petition should not be allowed.

If this action to achieve a balance in bargaining power is not taken promptly, the current inflationary wage settlements will undoubtedly continue. The recommended action is not a panacea by any means. Other more general programs to achieve equality at the bargaining table should be considered such as:

1. Overhaul the Norris-LaGuardia Act to empower the federal courts to enjoin violence, destruction of property, mass picketing, threats and intimidation, as well as breaches of collective bargaining agreements.
2. Prevent unions from fining or disciplining their members for crossing picket lines.
3. Stop the use of government funds to subsidize strikers through unemployment compensation and relief payments.
4. Supervise the explanation of, and voting on the employer's last offer prior to or during the course of strikes to eliminate control of them by a minority.
5. Give employers the same right to combine and lock out as unions have to strike an entire industry or group of employers.

Legislation in the labor field is difficult to enact. However, as the Board appears to continue to increase the imbalance between the bargaining power of labor and of management, and as the pressures increase from the continued inflationary trend in our economy, the probability that Congress will take action also increases. It is clear at this point that something must be done. The question remaining is whether it will be done quickly enough.

IX

RETAINING AND UPGRADING OF DISADVANTAGED WORKERS*

NEW APPROACHES TO MEET POST-HIRING DIFFICULTIES OF DISADVANTAGED WORKERS

JACKIE P. HEARNS

Executive Director, Jobs Now Project

I am going to speak to you this morning of some new approaches to meet post-hiring difficulties of disadvantaged workers. What I say will be based on experiences with employing Black disadvantaged workers. Much of it should be applicable to others.

Employing the disadvantaged is a venture that often fails. It does not have to fail. Not at all. But it often does. It often does because those involved in the venture often do not know where the problems lie. For example, the real problems involved in employing the disadvantaged worker do not lie in finding him, or recruiting him, or hiring him. The real problems began when he was born. Born Black.

Excluding a Population.

White America found very early a way to exclude part of its population. That part which was excluded was the Black population. That exclusion created deep wounds at the heart of this nation, wounds from which this country has yet to recover. That exclusion enforced on the Black population periods during which Black men were lynched. There was no law. Black men saw their women taken advantage of by White men. Black men found themselves working in slavery. There was no law. There was no law for the Black man. Laws have changed, times have changed, people have changed.

*The discussion by Vivian Henderson, presented in this session, is not included in the published *Proceedings*.

We, White and Black people alike, find ourselves existing in the midst of problems, the nature and the extent of which we understand, statistically, but the solutions to which we remain generally ignorant. Two related problems are the underemployment, and the unemployment of America's Blacks. Of the jobs open to Blacks, many are undesirable. According to the National Advisory Commission on Civil Disorders, Black workers are concentrated in the lowest skilled and the lowest paying occupations. Jobs for Blacks often mean substandard wages, great instability and uncertainty of tenure, extremely low status in the eyes of employer and employee, little or no chance for meaningful advancement, and unpleasant working conditions. Black men are more than twice as likely as Whites to be in unskilled or service jobs.

Young Blacks are asking not for token integration, but for total inclusion in American society. Young Blacks are saying, "I have experienced the school system and for the most part I have experienced failure." They are saying, "I have experienced the army, and for the most part that experience has been bad." They say, "I have experienced looking for a job, and for the most part that has been bad." They say, "I have had experience with the police force, and that experience has been bad." They are saying now, "I want some of the greatness of this country. I want my part in it." And in asking for that opportunity to share, they are asking to participate. They are saying, "I don't want the job of sweeping up, of cleaning the dishes. I want the job that offers me some status and respect as a man."

The JOBS NOW Project.

JOBS NOW, a demonstration program in Chicago, is trying to help bridge the gap to good meaningful jobs, to help insure the inclusion for which the young people are asking. This inclusion, we believe, is coming about. But there are many problems involved in getting young disadvantaged people to participate effectively, in getting them successfully to a job the first day, and for all the days to follow. The real problem involved in employing the disadvantaged worker is keeping him on the job. There are two sides to the JOBS NOW Project. The first takes place in our JOBS NOW premises; the second in the field, in business and industry. Together, they are keyed to keeping the disadvantaged on the job.

JOBS NOW operates a two-week orientation program. One or two weeks out of a difficult life punctuated by extended periods of unemployment and trouble with the law is followed, hopefully, by about forty-five years of satisfying employment. An unbalanced proportion. In a project like JOBS NOW you learn to be real. Sometimes minor miracles happen, but you do not try to make them happen. Two weeks allow you painfully little time to prepare gang-oriented youth for the very different world they will encounter upon leaving the program.

I would like, very briefly, to talk about the workshops involved in the orientation process. A workshop in Grooming and Hygiene is geared to reminding the program participants how they should be dressed and groomed on the job. A workshop in Money Management acquaints participants with the proper ways to handle money; how to make the paycheck last until the next pay period, to remind them that necessities must come out of that check, and of the need to budget. A Transportation workshop orients participants to public transportation so that they learn that there is at least one, and often more than one way to get to the job they will be placed into at the end of orientation. Another shop acquaints them with filling out the job application and with undergoing a job interview. A great deal of time is devoted to human relations, or self-evaluation classes. Often for the first time, participants have a chance to sit with others of their age and talk openly about the problems they have encountered. Program Counselors and Instructors expose participants to problems of dealing with line supervisors and foremen who will generally be White, and quite often resistant to working with Blacks. Counselors and Instructors generally end their involvement with the participant when the two weeks are ended. The Coach and the Job Program Developer do most of their work after this time.

The Major Themes.

From then on, and this is the central point, it is up to the companies with which the program deals to carry on the commitment to participants that is only begun during the two weeks orientation. This is the second side of the JOBS NOW approach to the problem of employing the disadvantaged. On the one hand we are getting our population of young Black people ready for

the job, and on the other hand, we are getting the job ready for the young Blacks. When this process of mutual readiness is successfully accomplished, a marriage takes place. This process has worked.

The project influences companies to support the participants, now employees, through a variety of techniques and systems that the project helps to make operational in those companies. The project deals only with companies that support the people it places. Simply placing people into jobs without support is a waste.

Coaches and Job Program Developers work with a company continuously, and with the employee for a year. The first day is the most crucial time in keeping a disadvantaged worker on the job. The first two weeks are only a trifle less crucial. After a year of employment there is no appreciable difference in the turnover rate between the disadvantaged and the advantaged.

It took us a while to learn that the object of social work programs, and of employment should not be to change individuals without regard for what modifications can be made by companies. Other programs are still learning this. Business and Industry is only beginning to learn it. It took us a while to learn to speak less of the difficulties of workers than of those of companies. It took us a while to learn two of our major themes. Theme one is: the post-hiring difficulties of disadvantaged workers are the results of post-hiring difficulties of the companies that employ these workers. Theme two is: the success or failure of the disadvantaged worker is contingent upon the presence or absence of special provision for him within those companies. These themes must become a part of the new common view of employing the disadvantaged. To the degree that they are not, our experience has taught us to expect failure in combating rapid turnover and other expressions of post-hiring difficulties.

A Job Is Not Enough.

Let me speak of employers with post-hiring difficulties. A job is not enough. Nor is salary. There is a low correlation between salary received and job retention among the people whom we place into employment. According to the National Advisory Commission on Civil Disorders, about eighty per cent (80%) of those involved in riots were *employed*; the Department of Labor reports that the

average Detroit rioter was earning about one hundred and twenty dollars (\$120) a week. The placement of a disadvantaged person into a job is absolutely no more than a beginning. Absolutely! If an employer believes differently and acts according to his belief, then he will be an employer with post-hiring difficulties. Which means that his employees will have post-hiring difficulties. Turnover among the disadvantaged is sixty per cent (60%) or half again the rate for other workers. Among the hard-core youth of whom I speak, turnover is still higher. It is not uncommon to have turnover at a rate that forces companies to hire four or five or six disadvantaged people to fill one position.

Let me speak now, of what our project learns and relearns over and over again. This is theme two. Disadvantaged workers modify their behavior, become cooperative and motivated to work, to the degree that representatives of companies adapt their behavior to become actively concerned and involved with the workers. Gentlemen, this is the nitty-gritty.

The commitment of an employer to the culturally different person he employs must compensate for the general lack of initial expressed commitment on the part of the new worker. This worker may become an excellent worker, the best worker, but initially his loyalty and abilities are held in a self-defensive abeyance. The translation of the employer's commitment into flexible company practices that are tangible, there-for-me-to see, and that are recognizable responses to the special needs of the disadvantaged worker (easily recognizable *to* this worker) will create favorable changes in the behavior of the worker. Turnover rates may well be reduced below that sixty per cent (60%) level of which I spoke. Indeed, it has been our experience that they will generally be reduced until they are as low as, or lower than, the turnover rate among *advantaged* workers.

High Support Means Low Turnover.

During the first year of JOBS NOW we asked employers to develop special provisions for the disadvantaged youth we placed into jobs. We called these provisions High Support. We set about to determine the relationship of High Support to job retention. At the time, we had placed over one thousand (1000) disadvantaged youth into about two hundred (200) companies. There was

very little difference between participants who had successfully held jobs in these companies and those who had been fired, laid off, or who had quit. Industries represented by these companies included durable and non-durable manufacturing, wholesale and retail trade, services, and finance and insurance.

We rated High Support systems within companies as to the numbers and types of provisions instituted. There was a very definite and clear relationship between job retention and High Support. Companies with High Support systems rated best, those with more than eight (8) provisions for the disadvantaged, had a retention rate of seventy-three per cent (73%), and only a twenty-seven per cent (27%) turnover rate; those companies rated poor, those that had instituted less than three (3) provisions, had a *retention* rate of twenty-seven per cent (27%), and a *turnover* rate of seventy-three per cent (73%). An exact reversal.

Time and time again, this one variable emerges as the most reliable predictor of success in employment among our disadvantaged participants: the companies' success in developing special High Support provisions for hiring, orienting, and supervising these inner-city youth.

An employer who modifies his behavior in these ways, who goes out of his way to accommodate that Black young man or woman is an employer whose post-hiring difficulties should diminish to the extent of the modification. The opposite of this will generally create what we are faced with now, employers with post-hiring difficulties. These are employers who are either not concerned, or who have not properly communicated their concern to the disadvantaged workers. They are employers who have failed to analyze the market closest to home: the one that exists in the minds of their workers. The disadvantaged simply won't buy until cooperation, loyalty, and the myriad expressions of job stability are understood to be a creative function of company policy translated into the actions of this worker's fellow workers. In this respect the disadvantaged worker is more advantaged than the person who employs him. He has learned earlier and better what a snow job is.

There are certain facts that companies must face in embarking on the venture of employing the disadvantaged. Even those companies, *especially* those companies, that are well-intentioned and yet whose hopes have come only to exasperation and anguish. I

am speaking now of facts about people, about understanding *who* a disadvantaged person is.

It must be understood that this worker, especially the young and really hard-core of whom I speak, is attempting to cross that division of distrust that exists between the White and the Black Americas. He is ready to turn back in anger at the first or second or the thousandth sign of trouble or misunderstanding. He is Black. All his life he has been Black. Until today he thought he was just non-white.

He begins work bearing within him a great deal of indecision as to whether or not he wants a job at all. He is risking a lot by working. He knows that he wants bread, but that working is only one way of getting it. And that it is a new, challenging, and therefore threatening way. Even traveling to work is a crucial factor to him. It is more important to him than the salary he will receive. Often he has never been outside the ghetto before. Never! Sometimes, if he lives in a housing project, he has never been more than a block or two from his home. Never! Upward mobility is important to him. He wants a good job, preferably a white-collar desk job. Yet if he gets such a job by some slim chance, he might well have to avoid the ridicule of his gang friends by carrying that white collar in a brown paper bag, and changing into it at work.

What Is High Support?

We have seen what High Support does. What is it? What are the High Support provisions of which I spoke earlier? High Support is (1) top management commitment to JOBS NOW. That is, it is a high-level commitment to the participants for whom JOBS NOW acts as a sponsor. It is (2) the translation of this commitment thoroughly through the company; it is (3) the implementation of this commitment in the company; and it is (4) feedback to JOBS NOW as to company problems involved in effecting the above three. That is what High Support means now. What is it in more specific terms?

Top management commitment. The President of the company, or the Vice president, or the Chairman of The Board makes it known through the echelons that the company is going to work

cooperatively with JOBS NOW staff and the disadvantaged workers in the company. It becomes known down the line that the power-wielders have invested their concern in getting employed, and keeping employed, the hard-to-employ.

Translating the commitment. This step is crucial to the High Support concept. It means getting people involved. Frequently the disadvantaged fail on the job because the supervisor or the foreman directly responsible for them have little or no understanding of them, or of their value to the company. Often it is a matter of that confinement of thought to which few admit, and to which many adhere—it is the problem of White racism. Sensitivity training, or management training as it relates to the disadvantaged are ways of translating commitment by letting the supervisor or the foreman see that it is in his best self-interest to assist the disadvantaged worker in making it.

Implementing the commitment. This is the nitty-gritty of High Support. It means constructing the there-for-me-to see employment practices of which I spoke earlier. It does *not* mean finding job openings for the disadvantaged. It means developing jobs with supportive systems. It is a programmatic approach to job stabilizing. Implementing the commitment means waiving traditional hiring requirements. It means withdrawing aptitude tests, waiving high school diplomas, and considering police records on an individual basis. These criteria are generally irrelevant to the hiring of the disadvantaged, reflecting neither their ability, nor the requirements of most entry-level jobs. Some workers successfully employed by companies with High Support programs for JOBS NOW participants are the same workers that these companies earlier rejected on the grounds of insufficient education. One young lady was rejected by a company because she had a child out of wedlock. We managed, finally, to get her into the company along with a number of other women. She was the first disadvantaged worker to be advanced by that company. Indeed, our research indicates that those who have been arrested several times tend to stay on the job more than those who have not.

Implementing the commitment means inter-personal support for the disadvantaged worker. A personal relationship with a program coach, or an in-company buddy, someone preferably from the same background, bridges the gap between the worker's home surround-

ings and the very different job setting. Coaches or buddies, personally supportive, are the liaison between the workers and the companies, the communicants to each of the needs of the others. It is through this person that the new workers are directly aided in adapting as persons to the new demands made upon them. In addition, coaches provide feedback as to the progress of the disadvantaged worker.

Implementing the commitment means providing the means for upgrading the disadvantaged worker. There has to be a direction to mobility. It had better be upward, or it will likely be outward for the disadvantaged worker, on to the streets. Companies must begin to think seriously in terms of careers for their disadvantaged worker, rather than in terms of stop-gap, merely entry-level jobs. Characteristically, company expansion is impaired because of the failure to institute channels for the upward mobility of low-skilled workers. No adequate upgrading programs have been developed for them. This means that systems of manpower development are needed in companies, systems involving academic training, or skill training on the job, as well as extended orientation periods to acclimate the disadvantaged worker to company needs.

Things to Come.

I have purposely understated how JOBS NOW is involved in developing High Support provisions within companies. For example, I have not spoken of the process of feedback to the project, or of the fact that we require access to companies for our staff of Coaches and Job Program Developers; or of the fact that we ask management to contact us before they fire one of our participants. Nor have I spoken of some other aspects of High Support.

I wanted to look into the future. I wanted to see what will be happening to my brothers when programs like JOBS NOW are no more than records somehow inadequately kept on yellow pages badly bound. Each time that a company catches on to the ways of making the disadvantaged worker *advantaged* by creating a supportive system for him, the need for JOBS NOW diminishes. This is good. A program trades its existence for the employment success of culturally different people, and for the companies which benefit them, and which are benefitted by them. And this is good.

But this means that what poverty programs are doing now to make the venture of employing the hard-to-employ successful will someday be carried on exclusively by companies. This means that possibly young people who are overlooked because they do not have a high school diploma or because of the supposed immorality will not have a second chance. I worry about this. I worry a lot about it. Employment systems in most companies will have to change. They can no longer exclude the disadvantaged. Because they have is one reason why the disadvantaged are disadvantaged. Companies will develop their own job programs for the disadvantaged, their own orientation programs, their own training, coaching, and upgrading systems for the disadvantaged, their own human relations training sessions for supervisors. When this happens, I would hope it is remembered that it is ultimately for the benefit of people that these systems were developed.

And that they are disadvantaged people, much like those of whom James Agee wrote in a different age:

“These are human beings, living in this world, innocent of such twistings as these which are taking place over their heads; and they . . . (are) dwelt among, investigated, spied on, revered, and loved; . . . and they are now being looked into by . . . others, who have picked up their living as casually as if it were a book, and who (are) actuated toward this reading by various possible reflexes of sympathy, curiosity, idleness, et cetera . . . (only) remotely appropriate to the enormity of what they are doing.”

EMPLOYER TECHNIQUES FOR UPGRADING LOW-SKILL WORKERS

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INTRODUCTION

The Problem.

A common employment paradox exists at so many companies across the nation. They suffer shortages of semi-skilled and skilled workers at the same time that they have available many unskilled workers capable of moving upward, but they do not relate this low-skill pool to the needs for middle-skill workers.

Why do so few employers train and upgrade their low-skill workers to fill badly needed jobs? The reasons are varied. Short-handed employers believe they cannot spare the time or staff to plan and conduct training and upgrading. They believe they cannot afford to take workers away from production long enough to be trained. They usually have no idea of what, or how, or even whom to teach for upgrading, nor can their supervisors help. Many employers regard the language differences of minority group workers as barriers to promotion since they cannot communicate effectively and many employers have negative attitudes regarding the abilities and ambitions of low-skill workers, attitudes often based upon contact with seemingly apathetic, indifferent workers who have resigned themselves to a lifetime of poverty.

This paper reports on the development and initial application of several techniques to overcome such difficulties and to help employers initiate planned upgrading of their low-skill employees.

Feasibility Study.

Recognizing the problem, a feasibility study was conducted in 1966 in five New York City industries: plastics, hospitals, groceries, restaurants, and electrical components. It was found in each of them large numbers of well-paying jobs going unfilled, and a surplus of unskilled, poorly paid workers, regarded as unqualified, to fill them. Yet, no systematic efforts were being made to bridge the gap between low-level employees and higher level,

unfilled jobs, despite the fact that labor bottlenecks were often hampering output and limiting potential expansion. Harried employers acknowledged that systematic upgrading programs might reduce turnover but they were rarely able or willing to act on this belief.

It was obvious, too, that a great many workers were working well below their potential ability and in desperate need of practical training assistance, but the new manpower development programs were all being directed at the problems of the unemployed, leaving unattended those already employed but locked in dead-end poverty-wage jobs.

The feasibility study, which was funded by the City of New York,¹ sought to:

- a) determine upgrading possibilities for low-skill, low-wage employees,
- b) develop a tentative approach and set of techniques for training and upgrading within the plant setting, and
- c) begin operational testing of the initial concepts.

We designed and began implementing an approach to which we gave the name "High Intensity Training." It stressed brief training, using certain simple techniques which were offered to employers without charge if they in turn provided the training time and made a commitment of promotion for those completing the training. In an initial trial during June of 1966, nine Black and Puerto Rican dishwashers in a major New York City medical center were upgraded after just 40 hours of training to food preparation positions in the dietary department (e.g., Assistant Salad Man, Assistant Baker, Counterman) and were given a 10% increase in salary.

It is worth noting that thereafter, several of these workers, newly motivated to seek greater responsibility and advancement, have been advanced to even higher jobs. For example, one dishwasher who was paid \$65 per week, was upgraded after the training to \$71 per week in a new "flying squad" job of filling in for absent workers in various food preparation skills. The training awakened hospital management to this man's potential, and about a year

¹ Project Advance, *Breaking the Barriers of Occupational Isolation: A Report on Upgrading Low-Skill, Low-Wage Workers*. Findings and Recommendations for the City of New York. SAL, July, 1966.

after the initial training he was advanced to a supervisory position in food management at \$105 per week—two thirds more than he had been making as a dishwasher.

Initial Prototype.

The potential of the High Intensity Training (HIT) approach, and its interest in methods of upgrading the working poor, led the Labor Department's Manpower Administration to finance a larger scale experimental and demonstration project in New York, starting in September, 1966. That project has found that HIT is a practical way of launching new efforts by employers to re-examine and start to make more effective use of their low-skill employees.

In shaping this approach, we realized that it would have to meet a great variety of problems, and not just so-called skill training, to be truly effective. We believed the low-skill worker has to be considered in the context of his total environment—at home, and in the community, as well as at work. We assessed the varied pressures which act upon him daily and which serve to deter or prevent him from reaching his potential. At the same time, we examined the environment upon which the worker depends for growth. In the community, this includes the availability of skill training and basic education, their relevance to his needs, the reality of advancement opportunities which they provide, and the worker's motivation to pursue such studies after a regular work day. In the organizational context, we considered the specific job which he holds, his wages and promotional opportunities, and existing on-the-job training to which he is exposed. In addition, we investigated various industrial training techniques utilized since World War II.

We strongly felt that a program had to take account of the economic, social and psychological needs of the low-skill worker and the technical needs of his employer. We therefore identified and tried to get at some very specific and fundamental problems which tend to confine the underemployed worker to his low status in society. Some of these problems include:²

²N. Goldberg and L. Kanuk, *Upgrading Low-Skill Workers in the Plant Environment Through High Intensity Training*, Vol. II, p. 2-2, SAI, NYC, August 31, 1967.

- On-the-job prejudice—which accrues to the minority group worker from his supervisors and from his “white” peers who seek a scapegoat to whom they can feel superior.
- Off-the-job prejudice—which affects his opportunities to find jobs, better housing, credit and education.
- The worker’s own resignation, apathy and indifference, which result from repeated frustration, rejection, and exclusion, both socially and vocationally.
- Functional illiteracy—often a key element in a personal history of educational, economic and occupational failures.
- The worker’s basic distrust of management’s reasons and objectives in offering him “free” training.
- Management’s skepticism of the latent abilities and capabilities of minority group workers.
- Management tends to have a “mental set” regarding the low-skill worker and perceives him as a slow learner who lacks the motivation required for upward mobility.
- Management does not search within the organization for people to upgrade.
- Any “commitment” of top management to training and upgrading the underemployed has often tended to dissipate into a “lip-service” activity.
- Those responsible for training and upgrading tend to lack the sensitivity and technical expertise needed to train underemployed workers.
- Many first-line supervisors have grown into their jobs without benefit of special orientation or education; they often have little or no technical or human relations training.
- In many cases, the difference in formal education between the first-line foremen and the low-skill workers are minimal (in fact, in the New York City study it was found that the low-skill worker had a slightly higher formal education); thus, the foremen tend to feel threatened by alert low-skill workers and do not recommend them for higher positions.

In the first twelve months of this demonstration project, nearly 50 employers were persuaded to join in an upgrading effort, and over 1500 low-skill workers completed a HIT program and were upgraded to higher jobs at higher pay.

Multi-City Prototypes

Based on this experience, the Manpower Administration’s demonstration program made a decision to broaden the geographic

focus. The techniques are being applied and refined in three different cities, and in each a different type of organization as the catalytic and employer-assistant agent.³

An attempt has been made in this step-by-step development to approach the problem in a systematic and logical manner. Many valuable outputs have been derived from three years of this experimental and demonstration effort. In such a brief paper it is difficult to cover many of the findings, hence the reader may wish to refer to the full report.⁴

The Approach

The most direct and probably the best method of raising the employment level of underdeveloped, low-skill workers is through employers. The employer, after all, is in a unique position to overcome the disadvantaged worker's reluctance to participate in training. He can make paid time available for the training. He can assure an immediate reward (preferably in the form of an upgraded position) upon completion of training. He can assure increases in wages based on completion of training. His supervisors can assist in making skill training relevant. Through the provision of various training nuances, he can substantially motivate the worker. Each of these were elements we stressed as mandatory for a sound program.

We pointed out to employers some very practical incentives to induce them to cooperate in such upgrading training. We emphasized that training low-level workers would help eliminate production bottlenecks, increase output, reduce waste and accidents, improve quality, and lower labor cost through better attendance and smaller turnover. We stressed, not social values of aiding workers in dead-end jobs, but the potential of greater profit, from both increased production and lower costs. We could promise the employer a more cohesive work force, better motivated to achieve com-

³ In Baltimore, a non-profit organization with a board composed of members from business, academia, the community and municipal organizations was established. In Cleveland, a special project is operating in cooperation with the Office of the Mayor. In Newark, a special project is contracted to the Commissioner of New Jersey, State Department of Labor and Industry and working with the State Employment Service.

⁴ Goldberg-Kanuk report, cited in footnote on page 219, may be ordered from the United States Department of Labor, Office of Special Manpower Programs.

pany objectives. We could promise him a cadre of workers trained in the specific requirements and functions of the job. We could provide him (at no cost to his company) with a professionally developed training curriculum designed to fill his own organizational needs, and an industrial trainer to conduct this program. We could train one of his own employees to be a trainer for future company programs, thus enabling him to repeat the training process as often as his needs dictated.

What has evolved from the experience thus far is a pragmatic training and upgrading "package" which has worked in varied settings and has often excited both employers and workers far beyond their anticipation. The HIT program, while still evolving, includes the following significant features:

- The employer must agree that the trainees are upgraded to better jobs, with a change in job title and at least an 8% to 10% increase upon completion of training. The new higher jobs are developed and identified before the program is undertaken.
- An analysis is made of existing job structures in order to determine the technical skills for which training and upgrading is needed. Where necessary and feasible, recommendations are made on methods of restructuring jobs to more fully satisfy the production needs of the organization and to provide new promotion opportunities for the underemployed worker.
- Trainees are trained on company time. In those instances where training is given after the regular work shift, trainees receive overtime pay.
- A full-time trainer is assigned to each participating organization to design and implement the HIT program for the identified job skills. The trainer works with trainees, supervisors and management in the plant setting until completion of the program. Depending on the needs of the organization, more than one trainer may be assigned.
- An employee of the participating company is trained to conduct future training programs to provide on-going HIT programs within the organization. In addition, other plant personnel are called upon to instruct trainees during the program. This means that they, too, undergo instructor training.

- Upgrading programs are relatively short in duration⁵ in order to maintain the trainees' interest and provide both management and trainees with quickly achievable rewards.
- The number of employees in any one program is kept small, usually at least 8, generally under 15, both as an aid in instruction and as a level of initial commitment employers can accept.
- Curricula are developed specifically to meet the particular manpower needs of the individual organization and consist of short, "high impact" courses salient to the needs of both the worker and his employer.
- Programs are planned around the "total man" and take into consideration both his home and work environments. Programs are directed to the development of both technical skills and human relations skills of the low-wage worker.
- Outside trainers serve a catalytic function; they help "un-freeze" the negative attitudes that management and supervisors frequently have towards low-skill workers.
- Special efforts are made to build work-group cohesiveness and to motivate low-skill workers to seek added responsibility. Curriculum content is designed to raise the worker's level of aspiration; to build the self-esteem, confidence and motivation necessary to encourage him to go beyond the job for which he is being trained.
- Basic communication and self-awareness training are included in the program in order to facilitate the disadvantaged worker's assimilation into the mainstream of society.

In sum, for the low-skill worker this approach is designed to enable him to assume greater work responsibilities and thereby command a better position and higher wages. For the employer, it can help fill worker needs above the entry or bottom levels, and do so in a practical and systematic manner, thus helping to ease production bottlenecks, facilitate expansion, and generally improve performance.

Each upgrading program is divided into the following broad categories:

- 1) General orientation on company objectives.
- 2) Training on work skills required by the target job.

⁵Most High Intensity Training programs are planned around a 40 hour module; they may be reduced or extended, however, depending on specific program objectives.

- 3) Human relations training (working with peers, supervisors, management).
- 4) Self-development, including such topics as:
 - Where to go for assistance (legal, medical, housing, etc.).
 - Money Management (how to avoid liens, excess interest charges, etc.).
 - Schooling (continuing education, English language proficiency, advanced technical training, etc.).

The skill training curriculum is based upon a realistic appraisal of the duties, responsibilities, and technical knowledge actually required by the target job. Our investigations found that most company training programs were based upon management's stated needs and sought to develop far greater skills than demanded for the actual job. Frequently, management had a totally unrealistic estimate of the requirements and the functions of the job. An outside trainer, focusing on what is actually done on a job, can provide a more objective assessment of mandatory training needs, unhampered by a fixed management set. For this reason, a staff member spends about two weeks doing a detailed High Intensity Training Analysis in preparation for curriculum design. In some cases, this has resulted in recommendations to management regarding a restructuring of traditional job lines in order to more effectively utilize available manpower.

In addition to the work-task training, curricula include courses which are designed to motivate the employee, to improve his lifestyle (with a concomitant carry-over in job efficiency), and to raise his level of aspiration. An intensive course in money management helps eliminate liens and garnishee problems, the traditional bane of many employers.

We have found that inclusion of these supplemental objectives helps the program more effectively obtain and maintain the worker's interest, facilitates his learning and retention of technical matter, increases his ambition and desire to learn, and helps make him a more cooperative, goal-oriented employee.

A very important facet of the upgrading has been the teaching of human relations skills to unskilled workers. Despite the need to improve communication and cooperation among workers and supervisors, this type of training has rarely been extended to workers at the lower levels of organizations, but has been largely confined,

if provided at all, to management development programs. Similarly, the training techniques, such as role-playing, conference leadership, simulation, gaming, (previously reserved for management trainees) have been remarkably effective in reaching, in teaching, and in motivating the low-skill worker.

During the course of each new training program, the trainer trains a company employee (often a low-skill trainee in the class) to be the company's trainer for successive training programs. Thus, the employer can readily develop his own in-house training capability, in the form of a professionally designed training curriculum and a trained company trainer.

The Overall Effects of the Program

From observations of more than 60 training programs, and from the interviews, comments and reports of trainees, their supervisors and employers, we believe that a High Intensity Training approach has proven to be an effective method for quickly upgrading unskilled workers at least one modest notch and can serve as an exceedingly pragmatic door-opener to broader upgrading training needs of low-skill workers and their employers.

In order to obtain more considered empirical evidence with which to evaluate the impact of such efforts, analytical studies are being conducted in the three cities in which demonstration work is now in progress, to assess the effects of upgrading on organizations and on their employees.⁶

The initial observations, however, have seen significant changes in the attitudes of disadvantaged workers who undertook training (workers who had previously held little hope of moving out of the lowest jobs in industry). These workers were shown that in as little as 40 hours of training, spread over just a few weeks, they could learn new skills, earn more money, and occupy more important jobs in their organizations. Their newfound belief in their own abilities to learn and grow occupationally has enabled them to assume a greater role in controlling their own destinies.

Despite the fact that the program has not been in existence long enough to determine long-range effects, in the short range employers report that workers who have completed the High Intensity Training program have become more productive, more responsible and

⁶ To be published in 1969.

more cooperative. In some instances, employers report an overall increase in productivity. Some employers have reported that absenteeism, lateness and turnover have been considerably reduced in those departments where training took place. In some instances, a significant problem emerged: trainees had become more technically proficient and more human relations-oriented than their supervisors. To overcome this problem, we hold a series of supervisors' clinics to increase the skills of supervisors who "grew" into their jobs without the benefits of special orientation or training.

The provision of an in-plant training capability, including a fully developed curriculum and a trained company trainer, has been a boon to employers. In one organization, the newly trained staff trainer began a class only two days after the High Intensity Training program was completed.

Some employers who willingly but skeptically undertook a High Intensity Training effort became converts to what they now call the most practical manpower program to which they have so far been exposed. Others have said that it is the first publicly-supported program to take a practical, "business-like" approach to solving their company's manpower needs. It is to this business-like approach that we attribute much of the success in achieving program objectives. Certainly, the private sector stands to benefit both directly and indirectly from the systematic development of the nation's underdeveloped "working poor"—those persons already employed, year 'round, regarded by their employers as loyal and responsible, but not up to filling their higher-level needs.

In summary, in attacking this problem of underemployment, attention was not directed to long-term objectives, nor on career ladders, but we have sought instead to design, test, and finally, apply a pragmatic technique for gaining immediate results in upgrading the working poor and "unfreezing" traditional attitudes and to change behavior of first-line foremen and management. In reviewing this, some future steps become apparent.

The Next Step

Over the past three years, the Manpower Administration has encouraged this upgrading experiment. It would be fair to say that a comprehensive program has been developed which assists employers and equips many low-level workers to perform effectively at a somewhat more responsible level. We feel that the techniques developed

to date have far-reaching implications. Four questions for future investigation are posed below :

- 1) To what extent do we purposely seek the building of organizational and technical capabilities in order to aid employers and to rapidly widen their upgrading activities? To what extent do we involve industry associations and get them to provide upgrading training support? To what extent do we build this capability into government manpower agencies and how should we involve private training organizations?
- 2) Where do the techniques developed here fit into the shaping of a more rational national upgrading policy? There are actually a variety of approaches in what is still a too limited arsenal of upgrading tools for workers below the managerial ranks. They vary from school tuition payment programs to in-house, company-sponsored courses, to off-the-job programs of preparation for higher positions.
- 3) How do we use HIT as the base for something that is multi-step rather than one-step? We are aware that the one upgrade step on which we have focused so far really is a step rather than an end objective. Thus far a "springboard" has been designed and implemented, and it is necessary to develop a variety of programs which would differentiate among different situations and continue to upgrade workers.
- 4) Are some of the detailed techniques of HIT worth embodying in other programs geared to workers with limited formal education?

The above looks to the future of upgrading. We are now going in the direction in which we must be more concerned with how a man moves within alternatives of employment possibilities so that he has not only a job, but a job which interests him and which uses the potential he has.

UNION-MANAGEMENT ADAPTATION TO NEEDS OF DISADVANTAGED NEW EMPLOYEES

JULES PAGANO

Greenleigh Associates, Inc.

Sixteen centuries ago, a Chinese philosopher wrote:

“If you give a man a fish, he will have a single meal.
If you teach him how to fish, he will eat all his life.”

This statement could serve as a formula for American manpower education and training.

In the past few years, the United States, spurred by unprecedented demands for manpower resources and demands for equal employment opportunities, has made enormous efforts—first, to link together those factors and to add still another force, the private sector. During 1967 and 1968, industry and government combined in a new program to meet the problem of the part of our population which is largely unskilled, illiterate or semi-literate, ghetto-housed and predominantly Black. The burden of this paper is a description and analysis of a program for such disadvantaged new employees which forms a segment of this partnership.

The National Alliance of Businessmen

On January 23, 1968, President Johnson's Manpower Message to Congress contained this significant passage:

“The question for this day is this: In an economy capable of sustaining high employment, how can we assure every American, who is willing to work, the right to earn a living?”

In this message the President challenged American business to apply its talents and technology to a critical national problem, finding jobs for unemployed persons who come from the hard-core of our society. In the words of another day—“the unwept, un-honored and unsung.” The National Alliance of Businessmen was formed as an answer to the President's challenge. It received its charter from the Manpower Address and accepted the responsibility for productive job-training and for the development of employment opportunities. NAB's prime task was to encourage pri-

vate companies to put 100,000 men and women on the job by June, 1969 and 500,000 by June, 1971. The Alliance was also to find meaningful jobs for 200,000 needy youths during the summer of 1968 to provide them with a work-experience that would lead them to return to school in the fall and on to other forms of education, training or permanent employment. This particular project was coordinated with mayors' youth councils throughout the country.

This government-industry partnership provided a double advantage. The Government would draw on its informational resources to identify and locate the hard-core unemployed; and industry would use its resources to prepare, plan and retain them in useful jobs. To underwrite the extraordinary costs of providing jobs, the Administration requested \$350 million to support what President Johnson called the JOBS program (Job Opportunities in the Business Sector). In fiscal 1968 over a hundred million dollars was to be allocated and in 1969, \$244 million was asked. JOBS' major focus was on the recruiting, training, and counselling of this unemployed population—the extra effort which would pay off in industrial acceptance.

In other words, NAB was to comb the ghettos of 50 major cities searching out people who have been written off as unemployable because they lack skills, experience, education and social acceptance. Helping these disadvantaged people out of the ghettos and assimilating them into the American economy became industry's role. The Government shouldered the financial responsibility by reimbursing employers for the special, extra costs of support services—recruiting, training, and counselling.

Reports show that a formerly unproductive man or woman can become productive. In fact, nine out of ten unskilled people have gone on to good jobs as a result of Government-sponsored on-the-job training. Private firms, through NAB, have already hired and trained such disadvantaged workers successfully.

However, hiring and training are only part of the critical problem in working with hard-core persons. Statistics have shown that job retention is the springboard to successful employment. Without education, skill, economic stability and experience in a

work situation, poor people are difficult to place in jobs and leave employment easily.

Industry, thus, had to take other steps to overcome these handicaps, make a man employable and help him keep his job. Confronted with these issues, NAB/JOBS, the Department of Labor and the AFL-CIO established a structure for a new kind of support program which would benefit the needs of disadvantaged new employees. Such services were designed to assist a new employee through the trying probationary period. Further, acceptance of the new worker would require the understanding and good will of the employer and peer union members. Industrial relations has had no experience with attitudinal or behavioral change in such a program. Through the means of this new approach, the Government was hoping to achieve a vital objective, the creation of a job retention pattern for hard-core unemployed persons.

The "Buddy" System

This new approach is really a mechanism to provide, in most cases, individual support for the new employee entering the impersonal atmosphere of the industrial complex. It is called the "Buddy System" and its underlying philosophy is a very simple concept—the identification of a peer, a union member in the plant, who would play a supportive role outside the regular union organization to assist industry, the new employee, the union and all the forces cooperating in the project to solve the problem of retention.

The "Buddy" is a union worker who volunteers to become a liaison with the foreman, new worker, other peer workers, and the union steward during the new worker's probationary period of employment. During working hours the "Buddy" helps the new employee adjust to his job, learn the traditions which surround job-holding, and become acclimated to the eight-hour-a-day, five days-a-week industrial society. "Buddies," for example, would assist the hard-core new employee in:

- 1) Adjusting to plant routine and job requirements;
- 2) Obtaining aid and assistance as needed from community health, welfare, recreational and educational facilities and resources;

- 3) Establishing good working relationships with fellow employees and coping with problems which might arise;
- 4) Encouraging participation and involvement in union activity to insure his acceptance of his role as union member.

Thus, the primary responsibility of the "Buddies" was in-plant, but support could and should take place beyond the gate and plant walls during this probationary period.

This concept of a "Buddy" System, a program planned in the common interest of industry and new employees, was established in the form of a pilot project by Greenleigh Associates in July, 1968. The Greenleigh mandate was "to develop, coordinate, and evaluate projects in five cities selected by mutual agreement among all parties concerned."

The concerned parties were: The contractor and consultants; the Department of Labor, National AFL-CIO, National Association of Businessmen and JOBS liaison; training organization; local union members and new employed persons from the disadvantaged sector.

In addition, Greenleigh Associates was asked to provide technical assistance in establishing the pilot projects in each selected city—Cleveland, Houston, Atlanta, Portland (Oregon), and Milwaukee. Greenleigh was also to monitor and coordinate required training of the "Buddies" involved in the program.

The establishment of such a system needed the maximum cooperation of all the areas and forces described. The selection of appropriate "Buddies" was also contingent upon union and industry agreement; the "Buddy" was nominated by the local union, with concurrence by the local plant. To achieve such agreement, at least five criteria had to be met:

- 1) Location of "Buddy" in plant, his accessibility to the newly-hired employee;
- 2) Relationship of "Buddy" to the production flow;
- 3) Background of the "Buddy"
 - a. his understanding
 - b. his sympathetic outlook
 - c. his commitment to volunteerism

- 4) Personality of "Buddy"
- 5) Status in the union and with fellow employees.

Developing the Acceptance of Change

A system, no matter how simple, does not work without the inclusion of certain key elements—orientation and training for the men who volunteer as "Buddies" and for the company officials. Orientation and training become the means for developing confidence among the "Buddies" and helping them to achieve a degree of awareness about working with disadvantaged persons who are newly-hired. If the new employee has had no experience with a work-situation, it has been recognized that without the specialized preparation of the "Buddy," the whole program could be disastrous.

During the first few weeks on a new job, any new worker is easily discouraged. He may give up, not show up for work or even unknowingly cause the company to reject him as a potentially valuable employee. These early failures hurt the disadvantaged worker more than others. He must communicate with a fellow-worker, but one who is familiar with skills needed to handle the emotional fears and needs of such workers.

Training for the "Buddies" was conducted, for the most part, during excused time-off the job as a mark of recognition. It also provided financial and psychological commitment to the JOBS program on the part of participating employers. While Greenleigh had no direct training responsibility, it brought together the training organization and the "Buddies," monitored the training conducted and came up with a set of guidelines for subsequent programs.

The training design was relatively untried since it related to a program which had never been done before. The sessions covered an intensive two-day presentation geared to the principal objective—training a group of workers who were previously unaware of what a "Buddy" is, to develop a change in attitude. These major points were covered in the training program:

- 1) Role acceptance
- 2) Understanding the disadvantaged worker
- 3) Ability to solve human relations problems
- 4) Willingness to take action.

To achieve these changes, the trainers used a number of psycho-

dramatic methods such as role-playing, simulation and case discussion. Films on disadvantaged people, lectures and demonstrations helped the "Buddies" become aware of the problems of minority groups. The training concentrated on examining the behavior and attitude a disadvantaged individual would bring to the job and examining how the "Buddy" can successfully assist his teammate to overcome whatever job-related handicaps he may have.

"Buddy" Profile

The typical "Buddy" is in his late thirties, has been with his present employer for ten years, has been in a union for nine years, and is Black. His average age is 37.3 years.

(There were 20 white Buddies—two were women. There were six women "Buddies" out of the total 87.)

There was an obvious selection factor favoring the Negro. The policy, it was believed, reflected the assumption that most disadvantaged persons would be Black, and that a worker can help another as a "Buddy" if he is racially similar.

Therefore, in many cases, "Buddies" turned out to be from the same racial, ethnic, social or economic backgrounds as their assigned workers.

Conclusion

The "Buddy" project resulted in 32 unions and 32 companies cooperating together to provide 87 trained volunteer "Buddies" in five cities. The project demonstrated that unions and industry committed to improvement in employment opportunity can organize successful job retention practices. The "Buddy" System was shown to be a breakthrough in industry recognition that while respectable jobs are important for the hard-core unemployed, helping him hold that job, achieving a toe-hold in the economic structure is equally as important—and this recognition with its attendant factors of acceptance and cooperation must be based on a partnership of all the forces involved.

Case Study

Vic Robers, the Buddy, is Negro. He is a semi-skilled worker in the Plant Receiving Department. He has had this job for four years. He is a high school graduate. After the training, the Com-

pany assigned Vic his first New Worker—a 30 year old White, Paul arrived about noon. He took him around and introduced him of Equivalency.

We interviewed both Vic and Paul. Vic's and Paul's versions of the first days are interesting to compare. Vic remembers that Paul arrived about noon. He took him around and introduced him to the other workers. In Paul's version, the Plant Manager just told him to walk around the warehouse and acquaint himself, and he did that. While Paul remembers this day as being somewhat on his own, he did volunteer that Vic was especially helpful, explaining Union system. Everybody helped him, Paul recalls, but he only remembers Vic's name.

Vic recalls that Paul pitched right in to help unload a truck. At the first break that afternoon, Vic went over to sit with Paul. When he called to Paul, who was walking over to the coffee counter, it seemed to Vic that Paul just walked a little faster than to slow down. Vic wondered if Paul had ever associated with Negroes before. Off and on, that first day, Vic tried to open a conversation with Paul about sports, politics, but Paul didn't want to talk about those things. Vic remembers one subject that Paul seemed to be interested in—he was very much impressed that there was a union in the plant. Paul had formerly been a member of the UMW. Vic also told him about the company, overtime, and so on.

On the second day, Paul was over an hour late. Vic talked to to him about it. Thereafter, Paul was on time, except for the following Saturday, when he didn't show up at all. On Monday, he said he had overslept. Paul remembers this incident, but he didn't think he was this late. In order to catch a bus to get to work by seven, he has to get up in the morning at five.

At lunch the second day, Vic noticed Paul didn't have anything to eat. He shared a sandwich. It also came out that Paul was behind in his rent. Vic loaned him \$23. On the first payday, Paul paid back all that he had borrowed. This is Vic's story. The Plant Manager also seems to know about it. But Paul did not mention the loan in talking about his experiences in this job.

By the third day, Vic felt Paul was beginning to warm up to him. But at lunch, he was pretty much alone. The old cliques formed at the lunch tables. The "Buddy" was the only one, at

first, who talked to him. The hardest thing about this was Paul's silence.

At the break one day, Vic overheard one of the other Negroes on the dock call him a "White folks lover." Vic asked this man, "How would you like somebody talking to you that way?" Later, Vic says the man apologized to him.

To check on feeling about Paul among the other workers, the interviewer talked to one co-worker. This man, a Negro, put it this way: "I'd like to see him just like me—he has to work, too." He spoke of Paul favorably, noting that if Paul didn't know something, he would ask someone, and was quick to catch on.

On Paul's third day on the job, he was unloading a truck by himself (this report is from Vic). The other men had finished unloading the other truck at the dock, and were talking and generally "crabbing around" down at the other end. Vic walked up to them and said, "Why don't you help somebody?" It was pretty obvious whom he meant. Jackson, the truck driver, said, "Is he in there by himself?" The workers all went in and helped Paul unload.

X

RESEARCH ON BIG CITY LABOR MARKETS

SPATIAL WAGE DIFFERENTIALS IN A LARGE CITY LABOR MARKET¹

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Few topics in labor economics have aroused more interest than wage differentials between large geographic regions. In contrast, relatively little has been done on geographic wage differentials within smaller areas, such as metropolitan areas.² Yet such differentials do exist and they are of interest for a variety of reasons, including their effect on the location of industry within metropolitan areas, their effect on the relative incomes of white and Negro workers, and their value in estimating the value of travel time to commuters.

This paper reports on the spatial aspect of a larger study of the Chicago labor market in which my associates are George P. Shultz, Mary T. Hamilton, David P. Taylor, and Joseph C. Ullman.³ The study covers firms in manufacturing, trade, finance, services, and transportation and public utilities in the Chicago-Northwestern

¹ I am indebted to Orley Ashenfelter, Mary T. Hamilton, George P. Shultz, and Joseph C. Ullman for helpful comments on an earlier draft of this paper.

² Among the few studies that do deal with spatial wage differentials in local markets are Martin Segal, *Wages in the Metropolis* (Cambridge, Harvard University Press, 1960); William Goldner, "Spatial and Locational Aspects of Metropolitan Labor Markets," *American Economic Review*, Vol. 45 (March, 1955), pp. 113-128, and Robert Evans, Jr., "Worker Quality and Wage Dispersion: An Analysis of a Clerical Labor Market in Boston," *IRRA Proceedings* (December 28-29, 1961), pp. 246-259.

³ For reports on other aspects, see Joseph C. Ullman and David P. Taylor, "The Information System in Changing Labor Markets," *IRRA Proceedings* (December 28-29, 1965), pp. 276-289; Albert Rees, "Information Network in Labor Markets," *American Economic Review*, Vol. 56 (May, 1966), pp. 559-566; Joseph C. Ullman, "Interfirm Differences in the Cost of Search for Clerical Workers," *Journal of Business* Vol. 41 (April, 1968), pp. 153-165; and David P. Taylor, "Discrimination and Occupational Wage Differences in the Market for Unskilled Labor," *Industrial and Labor Relations Review*, Vol. 21 (April, 1968) pp. 375-390. The study has been supported by a generous grant from the Ford Foundation.

Indiana Consolidated Area, an area including six counties in Illinois and two in Indiana. The basic data came from personnel records and interviews with personnel managers in a randomly selected sample of 74 establishments, and include individual observations on the wages and personal characteristics of almost four thousand workers in twelve occupations. The white collar occupations are accountant, tabulating machine operator, keypunch operator, and typist. The blue collar occupations are tool and die maker, maintenance electrician, truck driver, punch press operator, fork lift trucker, janitor, janitress, and material handler. The data refer to June, 1963.

Many of the results that follow are taken from single-equation multiple regression models fitted to observations on the individual workers in each of the twelve occupations. The dependent variable in these regressions, called "wages" for brevity, is average earnings per hour at work. This measure differs from stated hourly wages because it includes an adjustment for the value of paid vacations and holidays. We had hoped to adjust this dependent variable for the value of pension and insurance plans, but found it impossible to reduce these to a meaningful cents per hour equivalent.

Wage Differences by Regions

Our simplest way of looking at geographical wage patterns was to divide the metropolitan area into regions, and examine the wage differences between them. This method was used in ten of the twelve occupations; for the two others an alternative method proved superior. The variable measuring region is a dummy variable taking the value of one for all workers in an establishment if the establishment is located in the region in question. The coefficients measure the size of the wage difference between the given region and a base region, which usually consisted of the central business district (the Loop) and the near North Side of the City of Chicago. This is the most compact region used, but contained many of our sample establishments, especially in trade, services, and light manufacturing. We originally identified several other regions, but were often unable to discover wage differences between them. In the final analysis only two regions besides the base region were generally used, the South region and the North and West region. The South region includes the City of Chicago south of the base region

(the West and South sides), the industrial suburbs of Cicero and Berwyn, the suburbs south of Chicago, and the Indiana portion of the Consolidated Area. It contains the largest concentrations of heavy industry in the Chicago area, including most of the basic steel manufacturing. The North and West region includes the far North Side of the City of Chicago and all of the Illinois suburbs except those already mentioned.

Our measures of wage differences between these regions are not measures of gross differences. They are implicitly corrected for the effects of a number of other variables that enter into the regressions, including the age, sex, seniority, previous work experience, education, and color of the individual workers and the broad industry classification of the establishment. In a few cases we have also controlled for the effects of establishment size and of the unionization of the establishment.

The analysis of wages by regions produced a consistent pattern for the blue collar occupations. The wages in the South region were above those in the base region in all seven of the blue collar occupations where this regional variable was used, and in six cases the effect was substantial (see Table 1). In these cases, the size of the differential ranged from 5 per cent to 18 per cent of the mean wage, and the values of the t statistic range from 3.4 to 10.6⁴. In one case, however, it was necessary to redefine the region to detect the high-wage portion. For maintenance electricians, the region includes only the Indiana portion of the Consolidated Area; the rest of the South region has been combined with the base. The pattern does not extend to the white collar occupations, where wages in the South region were never significantly different from those in the base region.

This pattern is similar to that discovered much earlier by George Seltzer in his study of collective bargaining by the United

⁴ The t statistic is the ratio of the coefficient to its standard error. For normally distributed variables, a t value of 2.0 would be significant at the .05 level for samples of the size used here. Our individual variables are not normally distributed, since we have sampled establishments rather than individuals. This leads to some clustering of values, especially for the dependent variable, for individuals in the same establishment. Since we do not know of any test of significance for samples with these properties, we avoid making statements about statistical significance. We tend to regard as significant values of t substantially above 2; the significance of those close to 2 is subject to question.

TABLE 1
Coefficients and *t* Values of Dummy Variables for Regions ^a
(coefficients in dollars per hour of work)

Occupation	South Region	North and West Region
Accountant	-0.122 ^b (1.03)	-0.188 ^c (2.00)
Tab operator	-0.089 ^b (1.47)	-0.092 ^c (1.93)
Material handler	0.026 (0.97)	-0.235 ^c (8.34)
Janitor	0.119 (3.58)	0.046 (1.30)
Janitress	0.127 (3.42)	0.158 (3.24)
Fork lift trucker	0.169 ^d (5.81)	-0.002 (0.06)
Punch press operator	0.480 (10.61)	-0.169 (4.18)
Truck driver ^e	-0.150 (4.64)
Maintenance electrician	0.359 ^f (5.37)	0.246 (4.64)
Tool and die maker	0.312 ^d (6.34)	-0.027 (0.76)

^a Base region is the Loop and Near North Side except as noted.

^b Dummy variable for South region highly correlated with variables for trade and service industries.

^c South region included in base.

^d North and West region included in base.

^e Too few observations to use in this region.

^f The dummy variable for this occupation refers only to the Indiana portion of the Consolidated Area.

Steelworkers.⁵ We ascribe the pattern to the presence in the South region of major concentrations of heavy industry, especially basic steel and petroleum refining in the Gary-South Chicago area and of other large manufacturing plants in the Clearing district and in Cicero. The presence of these high-wage industries could affect wages in other industries in either of two ways: One is through a "spillover" effect in collective bargaining; by raising the aspirations and demands of unions in other establishments, and increasing the threat that nonunion establishments will be organized if

⁵ George Seltzer, "Pattern Bargaining and the United Steelworkers," *Journal of Political Economy*, Vol. 59 (August, 1951), pp. 319-331.

their wages are below those prevailing in the region. The second is through the operation of the labor market; other establishments in the region may have to raise their hiring rates to secure enough well-qualified workers.

Had our sample been large enough to permit a more detailed classification of industries, some of the effects we attribute to region might have been captured by industry variables. Nevertheless, the results suggest that wage effects produced by clusters of heavy industry extend beyond the industries that give rise to them.

The results for the North and West region are less consistent than those for the South region. In five cases, the dummy variable has a negative sign and a t value of 2 or more. Wages in these cases are from 2 to 10 per cent below those in the base region. In four more cases the variable has a negative sign, but wages do not differ significantly from those in the base region. In three cases, wages in the North and West region are above those of the base region; in two of these the coefficient is between 7 and 8 per cent of the mean wage, and the t values are above 3. The preponderance of evidence suggests that the North and West region is a low wage region. We ascribe this result to the lower ratio of employment to labor force in this region, which includes many predominantly residential areas. This increases the supply of labor relative to the local demand.

The main results of this analysis by regions could be described in terms of a wage gradient which has its highest point in the southeast portion of the Chicago labor market area and falls off toward the northwest. This wage gradient may be one factor, though probably not the most important one, in the tendency for new industrial and research facilities to locate in the northern and western suburbs.

In three of our twelve occupations, we had enough observations for nonwhites to run separate regressions for them. In two of the three occupations, janitors and fork lift truckers, locational aspects of wage differences were analyzed by using the same regional variables used for all workers. The South region is again a high wage region in these nonwhite regressions, but the North and West region also has higher wages than the base region. The wages of nonwhite janitors in the North and West region are 31 cents an hour above those in the base region (t value 5.0), while for white

janitors there was no appreciable difference between these two regions. The North and West region lies furthest from the heavy concentrations of Negro population, and the results suggest the need for some wage premium to cover the time and cost of commuting a long distance. This does not mean that given establishments paid more to nonwhite than to white janitors; rather it suggests that in the North and West region it was those establishments whose wages were above average that employed the most nonwhites.

Measures of Labor Supply in the Neighborhood

As mentioned earlier, the division of the metropolitan area into regions was not always the most successful way of measuring spatial wage differentials. In the other cases, the measures that performed better were measures of the labor supply in the immediate neighborhood of the establishment.

Such a measure was used for the two female clerical occupations, keypunch operators and typists. The measure was a dummy variable taking the value of one if the ratio of employment to resident labor force in the neighborhood was unity or greater. As one would expect, the dummy for nonresidential neighborhoods has a positive coefficient. The size of this coefficient was almost 12 cents per hour at work in both clerical occupations, or between 5 and 6 per cent of the mean wage. The *t* statistic was above 6 for typists and above 4 for keypunch operators. This is much better than the performance in these occupations of the variables designating larger regions.

The finding that employers in nonresidential neighborhoods must pay a premium for clerical labor is supported by other evidence in our study. The mean distance travelled to work is also lowest for these occupations. More than one-fourth of the female clerical workers travelled less than 20 blocks (two and one-half miles), which is larger than the corresponding fraction for any other occupation. Employers expressed in interviews a strong preference for having female employees live near by, and this preference would be harder to exercise in nonresidential neighborhoods. For example, one employer told us:

“Distance is the big cause of tardiness and turnover among female office workers. We want them to be able to walk to work.”

Some establishments had rigid hiring standards related to distance, especially for females. For example, one firm would not hire workers who travelled more than one hour one way, or who had to make more than two transfers on public transportation.

One aspect of our results suggests that the variable for non-residential neighborhoods reflects more than distance. If we use instead a variable measuring for each clerical worker individually the natural logarithm of distance travelled, the results are consistent with those just reported (that is, the sign of distance is positive), but the distance variable is much less powerful. This suggests that clerical workers may dislike working in industrial neighborhoods even when they live near by, because of such factors as dirt, odors, and personal safety.

The second instance in which we used a measure of labor supply in the neighborhood was in the case of nonwhite material handlers. Here the variable used is the percentage of nonwhites in the population of the neighborhood in which the establishment is located and in all contiguous neighborhoods. As expected, the variable has a negative sign. This expectation arises because employers do not regard white and nonwhite workers as perfect substitutes; therefore a larger relative supply of nonwhites lowers the nonwhite wage. The coefficient is 44 hundredths of a cent per hour per percentage point of nonwhite population. In other words, in an area whose population was 40 per cent nonwhite, nonwhite material handlers would get almost 18 cents per hour less than in an area with no nonwhite population. This is despite the fact that the heaviest concentration of nonwhite population is in the region that in general has the highest wages. The results for this variable reinforce the results for the North and West region in the two other regressions for nonwhites mentioned previously. Nonwhites who travel into areas with little nonwhite population tend to earn more than those in the same occupation who work where nonwhites live. However, we have no explanation of why the regional variables are more successful for nonwhite janitors and fork lift truckers, and the measure of labor supply in smaller areas is more successful in the case of nonwhite material handlers.

Measures of Distance Travelled to Work

For almost all workers, we knew the address of the work place

and the worker's home address. From these, we constructed a measure of distance travelled to work in city blocks (eight blocks to the mile). We measure distance as the sum of North-South and East-West distances, rather than as airline distance, because the street pattern of the Chicago area is largely a rectangular grid, with few diagonal transportation routes.

The regressions reported here in which the distance variable appears contain only variables that are measured for each worker individually. Our estimates of the effect of distance on wages are implicitly corrected for differences in age, seniority, education, color, sex, and experience. However, they are gross of the effects of industry, unionization, size of establishment, and of the measures of geographic wage differences discussed previously. They are therefore an alternative way of looking at the effect of location on wages.

Distance travelled to work was positively related to wages in eleven of the twelve occupations in the study (the exception is material handlers), and in six of these occupations, the coefficient of distance had a *t* value greater than 2. In almost all cases, the most successful form of the distance variable was logarithmic, suggesting decreasing costs per mile in time and money as the distance travelled increases.

Since coefficients of logarithmic variables have little intuitive appeal, we translate our results by means of an assumed standard trip of ten miles each way, and the additional pay per eight hour day associated with a trip of this length (see Table 2). Such an estimate was made for the ten occupations in which we have the most confidence in the coefficient of the distance variable.⁸ The additional earnings per day associated with a trip of ten miles range from a low of 38 cents for janitors to a high of \$4.24 for accountants. As a percentage of the mean daily wage, they range from 2 to 14 per cent.

The additional earnings associated with a long journey to work can be regarded as compensation for the direct cost of travel and for travel time. We have estimated the direct cost of a twenty-mile round trip in the Chicago area in 1963 at \$1.00 and the aver-

⁸The *t* values of the coefficients underlying these estimates were above 2 for all of these occupations except for typist, fork lift trucker, punch press operator, and truck driver, where the *t* values were in the range 1.4 to 1.9.

TABLE 2
Additional Earnings Associated with A Distance to Work of Ten Miles

Occupation	Dollars per Eight-Hour Work Day	Per cent of Mean Earnings	Dollars Per Hour of Estimated Travel Time ^a (After Deducting Direct Costs)
Typist	0.62	3.8 ^b
Keypunch operator	1.22	6.9	0.15
Accountant	4.24	13.5	2.33
Tab operator	1.73	7.9	0.53
Janitor	0.38 ^c	2.0 ^b
Fork lift trucker	0.98	4.6 ^b
Punch press operator	1.25	6.0	0.18
Truck driver	0.79	3.1 ^b
Maintenance electrician	2.87	10.7	1.35
Tool and die maker	1.38	4.3	0.27

^a Estimated travel time is 1.39 hours (round trip).

^b Direct costs (estimated at \$1.00 per day) exceed amount in first column.

^c Estimated from the coefficient of a linear distance variable.

age travel time per twenty-mile round trip at 1.4 hours per day.⁷ In four of the ten occupations for which we estimated the daily earnings, the estimated direct costs exceeded the estimated additional earnings. For the remaining six, the estimates suggest an implicit compensation for travel time. Expressed per hour of estimated travel time, this ranged from 15 cents an hour in the case of key punch operators to a high of \$2.33 an hour for accountants.

There is no reason to expect all of the costs of travel to be reflected in differential wages. Such an expectation would make sense only if everyone lived at a central point from which they travelled outward to their work places, in the manner of peasants travelling to their fields from a rural village. I know of no large city of which this is true. Where places of residence are disbursed over space and places of employment are less widely disbursed, much of the cost of travel will be reflected in lower costs of hous-

⁷ These estimates are based on the distribution of workers in the Consolidated Area by means of transportation to work given in the 1960 Census of Population, on the average door-to-door speed per airline mile of commuter travel in the Chicago area in 1956 by line-haul mode as given by the Chicago Area Transportation Study, on transit fares in effect in Chicago in 1963, and on estimated costs of commuting in private automobiles reported in D. S. Berry, G. W. Blomme, P. W. Shuldiner, and J. H. Jones, *The Technology of Urban Transportation* (Evanston: Northwestern University Press, 1963), p. 18. Our estimates do not allow for the tendency of commuters in higher paid occupations to use more costly modes of travel.

ing (or in superior housing and living conditions for equal cost) as the length of the journey to work increases. For this reason, the estimates of additional earnings per hour of travel time arising from our study need not be regarded as unreasonably low.

I have been careful not to state that the higher earnings associated with a long journey to work result from the journey. In principle, we could be observing a reverse line of causation, in which those people who have high earnings choose to live in the more distant and more desirable locations. We would then be estimating something akin to an income elasticity of demand for suburban living. However, there are several reasons for considering this line of causation less plausible than the alternative one: namely that establishments find it necessary to offer higher wages when, because of their large size or inaccessible location, they must attract at least some of their work force from distant areas. One reason for this conclusion is that in the regressions for clerical workers the variable for nonresidential neighborhoods is more powerful than the distance variable, although the latter is measured for individuals and the former is not. If the line of causation ran from earnings to location, one would expect to see some increase in distance travelled associated with income differences within establishments as well as with differences between them; this would lead one to expect the individual variable to be more powerful.

The second reason for believing that causation runs primarily from locational factors to wage differences arises from a comparison of our estimate of the value of commuting time to accountants with an independent estimate of the value of commuting time in the Chicago area by Thomas E. Lisco.⁸ Lisco estimates the value of commuting time for a population with roughly the same income as our accountants at \$2.57 to \$2.67 an hour, which is similar to our figure for accountants of \$2.33. However, Lisco's estimate cannot reflect the income elasticity of demand for desirable location, since all of the people he observed lived in the same small area, and his estimate is based on differences in their choice of mode of travel.

⁸ Thomas E. Lisco, "The Value of Commuters Transportation Time: A Study in Urban Transportation," unpublished doctoral dissertation, University of Chicago, 1967.

Concluding Remarks

We have studied an area of eight counties with a 1960 population of almost seven million and a labor force of almost three million. In one sense, this area is a single labor market, because it is linked together by commutation flows and by some area-wide collective bargaining agreements. However, it would be foolish to regard the area as a single labor market without taking explicit account of the presence of geographic submarkets within it. Our work shows a number of different kinds of submarkets, marked by wage differences related to patterns of residential and non-residential areas, concentrations of particular kinds of industry, and concentrations of nonwhite population. These submarkets are not the same from one occupational grouping to another. The wage contours observed in the blue collar occupations do not extend to white collar occupations, and the submarkets for female clerical workers are much more localized than those for male workers.

Similar submarkets could no doubt be detected in other large metropolitan areas. However, we do not know to what extent the patterns of other areas would resemble those in Chicago.

Spatial wage differentials are but one of the many kinds of wage differentials within occupations in a metropolitan labor market. We have developed measures of several others, and some elude measurement. We are led to view wage determination process as highly complex, involving many and diverse factors. Yet we should not equate complexity with irrationality. Complex as the process is, it is nevertheless produced primarily by workers, employers, and unions pursuing relevant objectives by intelligent means.

CHANGING EMPLOYER POLICIES IN A LARGE URBAN LABOR MARKET

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Introduction

Studies of big city labor markets may describe only certain of their specific characteristics. Or the investigator may attempt to see these markets whole, searching for the mutual relations of their various parts. The latter alternative was selected by the Institute of Industrial Relations when it developed a five-year research program to study the San Francisco Bay labor market. One phase of this study focussed exclusively on employer policies, practices and opinions, obtained by means of lengthy interviews with the representatives of a randomly selected sample of 309 large Bay Area establishments.

It would be informative to describe the methodology of our sample selection and the broad range of labor market policies and practices reflected in our interview schedules. But not even in this age of miniaturization would an attempt to compress into three thousand words the data gathered in more than one thousand hours of interviewing appear a wise use of the allotted words.

We, therefore, have selected a single theme that runs through sufficient of our data to demonstrate the latter's scope. Also, it is, itself, expressed with enough coherence in our findings that we may draw a few conclusions concerning one species of change in our big city labor markets. This theme is the increasing importance of the white-collar worker and the accommodation of employer policies and practices to this fact.

Bay Area Employment

Our initial inquiries sought various data that would enable us to evaluate the employment experience represented by the large employers included in our sample against recent trends of total employment in the Bay Area.

Certain characteristics of Bay Area employment have particular implications for white-collar workers. First, is the industrial mix. Relatively more prominent in this area than nationwide are those

industries that are comparatively heavy users of professional, technical, clerical and sales personnel. Second, the area's manufacturing is disproportionately comprised of industries with higher than average ratios of nonproduction workers. Further, the area's growth in recent as in earlier years has exceeded the nation's, particularly in the very industries making outsized demands on the white-collar labor force: the aerospace complex with its insatiable need for scientists, engineers and technicians; utilities, finance, insurance, retail trade and government, all vigorous recruiters of white-collar workers; and those sectors of the services industries that exceed the usual requirements for highly specialized professional personnel.

Our respondents reflected the general Bay Area experience. Two-thirds of the survey establishments had increased in employment since 1960. Industries with larger than average numbers of establishments in which employment was expanding were again the ones making disproportionate demands on the white-collar force.

When we asked if these establishments had experienced significant changes in the relative importance of certain occupations in their work force, one-third answered affirmatively. A third of these occupational changes involved professional and technical workers and virtually all such changes acted to increase their employment. Clerical workers accounted for 15 per cent of these changes but only one-quarter represented increased employment. More usual were shifts from one clerical occupation to another. Managerial and sales classifications accounted for a fifth of all changes in the occupational composition of the survey establishments and here, gains outweighed losses.

We found, therefore, both relative increases in the total employment of various industries that have long drawn disproportionately on white-collar workers, and occupational changes within individual establishments augmenting the proportions of white-collar workers to the total employed. There was no mistaking the origins of many of the policies later described. Employers were reacting to the necessity of upgrading from an already high base of hard-to-fill jobs the occupational composition of their staffs, notwithstanding the rigors of a tight market for the needed skills.

Location of Employment

Employer responses related to recent industrial decentralization reflected trends that have been apparent nationwide and especially in

the Bay Area since the early fifties. The greater part of postwar employment expansion has occurred outside the central cities and the older industrial areas have lost ground relatively to outlying sections. Our data suggest that few centrally located establishments have moved bodily to the suburbs. Rather, new enterprises and branches of established local firms have been filling open space beyond the central cities.

This development is often described in terms of its negative effects on opportunities for blue-collar and potential blue-collar workers in cities where the majority of nonwhite workers are concentrated. But we are focussing on the white-collar worker and we must regard the other side of this coin. The decentralization of manufacturing to areas attracting these workers has as surely brought needed occupational categories into these localities for jobs in this and other industries as it has created difficulties of access to rapidly increasing sources of job openings for racial minorities in the central cities.

Use of Supplementary Workers

We inquired concerning practices permitting the flexibility of staff needed to meet fluctuating workloads and odd-hour work and found "regular" part-time workers a largely white-collar phenomenon. As elsewhere, the computer was changing labor requirements. The bank that processed its transactions after regular hours provided odd-hour shifts for students and short-hour jobs for housewives who could now man the tellers' stations.

But, while half the survey employers hired "regular" part-time workers, three-fourths used the services of temporary staff agencies. These latter have responded both to requirements for supplementary sources of labor and to needs for a mechanism to match emergency requirements and the services of those available for temporary jobs. Such "mechanisms" are manifestly of value in the white-collar world. Provision of orderly work scheduling and referral services to workers not desiring full-time employment, according to our respondents, has created a pool of screened and trained workers to tap in emergencies. Predominating as the reasons given for the increasing use of staff agency workers were not the economy and convenience of agency payrolling, but the quality of the workers available and the speed with which they could be obtained. Almost all the jobs our respondents filled with agency workers were clerical and, usually, in higher level classifications than those held by regular part-time workers.

Labor Turnover

Our respondents considered labor turnover largely a white-collar problem. About half thought clerical quit rates above the establishment's general average. An additional 17 per cent so categorized the quits of professional and technical workers.

Although employers usually related blue-collar quits to working conditions, they overwhelmingly attributed the separations of white-collar staff to the kinds of workers employed and to their attitudes. They viewed heavy separations among professional and technical workers as primarily a response to abundant alternative job opportunities, personal reasons as chiefly responsible for the high quits of clerical workers, and desires for a better job, for salesworkers.

Industrial Relations

The Bay Area has long been one of the most strongly unionized metropolitan areas in the country so it was no surprise that more than three-quarters of the survey establishments were covered by collective bargaining agreements. In nearly half of them 80 per cent or more of all employees were covered. Nonetheless, we found that the unionization of white-collar workers has made no great progress in recent years. As one example, the Office and Professional Employees International Union was represented in but 7 per cent of all establishments included in the survey.

We searched for developments that might presage the coming of collective bargaining to activities and occupations where it is now rare. That 15 per cent of the establishments having no collective bargaining agreements indicated union representation of some of their employees without formal recognition may have this significance—particularly with respect to teachers and federal employees. And possibly we found another such augury. Almost 20 per cent of the uncovered establishments mentioned that wage demands were being made by employee associations other than unions—such as the State Employees Association, the California Teachers Association, and local firemen's and policemen's groups.

Recruitment Practices

We found a majority of employers encountering difficulties in obtaining needed workers within a reasonable length of time. These were usually professional and technical workers although clerical help

was also scarce. Intensified effort to fill job vacancies in these occupations most often amounted to the use of additional recruitment channels. Almost as often, the area of recruitment was extended. Less frequently, wage offers were raised. Other efforts were sometimes made including reducing educational requirements, recruiting at a lower skill level, or offering part-time work.

In relation to the recruitment of white-collar workers, respondents' replies supported their comments that screening for job-related qualifications, whether by themselves or others, increased steeply in importance with the job's responsibility. Primary channels for obtaining professional and technical workers were private employment agencies, direct hiring, and advertising. Almost the only channel for managerial personnel was from within, although this route was followed at a distance by direct hiring and private agencies. Clerical workers were most frequently obtained from private employment agencies, followed by direct hiring and the public employment service. Direct hiring was the most frequent recruitment channel for sales workers followed by promotion from within and private employment agencies.

Selection Practices

Our data on selection exhibit interesting interrelationships among various employer policies. There appears to be a tendency for establishments offering higher than average wage rates to white-collar workers to require higher qualifications of their workers than do other employers in the same industries. Higher entry standards, also, seem linked with formal on-the-job training programs and strong promotion-from-within policies.

As to changes in employer practices, the survey data suggest that the majority of respondents has modified selection standards with a view to increasing the potential supply of white-collar workers by removing barriers to the employment of minority group job seekers in these occupations. About half the survey establishments were willing to evaluate the police records of potential new hires, even in professional and technical occupations. Also, almost a fifth had considered modifying or eliminating their testing programs to encourage hiring members of culturally disadvantaged groups. More than two-thirds of the respondents were making special efforts to hire workers from special groups—mainly racial minorities.

Promotion Practices

Promotion from within may be characterized immediately as the most enthusiastically described and ubiquitously held tenet of Bay Area employer policy. The presence of this policy was, in fact, stated as the prime reason, particularly with respect to white-collar workers, for many of the establishments' recruitment, selection, and training policies, and the existence of the practice was regarded as evidence that these latter were being applied successfully.

Wage Adjustment

Our data show clearly that general wage and salary increases, often at annual intervals, have come to be taken for granted in the Bay Area, as elsewhere. However, except in government, they are not as "general" as may be supposed. While about 90 per cent of the survey establishments indicated they granted general wage and salary increases, it was only rarely in private employment that the increase applied to all employees. In fact, the majority of such increases was given to one or more groups of union (and generally blue-collar) employees.

Unionism would probably be stronger among white-collar workers than it is if increases negotiated by collective bargaining agreements were not followed shortly thereafter (or even given prior to such increases) by comparable wage adjustments for white-collar workers. But many were the embellishments added to what were essentially general wage increases when such adjustments were made for white-collar workers. The effort was real to ensure that this *pro forma* raise retained at least some characteristics of an individual determination of wages. The annual increase might be withheld in an infinitesimal number of cases on the grounds that performance had not warranted a raise. It might be coupled with merit increases resulting in larger adjustments for some employees than for others, or granted at the employee's anniversary date and thus associated with both merit and longevity of employment.

Training

Industry's contribution towards enhancing the nation's store of industrial skills is recognized. Our data indicate that an equivalent contribution is made in enhancing the employability of various groups

for white-collar employment and then by providing these workers with refresher-type and upgrading training. In fact, at the upper skill levels, employer-supported training is a costly and important fringe benefit of white-collar employment.

Indicative of the survey employers' concern with the broader educational patterns of their communities as well as with training their own employees was the fact that a majority were working with educators at various levels, and civil rights and other groups—frequently to improve the quality of basic education which is so closely related to the ability to acquire and hold white-collar employment. Some reported curriculum and other changes they regarded as helpful but others complained of communications difficulties in conveying their problems to educators.

Technological Change

Two types of data concerning technological change were gathered from our respondents. First, was information respecting changes in the net employment levels of the survey establishments or in their internal occupational distribution. Second, were descriptions of specific instances of significant technological or procedural change whose resultant impact on the employment of a specific unit within the establishment could be isolated.

Information gathered concerning general employment trends and changes in occupational distribution appears to corroborate the common judgment that the increasing complexity of society and the advancing mechanization of industrial and office tasks has favored workers at higher skill levels and in white-collar occupations.

Our data regarding specific technological changes indicate that plant modernization may pose no great threat to white-collar employment or even to total employment levels in the near future. By far the larger number of establishments in the survey introduced new equipment in the 1960-1966 period. And the largest number showed increases in their total employment in the same period and often occupational changes favorably affecting workers at higher skill levels. But our data describing individual instances of technological change do link an upgrading of skill levels to decreased employment in the affected units. One can speculate that such linkages often reflect a substitution of white-collar for blue-collar jobs and conversions of

tasks performed by lower level white-collar workers to tasks for workers in higher classifications. This would appear a valid inference as diminished new hires of inexperienced and less skilled workers following technological change were frequently reported by the survey employers.

Employment Projections

We sought to determine what resources of information and what potential of cooperation exists in the employer community that can be utilized to create more effective channels for the communication of labor market information than we now possess. We had earlier found that the large majority of survey employers needed such information in their own operations and that a substantial proportion of them wished for better means of expressing their views to school and other officials. A majority of the respondents expressed a willingness to participate in regularly held industry-wide conferences to discuss manpower trends by occupation for their respective industries. A majority, also, was willing to submit estimates regularly of their future employment so long as the confidentiality of the data was preserved.

Conclusions

What are our conclusions now that we have pursued our single theme to the end? We believe our data confirm that in this period of strong economic demand, social and technological changes are expanding needs for workers in professional, technical, managerial, and higher level clerical and sales occupations to proportions that cannot readily be met.

Employers, oriented towards maximizing production or profits or both, are increasingly concerned with attracting, developing, and retaining the types and calibre of workers needed. These workers, in turn, aspire to job satisfactions more likely won by means they find congenial if gained through voluntary actions of employers than by the pressures of collective bargaining. Hence, employers lay more than usual stress on working and living conditions and on training and promotional opportunities in their policies related to white-collar workers. In exchange, employers have retained more flexibility in their selection and wage policies relating to these workers than in those involving blue-collar employees.

Problems presented by both the employed and unemployed who do not fit the mold of hard-to-fill white-collar jobs require employers to make many adjustments in their policies. Workers who cannot work full-time or permanently are accommodated with part-time employment or utilized through the intermediacy of temporary staff agencies. The necessity of locating qualified and often highly specialized workers and of screening them successfully is reflected in the use of private employment agencies and in the capabilities of company personnel offices. Employers have often found the public employment service, with its inadequate resources, unable both to serve social purposes they recognize as desirable and to provide the quality of placement service they believe essential at higher occupational levels. Training efforts, formal and informal, are the order of the day. In fact employer concern, both with the attitudes and the educational preparation of entrant workers, is pushing many into active participation in efforts to upgrade basic education and to make training more responsive to the needs of a modern technological economy.

Making such policy adjustments is the more difficult and the more essential when the employees or work applicants are members of culturally disadvantaged groups or racial minorities. But our data show strong evidence that the substantial majority of large employers included in our survey perceive both the social justice and the economic advantage of transmuted a labor supply that is available—but often is ill-matched to necessary job requirements—into a work force capable of performing satisfactorily in what we will again term the jobs of the future.

MANPOWER PROGRAMS FOR GHETTO LABOR MARKETS*

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In the absence of a body of literature corresponding to the urban labor market studies of the 1940's and 1950's, information on ghetto labor markets must be assembled from a variety of sources: analyses of unemployment and income, sociological studies of low income neighborhoods, and so forth. While the data from these sources are not entirely consistent, they do support a number of generalizations concerning the labor market experience of the disadvantaged:

1. Low income urban neighborhoods are characterized by high unemployment, low wages, involuntary part time employment, and below average labor force participation rates among adult males.
2. Employment patterns, especially of non-whites, are skewed towards low-skilled occupations which offer poor earnings potential and which are most vulnerable to adverse economic conditions.
3. Many of the disparities between whites and non-whites with respect to income and employment can be explained by differences in formal educational levels and in the relationship of residence to work place.
4. The effectiveness of expansionary economic policies in improving the employment and earnings of the disadvantaged, especially among non-whites, lends support to the queue theory of the labor market.

Apart from the queue theory, little is known about the dynamics of the ghetto labor market and the precise ways in which ghetto employment patterns are affected by changes in the level of aggregate demand or by manpower programs. In recent years, however, urban

* This paper is based largely upon materials developed as part of a research project on manpower programs and manpower policy in Boston, Massachusetts. This project is sponsored by the United States Department of Labor under the authority of Title I of the Manpower Development and Training Act of 1962, as amended. Points of view or opinions stated do not necessarily represent the official position or policy of the Department of Labor.

manpower programs have been directed primarily towards overcoming three perceived sources of labor market disadvantage: (1) deficiencies in labor market information, (2) inadequate levels of productivity, and (3) poor work habits.

Labor Market Information in the Ghetto

There are persuasive *a priori* arguments for believing that information systems in the ghetto labor market operate less satisfactorily than those in the urban labor market as a whole. Numerous studies have demonstrated the importance of friends and relatives as a source of employment information, especially for low skilled jobs. In the ghetto, lower employment rates and skewed employment patterns tend to limit the quantity and quality of job information available to such a system, while increasing the demands placed upon it.

Education and Training

Since the simple queue theory maintains that the competitive ranking of workers is determined largely by productivity, customary components of urban manpower programs are education, training, and sheltered work experience. The queue theory also suggests that an expanding economy will encourage employers to amend hiring standards, and to substitute on-the-job training for deficiencies in formal education, but government sponsored training and work experience programs attempt to accelerate this upgrading process.

Poor Work Habits

While low levels of education and training can limit productivity, and do affect the attractiveness of workers to prospective employers, unreliability on the job, rather than lack of skill, appears to be a more serious cause of ghetto unemployment. In Boston, for example, a vast majority of the unemployed adults seeking assistance from ABCD, Boston's community action agency, had been employed in the recent past.¹ This ability to obtain employment is also confirmed by ABCD's referral experience. With the exception of persons with specific employment handicaps, or those in need of part time work, ABCD was able to locate a substantial number of employment op-

¹ Much of the data reported herein has been gathered from the records of ABCD. The ABCD client population is drawn primarily from unemployed workers in Boston's low income neighborhoods.

portunities for which the ghetto labor force was qualified without additional training. Between September, 1966, and April, 1967, for example, over 15,000 referrals were made. Almost 70% of the persons referred to work were offered jobs, but 45% of these offers were rejected.

Of those actually placed, however, less than half remained on the job for at least one month. Discussions with employers, follow-up surveys, and conversations with ghetto workers indicate that a high proportion of these terminations were voluntary.

Several correlates of turnover are readily identifiable. Cross classifying the termination rates of ABCD placements by age and wage rates shows that adults tend to be more stable than younger workers, and that tenure tends to be longer on better paying jobs, as can be seen from Table 1. These findings are consistent with

TABLE 1
Termination Rates Among
ABCD Placements, September, 1967:
by Age and Wage Rate
(N = 115)

Age	Wage Rate	
	\$1.75 per hour or less	\$1.76 per hour or more
25 years and under	66.7%	34.6%
26 years and older	40.0%	33.3%

Source: Computed from "Why They Stay or Quit," ABCD unpublished memorandum. Employment status was determined 5-14 weeks after placement.

other surveys of labor mobility and are customarily explained by factors such as the financial responsibilities and greater job security associated with age, and by the relationship between wage rates and job satisfaction.

To test somewhat further the dimensions of the turnover problem, a multi-variate model was developed for analyzing the work histories of ABCD applicants. In the absence of an ideal measure of turnover, the dependent variable employed in the model is length of tenure on previous job.

The independent variables are: (1) Wage rate of previous job, (2) Age, (3) Years of education, (4) Sex, (5) Race, (6) Marital status, and (7) Birthplace. The general model is specified as follows:

TABLE 2
 Weeks of Tenure on Previous Job—ABCD Work History Sample September 1967–April 1968
 (t value in parentheses)

	T	W	A	E	S	N	M	B	d.f.	R ²
Equation 1 Pooled Sample										
Estimated Coefficient	72.64 (6.08)	4.83 (1.57)	-1.23*** (7.49)	.34 (.47)	-7.34* (1.82)	.64 (.15)	3.34 (.82)	1.22 (1.32)	309 ¹	.1955***
Equation 2 Young Workers (16–25)										
Estimated Coefficient	54.01 (2.34)	-2.98 (.78)	-.86** (2.23)	1.56** (2.14)	-3.15 (.93)	-7.59* (1.73)	2.68 (.54)	2.14*** (2.35)	178	.1030
Equation 3 Adult Workers (26–68)										
Estimated Coefficient	74.98 (4.21)	10.43** (2.33)	-1.06*** (3.61)	-1.19 (1.00)	-12.71** (1.98)	14.14** (2.09)	1.89 (.31)	1.45 (.09)	157	.1310**

¹ Computer program capacity required reduction in sample size.

* significant at 10% level.

** significant at 5% level.

*** significant at 1% level.

$$T = a + b_1W + b_2A + b_3E + b_4S + b_5N + b_6M + b_7B + u$$

where

T = Weeks employed on previous job²

W = Hourly wage rate of previous job

A = Last two digits of year of birth (beginning with 1900)

E = Years of education

S = Dummy variable for males

N = Dummy variable for non-whites

M = Dummy variable for married

B = Place of birth³

The model was applied to a random sample of ABCD's clients during the period September 1967–April, 1968, for whom work history data were available. The results of this analysis are shown in Table 2. Equation 1 pertains to the entire sample, equations 2 and 3 to the data grouped by age. While the model has low explanatory power, and is least satisfactory in explaining job tenure among young workers, several variables are significant.

In all three equations, age has a distinct influence upon job tenure. Since the marital status variable is insignificant in all equations, it would appear that other factors associated with age, such as increasing labor market experience, greater job security, pension rights, and so forth, outweigh the financial responsibilities of marriage as factors in determining employment stability.

Sex is significant only in equations 1 and 3. Surprisingly, adult females can be expected to have longer job tenure than males. This contradicts the view that females generally have a weaker labor force attachment than males, and probably reflects the importance of the earnings of the female work force in low income areas. For young workers, however, differences in sex do not influence job tenure, indicating common job shopping behavior, job security, and labor force attachment among young males and females.

² The relationship between age and *potential* job tenure introduces a bias in favor of the correlation between age and *actual* job tenure. The maximum value of the job tenure variable has been constrained to 99 weeks to reduce the degree to which a small number of older workers with substantial job tenure could influence the significance of the age variable. About 20% of the pooled sample was affected by this constraint.

³ The index assumes discrete values from 1–8 according to the following definitions: 1 = Boston, 2 = Other areas in New England, 3 = Mid-Atlantic States, 4 = Southern States, 5 = elsewhere in the United States, 6 = Puerto Rico, 7 = Cuba, 8 = other. There were few instances of persons in category 8.

The effect of race differs sharply for younger and older workers. Young, non-white workers average seven weeks less job tenure than their white peers, whereas non-white adults can be expected to have 15 weeks more job tenure than whites. The shorter job tenure of non-white youths is customarily attributed to involuntary turnover, but the Boston data indicate that in a prosperous economy much of the turnover is voluntary, and is concentrated among the young.

Birthplace also influences the job tenure of younger workers. Youths born in Puerto Rico, Cuba, and to some extent, the South, many of whom are non-white, tend to have greater job tenure than their counterparts in Boston. This substantiates the impression of several employers that recent in-migrants to Boston prove more reliable on the job.

A full explanation of the influence of race and birthplace upon job tenure is beyond the scope and competence of this study. Nevertheless, there is room for several interesting hypotheses concerning the aspirations of non-white youths, the value of job security to recent in-migrants to a city, and the possibility of cultural differences in attitudes towards work and job changing.

Education level is another variable positively related to job tenure among young workers. Education may contribute directly to habits of stability, or it may improve opportunities for employment in satisfying jobs which discourage turnover. It may also be that the educational system acts as a screening device for distinguishing between stable workers and those prone to "dropping out," be it from school or work.

The wage rate variable is positive and significant only for the sample of adult workers, a finding which is inconsistent with the data on turnover rates presented in Table 1. While it is likely that the influence of wage rates upon younger and older workers is not equivalent when other variables are held constant, statistical problems may also be involved. For example, job tenure is only an imperfect proxy for turnover rates, so that the two sources of data are not strictly comparable. There are also problems of collinearity. To some extent, the other independent variables in the equation can be used to explain wage rates as well as job tenure. Moreover, the causality between wage rates and job tenure presumably works in both directions.

While labor mobility among the disadvantaged labor force in

Boston exhibits many of the same features as labor mobility more generally, one major inconsistency does emerge. High rates of voluntary termination coincide with high levels of unemployment.

One hypothesis which resolves this apparent inconsistency is that the ghetto labor market exhibits, or appears to exhibit, *excess* labor demand. While this may seem paradoxical in view of the high unemployment in the ghetto, two pieces of heuristic evidence are offered to sustain this view: (1) the presence of large numbers of unfilled, low-skilled job vacancies frequently reported in or near central city areas, and (2) statements by ghetto workers that menial, less preferred employment is readily available, even to the casual job seeker.

This excess labor demand can be partly explained by the high concentration of less preferred employers on the demand side of the ghetto labor market. These employers possess one or more of the following characteristics: low wages and low fringe benefits, debilitating production speeds, low status work, unpleasant working conditions, unsympathetic supervision, inequitable industrial relations arrangements, low promotion opportunities, and unstable employment. Hospitals, hotels, warehouses, maintenance service companies, industrial sweatshops, and so forth, are representative of such employers. Since low wages, unstable employment, and less preferred working conditions do not encourage worker loyalty, turnover and frictional job vacancies are likely to be higher than average among these employers.

Less preferred employers are also likely to adopt other strategies towards the labor market which are compatible with turnover, and which may be inimical to worker stability. During periods of high labor demand, for example, desired manning levels within these enterprises tend to exceed actual manning levels for sustained periods of time. Adjustments in compensation and improved working conditions are adopted only gradually in response to these labor scarcities. Instead, over-time, speed-ups, and deteriorations of product quality are substituted for additional employees. The presence of accessible, unfilled jobs tends to make workers independent of particular employers and, when combined with undesirable working conditions, encourages turnover.

Finally, the social systems of the ghetto are compatible with turnover. Alternatives to earned income, for example, are available from welfare programs, hustling, and income sharing among friends and

relatives, so that ghetto workers can easily withhold their labor services for short periods of time, or treat work as a supplementary source of income. In addition, the active social life of the ghetto, much of it centered on the street, can compete with work as a regular activity.

While it has been argued that high levels of voluntary turnover is the major symptom of labor market disadvantage in the ghetto, its role in reallocating the labor force should not be ignored. Quitting low income jobs to obtain higher wages is one important means to economic improvement. Moreover, among teenagers and other new entrants to the labor force, turnover provides an efficient means of becoming oriented to the labor market.

In Boston, however, there seems to be a large component of job changing which does not lead to wage improvement. Although wage rates are only a crude measure of total job benefits, the ABCD data indicate that only about one-third of the job changes resulted in higher starting wage rates. There is also the danger that turnover will become an habitual pattern of labor market behavior.

The Dual Queue Theory of the Labor Market

The preceding analysis of the ghetto labor market indicates that the simple queue theory is not a satisfactory tool for understanding the dynamics of the ghetto labor market. By focusing upon the dividing line between employment and unemployment, and upon the quantifiable criteria which influence ranking along the queue, the problem of turnover and voluntary unemployment has been obscured. If, as the Boston data suggest, many disadvantaged workers are able to move easily in and out of less preferred employment, then the distinction between the employed and the unemployed becomes blurred.

The precision with which ghetto workers can be ranked on a hiring queue must also be questioned. Analysis of both population and establishment data collected in Boston have failed to explain much of the variance in the hiring decision through quantifiable socio-economic variables. This finding suggests (1) that interviews are important screening devices, (2) that fine distinctions cannot be drawn within the disadvantaged labor force, and (3) that less preferred employers do not attempt to screen the job applicant as carefully as do preferred employers.

The ghetto labor market, and to some degree, labor markets in general, can therefore be understood more clearly in terms of two queues. First, there is the hiring queue, not neatly ordered by worker productivity and relative wage rates, but consisting of broad groups defined by quantifiable variables such as education, age, and test scores, and by subjective interviews. Second, there is the job vacancy queue, in which employers are ranked by reputation, as informally defined by workers' evaluations of wages and working conditions.

The labor market integrates these queues in two stages. In the first iteration, workers and jobs are matched according to their relative positions on these poorly defined queues. Once an employment relationship has been established, however, a second, and much more precise iteration occurs on the job as employers and workers appraise one another. If either party is considered to be unsatisfactory during the probationary period, the employment relationship is terminated and the supply and demand queues are reassembled. Through this recycling process, the least acceptable workers and the least attractive jobs must be continually rematched.

Manpower Programs for the Urban Disadvantaged

The ghetto labor force can be divided into at least five categories of disadvantage. In cities where jobs are accessible to the ghetto community, the appropriate mix of manpower programs will depend upon the relative size of each of these categories:

- 1) Teenagers with little or no previous work experience
- 2) Persons with stable, but low wage, work experience
- 3) Adults with a work history of chronic turnover and poor work habits
- 4) Persons with clearly defined obstacles to employment, including the aged, mothers with young children, students seeking part-time work, alcoholics and addicts, functional illiterates, and the physically or mentally handicapped
- 5) Persons not in the labor force who have sources of income such as welfare and illicit activities, which are competitive with productive employment

For all groups, job development and referral services located in the ghetto are useful for expanding the quantity and quality of labor market information. Such a program, by itself, may be sufficient for

employing the handicapped and for remedying teenage unemployment by expediting exposure to work and leaving turnover to diminish with age and work experience. Referral to higher wage jobs may also be sufficient to promote the upgrading of fully employed, low wage workers. For many, however, job development must be combined with long term programs in general education in order to accomplish this upgrading.

Current programs for improving vocational skills among the urban disadvantaged should be viewed with some skepticism. It appears, for example, that short term, institutional training programs do not contribute to improving worker productivity as significantly as many program evaluations would seem to indicate. Such programs are usually too short and lack the sophisticated curricula necessary to provide a broadly marketable skill. Instead, they provide little more than a superficial familiarity with a limited range of equipment, materials, and operating procedures.

Institutional programs can contribute to employability, however, by helping employers to identify reliable workers. The apparent benefits of many training programs can be explained by this screening effect, and by the intensive placement efforts which normally accompany these programs.

The problem of excessive turnover among adult workers has generally evaded solution. Some training programs have been able to demonstrate low turnover, especially where the training environment was very attractive or when the training stipend loomed large relative to alternative sources of income. There has not been any demonstration, however, that this stability has carried over to post training employment. Moreover, to the extent that turnover can be traced to the low quality of the work available in the ghetto, programs for modifying workers' attitudes are misdirected.

Referral to high wage or otherwise preferred jobs does seem to encourage stability. Analysis of placements in which turnover has been low, discussions with ghetto workers, and the modest success of some employers with the use of "trainer coaches," suggest that sympathetic manpower management, as well as high wage rates, may be helpful in controlling voluntary turnover.

Relying upon placements with preferred employers to remedy labor market disadvantage, however, poses the basic conflict inherent in the queuing behavior of the labor market. Preferred employers

normally seek to acquire advantaged workers and have adopted wage scales and other industrial relations arrangements to permit them the privilege of selectivity. Hiring the disadvantaged and learning to adapt them to the performance requirements of the work place contradicts these selection principles, and will presumably raise unit labor costs.

Because of the nature of the hiring and on-the-job training processes, recent attempts, such as the JOBS program, to encourage employers to undertake to employ and train the disadvantaged on the job are to be applauded. Delegating to employers the responsibility for program design and implementation should help to avoid some of the problems encountered in earlier programs by: (1) relating training and other adjustment programs directly to the requirements of particular enterprises; (2) opening preferred employment opportunities, with their inherent motivational properties, to the disadvantaged; and (3) improving the management resources available to manpower programs.⁴

⁴ In practice, however, this approach is still too concerned with providing employment for the disadvantaged, rather than with solving the problems of turnover and worker retention. For example: (1) employers tend to shift the initial burden of training, and therefore, the costs of turnover, to out-plant institutions, thereby cycling the disadvantaged through the training slots until a full complement of stable employees have been recruited; (2) Training subsidies are being paid for jobs already available to the disadvantaged labor force; (3) Despite the elaborate procedures for estimating training costs under this program, no one has yet determined empirically the real costs of employing the disadvantaged, or how these costs vary systematically by type of enterprise and by degree of disadvantage.

DISCUSSION

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These three papers all deal with a common topic: big-city labor markets in the later sixties. Viewed as a group, all of the papers derive from survey data, some of which are treated by regression analysis and some of which are descriptive and only implicitly quantitative. It can also be said that these papers should be considered as “completing” rather than as “competing” goods. That is, they do not overlap in any serious way, but instead complement each other by their separate explorations of different parts of the common terrain. One—that of Professor Rees—is concerned with the characteristics and determinants of occupational wage structure within metropolitan Chicago. The second—that of Professor Doeringer—centers upon job tenure and turnover among workers who live in central slum areas of the city of Boston. And the third, that of Dr. Thal Larsen—considers the ways in which employers in the San Francisco Bay Area have responded to factors such as relative growth of white-collar employment and pressures for hiring Negro labor.

By his imaginative examination of spatial aspects of labor markets in a large and diverse metropolitan area, Professor Rees has shown the way to a revival of interest in a field of research that has languished since the late forties. In view of the rapidly growing concern about the economic problems of the city, this is a most timely contribution.

Two findings in Rees' study struck me as particularly important. One is the not unexpected discovery that the urban labor market is not unitary but pluralistic; that in fact it consists of a system of sub-markets, each of whose dimensions is influenced by residency patterns, industrial groupings, wage contours, and factors of color and sex.

His second finding is that although the structure of wages within and among the occupations studied is indeed complex, it is neither chaotic nor irrational. Large firms anywhere and any firms situated in neighborhoods of low residential density must recruit people from a distance. To do so they must pay some wage premium.

Whatever their industry, firms located in the high-wage South district, must respond to the steel-petroleum contour if they are to compete effectively for labor. A descending gradient prevails for several jobs, starting from the South and extending to the North and West—probably because locally resident supply increases relative to demand as one moves along this spatial axis. And, finally, the greater the proportion of nonwhites in a given neighborhood of establishment location, the lower tends to be the wage for Materials Handlers at that point (largely a nonwhite job)—again as the consequence of greater supply relative to local demand.

In short, then, competitive forces do seem to operate rather strongly in urban labor markets, to bring about a structure of differentials that responds quite realistically to the goals of the actors involved.

However, it is tempting to overdo the explanatory power of the competitive model. For in this mosaic of sub-markets there are barriers and imperfections as well as avenues for bringing particular demand and supply quantities into balance. Thus where one considers slum dwellers as participants in the urban labor force, one is reminded at once that many of them are members of one of Cairnes' noncompeting groups. And two leading sources of such handicap, I suspect, are discriminatory barriers to proper formal education, both in the past and persisting into the present; and gross deficiencies in public transportation, which obstruct the movement of poor workers to better job opportunities in the suburbs. This brings me to Professor Doeringer's interesting paper.

Utilizing queue theory, he makes the highly important observation that employers of slum workers try to rank such candidates in order of objective measures of potential personal productivity—promotable potential one might call it—relative to the going wage rate. The candidates, Doeringer suggests, also have a queue of their own, by which they rank the employers and the prospective jobs they have to offer. In the selection process that follows, the poorer candidates tend to be matched up with the poorer jobs. Here then is where pay is lowest, loyalties weakest, opportunities least promising, and where tenure and incumbency yield to high turnover and instability of labor force attachment.

It is within the context of this noncompeting group that Professor Doeringer makes what I consider to be his most important

finding: namely, that here the mutually exclusive categories of employment-unemployment over-simplify the dynamics of actual market behavior. What we have in fact is an excess demand for such workers, high voluntary quit rates, and high levels of unemployment all rolled together. Even more, the availability of welfare and other sources of non-job related income make for high instability of labor force attachment. Workers who quit can easily hire out again in similar low-grade jobs. But they can just as easily become labor-force drop-outs, to disappear at times from the statistics of employment and unemployment. Finally, because this cohort of slum workers—only a segment of the whole supply—is a true non-competing group, its very availability fosters the perpetuation of a cluster of menial dead-end jobs—largely of low-skill, at low pay, and so on—offered by the least progressive employers in town. Despite high turnover rates and a considerable number of unfilled vacancies, it remains possible for such employers to get by, relatively free of any competitive pressures to upgrade the opportunities they have to offer. Nor is the situation likely to change until fundamental improvements are made in urban schooling and in ease of transportation mobility throughout metropolitan areas.

Of late the school problem has been oversimplified to become an issue of local control. Admittedly, greater local flexibility is needed. But the central requirement is to upgrade the quality of the education offered, so that instead of being locked into a self-perpetuating non-competing group these young workers can begin to move and to compete freely within the precincts of an open society. Formal education in an industrial society must meet certain common standards if its beneficiaries are to compete successfully for good jobs. Slum schools now usually fail to meet such standards. But this deficiency will not be overcome by the intensified segregation that is latent in substitution of local for city-wide control.

The poor quality of metropolitan public transportation is a second environmental variable that strongly handicaps slum workers in their competition for good jobs. For over two decades, these jobs have been migrating increasingly to the suburbs. At the same time, little has been done to extend main rapid transit routes or to develop adequate local connections. These obstacles help to trap city workers in enclaves of low-quality employment, cutting them off from informal sources of information about desirable job opportunities and reducing

their ability to compete with suburbanites. In large part their isolation in disadvantaged non-competing groups has been the direct consequence of an incomplete policy toward metropolitan transportation at the hands of federal, state, and local governments. It is time that this policy were critically re-examined.

For over half a century the ruling objective of public expenditures on local transportation has been increased mobility not for people but for the private automobile, a vehicle whose incidence of registration is notoriously low in the slums. With the construction of these freeway networks, a strong suburbanization trend has been fostered, in residences for middle-class workers and in jobs offering good long-term opportunities. Even more, the building of these metropolitan superhighways has fragmented the neighborhoods of the poor, reducing at the same time the stock of housing available to them. Today federal, state, and local governments spend over \$16 billion yearly on capital facilities for automobile transportation. Of this vast sum, the federal share is now \$5 billion. In pitiful contrast, metropolitan public transportation receives \$175 million—a ratio of about one to thirty—and this is doled out with an eye-dropper. Here is the reason for the failure to develop adequate new rapid transit routes, the failure to create an adequate supportive system of local buses, and the continuing ageing of facilities and static quality of mass transport technology.

And so I draw the inference from these papers that if we wish to improve the competitiveness of the metropolitan labor market, so that opportunities can be opened up and turnover more effectively linked to genuine gains in earning power, then we have to move at once to rebuild our urban school system, and at the same time to increase the spatial mobility of the residents of the central city. With these and related improvements in urban infrastructure, our large cities can begin to overcome the needless disabilities imposed upon them and their residents for so long.

DISCUSSION

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Perhaps the most striking theme running through the three papers on research on big city labor markets is that even in large, complex industrial areas, labor market mechanisms work rather well if we evaluate labor market behavior in traditional terms.

Traditionally, major concerns of labor market studies have been such matters as efficient resource allocation, the flexibility of the labor force, and adjustment of supply to changes in demand. The labor market was judged effective if the labor force seemed to be allocated to its best use and responded flexibly and smoothly to changed demand.

Judged by these criteria the labor markets described in these papers should get high marks.

Professor Rees looks at a metropolitan area of over seven million people and finds a complex of submarkets marked by wage differentials related to residential, industry, and racial characteristics. Further, the submarkets differ as between white-collar and blue-collar workers and between female clerical and male workers. This comprehensive, detailed, and imaginative study finds labor market processes very complex and the factors affecting wages many and diverse. Yet the conclusion is that the results reflect rational behavior by employers, workers and unions. One might say, therefore, that given the residential, industrial, racial and transportation characteristics of the Chicago metropolitan area, the labor market functions economically. Employers and workers appear to behave to maximize their net gains. On the other hand, it should be emphasized that this positive picture of labor market rationality takes for granted all of the existing social and economic institutions. The submarkets discovered by Professor Rees, which "explain" wage differentials in the Chicago area, may in some cases themselves be artificial barriers to a more efficient labor market. An obvious example would be a racial residential pattern which effectively excludes minority group members from many employment opportunities. The existing network of transportation services might have a similar effect in creating submarkets which result in a less than

optimum allocation of labor resources in the metropolitan area as a whole. Thus, the Rees paper is interesting in that it tends to show rational response by labor market parties within existing institutional and social patterns, but it does not necessarily show optimal arrangements for effective labor market operation.

Professor Thal-Larsen concentrates in her paper on the variety of employer policies and practices designed to allow them to adjust to the increasing demand for white-collar workers. Her most general conclusion is that social and technological changes are expanding the needs for white-collar workers to levels that cannot readily be met. More impressive than her finding that employers are able to fill their requirements for certain white-collar workers only with some difficulty, however, is the fact that most employers have found ways to make the required adjustments to changed demand. Stronger recruitment efforts, revised selection procedures, new training programs, the utilization of regular part-time workers, and special programs to employ disadvantaged workers have presented difficulties for employers, but these activities also reflect the flexibility with which employers are able to react to changed labor market conditions. In a tight labor market the adjustment to rapidly increasing demands for highly qualified manpower is not likely to be immediate, but the general picture given in the Thal-Larsen paper is one of effective labor market adjustment to change.

It may seem to be stretching the point to say that the Doeringer paper also fits the theme that labor market mechanisms work rather well in allocating labor to its best uses. Yet the problem he identifies in his very interesting paper as that of the ghetto labor market (a term that may not be the best for denoting the phenomenon) can be viewed as the consequence of the labor market making choices as between high and low cost employees. Because many of them are high-cost employees, ghetto workers are rejected by preferred (high wage) employers and relegated to employment in less-preferred (low wage) firms, where their higher costs are discounted in the wage rate, or to non-market activities. The dual queue theory proposed by Doeringer is helpful in understanding the labor market behavior of marginal firms and marginal workers, but the general problem of disadvantaged workers is equally understandable in terms of general labor market theory.

The Doeringer paper, in fact, reminds one very much of some of

the older-worker studies done a few years ago. The problem of the older worker was first viewed as largely one of discriminatory hiring policies on the part of employers. Later studies showed that the market was somewhat selective among older workers, and that length of unemployment among older workers (the opposite side of the coin of the job tenure criterion used by Doeringer) was related to such factors as job tenure in previous employment, extent of occupational and industrial attachment, educational level, state of health, and motivation. Doeringer also finds that the labor market treats the ghetto workers of his sample differentially, although the particular variables used in his model had low explanatory value. As has been the case in some studies of older workers, including my own, Doeringer concludes that it is necessary to view the ghetto labor force as consisting of distinct categories, each with different labor market disadvantages, and to design manpower programs relevant to the different problems. The analysis also suggests that the disabilities that are frequently associated with workers in the ghetto labor force must be prevented from occurring. The prescription for that task is well beyond the scope of this discussion.

To return to the central theme, all three papers suggest that the market tends to move in the direction of necessary change. This comment is not meant to deny the existence of special and even major labor market problems. Among these are obviously the problems of upgrading the ghetto labor force, the elimination of discriminatory employment practices, the special problems of older and very young workers, the continuous need for developing a highly skilled labor force, and the development of effective systems for delivering necessary health, transportation, information, counseling, and other services required in large, complex labor markets. What is suggested is that those programs are likely to be most successful which make labor market institutions sensitive to special problems and which take advantage of the market tendency to be selective in its choices.

XI

FEDERAL REGULATION AND THE UNIONS

INDIVIDUAL EMPLOYEE RIGHTS AND UNION DEMOCRACY

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An aroused public concern over the creation and preservation of internal union democracy culminated in the passage of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). In an article written shortly thereafter, I raised the question whether the new law would protect minority interests within unions or whether its net result would be more authoritarian control of union government by its own bureaucracy and by instrumentalities of state power. After almost ten years, the answer to this question is still a mixed one; the law has achieved some of its avowed purposes and has fallen far short of others. However, a number of crucial judicial decisions—some interpreting the LMRDA, some involving other statutes—have substantially strengthened union power over union members and nonmembers for whom the union acts as exclusive bargaining representative. They have also reduced in some respects the options practically available to employees against their employers. In this paper I shall briefly discuss some of the more significant of these developments. Necessarily, my observations will be impressionistic; the subject is too broad and the time too limited to permit detailed analysis of any of the points I shall mention.

I have been asked to concentrate my remarks principally on Titles I and IV of the statute, dealing respectively with the union members' so-called "bill of rights" and union elections; and in these areas, with few exceptions, the development of the law has not, in my opinion, lived up to reasonable expectations.

Admission to Union Membership

A glaring defect in Title I of the LMRDA was that despite its focus on the rights of union members, it was silent on the right of qualified applicants to become members. This defect was partially remedied by Title VII of the Civil Rights Act of 1964.

Preoccupation with racial discrimination, however, should not cause us to overlook other impediments to union membership. Consider, for example, the practice of "filial preference," under which membership is available only to sons or close relatives of union members; is this form of exclusion ever justifiable, even assuming that it neither is consciously aimed at racial or ethnic minorities nor has the demonstrable effect of depriving them, as a class, of equal employment opportunities?

In a recent decision in *Phalen v. Theatrical Protective Union* the New York Court of Appeals has impliedly answered that question in the affirmative. It has refused to order the union to admit employees whom it represents and who are qualified to join but have been denied admission because of the "filial preference" rule, despite the fact that they must pay a portion of their earnings to the union in order to obtain employment. The "drastic remedy" of admission was rejected by the majority as "uncalled for" because there was no reason "to hold that labor organizations must open their membership to persons whom they would rather not admit to their company." A minority on the court took what I think is the better view that unions, armed with the power to act as exclusive bargaining agents, "are quasi-public organizations and ancient dogma, which described them as voluntary associations with unfettered control over their membership rolls, must be revised in the light of the realities of present day industrial life."

Denial of free access by qualified employees to membership in the union which is their exclusive bargaining representative substantially limits the meaning and social utility of the concept of union democracy. The issue transcends race; a public policy that specifically prohibits restrictive union admission rules of this type only when they are directed against racial and ethnic minorities seems to me both illogical and unjust.

Political Rights within the Union

Title I of the LMRDA guarantees to every union member equal

rights and privileges to nominate candidates and to vote in union elections. Title IV provides that a reasonable opportunity shall be given for the nomination of candidates and that every member shall be eligible to be a candidate, to hold office (subject to certain restrictions), and to vote for and support candidates of his choice without interference or reprisal. Obviously, these provisions are closely interrelated, but the unfortunate wording of the enforcement provisions in Titles I and IV and the narrow interpretation given them by the courts have led to their separate treatment and the consequent reduction of the effectiveness of both.

As interpreted by the courts, Title I rights may be enforced in a federal district court in an action brought prior to the election by the complaining members. Title IV rights, on the other hand, have been construed to come into play only after an election has been held, and at that stage only the Secretary of Labor has standing to sue to set aside the election and secure other appropriate relief, although he may do so only on the basis of a complaint and not on his own motion. Meanwhile, however, the challenged election is presumed valid pending a final decision, which may not be handed down until after those taking office in the challenged election have served out their full terms and a new election has been held. Although it has now been settled that the action brought by the Secretary to set aside the first election will not be rendered moot by the second election, the relief it can provide will usually be too little and too late.

The leading case involving Titles I and IV is *Calhoon v. Harvey*. There, plaintiffs sought to enjoin an election of officers of the National Marine Engineers' Beneficial Association (NMEBA). The constitution of NMEBA provided that no member could nominate anyone for office but himself and that no member could be eligible for nomination or election to a full-time office unless he had been a member of the national union for five years and had served 180 days or more of sea time in each of two of the preceding three years on vessels covered by collective agreements with the national or its subsidiary bodies. Plaintiffs contended that these requirements effectively deprived them of their Title I rights to nominate and vote; but the Supreme Court sustained the dismissal of the action.

The Court conceded that the result might have been otherwise if the combined effect of the eligibility requirements and the restriction to self-nomination were considered in determining whether Title

I rights had been violated. It held, however, "that possible violations of Title IV . . . regarding eligibility are not relevant in determining whether . . . a district court has jurisdiction under . . . Title I"

The decision in *Calhoon* is both perplexing and disappointing. As Justice Stewart observed in his concurring opinion, "there are occasions when eligibility provisions can infringe upon the right to nominate," and the Court "long ago [in the Texas Primary Cases] recognized the subtle ways by which election rights can be removed through discrimination at a less visible stage of the political process." Henceforth, he added, "simply by framing its discriminatory rules in terms of eligibility, a union can immunize itself from pre-election attack in a federal court even though it makes deep incursions on the equal right of its members to nominate, to vote, and to participate in the union's internal affairs."

Thus, by continuing to treat unions as private voluntary associations instead of as quasi-public organizations armed with substantial powers delegated to them by Congress, the Court has avoided the obvious analogies to the Equal Protection clause of the Fourteenth Amendment, as well as its own prior decisions relating to voting rights in public elections, and has virtually gutted from Title I of the LMRDA the crucial guarantees of the equal right to nominate and to vote.

Freedom of Speech; Libel and Slander

A provision in Title I of the LMRDA guarantees to union members the right, among others, "to express any views, arguments, or opinions," subject, however, to the union's right "to adopt and enforce reasonable rules as to the responsibility of every member toward the organization as an institution and to his refraining from conduct that would interfere with its performance of its legal or contractual obligations." There is an obvious tension between these individual and organizational rights, but in this one area—the principal exception to the general trend—the courts have liberally construed the statutory language to provide expanded protection for the union member's freedom of speech.

In the landmark case of *Salzhandler v. Caputo*, in which an officer of a local union was found guilty of libeling the local president and was dismissed from office and prohibited from participating in union affairs for five years, the Second Circuit held that "although libelous

statements may be made the basis of civil suit between those concerned, the unions may not subject a member to any disciplinary action on a finding by its governing board that such statements are libelous."

This decision has been attacked as unfair by some union spokesmen, but in my judgment it tends to enhance and protect internal union democracy. Libel and slander are reprehensible, but relief against them is best restricted to legal actions in the courts. The applicable standards should be similar to those applied by the Supreme Court in *New York Times v. Sullivan*, an action brought by public officials against critics of their official conduct: no damages should be allowed unless the statement was made with "‘actual malice’—that is, with knowledge that it was false or with reckless disregard of whether it was false or not." Because unions typically lack anything like an independent judiciary (the UAW Public Review Board is a conspicuous exception), their internal trials usually go against the man who is "fighting city hall" and the local decisions are almost invariably affirmed on appeal. Thus, an interpretation of the LMRDA such as that made in the *Salzhandler* case is essential if the debate of internal union affairs is to be, in the words of the *Times* opinion, "uninhibited, robust, and wide-open," and if "vehement, caustic, and sometimes unpleasantly sharp attacks" on union officials by their members are to be permitted, as I believe they should be.

If the LMRDA, as interpreted and applied by the courts, has in some respects fallen short of reasonable expectations that it would preserve and promote internal union democracy, the NLRA and the new federal common law have likewise been used by the courts in certain vital areas as instruments to suppress individual freedoms rather than to defend them. I shall mention only a few instances.

Discipline for Refusal to Heed Picket Line

The NLRA guarantees to all employees the right to organize, to bargain collectively, and to engage in concerted activities, as well as the right to refrain from any or all such activities. It is an unfair labor practice for a union to restrain or coerce employees in the exercise of those rights; but the statute expressly recognizes and protects the union's right to prescribe its own rules with respect to the acquisition or retention of membership. The problem is how to strike a balance between these competing interests.

In *NLRB v. Allis-Chalmers Mfg. Co.* the Supreme Court, by a divided vote, upheld an NLRB decision that a union did not restrain or coerce its members in violation of their statutory rights by fining them for "conduct unbecoming a union member" because they crossed a picket line during a lawful strike, in violation of the union's international constitution. The fines ranged from \$20 to \$100, and in one test case the union obtained a court order against the member for the amount of the fine. The Court unanimously upheld the rule against crossing picket lines during a strike and its enforcement by expulsion, but the minority drew the line at permitting the union to secure compliance with the aid of court-enforced fines. The majority emphasized that each of the fined employees had executed the pledge of allegiance to the union constitution and had taken the oath of full membership. It expressly refrained from indicating, however, whether the fines would be prohibited by the NLRA if they were imposed on those whose membership was limited to the obligation of paying monthly dues.

In my view the minority is right. Expulsion is a permissible penalty in this type of case, but the union should not have it both ways. Expelling a member deprives him of the benefits of union membership in consequence of his violation of a reasonable union rule; but imposing a fine, particularly a heavy one, may effectively prevent him from exercising his right not to engage in concerted activity. Moreover, I suspect that the union may have won a Pyrrhic victory in this case. If the Court should later decide that its ruling applies only to "full members," more employees will be inclined to participate only to the extent required by a Taft-Hartley union shop agreement. If, however, the Court extends the ruling to the latter group, employee opposition to any kind of union representation, spurred on by active employer propaganda, may well increase.

Employee Suits Against Unions and Employers

The rapid development of the federal common law governing arbitration and actions for breach of collective agreements has tended to deprive dissident union members and nonmembers of traditional remedies against employers and has substituted a new remedy, often more apparent than real, against unions.

At the risk of oversimplifying, I shall try briefly to summarize the present state of the law in this regard. If a collective agreement

provides a grievance and arbitration procedure, an employee must exhaust that procedure before suing the employer for breach of contract; that is true even though the employee seeks only damages and does not want to continue working for the employer. A decision by the arbitrator on the merits will not be disturbed so long as the arbitrator stays within the submission and bases his award on his interpretation of the collective agreement. If the union fails or refuses to process the employee's grievance through the grievance and arbitration procedure, the courts will not order the union to do so, nor will they compel the employer to arbitrate at the employee's insistence over the union's opposition.

The employee's principal remedy in such a situation is to bring an action against the union for breach of its duty of fair representation. But in any such proceeding the courts will give the union the benefit of a strong presumption that it acted in good faith, even though its action was detrimental to the interests of the complainant.

When the question is finally squarely presented to it, the Supreme Court will probably endorse a relatively new theory developed by the NLRB that unfair, irrelevant, or invidious treatment of employees by their exclusive bargaining representative constitutes an unfair labor practice.

However, in the recent case of *Vaca v. Sipes*, involving an action in state court by a discharged union member against his union for failing to carry his grievance to arbitration, the Supreme Court held that even if the union's alleged failure to represent the employee fairly did constitute an unfair labor practice, the matter would not lie within the exclusive jurisdiction of the NLRB. The employee could treat his discharge, said the Court, as a breach of contract by his employer and sue the latter under the Taft-Hartley Act.

So far, so good; but there is a catch. No action will lie against the employer for breach of contract, said a majority of the Court, unless the complainant can prove that the union had violated its duty to represent him fairly in the handling of his grievance. And as we have seen, there is a strong presumption that the union acted in good faith in this type of case. Thus, hypothetically, even when an employer discharges an employee in violation of the collective agreement, if the union mistakenly but in good faith refuses to process the employee's grievance to arbitration, the employee cannot successfully sue either the employer or the union, nor can he compel either one to arbitrate.

What, then, can the employee do? Presumably, he can file an unfair labor practice charge against the union based on its alleged failure to represent him fairly. The union's good faith would not necessarily be the determining factor in such a case; so it is at least theoretically possible that the NLRB might grant the employee some relief in situations in which a court would not. On the other hand, the Board's order against the union alone might not provide an appropriate remedy, and there are serious problems in trying to extend the unfair labor practice charge to include the employer if the reason for discharging the employee had nothing to do with union activity.

Thus, balancing the competing rights and interests of employees, unions, and employers in the administration and enforcement of collective agreements involves conceptual and practical problems of enormous complexity and importance. They cannot be solved simply by concentrating on questions of union democracy to which the LMRDA is addressed, important though such questions may be. It is no coincidence, I think, that of the issues covered in this paper, only that of union elections can be considered primarily a problem of internal union affairs; the others relate more broadly to the collective bargaining process.

Time does not permit me to elaborate the views on these issues which I have set forth elsewhere over the years. I do, however, have two thoughts I should like to leave with you. The first I have stated earlier in this paper: in the areas we have been discussing unions should no longer be regarded as private voluntary associations but as quasi-public organizations, subject to the same constitutional limitations that apply to any instrumentality of state power. Second, if collective bargaining can be made to work only by completely suppressing the rights and legitimate expectations of individual employees, it is hardly worth preserving. I do not say that this state of affairs now exists, but I have some fear that we are heading rather rapidly in that direction. Consequently, although concern about problems of union democracy is doubtless a continuing necessity, I believe that our principal attention should be directed toward preserving for the individual employee—union member and non-member alike—as many options as possible in protecting his rights against the inevitable encroachment upon them by big management and big unions.

A SURVEY OF REMEDIES FOR DISCRIMINATION IN THE UNION AND ON THE JOB

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Racial, ethnic and sex discrimination problems are now more central to industrial relations in a practical sense than ever before. This is a healthy development, though too long delayed. For the last quarter century, government, labor and management have made abstract promises of equal opportunity. These promises were not implemented at the operational level. This period is ending as the law and the sense of public need are forcing reconsideration of industrial relations practices to root out discrimination. The history of pious platitudes of Plans for Progress, anguished affirmations of the AFL-CIO, and ringing policy statements from Congress and the President is giving way to the development of practical and enforceable remedies which will become part of the warp and woof of industrial life. Thus, for the first time, the technical problems of adjusting industrial relations are coming to the forefront, and the role of the technically competent person in labor and race relations is becoming more important. The purpose of this paper is to deal with several of these practical problems of adjustment of industrial relations systems to eliminate invidious discrimination.

The federal and state legal regulations dealing with union and employer discrimination have reached the stage of maximum proliferation. The laws and their enforcement machinery include the following:

Law or Regulation

State and local anti-discrimination statutes and ordinances

Enforcement Mechanism

Administrative agencies—hearing and cease and desist order authority. State court review of agency action.

The views expressed in this article are those of the author and do not necessarily reflect the views of any government agencies in which he has been employed.

Law or Regulation

National Labor Relations Act

Civil Rights Act of 1964

Executive order prohibiting discrimination in government contracts

Fair Labor Standards Act: Equal Pay for Equal Work

Bureau of Apprenticeship regulations

Civil Rights Act of 1866

Fifth and Fourteenth Amendments to U.S. Constitution

Enforcement Mechanism

National Labor Relations Board, Unfair Labor practice and decertification proceedings; review in Federal Courts of Appeal; certiorari to U.S. Supreme Court.

Federal District courts open to suits for violation of Duty of Fair Representation.

Equal Employment Opportunity Commission: investigation; conciliation activity; reporting requirements.

Attorney General may sue in name of U.S.

Aggrieved parties may sue in federal court after using EEOC.

Suspension of contract proceedings, Office of Federal Contract Compliance. Suits to enforce "affirmative action" requirements.

Administrator, Department of Labor; suits in federal court.

Bureau of Apprenticeship and Training; federal court review.

Direct suit in federal court.

Direct suit in federal court.¹

Professor Marshall's description of the racial discrimination problem,² and Professor Sovern's description of the legal system,³ both written in 1965, remain generally valid. The major developments since these works have been written have been in efforts to bring the industrial relations systems into harmony with the requirements of the law. The task of translation of law into life; of moving, as it were, from "law" to "order," has been underway since 1965. But it is far from accomplished.

¹ See Sovern, *Legal Restraints on Racial Discrimination in Employment* (1965). Since Prof. Sovern surveyed the law, there have been numerous important decisions under Title VII of the Civil Rights Act of 1964, two under the Civil Rights Act of 1866, *Jones v. Alfred H. Mayer Co.*, 392 U.S. 409, N. 78 (1968) and *Dobbins v. Local 212, IBEW 58 L.C.* para. 9158 (S.D. Ohio 1958) F. Supp., and one under the Fourteenth Amendment, *Ethridge v. Rhodes*, 268 F. Supp. 83 (S.D. Ohio 1967).

² Marshall, *The Negro and Organized Labor* (1965).

³ Op. cit. supra, Note.

Employment discrimination will not be cured or heavily influenced by the passage of another federal statute or the creation of another administrative agency. We have all the regulatory machinery we need. We have identified the problems to which this machinery is to be addressed. We have been given the clearest possible policy mandate to end discrimination. Our need now is for workable solutions, which change the face of the workplace; which translate law into the reality of human behavior; and which do so in the pragmatic and idealistic tradition, which has seen dramatic changes in the nature of industrial relations over the last half century.

I do not believe that, in the long run, the particular form of legal action will be too important. I think the substantive law and practical solutions will be substantially the same regardless of whether the issue is raised by individual suit under Title VII, a federal suit under Title VII, the invocation of other constitutional or statutory standards, or even the enforcement of executive orders requiring affirmative action. So I wish to focus on the substance of problems and solutions rather than on the form in which they are raised.

The following discussion assumes that illegal discrimination has been established, and that the remaining issue is one of designing an effective and appropriate remedy. Questions of "preferential treatment" and the like are not germane, for it is axiomatic that the victims of discrimination are entitled to a comprehensive, effective and immediate remedy.

A. EMPLOYER DISCRIMINATION—THE DUTY OF FAIR RECRUITMENT.

The primary method by which employers discriminate against minorities outside of the south, is simply by not hiring them. Recruitment and hiring practices are established which have the effect of excluding blacks and other minorities from notice of job vacancies, and meaningful opportunities to obtain jobs. These practices range from word of mouth recruiting among employers, to preferences for friends and relatives, the use of walk-ins, advertising, and employment agencies which have traditionally produced white applicants. When these practices perpetuate segregated employment, they violate the Civil Rights Act of 1964. That Act, I believe, imposes a "Duty of Fair Recruitment" which I have

discussed extensively in the Rutgers Law Review.⁴ The practical remedies for discriminatory recruitment include (a) changes in the sources from which applicants are drawn to assure that the applicants will include minorities, (b) review and revision of hiring procedures to assure the hiring of minorities rather than paper compliance—of special importance as a remedy is the “affirmative action file” in which presumptively qualified minority applicants are listed and are hired when vacancies arise, unless the employer has an overriding reason to go outside the file, and (c) a reconsideration of the validity of those hiring standards which block minority participation in the labor force, such as educational requirements and testing programs.

B. DISCRIMINATION IN COLLECTIVE BARGAINING RELATIONS.

The union's role in employment discrimination depends on the particular collective bargaining system of which it is a part, and on the internal history, structure and orientation of the union. Thus industrial unions have problems of discrimination in seniority systems because of the nature of their collective bargaining relationships, while construction unions and others which utilize hiring halls are enmeshed in questions of recruitment, referral, apprenticeship and membership because these issues are central to their mode of operation.

1. *Seniority systems and discrimination.*

Racial discrimination in collectively bargained seniority systems today is largely a present result of the history of formal segregation of jobs in the South. The pattern of restricting minorities, mainly Negroes, to lower paying, lower skilled jobs, also exists outside of the South, but in less distinct manner. I think it is so clear that only the lawyers need argue about it, that the present effects of past discrimination constitute present discrimination which must be remedied. The crucial issues involve the scope of remedies rather than the question of whether there is discrimination. On this remedial issue, there are three basic views:⁵

⁴ Blumrosen, *The Duty of Fair Recruitment Under the Civil Rights Act of 1964*, 22 Rutgers L. Rev. 465 (1968).

⁵ See Note, 80 Harv. L. Rev. 1260 (1967).

(a) *Follow the white man.* Qualified Negroes can secure promotion into previous white jobs and seniority units after all white employees have received the benefits of the seniority system.

(b) *"Freedom now."* Immediate displacement of all whites who can be said to be beneficiaries of discriminatory seniority systems—bumping. (This is more of a stalking horse for a less drastic position than a meaningful possibility.)

(c) *Promotion from within as rapidly as job openings and qualifications permit,* regardless of the form of the seniority system, until Negroes are no longer "behind" whites with lesser plant seniority.

I think some variation on this latter principle will become a part of the "standard" remedy in seniority discrimination cases. It has been ordered by at least two federal courts. In both the *Philip Morris* and *Crown Zellerbach* cases, the courts ordered an alteration of the seniority system to take account of the total relevant length of service of the Negro employees in their competition for previously "white" jobs.⁶ A collective bargaining agreement between the International Paper Company, the Paper Makers and Paper Workers has adopted this approach.

(d) *Damages for present illegality.* If the above principle is established, there will be financial losses suffered by Negroes who have to wait for vacancies, and by whites who may lose expectations because of Negro promotions. These financial losses may be extensive, and difficult to measure. Under these circumstances, and given the fact that the employer is also a wrongdoer in every discriminatory seniority system under collective bargaining, it is appropriate to impose financial liability on the employer to cover these costs.⁷ To alleviate the complex accounting problems which could arise, the courts and agencies may order development of and supervise the operation of an "equal opportunity fund" financed by the employer, which is designed to meet the costs of the ending of discrimination. This would be analogous to "automation funds" developed to cope with problems of technological change. I will develop this thesis more fully elsewhere.

⁶ *Quarles v. Philip Morris*, 279 F. Supp. 505 (DC Va. 1967); *United States v. Local 189, United Papermakers*, 282 F. Supp. 39 (E.D. La. 1968).

⁷ See Doerringer, *Promotion Systems and Equal Employment Opportunity*, Proc. 19th Ann. winter meeting. IRRA 278 (1966).

We have thus far discussed the "length of service" component of seniority systems. But few systems overtly operate on the basis of length of service alone. There is usually a component in the seniority system of "skill" or "ability" or some other term which relates to the capability of the individual to learn or perform the job to which his length of service would presumptively entitle him. The exact relation between length of service and "ability" is dependent on the collective bargaining relation in particular cases. Whatever the relation is, many minority employees will be at a disadvantage compared to white employees in the measurement of "ability," because of patterns of discrimination either in employment or in education. If "experience" is used as a component for measuring "skill" or "ability," then blacks will lose out to whites because only whites could have gained such experience in the time of overt discrimination, in which blacks were excluded from white jobs. The remedies here are three-fold: (1) In comparing the ability factor, between whites and blacks, it is discriminatory to "count" experience gained when only whites could gain it. (2) Where at all possible, in remedying discrimination in seniority, carefully supervised probationary-training periods should be provided for minorities who are entitled to upgrading by length of service. (3) The employer should be required to make upgrading training generally available to minority group employees so that when the time comes for them to exercise their newly acquired rights to promotion, they will be equipped to do so.

2. Discrimination in unions which operate hiring halls and/or apprentice programs.

I believe that the *questions* of discrimination in the hiring hall situation will soon be resolved along the lines of the decisions in the *Asbestos Workers* and *Electrical Workers* cases,⁸ which rely on evidence of past discriminatory policies to conclude that otherwise ambiguous present action is discriminatory. Both of these cases involved findings that construction unions had discriminated in referral and admission policies. The remedial problem issues are posed for us as follows:

⁸ *Vogler v. McCarthy, Inc.*, 65 LRRM 2554 (D.C. E.D. La. 1967), *Dobbins v. Local 212 IBEW*, 58 L.C. Para 9158 (S.D. Ohio, 1968).

(a) Will these unions be required to recruit in the minority community? The district courts split on this.⁹ I think they will be. They can do it and have done it successfully this year.

(b) Will the unions be allowed unfettered discretion in administering admission standards? If the administration produces substantial numbers of minorities, the answer is yes; otherwise the answer is no.

(c) Will referral systems have to be modified to permit referral of minority persons ahead of present members and referees? It does seem clear that the union which has discriminated in the past must yield up not only its restrictive membership system, but also preferences on job referrals to the white members based on experience gained at a time when Negroes were excluded. I believe that the practice of favoring resident active members of the local for referral above others, may have to yield temporarily to the necessity of curing historic discrimination against Negroes. This is a complex matter requiring careful adjustment in particular cases.

(d) Will the union have to yield control over the size of its membership? It would be realistic for unions which had excluded minorities to adopt a policy of admitting them until such time as it can no longer be said that the union is practicing racial exclusion. At that point, the basic union interest in keeping the size of the labor supply limited can be asserted without the involvement of the racial question. A union which does not adopt this policy must face the prospect of admitting both majority and minority members in numbers it cannot control. The *Asbestos Workers* case is a forerunner of this development in that the court order required the union to submit a plan for the development of its membership in relation to projected needs of the trade.

C. GOVERNMENT PAYMENTS FOR "TRAINING" MINORITIES

The latest direction of government in the anti-discrimination field is to pay companies and unions to train the unemployed. The problems of discrimination are, in this view, considered as part of a national manpower problem, to be dealt with by general manpower programs. Sometimes, this approach leads to the award of substantial training contracts to employers who have discrimi-

⁹ *Dobbins v. Local 212 IBEW*, Note 13, *supra*, *Vogler v. McCarthy, Inc.*, *supra* Note 13.

nated against minorities. Philip Morris was awarded a major training contract shortly after being found in violation of the Civil Rights Act by a federal court, and I have heard of a union or joint apprenticeship council receiving a training grant *during* its trial for violation of the Civil Rights Act.

I do not believe in vengeance and do believe in redemption, and do believe in a "National Manpower Policy," but I hesitate to reward discriminators with MDTA contracts unless those contracts are a part of a broad, carefully detailed and supervised company-wide program of affirmative action. In the past, we had to rely on sanctions rather than rewards to secure socially acceptable behavior, because we did not have the resources to purchase it.¹⁰ Today, in the affluent society, I suppose we can afford to purchase decent behavior to some extent. Yet, as we now know, our resources are limited, and I would prefer to see training contracts placed with "good guys" if they can be found, or at least with those seeking redemption.

Putting aside the above problems, I think it is important to measure the operation of these training programs as they affect minority employment opportunities by the test of the results. If these programs ameliorate the differences in minority and majority unemployment rates, and if this result cannot be achieved with less expense in other ways, then I will accept this approach with as good grace as I can muster. It is clear that the vast network of laws and agencies have not achieved the results which they were overtly supposed to achieve. And it is true that, up to now, the law of enforcement approach has failed to solve the problems of discrimination in industrial relations. I attribute this to feeble enforcement of these laws, which, to an important degree, was the result of activities of labor and management who have resisted vigorous law enforcement.

Perhaps providing economic incentives to provide equal opportunity will help achieve what the law has been unable to compel. I have grave reservations as to whether any program which is not accompanied by vigorous law enforcement will succeed. I do not argue for vigorous law enforcement alone, but I believe it is a necessary condition for the success of any sophisticated program

¹⁰ Blackstone, Commentaries, Vol. I, Sec. 2 (1765) Sharswood, ed. 1904, 54-56.

designed to improve the conditions of minorities in industrial relations. I am proud of the only major agreement I negotiated for the EEOC in the steel industry in Birmingham, which incorporated an MDTA training program as part of the settlement which opened previously white jobs to blacks. The MDTA training was to be considered by the employer in assessing whether an applicant for a position had the requisite ability under the seniority clause of the collective bargaining agreement. Thus the Negro employees could compete with whites in regard to the ability factor in seniority for previously white jobs, even though only whites had prior experience on those jobs because of the historic exclusion of Negroes.

But I do not think there would have been *any* agreement in that case if the Negro employees had not complained to the EEOC under Title VII of the Civil Rights Act of 1964, if the EEOC had not found reasonable cause to believe the statute was violated, and if the complainants, through the NAACP, had not brought suit in the Federal Court. These factors enabled management to decide to solve, rather than perpetuate, the problems of discrimination in this establishment.

Four years ago, I advised Rutgers University to file charges of discrimination against several construction unions with respect to practices in connection with the building of the Law School. The charges were filed, and the proceedings dragged on and were settled inconclusively. However, this year the Ironworkers apprentice class is 30% minority group members. Many other factors, the AFL-CIO effort, the Labor Department, the Workers Defense League and others contributed to this result. But it was triggered by the initiation of formal enforcement action.

And so, I support the integration of manpower programs into the administration of anti-discrimination laws, and am prepared to view the anti-discrimination laws as a branch of national manpower policy. The role of the law is to shape the matrix in which the industrial relations community will resolve specific problems utilizing all of its understanding, skills and programs.

FEDERAL REGULATION OF UNIONS— IMPACT ON MANAGEMENT

JAMES D. HODGSON

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Perhaps we should start with a quotation. Court decisions being what they are these days management people usually prefer dissenting opinions. So from the eloquent dissent of Justice Black in the now famed Allis-Chalmers decision—this :

“In determining what the court here holds,” says Black, “it is helpful to note what it does *not* hold.”¹

Since I liked the Justice’s opinion, I’ll copy his style. I’ll first set forth what I do *not* intend to cover in these remarks. Certainly a subject of such breadth cries for narrowing.

As a contemporary management man doing his thing I might well choose one of two standard speeches. Either could be smuggled in under such a catchall category as “Federal Regulation of Unions.”

First, there is *the excessive union power* speech. Here we could trot out such alliterative workhorses as “monopolistic and monolithic” or “coalitions and concentrations” and give them yet another run around the well-beaten track. And this could be done with more than a morsel of personal conviction. Yet one doubts the occasion appropriate or the audience interested.

Then there is the second management speech—*the NLRB abuses* caper. With measured anguish we could tick off a parade of case names by now synonymous with infamy in management circles. You know them all—Allis-Chalmers,¹ Fibreboard,² Town and Country,³ General Electric,⁴ Wisconsin Motors⁵ and even that improbable corporate titan, Excelsior Underwear.⁶ We could echo a fervent “amen” to one commentator who observed that this embattled agency “usually

* Since presentation of this paper Mr. Hodgson has been appointed Under Secretary of Labor.

¹ NLRB, Allis-Chalmers, 388 U.S. 175, 55LC (1967).

² Fibreboard Paper Products Corp. vs. NLRB, 379 U.S. 202 (1964).

³ Town & Country Mfg. Co. vs. NLRB, 316 F2d 846 (5th Cir. 1963).

⁴ General Electric Company, 173 NLRB No. 46 (1968).

⁵ UAW Local 283 (Wisconsin Motor Corp.), 149 NLRB 1097 (1964).

⁶ Excelsior Underwear Inc., 156 NLRB No. 111 (1966).

behaves like a department of the AFL-CIO and is about as neutral as George Meany.⁷ But we'll spare you this speech. It's been done before.

So with some reluctance we depart from these favorite management targets and seek other game. Regulation of union *per se* will not be our bag today. To my many disappointed management friends who would have it otherwise—sorry.

Now having foregone these lush delicacies, what crumbs are yet available? I gather the main thrust of our concern today has to do with regulation of *internal* union affairs. So I shall join my distinguished fellow speakers and focus on that domain. And, of course, I shall relate the subject to its impact on management.

Management Areas of Concern

At the outset then, let's see if we can clearly establish that management can be and is significantly and often adversely affected by the conduct of internal union affairs. I have selected three principal areas for examination.

1. The labor market.
2. Managerial efficiency.
3. The balance of collective bargaining power.

Let's discuss each briefly.

The optimum *labor market* probably is one where all are equally eligible for hire consideration, where no outside impedences to hire exist and where the reputation of the hiring company is viewed with general favor. So as we examine relevant conduct of internal union affairs we look for those actions or policies that restrict the labor market, that deter applicants or that give the industry or company an unfavorable reputation in the marketplace.

Knowledgeable practitioners can cite many an instance. This is particularly true of hiring hall industries where membership requirements and referral practices often restrict or discriminate. Elsewhere excessive or discriminatory union dues practices can have a marked adverse effect on a labor market. A history of union mismanagement or corruption can blight the reputation of an area or an industry as a place to work. Management is keenly conscious of these in-

⁷ Brinkley, David, NBC Telecast, October 1967.

fluences. Such considerations increasingly determine the areas and product lines slated for industry investment and expansion.

The world is broadly aware that *efficiency* is one of the major deities worshiped by American management. So management keeps a sharp watch for enemies of efficiency—those internal actions or policies of unions that produce employee unrest, that restrict productivity or that blunt motivation.

Management can point to many circumstances. We especially recoil at the mushrooming use of the newest union weapon aimed at controlling productivity—the member fine. Produce too many parts, cooperate too well with the boss—these things can be as costly to the union member today as being caught absconding with the lodge treasury. Thus we have a new standard-setting device for American industrial productivity—not the management schedule, not what the worker is willing to achieve, but what union officialdom ordains. Even a weary management, jaded by years of multiple reversals from boards and courts, uttered a special cry of “foul” at the Wisconsin Motors decision.⁸

Perhaps one of management’s most cherished articles of faith is that it is on the short end of the *balance of power at the bargaining table*. No purpose would be served by debating this contention here. Certainly the conduct of internal union affairs is *not* the principal contributor to this alleged imbalance. But it can have a significant influence.

For instance through the years management has relied on a significant constraint to the capricious strike. If the strike proved unpopular, employees would cross the picket line and come to work. Now, with the Allis-Chalmers decision, this constraint withers away.⁹ And the weight of bargaining power is thereby tipped a bit further toward the union. Anyone who doubts this judgment has not sat in a recent management council where a decision on whether or not to take a strike has been under consideration.

So management has become keenly aware that through acts and threats of disciplinary actions, unions can tip the bargaining scales further in their direction.

Now all we have attempted to do in the foregoing is to demonstrate that management does indeed have a stake in the way internal

⁸ Supra, Note 5.

⁹ Supra, Note 1.

union relations are conducted. The subject cannot be dismissed as something wholly the concern of public policy. A direct impact on management exists in at least three areas.

Union Actions of Concern to Management

Now that we have set forth the *areas* in which management is affected, let's examine some *union actions* that affect those areas. Many exist—too many to cover properly in a paper of this nature. So we will examine only two—one briefly; the second at some length.

First, we'll take a brief look at *union membership fees and dues practices*. Then we'll launch into a more thorough-going treatment of the question of *union member fines*.

Union Initiation Fees and Membership Dues Practices

It is a wonder that union dues and fees—the amount and collection thereof—have not provided more fodder for the nation's boards and courts. Compulsory union membership with attendant compulsory dues obligations is now a requirement for holding fifteen million American jobs. And failure to pay dues is the one subject that can cost a man his job through legal union action.¹⁰ The reason for management's special interest in this subject can be simply stated. Any subject that can affect a man's job is of legitimate concern to management.

The principal union fees and dues practices that concern management involve:

- illegal "closed union" situations¹¹
- different dues rates for different membership categories including so-called "dobys"¹¹
- "forced turnover" situations with multiple dues collections¹¹
- reinstatement and other special fees,¹² and
- special fees for special categories of employees.¹²

All these can have an adverse effect on the labor market.

¹⁰ Moore, Mack A., "The Conflict Between Union Discipline and Union Security" *Labor Law Journal*, February 1967.

¹¹ Schlichter, Healy & Livernash, "The Impact of Collective Bargaining on Management." Published by the Brookings Institution 1960.

¹² Seidman, Joel, "Emergence of Concern with Union Government and Administration."

Dues problems that can affect a man's job recurrently spring from two things:

- (1) the difficulty of insuring clear and consistent application of the union's own dues requirements; and
- (2) what truly constitutes non-payment of dues under the LMRA.

Let's briefly examine an example of each.

First, an example of a union problem in administering its own dues requirements. Take the recent sad case of a worker named Schlitz—a Wisconsin case, of course. In order to qualify for work at a mid-west company, the union instructed Schlitz to pay \$118 reinstatement fee. This he did. To work he went. Then the union decided it had erred. Schlitz was told his fee was not \$118 but \$674. Schlitz then demurred. The union prodded the company. The company prodded Schlitz. Schlitz continued to demur. The company may not have been out of beer; but it soon was out of Schlitz. Though Schlitz was out, he was not down. He went to the Board. The Board liked neither the union's bookkeeping nor its logic. So the company once again is not without Schlitz. A reading of the case reveals just one example of the tangled mess that can occur in attempting to apply our statutory requirements to the endless possible combinations of employment circumstances and union dues procedures.¹³

Now let's look at a case involving non-payment of dues. Seven workers in a Cleveland plant wanted to replace their existing union with a new one. An election was held. The old union won. The disenchanted seven reapplied for membership in it. They were rebuffed and threatened with discharge. Knowing the law, some began to tender dues payments. Some did not. The union kept some of the payments and returned some. A Trial Examiner eventually had to clean up the mess.¹⁴ This brief account doesn't depict the endless complexities involved, not only in this case but in dozens of cases of dues payment technicalities that result in discharge or threats of discharge, some of which drag out as long as 12 years.¹⁵

Management is in a unique position in dues discharge cases. It is

¹³ IUOO Local #139 & Charles Schlitz, 172 NLRB 19, Case #30-CB-154 (6, 1968).

¹⁴ NLRB Decision of Trial Examiner T. Ricci, Aircraft Workers Alliance & TRW (8-18-68).

¹⁵ Circuit Court of Appeals, Case of V. Brody vs. TWA and IAM, Decision dated 8-13-68, *Daily Labor Report* 8-26-68.

always caught in the middle—caught and troubled by problems of both conscience and cost if it makes a wrong step. Because of the law's fuzziness management's problem often is simply this—it doesn't know which step is wrong.

It would not seem amiss to suggest that a further regulatory requirement be established for cases involving discharge for non-payment of dues. Determination by an outside party of the legitimacy of the discharge should be required in disputed cases *before* the member is summarily cut from the payroll. Such a step would do much to minimize inequitable discharges that can flow from confusion, caprice or collusion in disputed dues payment cases.

The Union Member Fine

Through the years much of management has by and large taken an aloof and often bemused attitude toward the conduct of union internal affairs. Two cases have plunged this cavalier attitude to earth with a thud—the Wisconsin Motors case with its fines for “too much” production and the Allis-Chalmers Supreme Court Decision of last year.¹⁶

Fines assessed members for crossing a picket line approved by the court in that case were \$20 to \$100. Now in rapid succession management sees NLRB examiners approving a flat \$100 fine at General Motors,¹⁷ \$250 at Rocket Freight Lines¹⁸ and \$1,000 at General Gravure Services.¹⁹ Even bigger fines are of recent record—\$1,500 at the New York Times,²⁰ \$10,000 for AFTRA radio announcers,²¹ and \$21,500 in a Writer's Guild case.²²

In the Sixties the frequency of the fines as a union disciplinary tool has spread like a shop rumor as the size of the fines double and redouble.

This circumstance should surprise no one. These are times of wide-spread unrest. “People” problems plague every organization.

¹⁶ *Supra*, Note 1.

¹⁷ NLRB, UAW & E. J. Hohman Case No. 7-CB-1712, *Daily Labor Report* 8-23-68.

¹⁸ NLRB, Rocket Freight Lines, NLRB 16-CB-336.

¹⁹ NLRB, General Gravure Service Company, NLRB 22-CB-1273.

²⁰ *New York Times* 7-30-67, Newspaper Guild fines to 43 men.

²¹ *Radio Television Daily* 7-13-67, AFTRA fines KPOL Announcers.

²² *New York Times* 5-24-61, Writers Guild of America fine to Member Ivan Lars.

Unions are much troubled by the restive and rebellious mood of their members. These recent court decisions have awakened union to an appreciation of the fine as a ready weapon for dealing with member recalcitrance. So they are exploiting it broadly.

Let's look at some of the other things for which unions fine their members:

- not attending meetings²³
- failing to perform picket duty²⁴
- filing an unfair labor practice charge²⁵
- filing a decertification petition²⁶
- accusing a union official of misconduct²⁶
- testifying in arbitration²⁷
- working overtime²⁸
- advocating a republican for President²⁹

Of special concern to management is the pattern of NLRB decisions on union member fine cases. By and large the Board has upheld a union's right to levy fines for those member actions that have a direct impact on management, e.g. for crossing picket lines and for high volume production. On the other hand, the Board has more often ruled against the unions on cases of little or no direct management impact—cases involving criticism of union officials and internal union political actions.

This rush toward the increasing use and increasing amounts of fines by unions warrants our further examination. Its implications are extensive.

I acknowledge here an unfortunate, but irresistible, habit of management spokesmen. We often read more than is really there into the Court and Board decisions we don't like and thereafter prophesy dire consequences for the free enterprise system. Credibility is less a gap than a chasm in this sphere.

²³ *Milwaukee Journal* 5-3-62, Story of Mary L. Benson.

²⁴ *UAW vs. Waychik* 5 Wis. 2nd 528.

²⁵ *OE Local 138*, 149 NLRB 679.

²⁶ *Price vs. NLRB*, 154 NLRB 54.

²⁷ *Daily Labor Report* 12-22-67, *Operating Engineers vs. E. L. Archibald*.

²⁸ *Wall Street Journal* 9-9-68, *Gravure Case*.

²⁹ Grodin, J. R., *Legal Regulation of Internal Affairs*, as quoted in "Public Policy and Collective Bargaining"—Shister, Aaron and Summers (1962).

To appreciate the significance of recent decisions, however, it is important to recognize that historically policymakers have placed emphasis on regulating procedural aspects of internal union administration in dealing with the subject of regulation of unions. Landrum-Griffin, as an example, deals extensively with such subjects as fair trials, election of officers, and general adherence to democratic procedures. Relatively little attention has been paid to the control which a union can exercise on its members both on and off the job through union disciplinary procedures.

In consequence, we find an area of the union/member relationship that the NLRB General Counsel in magnificent understatement calls a "grey area"³⁰ but which has been more aptly characterized by a U. S. Senator as a "no man's land."³¹

I realize in this rarified I.R.R.A. atmosphere, we usually try to take a broad overview of our subject. But let's employ the snail's eye view for a moment. Let's look at things from the view of the plain garden variety worker as he enters industrial employment today. Here I speak of the man who goes to work in a union shop bargaining unit—the predominant U. S. industrial environment.

What is our man's situation as he arrives on his new job?

Under the law, whether he wishes it or not, a union bargains for him and determines his wages and working conditions.

Under labor contract terms, he must join the union and abide by the terms of that union's constitution, whether or not he wishes to do so. And he must pay dues to the union, whether or not that may be his wish.

Under the recent court decisions, it now appears he must govern many of his actions in accordance with the wishes of his union's officials. He also must take care not to work at a pace not favored by these officials, whether or not it is his wish to have these matters determined for him.

Now is this *all* bad? Of course not. In an industrial or any other kind of society a balance must always be struck between, as Bertrand Russell expresses it, the will of majority authority and the will of the individual.³²

³⁰ *Daily Labor Report*, 4-26-68, Quotation of NLRB General Counsel Ordman.

³¹ Levitan and Loewenberg, "The Politics and Provisions of the Landrum-Griffin Act." Quotation of Senator McClellan.

³² Russell, Bertrand, "Authority and the Individual" 1949.

But how broadly shall the will of the majority, if indeed that properly describes the role of the union, be allowed to prevail in this relationship? Where can we establish an equitable balance between group rights and individual rights?

A case can be made, it seems to me, that the balance may have been tipped too far in favor of group authority by these new court decisions.

Let's go back to our man's situation to examine why.

A statute exists that clearly establishes a union's right to bargain for our man. A statute exists that allows a union to contract to compel his membership. A law in one case and a labor contract in another reasonably well defines our man's obligations and his rights.

But on the subject of fines we have a truly Kafkaesque circumstance. No statute exists to spell out just when a union can fine our man, nor identify for what acts he may be fined, nor in what amounts he may be fined, nor by what union official or tribunal he may be fined, nor what clear avenues of redress exist if he believes the fine unwarranted.

To the extent that these things are prescribed at all they are prescribed by union constitutions, documents of endless vaguity and murk. Public policy played little part in their drafting.

At present the union constitution largely stands as the final statement of the union's power to discipline and of the rights of union members.

A peek into these constitutions is revealing. One notes the members may be fined for such manifest crimes as conduct that "undermines the Union," that "creates dissension," that "is detrimental to union objectives" as well as the heinous malefaction "conduct unbecoming a union member."³³ Levity aside, such terminology is hardly suitable for the by-laws of a ladies sewing circle let alone an organization with rights created and protected by government statute.

The power to tax is said to be the power to destroy. It can equally be contended that the power to fine is the power to destroy. A union member's financial security and his job security grow ever more tenuous as union fines become ever more frequent and sizeable.

To our man in the shop the threat of a fine may be as much of a villain as the fine itself. That threat can take on awesome propor-

³³ Tobias, Paul H., "A Proposal for Federal Regulation of Union Disciplinary Power." *Labor Law Journal*, Dec. 1958.

tions when he realizes no effective statutory limitation exists on the size of the fine or nature of the act for which he may be fined. So what happens? Our man is forced to recognize that the only sure way for him to avoid a fine is to remain in the constant good graces of union officialdom. The rule of men thus replaces the rule of law.

Now those among you with sharp ears will sense that I have strayed from my assignment. No longer am I pointing to the impact of union acts on management. I have become a defender of individual member rights. But my point is this—more than individual rights is involved. The impact on management grows with each new board and court decision approving fines.

If unions continue to extend their growing practice of fining members in circumstances seemingly sanctioned by these recent cases, a substantial restriction on managerial effectiveness will ensue. In fact from my study of this subject it seems to me that the impact on management of the member fine is already greater than is generally realized.³⁴

One of management's top labor relations executives recently had this to say on the subject.

"At the moment I see no need for further governmental intrusion on the relationship between the individual worker and the labor organization which represents him. In my judgment management will generally fare better if the union representing its employees is tightly disciplined and is represented by a leadership which has an appreciation of the overall economic and social consequences of the demands it makes on the particular industry with which it is dealing."³⁵

While not all management men would view the subject in quite such absolute terms, management does realize that the more rights the individual is given at the expense of the authority of union leaders, the more difficult it will be for those leaders to negotiate and police bargaining agreements with authority. And most management men believe unions need more, not less organizational cohesion.

Perhaps it adds up to this. There is an apparent need for some regulation of union disciplinary processes. That regulation, however, should be selective, not general; it should be remedial, not punitive. And though the main impetus for such legislation may not

³⁴ NOTE: Research for this paper involved examination of 187 cases and review of 86 books, articles, monographs and other relevant publications.

³⁵ Statement of Steel Industry Executive, October, 1968.

spring from management, its impact on management and on effective union-management relations can be extensive.

When considering legislative action in this sphere a balance of three considerations is needed:

1. the *effect on union cohesion*, which should not be seriously eroded,
2. the *effect on the union member's personal rights and job security*, which should be protected from union impropriety and excess, and,
3. the *impact on managerial effectiveness*.

Management's ability to attract people from the labor market, to utilize their services efficiently and to bargain regarding their services with a balance of power should be priority considerations in devising such legislation.

DISCUSSION

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The major paper-writers have written incisive, instructive and I believe, authoritative reviews of the state of the law as it relates to the federal regulation of union affairs. Each from his own special point of vantage faults the law for failing to achieve the purposes which he seeks to achieve, and in effect raises serious questions about unions' efficacy in the modern society.

What gives the criticisms special thrust is that they run to the fundamentals of unionism. This is mostly true of Aaron and to somewhat lesser degrees, of Blumrosen and Hodgson.

Mr. Hodgson calls attention to the union's adverse effect on managerial efficiency. Professor Aaron believes that the union's impairment of individual rights of current and prospective members are sufficiently grave as to call in question for him whether collective bargaining is worth preserving. Professor Blumrosen believes that the overriding need to remedy the wrongs which unions and employers have inflicted on Negro workers probably requires scrapping the seniority system so that "promotion from within" can be enforced, "as rapidly as job openings and qualifications permit . . . until Negroes are no longer 'behind' whites with lesser plant seniority." (p. 8)

The members of this session are not alone in raising fundamental questions about trade unionism's justification. They reflect a world-wide reassessment of the role of trade unionism in the modern economy. Only the union's complicity in causing price instability and retarding growth is lacking here to make the criticism generally representative.

This is an extraordinary turn of events in the evolution of attitudes about unions. The American labor movement only a generation away from ineffectuality now is viewed as part of a trinity which commonly couples "Big Labor" with "Big Government" and "Big Business." Remarkable too is a certain reversal of critical roles. It is the liberal-minded academic intellectual, the historic ally in the labor movement's ascendancy who is advocating fundamental reform generally and in this discussion. On the other

hand it is the classical antagonist of unionism—big industry management—who doubts the need for drastic change in the union's management of its internal affairs lest the union's capability "to operate effectively and act authoritatively" is endangered, as Hodgson says.

The shift is quite understandable. The intellectual support for unionism developed in an environment of scarcity, oppression and exploitation. Full employment, the rise of union power, the welfare state and civil rights radically transformed this environment and it is the unions which are now regarded in many quarters as instruments of oppression and exploitation. American management on the other hand which started out with an ideological power antagonism to unionism now finds that while it has its problems with unions it has found a way of living with unions is probably better than living without them.

There is a fundamental consensus shared by all of these union critics, aptly put by Aaron: "In the areas we have been discussing unions should no longer be regarded as private voluntary associations but as quasi-public organizations, subject to the same constitutional limitations that apply to any instrumentality of state power." (p. 14)

The papers share a common fault in a certain restricted perspective. Aaron's paper makes no mention of the major eruption of rank and file pressure which has taken many forms and means many things but which demonstrates that union members are far from powerless to act in their own interests as against leadership interests. Aaron misses too the important role played by LMRDA in making it possible for the rank and file to act on these interests.

Hodgson does not mention what many observers regard as big industry's largely successful counter-offensive to strengthen its initiatives as against union restraints. This is the so-called management "hard line" which began to show itself in the 1950's. The present unrest in industrial plants may even be a reaction to that hard line. Blumrosen's paper needs to take into account the ferment which Negro workers on their own are stirring up on the industrial shop floors and in union halls.

Moral outrage, which incidentally I share, while necessary to reform certain internal union practices is nevertheless insufficient by itself to generate viable remedies and may even obscure a real-

istic view of the forces that need to be dealt with in achieving moral purpose. What does it mean to say as Aaron says that "if collective bargaining can be made to work only by completely suppressing the rights and legitimate expectations on individual employees, it is hardly worth preserving"? (p. 14) Isn't it necessary to say something about the possible consequences of promotion from within for Negro workers "regardless of the form of the seniority system," as Blumrosen favors?

Although I think there is more to the questions than the participants in this session have ably highlighted for us, they have surely probed the real issues in a forceful way.

XII

THE TRADEOFFS— WORK VERSUS PLAY AND PAY VERSUS FRINGES*

LIFETIME TRADEOFFS BETWEEN WORK AND PLAY

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“In the world of common-sense experience the only close rival of money as a pervasive and awkward scarcity is time,” Wilbert Moore noted half a decade ago. “Loyalty or affection, too, turns out to be a universal scarcity upon close examination. . .”¹ But ours is not a discipline that attends to questions of human emotions, and we are therefore allowed to ignore any vexing problems arising from too little (or too much) affection. We do profess expertise in matters of time and money and their allocation, however; the wonder is that we have spent so much time on money and so little on ‘the pervasive and awkward scarcity’ of time itself.

The discussion following is concerned with the division of time between work and leisure and within that general issue, with several specific questions. What do traditional theories of the allocation of time have to offer in explanation of the current distribution? What are the determinants of the forms of today’s leisure? Finally, how do we explain the accrual of disproportionate quantities of free time to certain workers, and the failure of others to share in the growth of leisure?

I. THE RATIONALE: HIGHER WAGES, LESS LEISURE

Time has played an important role in economics—implicitly in classical theory and explicitly in neo-classical theory (especially in the works of Marshall, Fisher, and Knight) and in Keynesian

¹ Wilbert E. Moore, *Man, Time, and Society* (New York, 1963), p. 4.

* The discussion by Leonard Lesser, presented in this session, is not included in the published *Proceedings*.

and post-Keynesian theory. But the emphasis has been on rates per unit of time, upon time patterns of consumption and production, and upon the implications of futurity.² On the relationship between income incentives (wage rates) and the quantity of labor offered, opinion has shifted through the centuries.³ The mercantilists argued that the labor supply curve was negatively sloped, reasoning that men would work only long enough to maintain themselves ". . . in that mean condition to which they have become accustomed."⁴ Adam Smith and J. B. Say took the opposite view, believing that a majority of workmen, when liberally rewarded, were likely to overwork and threaten their health. Malthus, as one would expect, held that the worker would toil only that number of days required for subsistence. The negative relationship was rejected by Marshall, but reaffirmed by Pigou.⁵

Contemporary views of the slope of the supply function are also diverse, although there seems to be some preference for the notion of a negatively-sloped curve, or at least one that is highly inelastic. G. F. Break argues that workers have fixed commitments, either with respect to the maintenance of certain goals, or to the observance of rigid work patterns. The pressure of these commitments force the worker to render a certain number of hours at any given wage rate, thus tending to make the supply curve inelastic; or else the commitments cause him to demand a certain level of income, which can be maintained with fewer hours of work as the wage rate rises.⁶

²For a recent discussion of the limitational role of time, see Spengler's analysis (Chapter IV) in Juanita M. Kreps and Joseph J. Spengler, "The Leisure Component of Economic Growth," *Technology and the American Economy*, Appendix Volume II, National Commission on Technology, Automation, and Economic Progress, 1966. See also G.L.S. Shackel, *Time in Economics* (Amsterdam, 1958).

³See Joseph J. Spengler's review of the argument: "Product-Adding versus Product-Replacing Innovations," *Kyklos*, X (Fasc. 3, 1957), pp. 267-277.

⁴Josiah Child, quoted in Paul H. Douglas, *The Theory of Wages* (New York, 1934), p. 270.

⁵See citations in Spengler, *op. cit.*: Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Modern Library ed., New York, 1937), pp. 81-86; J. B. Say, *Traite d'economie politique* (Paris, 1841, Book II, Ch. 7, sec. 4); T. R. Malthus, *An Essay on the Principles of Population* (London, 1826), pp. 368, 379, 424-425; Alfred Marshall, *Principles of Economics* (London: Variorum edition, 1961), pp. 140-143, 526-529, 680-696, 720-721; A. C. Pigou, *A Study in Public Finance* (London, 1929), pp. 83-84, and *The Economics of Stationary States* (London, 1935), pp. 163-164.

⁶G. F. Break, "Income Taxes and Incentives to Work," *American Economic Review*, Vol. 47 (September, 1947); also James Duesenberry, *Income, Saving, and the Theory of Consumer Behavior* (Cambridge, 1949).

II. THE RECORD: HIGHER WAGES, MORE LEISURE

Whatever the preference of the individual worker at any particular time, he has in fact gained both income and time free of work during the twentieth century. In annual hours, his free time has grown by about 1200, and in lifetime years, he has gained an additional 9 that are free of work. The fact that workers have taken more and more free time, although each additional hour of free time was more expensive in terms of goods foregone,⁷ would seem to conflict with the stereotype of the "thing-minded" American, who allegedly prefers a higher paycheck to a shorter workweek.

The conflict has often been dismissed with a reference to labor's belief that as long as there is unemployment, the work week is too long. Hence, working time is reduced because of the need to create additional jobs, and free time, like work, needs to be spread more evenly over the entire labor force, including the unemployed. Economists, proud of their sophisticated perception of the "lump-of-labor" theory, have been eager to debunk this trade union attempt to create jobs, but reluctant to deal analytically with the free time generated in the process of growth. An outstanding exception is Gary Becker's work, in which he gives nonworking time a value by including it in his concept of "full income."⁸

It seems perfectly reasonable for today's worker to take the position that the 40-hour week is not particularly onerous, but that his income is inadequate. For workers who have become accustomed to being at work (and whose colleagues typically work) the standard number of hours, the attraction of more time off probably has much less appeal than an increase in income. With wages rising in accord with productivity, the worker's true preference is illustrated by a perfectly inelastic demand for leisure (or supply of effort). Reduction below the "fair" or "customary" working time may have little support until some major policy decision changes the pattern of working time; even then, it may take some time for the shorter schedule to be generally accepted as the norm. But eventually workers will adjust to a 6-hour day or a 4-day week; it

⁷ See Clarence D. Long, *The Labor Force Under Changing Income and Employment* (Princeton University Press, 1958), chapters 1, 2, and 13.

⁸ Gary Becker, "A Theory of the Allocation of Time," *Economic Journal*, LXXV (September, 1965), pp. 493-517.

is easy to imagine, in fact, that after a period of time workers could come to view a standard workweek of 30 hours as quite appropriate, the 40-hour week being remembered in much the same way we now think of the 10-hour day.

III. THE GAMES PEOPLE PLAY

The distribution of lifetime between working years and leisure years depends primarily on the nation's stage of economic development, or more precisely, on the productivity of labor and hence the capacity to support nonworking periods of time. Labor force activity rates for men are highest in agricultural and lowest in industrialized countries, the average number of years of active and inactive life for men varying significantly.⁹

	Average net years at birth		Average net years at age 15	
	Active years	Inactive years	Active years	Inactive years
Industrialized countries	42.2	22.8	45.3	9.2
Semi-industrialized countries	35.6	17.2	43.1	6.4
Agricultural countries	33.9	14.4	41.5	4.6

The fact that men have few inactive years in underdeveloped countries is attributable to rurality and low incomes, John Durand has noted; hence the appearance of non-agricultural industries, the growth of cities, and increases in output per worker leads to a decline in male labor force activity at both ends of working life.¹⁰ Irene Taeuber's study of Japanese demographic patterns reveals even more clearly than the European data a downward trend in activity rates for young and older men in the 1920-40 period, despite Japan's wartime mobilization.¹¹ A more recent analysis, posing the question of whether as incomes rise people systematically change the distribution of their time between work and leisure,

⁹ United Nations, *Sex and Age Patterns of Participation in Economic Activities* (New York: United Nations, 1962), Table 4.4. Figures are unweighted means.

¹⁰ See John D. Durand, "Population Structure as a Factor in Manpower and Dependency Problems of Under-Developed Countries," *Population Bulletin of the United Nations*, No. 3 (New York: United Nations, 1965), p. 6.

¹¹ Irene B. Taeuber, *The Population of Japan* (Princeton: Princeton University Press, 1958).

concludes that there is a significant negative correlation between income and the aggregate allocation of effort to income acquisition.¹² Of the variables other than income that explain the allocation of time, the most important is found to be the state of aggregate demand as indicated by the level of unemployment. The United States' high-income, high-unemployment position in recent years is thus compatible with a reduction in the amount of effort devoted to work.

High hourly wage rates and levels of unemployment may explain more than the decrease in time spent at work; they may also explain in part why leisure grows in one form rather than another, and in particular, why the free time is increasingly taken at the beginning and end of worklife, rather than during the workyear.¹³ But there has been little speculation and even less research on the forms in which leisure is now emerging. As a result, we know very little about workers' actual preferences as to the distribution of free time, although the form in which leisure is made available surely conditions, if not dictates, its utility.

Variations in leisure-time patterns occur even among nations which are at roughly the same stage of economic development. For illustration, we may take five countries: West Germany, Sweden, Switzerland, the United Kingdom, and the United States. Among these nations, the workweek varies from 38.5 hours to 45.5 hours; annual holidays range from 2 to 4 weeks; public holidays may be as few as 6 and as many as 13. As to the male's worklife, active years range from 39.7 to 45; inactive from 21.4 to 25.8; the proportion of life that is active varies from 60.6 to 67.8 percent.

On a country-by-country basis, differences in working patterns are quickly apparent. Workers in Switzerland have a long workweek but generous holiday provisions; participation rates for males are high, and this applies to young and older men. West Germany, too, has a long workweek offset by long vacations and frequent public holidays. But whereas German males enter the labor force

¹² Gordon C. Winston, "An International Comparison of Income and Hours of Work," *Review of Economics and Statistics*, XLVIII (February, 1966), pp. 28-39.

¹³ The advantages of a gradual reduction in the workyear, and the reasons for the historical trend in this direction, were discussed by Clarence Long a decade ago. *Op. cit.*, pp. 24-25.

early, they also retire early. In the United Kingdom, teenagers have exceptionally high activity rates and old people relatively low rates. Vacation and public holiday provisions are much less generous but the workweek is somewhat shorter than in Germany and Switzerland. In Sweden, the amount of leisure and its allocation over the worklife differs from the patterns in other countries. Swedish men have a short workweek, frequent paid holidays, and extremely long vacations. They enter the labor force late, and retire late. Here, the high activity rates for women, following the male pattern in the timing of worklife, serves to spread nonworking time somewhat more evenly between the sexes than is the case in other countries.

Workers in this country enjoy a shorter workweek than most countries in Western Europe, but fewer annual and public holidays. In the changing patterns of worklife, we resemble Sweden in one important respect: participation rates for men have declined and those for women have increased. Moreover, in these two countries men enter the labor force late. But there are important differences. In Sweden the high proportion of working women of all ages is partially offset by some reduction in working hours per week and by generous holiday arrangements. In the United States the increased labor force activity of women is being counterbalanced by the reduced participation of younger and older men.¹⁴

IV. A LUMP-OF-LEISURE THEORY

At any point in time, institutional arrangements largely dictate the terms of nonworking time, i.e., when it occurs, and who receives it. Compulsory retirement at age 65 is one example; the statutory forty-hour week, as well as negotiated vacation plans, help to standardize the length of the workyear.

A major purpose of both the legislation providing for the eight-hour day and that establishing a retirement benefit scheme was to reduce the amount of labor offered by persons then at work (or viewed differently, to give to some workers additional free time), with the ultimate objective that within the new working

¹⁴ For sources of this comparative statement see Juanita M. Kreps, *Lifetime Allocation of Work and Leisure*, Social Security Research Report No. 22, 1968.

rules everyone who wanted to work at going rates of pay could find jobs. Under pressure to create jobs during the depressed thirties, we thus reallocated time between work and leisure. One result of this reallocation was the acquisition of a large block of free time on the part of a particular group of workers, who were dropped from the active labor force altogether.

With the growing emphasis on retirement as a lifestage and some corollary improvement in retirement benefits, and with a possible movement toward early retirement, we may find ourselves allocating a very large proportion of the leisure emerging in the process of economic growth to retirement. Lumps of leisure accruing at the beginning and again at the end of worklife could absorb most of our growth in nonworking time, in contrast to the earlier pattern in which leisure was translated into shorter workweeks.

Not only does the new leisure tend to be lumpy in its time dimension; that portion which accrues during worklife is also being spread quite unevenly over the work force, with the result that certain groups of workers have failed to share in this component of growth. Harold Wilensky's analysis of the distribution of leisure¹⁵ shows a disproportionate gain for workers in mining and manufacturing and (since 1940) in agriculture. By contrast, civil servants and the self-employed have gained little or none. Certain groups—white-collar workers, salesmen, clerks, proprietors, managers, officials, and most professions—tend to work full time year-round, while rural workers, women, nonwhite, young and old persons are employed part-time or intermittently.

The author concludes that higher-income recipients have probably lost leisure during the twentieth century. Among a sample of clerks, salesmen, craftsmen, foremen, small proprietors, semi-professionals, technicians, managers, and some operatives, with incomes ranging from \$5,000 to \$13,000, about half worked 45 hours or more weekly, and a sizeable minority worked 60 hours or more. One-third of the men earning \$10,000 or over logged 55 hours or more per week. Within strata, differences in work schedules were also pronounced; lawyers and professors, for ex-

¹⁵Harold L. Wilensky, "The Uneven Distribution of Leisure," *Social Problems*, 9 (1961-62), pp. 32, 56.

ample, have much longer workweeks than engineers. Business executives average a workweek of 50 hours, excluding business entertaining at home, travel time to work, and business travel. Being self-employed, Jewish, or high-income tends to raise the propensity for long hours.

In summary, it appears that much of our leisure is coming to be concentrated temporally, occurring at the beginning and end of worklife; moreover, that the leisure available during worklife is being concentrated on certain groups, notably those workers who are in excess supply relative to the demand for their services. Mr. Wilensky is probably right in concluding that, given the bunching of leisure, the gains to some groups have been exaggerated and furthermore, that the quality of such fragmented leisure is far from ideal.

In our analysis of the supply of labor, we have perhaps been unduly concerned with variables which tell us little about the behavior of today's workers. For the low-skilled blue-collar worker in a declining industry, nonworking time (not counting unemployment) obviously grows as the demand for this type of labor declines, worker preference for income over leisure notwithstanding. The explanation for the growth in leisure lies altogether in the shortage of jobs relative to job seekers, and the consequent attempt to spread work. At the other extreme, professional, technical, and managerial workers are not gaining leisure, again because of the state of demand for their services. Shortages of labor in this sector result in a bidding up of wages and salaries, but not in the amount of labor offered in the short run, since most of these persons already have extremely heavy work schedules. The amount of leisure taken by the two groups of workers is thus independent of the price of labor, at least within a very broad range, the unskilled worker being willing to spend more hours at work at the going rate of pay, and the executive or professional not being able to spend any additional hours at work, even if offered higher pay.

In the long run, the promise of higher prices for skills and professional talent will of course induce more persons to make the necessary investment in education. But will it increase the supply fast enough to more than offset the rise in demand, and thus allow professional persons to have some increase in free time? Do busi-

ness executives and members of the professions *want* free time? Or does the work orientation of men going into these areas preclude their acceptance of leisure in the amounts now available to blue-collar workers?

V. MORE OR LESS PURITAN

Answers to these question are difficult in part because of the fuzziness of our definition of leisure.¹⁶ For purposes of this discussion, the meaning usually conveyed—i.e., time not spent at work for pay—has been used. But there are serious shortcomings of this concept, particularly when it applies to workers whose performance is largely dependent on high levels of education and training, and who must continue some measure of education as a condition of employment. For such persons, it is almost impossible to separate “work for pay” from the leisure-time pursuit of reading, attending professional meetings, etc. Compounding the problem is the perverse propensity of many of these men to prefer their work (with or without pay) to the world’s more frivolous pastimes. Use of the term “nonworking”time is of no help, since we have not defined work, and the whole question of involuntary unemployment continues to cloud the picture when leisure and nonworking time are used synonymously.

If a particular group of workers gain free time because of a decrease in the demand for their services, how do we view the additional nonworking time of the men who continue to be employed? When the free time is involuntary, it would seem to lie somewhere along the continuum of unemployment, underemployment, and leisure. On the other hand, if workers who can control their hours work far more than the minimum number, even when their incomes are unaffected by the amount of time on the job, the extra time can hardly be thought of as work “for pay.” Perhaps a concept of “discretionary work,” defined as the difference between the amount of time a man actually works and the amount necessary to earn his current pay, would help to identify the extent of his preference for work over play, thereby removing the notion of a necessary pay incentive. Similarly, the man who

¹⁶For a review of the definitional problem, see Justin Voss, “The Definition of Leisure,” *Journal of Economic Issues*, I (June, 1967), pp. 91–106.

finds it impossible to translate free time into work for pay may not be categorized as being at leisure; instead, he is in a sort of limbo in which he must accept some involuntary or nondiscretionary free time.

Important as new labels for the gray area between work and play may be for analytical purposes, the more critical issues arise from our failure to make explicit our preferences first, as between goods and free time and second, as to the preferred forms of any additional leisure. On the first issue, the vast range of our unmet needs¹⁷ would seem to render untenable the acceptance of any involuntary leisure. On the second, a case can be made for diverting more and more of our time to education, investments in education being the correlary of our high current growth, and the sine qua non of future, even higher rates. Whether such an allocation of the leisure component of growth is actually preferred, particularly by the students themselves, has not been demonstrated, although it may be in time; they have already demonstrated on behalf of practically everything else.

¹⁷ See Leonard Lecht, *The Dollar Cost of Our National Goals* (Washington: The National Planning Association, 1965).

EMPLOYEE BENEFIT OPTIONS

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Popularity of Benefit Options

The availability of options in benefits or between pay and benefits has become a currently popular item for discussion.

It is difficult to assess the real reason for the interest. It probably arises from several sources—the fact that companies have many options already may create special interest; the needs of different employees which vary with each individual situation, as I am sure Mr. Neeley will indicate clearly; the comparatively large number of employees of the type who oppose “regimentation” or uniformity; the general interest of the current “generation” in individualized treatment (what Time Magazine characterizes as “the mood of the nation reflects ambiguity: craving new approaches and answers”); the existence of a fad; the desire for more benefits (and pay); the effect of high taxes; desires for more leisure—with pay of course—and other factors not as clearly definable. The other members of this panel will, I am sure cover these most effectively. Today I want to discuss this, however, from the viewpoint of a company and illustrate what freedoms employees have already and indicate the problems involved in options.

Levels of Compensation/Employee Benefit Options

At the outset, it is most important to illustrate the levels of compensation options now existent and possible in each of the three levels of compensation currently available to a person. They are best illustrated by an inverted pyramid consisting of three sections. It is hard to picture a pyramid resting on its point with the base up, but it best illustrates the existing situation.

Government Benefits

At the point, the bottom section of the inverted pyramid represents the statutory or Government benefits. On a company cost basis, these represent a large and ever-increasing share of benefits which are nearly one-fourth of the total cost for benefits—Government and private. This share is important because such statutory

programs contain a minimum of options. Government plans are applicable to the total population and do not—and cannot—contain within themselves options—except of minimal variety. Nor can they provide options as to election or non-election of the benefit since they are generally compulsory and tax-based.

Pay

The top section of the inverted pyramid represents the 75% of total compensation which goes into gross cash pay to the individual. Its larger thickness and wider spread represent and typify the wide variety of options which pay provides to the individual. It indicates by both size and spread of its lines that here is really where the individual has the greatest opportunity to exercise personal choice. His pay can be spent entirely for needs and pleasures, some can be saved in various forms ranging from bank accounts to real estate or mutual funds for future use in various forms with different flexibilities and availabilities, or some can be used to purchase protection such as through insurance—all arranged as he wishes in timing, quantity, availability and type.

To the extent an employee relies on benefits—private and Government—accordingly reducing the portion available in pay, he drastically restricts the pay area where wide choice is practical and possible.

Private Benefits

In the inverted pyramid, between the bottom layer of fixed Government benefits and top layer of broad individual action on options available through use of pay, lies the portion which represents other employee benefits available through the employer. Just as this layer broadens out in the pyramid, so too do these private employee benefits provide much more flexibility than Government plans in individual optional arrangements. This layer accounts for roughly 15 to 20% of an individual's total compensation, and when Government benefits are included we account for roughly 25% of an individual's compensation.

Private benefit plans, by their nature, are mass basis arrangements and their success and value primarily arise from the application of group principles. They can, however, be tailored to specific groups and where such group principles can be modified or

applied on segments of a group, then options are available. To the extent that attempts are made to apply individualized principles, much of the group benefit plan values—in most cases—will be lost.

Types of Private Benefit Plan Options

Private plans offer various types of options—some more useful or practical than others.

First, there are the options available through participation or non-participation in particular basic plans. Then, there are additional options available by providing additional fully contributory plans supplying benefits at low cost through the mass purchasing power resulting from a company's grouping of its employees. These options provide savings to the employee if he wishes to take advantage of the plan. Further, there are the options within a particular plan representing different ways of utilizing or combining features of a plan without incurring additional costs (except possibly some administrative expense). Other benefit options represent greater or less cost—such as optional early retirement versus normal retirement in the Pension Plan. Finally, there are “pure” pay versus benefit options.

Complexity Resulting from Options

Before reviewing each of these facts of option arrangements, two elementary observations are important. First, options and simplicity in benefit description and operation are not synonymous; they are, in fact, opposites. The more options, the more complicated the benefit plans. A plan with only Benefit W becomes complicated by adding Options X, Y and Z even though they may be exactly comparable. Not only is the description and administration more complex, but employee decisions are required. Frequently, too, W, X, Y and Z cannot be equal, so the additional factors which must be applied to one or more of these further increases the difficulties.

With respect to the decisions which may be required by employees, there are problems. There are some sophisticated employees who have the background, interest and time necessary for making informed choices. There are many indications, however, that most employees of all categories—exempt, non-exempt salaried and hourly employees—do not wish to, or feel capable of, making decisions between a number of options. This is quite understandable.

There are a number of problems, also, in choosing some options as to timeliness; that is, the making of an election as of some point in time—by a certain date, before or after attainment of some age, after completion of a specified period of service, etc. These present administrative problems because it is not possible to assume that employees will always be aware of these points, as evidenced by many cases. Accordingly, a company is forced to set up procedures to alert and follow employees well in advance of a particular date.

Other problems involve comparability. Then, too, values change with the occurrence of events such as marriage, births, etc., or with just the passage of time—sometimes called aging—and this requires decisions and action—with which employees generally are not conversant or not likely to carry out promptly with resultant difficulties.

These complicate administration but are, of course, soluble on some “bring-up” basis. Evidence indicates there are failures in this system from time to time and with more options the routines become more cumbersome. Inadvertent failures may subject the company to unanticipated liabilities.

Secondly, many so-called options are really disguised pay increases. When employees seek those options, what they really want is “more.” The facts must be reviewed carefully to make sure it is an option, not really a hidden increase. This seems especially true of so-called vacation or leisure time or retirement options.

These comments do not negate the consideration of options but are intended simply to indicate some of the further aspects which need to be taken into account. As the education level of employees increases and as employees are given opportunities to take more individual responsibilities, these problems relating to decisions may gradually be reduced but not eliminated.

And now to discuss the various types of options.

1. Participation in Basic Plans

An employee may join or not join basic plans. To illustrate—the employee can elect to join the Pension Plan or the Insurance Plan. He can submit suggestions or not. He can request aid from a Loan Plan or not. He can take his vacation or lose it—or sometimes defer it or receive pay in lieu.

2. Additional Optional Low Cost Benefits

Because the size of a company frequently permits mass purchasing on a low cost group basis, it is possible to offer employees various optional plans which they can buy. These include for example, Accident Insurance (where the group rate is at least half the lowest outside individual purchase cost) or Long Term Disability Insurance. There are other additional plans that may be considered in the future, such as automobile insurance, dental insurance, stock purchase, fire insurance, travel costs, pay allotment on life insurance premiums, etc.

As long as these are employee pay-all, these additional options may be thought by some to be pay versus benefit arrangements but they do not actually fall in this area. The employee pays for the cost of such plans from his after-tax income, rather than relinquishing pay in lieu of the benefit. In fact, these plans—while being given credit as Company options—could almost be considered in the area of the triangle described as the portion allocated to utilization of pay by the individual.

3. Options Within a Plan at Little or No Cost Difference

It is also possible to introduce within the limits of one plan, options of equal cost but which might meet different desires or needs of employees. Such options must usually be confined to one plan, otherwise cost differentials arise.

For example:

In a savings plan such as we have in GE an employee can elect U.S. Bonds which have a firm cash value but no growth, or the more volatile GE stock with its growth possibilities, or the Mutual Fund which is perhaps less volatile than the Stock but still retains growth potential, or Life Insurance for protection. No cost differences to the Company arise in any of these four elective courses.

This program also has a variety of withdrawal privileges, such as for illness, education, layoff, or emergencies. These provide additional flexibility with no cost differentials.

In the Pension Plan, by using actuarial adjustments to equalize costs, an employee can elect a full pension payable for his life or a reduced pension payable to him and then a surviving spouse.

The Vacation Plan provides for use of "earned" vacation time beyond two weeks to meet needs for pay lost when absent due to illness or personal reasons. Vacation deferment offers another opportunity to vary existing programs.

In the Insurance Plan, the life insurance can be paid either in a lump sum or on a wide range of extended settlement options.

Under the Medical Insurance portion of the General Electric Insurance Plan, an employee can receive benefits whether treatment occurs in the hospital as a bed patient, in the hospital on an outpatient basis, in the doctor's office, at home—or, for that matter, anywhere else the treatment is given. By contrast, many standard medical plans restrict benefits to treatment in the hospital.

4. *Options Available with a Cost Differential*

Naturally, the election to join or not join a plan involves a difference in cost to the company but beyond this, there are options with cost variations.

Examples of the existing availability of such options include the following:

In the Pension Plan the employee can elect optional early retirement versus normal retirement. When the reduction factors are below actuarial rates and thus are very favorable, optional retirement is much more expensive than normal retirement.

In this same Plan in GE, also in optional early retirement cases, the employee can elect one of two supplemental payments, one of which generally would be more expensive than the other.

An employee—who elects to leave before retirement—also has available vested rights which are, of course, more expensive than a simple refund of contributions upon termination of service.

Pay in lieu of vacation is an option available to an employee subject to approval by the manager.

Some extra cost options are available which will be elected by only certain groups but which must be charged to the overall plan (with all participants sharing on a group basis). Maternity benefits, which appeal only to the female employee or younger married man, in an Insurance Plan are illustrative.

5. *Options Available on a Pay Versus Benefit Basis*

This type of option where the individual elects to give up a

certain amount of pay for benefits costing an equal amount is currently rare because of the difficulties and/or cost problems involved. On the other hand, unfortunately, it is the type of option most discussed as a desirable form of option.

At present, it exists in General Electric in a relatively "pure" form only in connection with (1) the Savings Program and (2) the Holiday Plan in a few locations.

In the Savings Plan area there is the lower so-called Program Pay Arrangement (for those who wish to participate in the Savings Program) and the higher Non-Program Arrangement (for those not wishing to participate in it). While these pay arrangements started out as full offsets, they are now only a partial offset, ranging from $\frac{1}{2}\%$ to $1\frac{3}{4}\%$ depending on earnings, while the participant can obtain a $3\frac{1}{2}\%$ matching Company payment by saving at 7%.

Nevertheless, even though a gain to the participant is possible—that is, the $3\frac{1}{2}\%$ payment versus $1\frac{3}{4}\%$ or lower pay loss—the use of two pay structures has received continual, strong criticism. The universal recommendation from all sides in the Company is to eliminate the pay differential. (Often by the same person who earlier recommended pay versus benefit options!)

All in all, this experiment has hardly been conducive to further extension of pay versus benefit arrangements. Everyone seems to expect benefits to be on top of pay.

The other experiment was to allow local components to select either a holiday or a $\frac{4}{10}\%$ pay differential. At the time it was introduced, this appeared to provide a desirable flexibility in local negotiations. With the passage of time difficulties have arisen in the existing national pay structures where components which elected the higher pay and lesser holidays later want the holiday *without* pay differential applied, or where those who took the holiday feel their pay level should be adjusted upwards to offset the lower pay level that went with more holidays.

Considerable sentiment has, however, been expressed for more pay versus benefit options inside the Company and throughout industry. Eliminating the unpopularity and complexity involved, there are other considerations.

For example, a popular suggestion for a pay/benefit option is in the pension area. Here it is proposed that the young em-

ployee might want pay and then as he ages he would later elect pension. This kind of option has two principal fallacies:

- (1) The annual contribution required to purchase a given amount of pension at later ages is prohibitively expensive. The level annual deposit required to provide \$10 of monthly retirement income beginning at age 65 if purchased beginning at age 30 would require \$10.45 annually. However, if purchased beginning at age 50 it would be \$50.02 a year.*

*Age at first deposit :	Annual deposit to age 65 :
30	\$10.45
35	14.73
40	21.22
45	31.65
50	50.02

Thus, the annual cost is five times greater to buy the same pension if funding starts at age 50 as compared to the age 30 cost.

- (2) Regardless of his decision at age 30 to receive more pay, the employee would expect that upon reaching 65 he would have a total pension commensurate with his total service. This means that not only would the pension appropriate to service, say from 50 to 65 be bought at a high cost figure but the rest of the pension applicable to service from age 25 or 30 to age 50 would also be bought at this high rate. That is the small pension—applicable to the shorter period of accumulation at high costs—would simply result in built-in pressures for more pension.

Now in conclusion, let me summarize what has been said.

The preceding discussion indicates that the options available to an employee are greatest in the use he makes of his pay. Government benefits offer little in the option area, but private benefits do have areas of flexibility, even though necessarily established on a group basis. However, as Government and private benefit levels and costs increase, the area of individual freedom through pay tends to be diminished because if employers spend more on the benefits, there is less for direct pay. This reduction in pay may lead some employees to feel that private benefits should have more options—instead of advocating the protection of existing levels of pay where the greatest freedom of choice exists.

In spite of the fact that desires and needs vary, there is some doubt that many employees really wish to have many options, or that, if given more variety will have the interest, knowledge or time to reach sound decisions.

Some of the current discussion on options, if carefully analyzed, proves to be a request for *more in benefits or more in "compensation."* People want more leisure, but they don't want to sacrifice compensation, so it becomes more pay for greater time not worked. In general, pay versus benefit options appear to have significant drawbacks and may result in detrimental employee relations, higher costs, or other problems and are not really what is generally sought by employees.

There are areas where more options can be developed and the pioneering that has gone into private benefits in this area will undoubtedly continue. It is possible to develop more options in the fields where company mass purchasing can provide useful elections to employees in allocating their pay. Programs like Personal Accident Insurance can be made available. Equal cost options within plans can continue to be sought such as the range now available in a savings plan which arises through the availability of a variety of savings media (U.S. Bonds—stock—mutual funds—insurance) or the variety of withdrawal options. Each possibility proposed must be reviewed as to feasibility, whether it really involves a choice or is actually just an added benefit, whether additional costs are involved and, if so, are they balanced by the value in improved employee relations.

The purpose of this paper is not to close any avenues of thought but rather to supply a background for consideration of ideas and proposals.

DISCUSSION

STANLEY M. NEALEY

University of Illinois

Since I have been pointed out as the only psychologist on the panel I will try to devote my remarks to those aspects of the papers by Dr. Kreps and Mr. Willis that relate, sometimes by *lack* of emphasis, to the psychological aspects of the topic before us. The main thrust of both papers is economic, and I find myself thinking that economists often take for granted those aspects of a problem that psychologists take as the major variables for study. Of course the reverse is equally often true.

Both papers point up the constraints operating to limit and channel patterns of work and leisure. Dr. Kreps emphasizes economic development factors and uses international comparisons and trends over time to illustrate her points. Mr. Willis pointed up the organizational constraints on unlimited flexibility in compensation options. In his view these are (1) increased costs associated with compensation flexibility and (2) employee relations problems caused by employee misunderstanding and unrealistic expectations.

The international comparisons cited by Dr. Kreps are interesting partly because they give us outside perspective on the practices we are familiar with in American industry. The unanswered question is, "How do such variables as stage of economic development and type of economy operate as causal factors to determine work-leisure patterns?" Since compensation policy and work-leisure patterns are the product of organizational decision makers, we need to discover how these decisions are actually affected by the broad economic variables. Human decisions are influenced by values, preferences, expectations, and goals. These in turn are shaped by societal norms and shared expectations which must flow in part from economic factors. This interplay of economic and psychological variables is far from understood, however, and sadly this topic seems to be attracting little current research attention.

In studying the above topic, I feel that analyses of smaller units than nations and industries or even companies and plants will be needed to discover the determinants of these patterns. A related problem is how to respond if we discover, as we have (Nealey

1963, 1964, and Nealey & Goodale 1967) that employee compensation preferences differ from group to group. Smaller bargaining units and more compensation options would seem to provide a partial answer, but current trends of industrial practice are running counter to the former, and Mr. Willis has discussed some of the problems with the latter of these solutions.

The uneven distribution of leisure across categories of employment raises fundamental questions about the significance of work and the satisfaction with work for these employment categories. Professionals, managers, and officials work more hours than semi-skilled or unskilled workers, but research shows that they also enjoy their work more. Dr. Kreps has pointed to the need for better operational definitions distinguishing work and leisure. The point is well taken. While countless studies have investigated "job satisfaction" we know little of "leisure satisfaction" or the subjective utility of leisure. There is a real need for a comprehensive theory of *life orientation*. Not only the pattern of work and non-work, but satisfaction with both need to be considered as a guide to industrial practice. We must expect that such life orientations will differ with type of work and also with demographic factors like age and sex. A key factor in the work-leisure pattern is organizational control of work time. Unlike the professional the assembly-line worker can't control his own hours. Of course some might argue that professionals and managers would be more, not less, productive if they worked fewer hours. This was the general finding several decades ago when the length of the work week for hourly employees was sharply reduced.

Such programmed leisure as vacations, rest breaks, and paid holidays are a regular part of the compensation package. Every organization strives to make its returns to participants operate in such a way as to motivate them to perform their work well. The trend, emphasized by Dr. Kreps, for leisure to be bunched at the beginning and end of the work life should be disturbing to anyone concerned with productivity. It's hard for me to conceive of early retirement as an effective motivator of work performance. For that matter, applied motivation theorists see little motivational value, beyond prevention of turnover, in most aspects of current industrial compensation programs.

Mr. Willis very properly emphasizes the added administrative

cost and complexity of increased individual or plant-based *options* in compensation. Two points seem worth making. First, all parties to the agreement, including the union as a collective body, and individual employees, must recognize that complex compensation schemes carry noticeable administrative price tags. Second, such option flexibility will only be useful if it is desired by employees and if it can be justified as a motivational investment. Incentive payment schemes are somewhat analogous. They are costly and complex to administer, but these disadvantages can be out-weighed if they are popular with employees and appear to management to be a good motivational investment. However, with compensation options as with incentive pay, they may not be positively viewed by some employees. In fact, Jones and Jeffrey (1964) have measured employee preferences for incentive pay as one of several options in compensation plans and found considerable individual and plant to plant variability.

As Mr. Willis notes, increased complexity in compensation programs may be somewhat limited by employees' ability to understand and choose wisely among the options available. This is of course an excellent opportunity for company and union to cooperate in communicating to employees what their options are and how they might best use them. Given the bewildering range of products available to consumers in our society and the enormous expenditure in advertising aimed at "guiding" the consumer into wise choices, I have difficulty taking seriously the contention that further compensation options face serious difficulties because of the inability of employees to understand them.

On the other hand, I think we should give careful thought to the question of who actually determines the major directions that compensation plans take. Both company and union negotiators insist that employee wants largely determine the *form* that increased compensation will take. Yet there is real question that either organization has developed adequate mechanisms for the expression of employee preferences. This situation makes more difficult the problem of advising employees regarding their choices under existing programs, because both company and union are thrust into the role of advocates of those aspects of the compensation scheme that fit their own interests best.

Once again, let me emphasize that I have concentrated on the

psychological aspects of compensation policy because I feel we need to understand this area better to avoid the danger of organizational decision makers and employees alike being run by organizations instead of running them.

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DISCUSSION

CHARLES E. ODELL

U. S. Employment Service

My problem in reacting to the papers by Dr. Kreps and Mr. Willis centers in part on the matter of definition of terms. Dr. Kreps acknowledges the difficulty of defining what is leisure or play-time by suggesting that it is really non-working time that she is talking about whether that time is really forced by unemployment due to layoffs or is non-work time involved in vacations, holidays, retirement or a legislated work-week, etc. Mr. Willis talks about options in benefit plans as though workers really had a wide range of choices with regard to the benefit they elect when in fact benefits like pensions, group life insurance, health insurance, etc., are not really options to an individual once they become an integral part of a collective bargaining or pension and insurance agreement.

Thus it becomes difficult to generalize about options and trade-offs from the point of view of the individual worker since the choices are not really individually determined, but become very much involved in broader social-economic and political considerations in which the individual worker really may have little personal preference or choice. Achieving some greater balance between these two forces, or at least a reconciliation of them seems to me to be at the heart of the issue we are trying to discuss. For example, if there is validity to Dr. Kreps' thesis about the necessity or desirability of trade-offs in the direction of greater opportunities for non-work time in the form of educational benefits for purposes of refurbishment or learning a new skill in the middle years of working life, there is probably need for political and social action, collective bargaining, tax reform as well as attention to the needs and choices of individual workers if such a scheme is to be workable. In other words, to make the option, really a viable option both the social and political *and* the individual aspects of it must be facilitated if the worker is to have a meaningful choice.

The same problems arise in the implementation of the "options" described by Mr. Willis. To make them viable for all workers in the bargaining unit they tend to become automatic requirements for

participation in the unit rather than options. For example, older UAW members opting for early retirement must, in effect, agree not to earn more than \$1500 a year in order to continue to draw their early retirement benefits. Similarly, in many agreements they must use their vacation time—as vacation rather than opting to work and, in effect, draw double pay.

The ambivalence toward these options on the part of many workers, at any age, as inferred by both Dr. Kreps and Mr. Willis, suggests to me that a major problem in moving ahead to achieve a more effective trade-off between work and leisure or non-work time lies in the field of worker education, guidance and support. In my observation, the vast majority of working people in all occupations and industries have very limited understanding of their present options and choices. Nor do they have a very sound basis, in fact, or understanding, for making wise decisions and choices about the new options they ought to be fighting and voting for. An interesting example is the tuition payment opportunity for personal and skill development which is open to union members in the auto industry. In at least one State, New Jersey, less than one percent of those eligible have taken advantage of the option, yet some of us seem to be advocating this general approach as a major avenue of social policy for dealing with the trade-off issue as defined by Dr. Kreps. There are doubtless many reasons why workers are not taking advantage of the tuition payment benefit—the kinds of courses available, the location of educational facilities, the hours and times when such courses are offered, the quality of instruction, etc. But a critical factor, in my judgment, is the failure of the union, the companies, and the communities to reach and inform the worker as to the meaning (to him personally) of the benefit and how to make creative use of it whether for personal growth, skill improvement, basic or remedial education, etc.

A long and rather frustrating experience in promoting pre-retirement education programs among older workers in both industry and government leads me to the conclusion that a considerable number of institutional and individual factors need to be taken into account if such programs are to be effective.

I would agree that a wider range of options and choices should be made available, both in terms of institutional arrangements and benefits, to deal with the basic issue of trade-offs between work and

leisure as outlined by Dr. Kreps and Mr. Willis. I would caution, however, that such arrangements and choices will not really have the intended effects unless equal energy effort (and maybe even money) is spent in informing and motivating workers to make wise choices, both in the selection of the kinds of institutional and benefit changes they want, and need, and in taking individual advantage of such options once they become available.

DISCUSSION

RUDOLPH OSWALD

AFL-CIO

Basically, I would like to disagree with an underlying current that has been running through both papers and some of the comments—namely that unions don't represent the wishes and desires of their members in making choices between work and play or pay versus fringes. I purport that unions do reflect their members' intentions in their important questions central to all collective bargaining. The members' desires are incorporated into the union's demands at the bargaining table—and the members have the ultimate voice and vote as to whether they accept the contract. The union's role is essentially that of giving workers a voice in the decision making process involving pay and fringe benefits. This certainly is a great advance from the paternalism of old, or even the new paternalism of the elite telling workers what is good for them. Unions still are the basic framework for assuring workers a voice and a vote in the decision-making process concerning pay, leisure, and fringes.

I would also like to comment on some short run aspects of the pay-leisure question as well as placing the issue in some historical perspective as reflected in the development of vacation benefits. A public policy area concerned with the trade-off between pay and leisure, is the overtime premium required by the Fair Labor Standards Act. We in the labor movement feel that this needs to be reviewed.

Miss Kreps starts with an academic assumption stating "with wages rising in accord with productivity, the workers' true preference is illustrated by a perfectly inelastic demand for leisure (or supply of effort)." I would like to challenge this basic assumption.

In the past three years the average production or non-supervisory worker has received no increase in real average weekly take-home pay. The average worker in our private economy earned \$110.38 a week in October 1968 according to statistics of the Labor Department. However, this meant only \$79.10 in real (1957-59 dollars) take-home pay for a worker with three dependents. This was less

than the average worker earned in real take-home pay in October 1965 (\$79.35).

In the past three years the average worker has not been receiving wage increases in accord with productivity. He has just been standing still. He has carried the load of the current inflation and in addition has received the burden of the tax surcharge and increased social security payments. Rather than having more money to spend in line with rising productivity the average worker has less real money.

These average weekly earnings of production and non-supervisory employees are the gross average weekly earnings of over 47 million workers, the great majority of workers in the United States today. The same general picture prevails when the broad industry components of the private economy are examined. In looking at the breakdowns of the components, slight decreases in the real take-home pay occurred in manufacturing and in wholesale and retail trade over the past three years. In mining, real take-home pay decreased almost 5 percent, whereas finance, insurance and real estate has shown an increase of about 2 percent. In contract construction, where the public impression is that of large wage gains, real take-home pay has increased less than 3 percent over the past three years.

This analysis of a lack of any wage movement based on average hourly earnings is substantiated by other data. In reviewing general wage changes effective in manufacturing firms, a real increase of less than 1 percent per year is shown for the years 1965 through 1967 (according to the Bureau of Labor Statistics figures). These statistics point out the inability of the average worker to share in the increased productivity. The gains of productivity have been going to increase profits, corporate income flows, and gains for higher salaried workers not increased wages for the average worker.

However in viewing the longer run situation unions hope to recapture a share of the nation's rise in productivity. Unions hope to bring a major part of that share to workers both in terms of increased wages and also in terms of increased leisure.

In addition to the growth of fringe benefits, generally, I think that reviewing the experience with vacations can provide some historical prospective for how a fringe benefit grows.

Paid vacations for workers were a relatively new phenomenon

30 years go. At that time paid vacations were reserved only for the salaried class. Through the efforts of organized workers, the benefits of a paid vacation have generally spread throughout the labor force. However, in the initial break-through, vacations were generally limited to 1 or 2 weeks. After about 10 years—in the immediate post-war period—unions began to negotiate three-week vacations for their longer service members. It took about a decade for this to spread. Then in the middle and late 1950's, four-week vacations began to be negotiated. Again after another decade, the fourth week of vacation has been generally accepted. Now in the 1960's a fifth and sixth week of vacation have begun to be negotiated for long service employees. These developments have been gradual but continual and we expect them to continue in the decades ahead.

Another area that I would like to comment about was also neglected by the two speakers. In discussing overtime Miss Kreps disregards the diminution of the premium for overtime work. In 1938, the Fair Labor Standards Act established a premium of time and a half to be paid for hours worked over 40. This addition premium was established to limit the workweek to 40 hours and to provide an incentive to employers to maintain a workweek of not more than 40 hours. The time and a half premium was not designated to provide workers with additional income but to expand job opportunities by tending to limit the workweek. However, today this time and a half premium no longer is a deterrent to employers. It does not deter employers from scheduling hours in excess of 40 since it does not cost the employer time and a half of his total compensation but only time and a half of his wage rate, not including fringe benefits. In 1938, there were practically no fringe benefits and the time and a half premium became an actual deterrent to long hours. However, the growth of fringe benefits in the period since then would require that the premium on basic wages be increased to double time to have the same deterrent as the original provision had.

Unions thus have three major roles to play in the decade ahead, in their traditional role of fighting for worker's needs and wants.

1. Unions need to gain a real meaningful share of the country's increasing productivity,

2. Unions need to continue to expand paid leisure opportunities, and
3. Unions need to influence public policy to provide a real deterrent to overtime work, by revising the overtime premium.

XIII

INVITED PAPERS

FACTORS DETERMINING EARNINGS OF SELECTED BLUE COLLAR WORKERS IN INDIA AND JAPAN

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Introduction

One of the assumptions of investment in human capital and other manpower planning activities is that such investment and planning will produce a more efficient resource allocation and thereby avoid manpower shortage. Education, training, mobility and such, have been recognized as important variables in achieving this desired goal, but the effectiveness of these variables in determining individual earnings is still not known with any great precision. Hence, the objective of this paper is to ascertain the significance of these variables in determining individual earnings. The special feature of this study is its emphasis on comparative analysis through quantitative method.

Data

As part of a bigger project ¹ a variety of labor market data were collected from India and Japan, in 1964, by using a pretested questionnaire. Five manufacturing firms were selected for this study, two from Madras, India and three from Tokyo and surrounding areas in

¹This article is an adaptation of a doctoral dissertation completed under the supervision of Gerald G. Somers, at the University of Wisconsin in 1968, entitled DETERMINANTS OF INCOME IN MADRAS LABOR MARKET. The dissertation utilized data gathered in a larger project on Comparative Labor Market Behavior under the general direction of Gerald G. Somers. The Japanese data were gathered as part this larger survey with the assistance of Professor Kawada, Keio University and the Madras data with the assistance of Professor V. Ananta Raman, Indian Institute of Technology, Madras.

This dissertation was completed under a grant from Manpower Administration, U.S. Department of Labor.

The author is indebted to Gerald G. Somers, G. G. Cain, W. L. Hansen, R. U. Miller and E. M. Kassalow for their penetrating criticisms and suggestions.

Japan. From these firms a random sample of 1051 male, blue-collar non-supervisory workers were selected and interviewed; the questionnaire contains information regarding various aspects of their labor market activities covering retrospectively a period of ten years (1955-1964).²

Variables and Methodology

Monthly earnings before deductions is taken as the dependent variable while independent variables are: age, years of education, temporary-permanent payroll status, hours worked per month for the current job, total employed period in weeks since 1955, total unemployed period in weeks since 1955, weeks spent in institutional and on-the-job training, number of vertical moves measured by changes in the respondents' designation, number of geographic moves, distance moved, union membership of the respondents, skill categories, based on the U.S. Occupational Code, years of stay in city and castes, based on Indian government classification.

Earnings or incomes like most other economic concepts can be defined in various ways, depending upon the purpose one has in mind. An income concept that is suitable for measuring the ability to pay tax may be quite different from one that measures the reward for employment, purchasing power, economic welfare or any other characteristics of which income is thought to be an index.³ In this study as we are measuring the reward for employment by age, education, skill, training, etc., earnings before deductions are more suitable than earnings after deductions because the latter may reflect factors that are not related to employment.

Standard linear regression analysis⁴ is used for measuring the significance of these variables as determinants of earnings and for measuring the variations in respondents' earnings explained by these independent variables collectively and in some cases individually.

²Though extraordinary care was taken in obtaining accurate information from the respondents, the author does not presume perfection in this respect; nor for that matter, can any questionnaire survey claim that virtue.

Due to limitation of space no details of the firms from which data collected are given in this paper. A brief note on these firms can be had from the author on request.

³H. P. Miller, *Income of the American People* (New York: John Wiley & Sons, Inc., 1955) pp. 12-13.

⁴Linear functions are used throughout this study. The author is aware of no compelling reasons to think that some specific non-linear forms would be preferable. If some non-linear form is a better specification of reality, however, the linear forms may be considered approximations.

The four equations presented in Table 1 for the Indian data, differ from one another by the number of independent variable included. The purpose of excluding or including certain variables in different equations is to observe the difference in the magnitude of R^2 and in the regression coefficient in each equation caused by the presence or absence of particular independent variables.

Determinants of Earnings for the Indian Workers

The first regression equation consists of 12 independent variables; among them the following 7 are positively and significantly related to earnings: age, education, temporary-permanent payroll status, period employed, number of vertical moves, upper caste and hours worked. Except "upper caste," which is significant at 10% level, the other six variables are positive and significant at 1% level. The twelve independent variables explain 21% variations in earnings.

In the second equation we have added skill categories as additional independent variables (dummy).⁵ The introduction of skill changes the R^2 corrected for degrees of freedom from 0.21 to 0.33. It also caused a substantial reduction in the estimates of the coefficients for age, education, experience, vertical mobility and upper caste. With the presence of skill in the equation, age becomes insignificant. This dislocation of what were the highly significant variables in the first equation seem to occur because of the multi-colinearity among these variables; skill itself could be a weighted average of the other variables in the equation. The monthly earnings differentials between the skilled and the unskilled is Rs. 55.3. Skill as the sole regressor is capable of explaining 20% of total variations in monthly earnings of the respondents.

The skilled-unskilled wage differentials are found to be larger in developing than the developed nations.⁶ According to one study,⁷

⁵ See Daniel Suits, "Use of Dummy Variables in Regression Equations," *Journal of the American Statistical Association*, 52 (Dec., 1957), pp. 548-551.

⁶ Koji Taira, "Wage Differentials in Developing Countries: A Survey of Findings," *International Labour Review*, Vol. 93, No. 3 (Mar., 1966), pp. 281-301.

⁷ H. Gunter, "Changes in Occupational Wage Differentials," in *ILR*, Vol. 89, No. 2 (Feb., 1964), p. 143. Data on occupational wage differentials for a few more countries are presented in various articles in W. Galenson (ed.), *Labour in Developing Economics* (Berkeley: University of California Press, 1962). Also see N. Gunabashi, "The Labour Market and Wages in South-east Asia," in *The Developing Economies*, Tokyo, Vol. I, No. I (Jan.-June, 1963), pp. 79-90.

TABLE I
4 Regression Equations for Indian Data—Number of Observations 468
Dependent Variable: Monthly Earnings Before Deductions

Independent Variables	Equation I Coefficient (T-Ratio)	Equation II Coefficient (T-Ratio)	Equation III Coefficient (T-Ratio)	Equation IV Coefficient (T-Ratio)
Distance Moved (Miles)				0.0013 (0.182)
Years in city				-0.1670 (-0.638)
Age (Years)	1.1310 (3.488)***	0.0220 (0.069)	1.0947 (3.391)***	0.0863 (0.244)
Temporary- Permanent (Dummy)	49.1661 (3.632)***	49.6578 (3.983)***	51.9998 (3.852)***	51.7273 (4.140)***
Hours worked (per month)	1.3207 (4.633)***	1.2798 (4.871)***	1.2923 (4.557)***	1.2508 (4.778)***
Period Employed (weeks)	0.0659 (2.720)***	0.0452 (1.994)**	0.0827 (3.092)***	0.0586 (2.329)**
Vertical Mobility (promotions)	18.2320 (5.094)***	3.4701 (0.926)	19.2297 (5.288)***	4.5335 (1.188)
Unemployed period (weeks)	0.0113 (0.248)	0.0159 (0.378)	0.0256 (0.545)	0.0267 (0.614)
Institutional training (weeks)			0.1492 (2.077)**	0.1148 (1.700)*
Mobile (Dummy)	4.2567 (0.730)	6.0676 (1.130)	2.8276 (0.486)	1.9473 (0.288)
Union (Dummy)	-3.4173 (-0.431)	-7.9585 (-1.080)	-5.1642 (-0.653)	-9.2175 (-1.253)
On-the-job training (weeks)			-0.1503 (-1.722)*	-0.1651 (-2.043)**
Upper caste (Dummy)	18.5922 (1.938)*	9.3674 (1.052)	20.3906 (2.121)**	10.6116 (1.174)
Middle caste (Dummy)	4.8103 (0.838)	0.4180 (0.079)	5.5109 (0.964)	1.2407 (0.234)
Others (Dummy)	-3.6119 (-0.578)	-1.4930 (-0.259)	-2.6734 (-0.430)	-1.1655 (-0.200)
Skilled (Dummy)		55.3564 (7.777)***		54.6121 (7.583)***
Semi-skilled (Dummy)		8.8209 (1.560)		7.8894 (1.378)
Constant	-114.9075 (-1.813)	-62.8139 (-1.069)	-112.5388 (-1.781)	-58.7573 (-1.002)
R ² corrected for DF	0.2136	0.3333	0.2228	0.3391

Earnings in Indian Rupees: 1 Rupee = 13 U.S. cents approx.; \$1 = 7.50 Rs.
* = sig. at 10%; ** = at 5%; *** = sig. at 1%.

unskilled wages as percentages of skilled in 1950 to 1952 were, respectively, 40, 51, 59 in Nigeria, Hong Kong and Pakistan and at the other end of the scale, 84, 83, 81, respectively, in the U.K., Netherlands and Austria. The unskilled workers in developing countries have little scarcity value to help them to increase their wages relative to the skilled workers. It has been suggested by Koji Taira⁸ that the rational explanations for high skill wage differentials in developing nations may be found in part in the concept of the commitment of labor, but such explanations are yet to be confirmed or denied by empirical evidence.

The third equation is the same as the first, but adding institutional and on-the-job training (OJT), and omitting the all powerful variable, skill. The R^2 increases slightly from 0.21 to 0.22 (compare Equation 1 and 3). The institutional training has the correct sign and is significantly related to earnings; on the other hand, OJT has a negative coefficient and significant at 10% level. Introduction of both types of training in the equation does not alter the coefficient of other variables very much as it happened when skill was added in the second equation. All other variables have recovered their original level of significance found in the first equation because of the absence of skill in this equation.

A word of explanation is in order about the negatively significant relation we found between OJT and earnings, and the explanation given here must be treated as tentative.

To begin with, we are not sure about the *quality and intensity* of the OJT as compared with the institutional training as the available data at our hand are insufficient.

To the extent that OJT is general training and not specific to the firm, the employees pay for their OJT by receiving wages below what they could receive elsewhere.⁹ Certainly there is a *time lag* between the completion of OJT and its impact on earnings. It is a known fact that the importance of OJT increases as the technological sophistication gets accelerated as evidenced in the U.S. and other advanced countries where skill obsolescence becomes a major factor in employment. But India is on the other end of the scale in this respect, where OJT has not yet gained the same momentum, as it has in advanced nations.

⁸ Koji Taira, *op cit.*, p. 301.

⁹ G. S. Becker, *Human Capital* (New York: NBER, 1964), p. 13.

Further, in this study, we did not make any distinction between the *general and specific* OJT as done by Becker.¹⁰ It is crucial to know whether the training is specific or general, or the relative composition of each before coming to any firm conclusion regarding the relation between the earnings and OJT and our data are not sufficient to make such an analysis.

From the characteristics of the Indian sample, we found that it is the younger and more educated who had the OJT. And OJT seems to be a function of level of education and for all practical purposes training gets submerged in education, which remains significant all through our analysis.¹¹

Among the 18 independent variables we have in the fourth equation, only the following five are positively and significantly related to earnings: years of education, temporary-permanent payroll status, experience (period employed), institutional training and skill. Collectively all these variables are capable of explaining only one-third (0.3391) of variations in the earnings of the respondents.

Determinants of Earnings: A Comparison with Japanese Data

Table 2 summarizes the results we got by applying the same regression model and definition of variables to the Indian and Japanese data. Experience comes out as the most powerful income determining variable in Japan; while in India this variable, though positive and significant, does not explain as much of the variance as it does in Japan (T-Ratio for India and Japan for this variable is 3.113 and 20.499, respectively). Age is equally significant in both, while the number of geographic moves are found positive and significant in Japan but not so in India. Temporary-permanent payroll status remains a significant variable in both. Union membership is significant and positive in Japan while it is negative and not significant in India.

Another contrast between these labor markets is found in the importance of institutional training. In India, institutional training is significant and positive not only when we have it as one among the eleven independent variables (Table 2) as well as among all the 18 variables (Equation 4 in Table 1), though its level of significance

¹⁰ *Ibid.*, p. 18.

¹¹ A. K. Sen, "Education, Vintage and Learning by Doing." *The Journal of Human Resources*, Vol. I, No. 1 (Fall, 1966), pp. 3-21.

TABLE 2

Regression Equation—Japan, Number of Observations 494—
 Compared with India, Number of Observations 458
 Dependent Variable: Monthly Earnings Before Deductions¹

Independent Variables	Japan		India	
	Coefficient	T-Ratio	Coefficient	T-Ratio
Period Employed	5.0936	20.499 ***	0.0834	3.112 ***
Age	0.6910	3.784 ***	1.0926	3.381 ***
Mobile	10.5945	3.188 ***	2.6879	0.461
Temporary-Permanent	19.7307	2.478 **	52.5059	3.893 ***
Hours Worked	0.0993	2.742 ***	1.3589	4.809 ***
Union	10.2488	2.736 ***	-4.9032	-0.619
Institutional Training	-0.0506	-1.258	0.1538	2.137 **
Vertical Mobility	-1.5172	-1.122	19.3081	5.319 ***
On the Job Training	0.0481	1.031	-0.1267	-1.460
Unemployed Period	0.0468	1.008	0.0261	0.555
Education	-0.1709	-0.316	2.9084	3.691 ***
Constant	-4.6621	-0.339	-125.7113	-1.992
R ² corrected for DF	0.7703		0.2182	

¹ Earnings for Japan is in dollars while for India they are in rupees. Unit of measure is relevant only for interpreting the regression coefficient but not for T-Ratio. In our comparison we are interested in T-Ratio to find out the level of significance of each independent variable in determining one's earnings and the total variations explained (R²) by the independent variables included in the equation.

* = sig. at 10%; ** = sig. at 5%; *** = sig. at 1%.

decreases from 5% to 10% when we increase the number of explanatory variables in the equation. But for Japanese data, institutional training is negatively related to earnings, though not significant. For both samples, OJT is of no significance.

Income determining power of vertical mobility and education is in opposite directions between India and Japan; these two variables are highly significant and positive in the former while they are negative and not significant in the latter.

The explanatory power of all the eleven variables collectively (Table 2) for Japan is almost four times compared with India (R² corrected for DF for Japan 0.7703 and for India 0.2182). Even when we had 18 explanatory variables in analyzing India data (Equation 4, Table 1), they explained only one-third of the variations in earnings as compared with 77% of the variations explained by only 11 variables for the Japanese data.

Holding all others constant, the period employed alone explains 74% of variations in earnings of the Japanese respondents. We ran a forced order regression, having education as the first explanatory

variable with a hope of finding it positive if not significant; but the results establish the fact that education is not only negative but significantly so in determining one's earnings in Japan (coefficient -7.0787 and T-Ratio -7.909). The predominance of experience and age over education and training in Japanese labor market needs some explanation.

There is a marked tendency to view industrialization in terms of particular Western experience—the protestant ethic as a source of motivation, a trend to impersonalization of social interaction, the development of a rational world view by Western man.¹² The Japanese experience shows that industrialization is not identical to Westernization; and cultural context requires transformation not transplantation of industrialism.¹³ That initial transformation has taken place in Japan through the Nenko system or lifetime commitment.

The Japanese employers reward their employees for their lifetime commitment, personal loyalty, etc. Hence, it is not surprising that period employed determines three-fourth of variations in the earnings of the Japanese workers. Though loyalty, paternalism, reverence for age, caste systems, etc., are elements of the Indian culture, they are not found to be institutionalized in industrial establishments in India *as much as* they are in Japan. In Japan, base pay is a function of age and education, and only of these factors; further increments to the base pay are *primarily* a function of length of service.

The Japanese forms of compensation are more varied and often less direct than those in American as well as Indian firms. No other country's reward system comes anywhere near the Japanese system in terms of *non-work and non-wage* related benefits. In many Western nations, it is still the money wage that is used by the employee to estimate his worth to the company and his success at his job, but not so in Japan. It is the total person the company hires, it is the total reward the employee expects; a logical reciprocity which goes against the "contract" oriented Western practice.

The "temporary" workers in Japan and to some extent in India, are a class by themselves. As can be seen from Table 2, temporary-

¹² Clark Kerr *et al.*, *Industrialism and Industrial Man* (New York: Oxford Galaxy Book, 1964), Chapter 8.

¹³ J. C. Abegglen, *The Japanese Factory* (Glencoe, Illinois: The Free Press, 1960), p. 47.

permanent status is one of the highly significant income determining variables in both these countries. At least the Indian temporary worker hopes to achieve permanent status in the course of time; the Indian employer can afford to make him "permanent" as he can fire him when he wants because of the absence of any cultural constraint equivalent to *Nenko*; but for the Japanese employer to hire somebody "permanently" is too costly, as he is not expected to fire him thereafter; the Japanese "temporary" workers know very well by their system that they are permanently-temporary.

In both these countries, unions are indifferent towards temporary-workers; permanent payroll status has almost become a qualification to be a member of the union. The Japanese unions are in favor of *Nenko* system and they oppose any attempt on the part of the employers of introducing the system of "payment by ability" on the grounds that Japanese wages are already too low to permit elements of competitiveness among workers to endanger the minimal rates. The employers themselves do not want to pay too high a price for the savings and incentives which the Western pay system would involve.¹⁴

Many observers of this phenomenon in Japan are beginning to wonder and even feel compelled to admit that something approaching "lifetime commitment" is developing in many Western countries, predominantly in France and Belgium;¹⁵ and in the U.S., the question "Do we have a new industrial feudalism" has been raised.¹⁶ The protection of workers' seniority in Brazil has been described to be a modified form of Japanese system.

Masumi Tsuda¹⁷ is of the opinion that the chief motivation of the Pakistani, referred to as *IZZAT*, may imply a meaning comparable to the Japanese *Nenko*. Further, he says that the wide range rate of an occupational wage and the successive job promotions with increase in length of service in Pakistani and Indian big enterprises, suggest the same factors which determine the Japanese basic wage. He raises the following issues on this problem:

¹⁴ Alice H. Cook, *An Introduction to Japanese Trade Unionism* (Ithaca, N.Y.: Cornell University, 1966). p. 11.

¹⁵ *Ibid.*, p. 6.

¹⁶ A. M. Ross, in *AER*, XLVII (Dec., 1958), pp. 903-920.

¹⁷ Masumi Tsuda, "Japanese Wage Structure and Its Significance for International Comparisons," in *The Changing Patterns of Industrial Relations* (Tokyo: The Japanese Institute of Labour, 1965), p. 213.

It is debatable, however, to what extent the people of all the Western countries have actually functioned as isolated individuals. It is also problematic whether or not so-called paternalism is inconsistent with modern industrial relations.

Various large-scale Western enterprises have certainly maintained paternalistic practices, on which Japanese enterprises have often modelled their own paternalistic labour policy.¹⁸

The "rate of return" approach to earnings or what is called "An Investment Theory of Wages"¹⁹ is still in the budding stage and the approach itself is subject to a lot of criticism. Though human beings are supposed to be rational, it is sometimes claimed that the typical investor in human capital is more irrational in the sense of being impetuous and likely to err, than is the typical investor in tangible capital.

For example, it might be highly tempting to anyone, looking at the Table 2, to conclude that Japanese are non-rational in investing their money on education. However, looking at the total picture of the Japanese labor market dynamics, education makes all the difference in Japan in getting into a big and high paying firm, though age and experience takes care of the greater portion of his income afterwards.

The oft-repeated criticism, that income determining variables need not be *additive* but could be *interactive*, has been found incorrect in one recent study.²⁰ The authors of this study have used additive model (as we have done in this study), as well as interactive model for the same data with identical definition of variables in both models. The results of the interactive model did not *contradict or negate* any of the results obtained from additive model.

Nor the dichotomized approach (market oriented West vs. non-market oriented East)²¹ is in any way fruitful in explaining the reward system, because even in "market-oriented" U.S.A., *functional*

¹⁸ *Ibid.*, p. 211: on paternalism and total commitment expectation at the middle and upper management level in the U.S. see W. H. Whyte, Jr., *The Organization Man* (New York: Anchor Books, 1957).

¹⁹ H. M. Gitelman, "An Investment Theory of Wages," *ILRR*, Vol. 21, No. 3 (April, 1968), pp. 323-352.

²⁰ Orley Ashenfelter and Joseph D. Mooney, "Graduate Education, Ability and Earnings," *The Review of Economics and Statistics*, Vol. XLX (Feb., 1968), pp. 78-86.

²¹ Joseph R. Gusfield, *Tradition and Modernity: Misplaced Polarities in the Study of Social Change*, Bulletin No. 171 (Univ. of Ill.: Institute of Labor and Industrial Relations).

and *status* theory of payment co-exist. There are empirical evidences indicating that there are elements of non-rational, subjective, status oriented criteria involved, even in the U.S., in determining how much one should be paid and for what reasons.²² It seems more reasonable and realistic to assume that the market and non-market variables and orientations are not mutually exclusive or contradictory and on the other hand, they can and do co-exist in determining the market value of man, in East as well as West.

Apart from possible defects in the conceptualization or methodology used in our study, the unexplained variations may be due, in part, to errors in reporting or to chance factors which produce short run fluctuations in individual income. Our inability to explain more of the variations in the earnings of the Indian workers may be due to omission from the measurement of such key variables as ability, effort, motivation, quality of education, quality of labor, physical fitness, non-work experience, accumulated depreciation of schooling and training, individual income-leisure preferences, job characteristics such as "dirty" and "clean" job, productivity, imperfections in the market; on the employer side, size and technology of the firm, control over market, proportion of labor cost to non-labor cost, etc. These variables deserve the attention of researchers in this field in the future.²³

Conclusion

It should be recognized that the application of investment-return concepts in labor market studies do not tell us directly and exactly whether education, training, mobility, etc. are "a sufficient or necessary condition of growth." But it is perfectly possible to believe that earnings differentials are largely attributable, *directly or indirectly*, to such factors and even that these factors contribute to economic growth; they seem to be necessary conditions though not sufficient for economic growth.²⁴

²² Miller and Form, *Industrial Sociology* (New York: Harper and Row, 1964), Chapter III on "Income, Class and Social Structure."

²³ For an excellent discussion about income determining variables see W. Lee Hansen, Dorothy J. Hodges and Burton A. Weisbrod, "A Study of the Contribution of Education to Individual Earnings: Part I, The Conceptual Framework," mimeo, undated.

²⁴ Harbison and Myers, *Education, Manpower and Economic Growth* (New York: McGraw Hill, 1964), Chapter 3. Also see M. Blaug, *The Rate of Return on Investment in Education in G.B.*, Reprint No. 5, London School of Econ. and Pol. Science, pp. 205-261.

RESOLVING INDUSTRIAL CONFLICT—AN EXPERIMENTAL STUDY OF THE EFFECTS OF ATTITUDES AND PRECEDENT

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Unions and management confront and test each other endlessly. There is a basic fabric of cooperation in union-management relations but it is heavily interlaced with conflict. Each continually disputes with the other about wages, wage increments, work assignments, layoff decisions and so on. Bendix observes that “. . . employees continue to ‘bargain’ silently over the rules governing their employment, long after they have signed the contract which stipulates these rules in a seemingly unambiguous manner.”¹

Our interest in this paper is to understand better an important form of day-to-day union-management conflict—the grievance. Our purpose is to report the results of an experiment that attempted to test several hypotheses about how attitudes toward unionism and how knowledge of consonant or dissonant precedents might affect the decisions a unionist or a manager would make to resolve a grievance.

We follow Slichter et al. in our definition of a complaint and a grievance.² A complaint is anything done by an employer that is not approved by an employee or the union. A grievance is a complaint that involves a charge that one or several provisions of the union-management contract have been violated.

William F. Whyte has pointed out that grievances are a significant form of conflict because they may affect the relationship far beyond the limited incident that precipitated the complaint.³

¹ Reinhardt Bendix, *Work and Authority in Industry* (New York: Harper & Row, 1959), p. 247.

² Sumner H. Slichter, James J. Healy and Robert E. Livernash, *The Impact of Collective Bargaining on Management* (Wash., D.C.: The Brookings Institution, 1960).

³ William F. Whyte, “The Impact of the Union on the Management Organization,” in Conrad M. Arensberg et al. (Eds.), *Research in Industrial Human Relations* (New York: Harper & Bros., 1957), p. 174.

Two Concepts of Grievance Disputes

Our interest in the two variables attitude and precedent stems from two widely held beliefs about what factors influence the position a person is likely to take on a grievance.

One belief is that the group one identifies with will determine one's attitudes toward unionism, one's attitudes will determine one's perception of facts which will in turn determine the position one takes on a grievance.⁴

In the area of labor disputes, Ross Stagner's work is probably most representative of the view that attitudes affect actions.^(5,6)

A second concept argues that precedents—agreements and past grievance decisions—will override attitudes and bring order and rationality to the union-management relationship. Dubin expresses this view as follows: Union and company both have major stakes in developing systematic rules governing work behavior . . . both sides seek the stabilizing effects of established rules and precedents.⁷

Social Judgment Theory

The relationship between attitudes, precedents and grievance positions is more complex than is suggested by the two sets of beliefs just described. Social psychological research into how people form evaluative judgments is especially informative. Sherif and Hovland⁸ conclude that the more ambiguous a stimulus, the more will a person's attitudes determine his judgments. Thus, if we consider a grievance to be an ambiguous stimulus we would hypothesize that the individual's attitude toward unionism would determine his grievance decision.

To understand how the introduction of a precedent might affect a person's judgments, we turn to Sherif and Sherif's "social judgment-involvement" theory.⁹ This theory states that the acceptance

⁴ Daniel Katz, "The Functional Approach to the Study of Attitudes," *Public Opinion Quarterly* (1960), Vol. 24, No. 2, pp. 163-204.

⁵ Ross Stagner, *Psychology of Industrial Conflict* (New York: Wiley & Sons, 1956), p. 46.

⁶ Ross Stagner, "Psychological Aspects of Industrial Conflict," *Personnel Psychology* (1948), Vol. 1, pp. 131-143.

⁷ Robert Dubin, *Working Union-Management Relations* (New Jersey: Prentice-Hall, 1958), pp. 24-25.

⁸ Muzafer Sherif and Carl I. Hovland, *Social Judgment* (New Haven: Yale Univ. Press, 1961).

⁹ Carolyn W. Sherif and Muzafer Sherif, *Attitude and Attitude Change: The Social Judgment-Involvement Approach* (Philadelphia: W. B. Saunders Co., 1965).

or rejection of information about a controversial issue depends on the person's subjective evaluation of how discrepant the information is from his own attitude, and how extreme or moderate the person's attitude is.¹⁰

These researchers assert that judgments are affected as follows:

- (1) Persons with *extreme attitudes tend to magnify the discrepancy of any divergent communication*, evaluate it unfavorably, and reject it.
- (2) Persons with *moderate (neutral) attitudes do not magnify the discrepancy of information* from their personnel positions on issues. They will accept and use a wider range of divergent information than the extremist when making a judgment.

The social judgment-involvement theory suggests that a precedent introduced in a grievance situation can have several different effects on a person's judgment. The effect would seem to depend on whether a person has an extreme or a moderate attitude on the relevant issues and whether the precedent is dissonant or consonant with the person's own position.

Hypotheses

On the basis of the foregoing concepts and research we derived the following hypotheses:

- H-1. Given a grievance situation and relevant contract clauses but no information about precedents a person will make grievance decisions that are consistent with his attitudes toward unionism.

This means that in the absence of precedents a person with pro-union attitudes will make pro-union grievance decisions; a person with neutral attitudes toward unionism will make neutral grievance decisions and so on.

In the next three hypotheses we deal with the interaction of precedents and attitudes.

- H-2. Given a grievance situation and relevant contract clauses and either a pro-union precedent, a pro-management precedent

¹⁰ *Ibid.*

or no precedent (neutral condition), persons with *neutral attitudes* will make grievance decisions that are consistent with the precedent they receive. In short, persons with neutral attitudes will make decisions in the direction of the precedent they receive.

- H-3. Given a grievance situation and relevant contract clauses and a *consonant precedent*, persons with *extreme attitudes* toward unionism will make more extreme grievance decisions than persons with the same extreme attitudes who receive no precedent.

For example, persons with a pro-union attitude given a pro-union precedent will make grievance decisions that are more pro-union than the decisions made by persons with pro-union attitudes who receive no precedent. This says that persons with extreme attitudes will accept and use consonant information.

- H-4. Given a grievance situation and relevant contract clauses and a *dissonant precedent*, persons with *extreme attitudes* toward unionism will reject the precedent and will make grievance decisions no different from persons with similar extreme attitudes who receive no precedent. This means that persons with extreme attitudes who receive dissonant information will behave as if they received no information.

Experimental Design

The independent variables in this study were (1) S's attitudes toward unionism, and (2) precedent condition. Using Weaver's¹¹ validated test for attitudes toward unionism and his norms for scores we separated our subjects into three attitude subgroups: pro-union, neutral, pro-management. Each subgroup was further subdivided into thirds, each receiving one of three different precedent conditions—pro-union, no precedent, pro-management.

There were a total of 180 subjects. Ninety were active union members and ninety were practicing managers. They had been matched in terms of age, years of work experience and years of formal education.

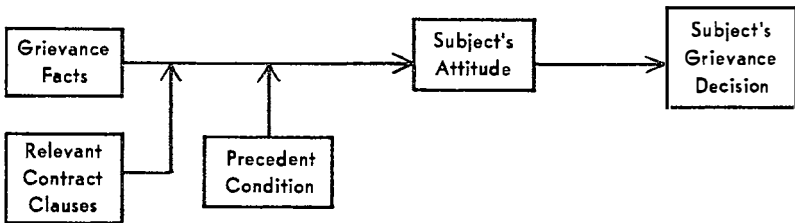
¹¹ Carl H. Weaver, "The Quantification of the Frame of Reference in Labor-Management Communication," *Journal of Applied Psychology* (1958), Vol. 42, pp. 1-9.

The design can be pictured by a 3X3 matrix as follows:

Subject's Attitudes				
Precedent Condition	Pro-union	Neutral	Pro-mgt.	
Pro-management	n = 20	n = 20	n = 20	n = 60
No-precedent	n = 20	n = 20	n = 20	n = 60
Pro-union	n = 20	n = 20	n = 20	n = 60
	n = 60	n = 60	n = 60	N = 180

Each subject was classified into an attitude subgroup on the basis of his Weaver test score and then was randomly assigned to one of the three precedent conditions.

A model of the decision situation is shown below.



Every subject received identical grievance descriptions and contract clauses. The grievances consisted of three cases based on genuine industrial disputes reported in the literature, all had genuine arbitration rulings. The three disputes covered common issues in industrial relations. The issues were: (1) industrial discipline, (2) seniority versus ability as the criterion for promotion, (3) technological displacement of a worker.

We gave each subject three cases to minimize the likelihood that the type of grievance might become a spurious variable. Also, all the cases, contract clauses and precedents were rewritten so that they were classified as easy reading according to the Flesch method. This was done to reduce the likelihood that language difficulty might become a spurious variable. The precedents given were based on actual arbitration rulings.

The dependent variable in this experimental design was the subject's grievance decision. We developed five decision possibilities for each case ranging from extremely pro-union to extremely pro-man-

agement. We tested the validity of the decision scale by having two professional arbitrators independently rank and scale the decision possibilities. We also had thirty subjects, who were not used in the final experiment, independently rank and scale the five decision possibilities for each case. There was a .93 correlation between the decision scaling of the pilot subjects and the professional arbitrators so we could assume the decision alternatives for each case were properly orderly into a clear and valid scale.

A subject's grievance decision score was the average of his score on the three cases. It could range from 1 (extremely pro-union) to 5 (extremely pro-management).

Results

We shall now examine the responses of the subjects for confirmation or non-confirmation of our hypotheses. A statistical summary of the mean grievance decision scores and standard deviations for all subgroups of subjects and precedent conditions appears in Table 1.

H-1, the hypothesis that subjects who received no precedent would make grievance decisions consistent with their attitudes toward unionism, was confirmed. The data for the no-precedent condition appear in the second row of Table 1. Statistical analysis, Table 2, shows a significant difference ($p < .001$) between the decisions of subjects with pro-union attitudes and subjects with neutral attitudes. There is also a significant difference ($p < .01$) between the decisions of subjects with neutral attitudes and subjects with pro-management attitudes.

Actually, the relationship between attitudes and grievance decisions was much stronger than we had anticipated, for it holds true even when subjects are given a pro-union or a pro-management precedent. If we scan horizontally across each row of Table 1 we see that for each precedent condition, as subjects' attitudes move toward pro-management, the grievance decision scores become more pro-management. This direct relationship between attitude and grievance decision score occurred in the predicted direction for all three precedent conditions.

H-1 was confirmed not only for the no-precedent condition but for all conditions of precedent. We grouped the decision scores of all subjects with similar attitudes even though they received different precedents. These are the column means in Table 1. Sta-

TABLE 1
 Pattern of Subgroup Means of the Dependent Variable—Subject's Decision Scores

Type of Precedent	Column 1 Pro-Union Subjects	Column 2 Neutral Subjects	Column 3 Pro-Mgt. Subjects	
Pro-Management Arbitration Ruling	Cell-11 $\bar{Y}_{11} = 1.91$ S.D. ₁₁ = .55	Cell-12 $\bar{Y}_{12} = 3.33$ S.D. ₁₂ = .63	Cell-13 $\bar{Y}_{13} = 3.86$ S.D. ₁₃ = .71	Row 1—(n = 60) $\bar{Y}_1 = 3.03$ S.D. ₁ = 1.04
No Arbitration Ruling	Cell 21 $\bar{Y}_{21} = 1.94$ S.D. ₂₁ = .70	Cell 22 $\bar{Y}_{22} = 2.95$ S.D. ₂₂ = .75	Cell 23 $\bar{Y}_{23} = 3.50$ S.D. ₂₃ = .74	Row 2—(n = 60) $\bar{Y}_2 = 2.80$ S.D. ₂ = .97
Pro-Union Arbitration Ruling	Cell 31 $\bar{Y}_{31} = 1.48$ S.D. ₃₁ = .39	Cell 32 $\bar{Y}_{32} = 2.45$ S.D. ₃₂ = .66	Cell 33 $\bar{Y}_{33} = 2.70$ S.D. ₃₃ = .91	Row 3—(n = 60) $\bar{Y}_3 = 2.21$ S.D. ₃ = .87
	Column 1: $\bar{Y} = 1.78$ S.D. = .60	Column 2: $\bar{Y} = 2.91$ S.D. = .77	Column 3: $\bar{Y} = 3.35$ S.D. = .93	Grand $\bar{Y} = 2.68$
The mean of 20 subjects' de- cision scores for each com- bination of independent variables = \bar{Y} of the cell.	Attitude Score Range: 1-3.0 (n = 60)	Attitude Score Range: 3.1-4.5 (n = 60)	Attitude Score Range: 4.6-7 (n = 60)	Sample N = 180 —each subject's score = the mean value of three decisional choices all made on the decision scale shown here.*
		DECISION SCALE: *		
	Pro- Union	1 2 3 4 5	Neutral	Pro- Mgt.

* Numerical values of the alternatives in each of three issues decided by the subjects.

TABLE 2

Effect of Different Attitudes on the Mean Decision Scores of Subjects Given No Arbitration Ruling as Precedent for their Decisions

Cell	N	\bar{X} = Mean Attitude Score	Type of Arbitration Ruling	\bar{Y} = Mean Decision Score	S.D. Y	t Ratio* of Y Means (One-Tailed Test)
21	20	2.44 Pro-Union	None	1.94	.70	$\bar{Y} 21 : \bar{Y} 23 = 7$ ***
22	20	3.82 Neutral	None	2.95	.75	$\bar{Y} 21 : \bar{Y} 22 = 4.6$ ***
23	20	5.07 Pro.Mgt.	None	3.50	.74	$\bar{Y} 22 : \bar{Y} 23 = 2.5$ **
N = 60						

*** P < .001
 ** P < .01
 * P < .05

tistical analysis, Table 3, showed significant differences between the decision scores of all three attitude subgroups, and these differences were further confirmed by an F test (ratio 79.2, p < .01).

Now, we turn to the effects of precedent conditions.

H-2, the hypothesis that subjects with moderate attitudes would make grievance decisions consistent with the precedent received, was confirmed. The decision scores were all in the direction of the precedent received, with each type of precedent's influence producing subgroup scores that were significantly different from each other (Table 4).

TABLE 3

Overall Effect of the Attitude Variable on Subjects' Mean Decision Scores

Column	N	Attitude Score Range	\bar{X} = Mean Attitude Score	S.D. X	\bar{Y} = Mean Decision Score	S.D. Y	t Ratio* of Y Means (one-tailed test)
1	60	1-3.0 Pro-Union	2.37	.54	1.78	.60	$\bar{Y} 1 : \bar{Y} 3 = 12.1$ ***
2	60	3.1-4.5 Neutral	3.82	.36	2.91	.77	$\bar{Y} 1 : \bar{Y} 2 = 8.7$ ***
3	60	4.6-7 Pro-Mgt.	5.08	.40	3.35	.93	$\bar{Y} 2 : \bar{Y} 3 = 3.4$ **
N = 180							

*** P < .001
 ** P < .01

TABLE 4
Effect of Varying Related Arbitration Rulings on the Mean Decision Scores of Subjects with Neutral Attitudes⁺

Cell	N	X = Mean Attitude Score	Type of Ruling (Precedent)	Y = Mean Decision Score	S.D. Y	t Ratio** of Y Means (One-Tailed Test of Significance)
32	20	3.80	Pro-Union	2.45	.66	$\bar{Y}_{32} : \bar{Y}_{12} = 4.6$ ***
22	20	3.82	None	2.95	.75	$\bar{Y}_{32} : \bar{Y}_{22} = 3.6$ **
12	20	3.80	Pro-Mgt.	3.33	.63	$\bar{Y}_{22} : \bar{Y}_{12} = 1.7$ *
N = 60						

⁺ These 60 subjects obtained attitude scores ranging between 3.1 and 4.5

*** $P < .001$

** $P < .01$

* $P < .05$

Interestingly, when we grouped all subjects, regardless of attitude, who received the same precedent condition the hypothesis that decisions would be in the direction of the precedent received was confirmed ($p < .01$). The relevant data are the row means in Table 1—2.21, 2.80, and 3.03—which produced an F ratio of 21.4.

If we had not gone on to attempt to study hypotheses 3 and 4 we would have simply confirmed both major contentions about what affects a person's grievance decisions. Attitudes toward unionism affect them and precedents affect them. Our data would show that attitudes are more potent than precedent. But, the particularly enlightening developments are in the different ways that extreme attitudes interact with precedent. We now turn our attention to this refinement in analysis. We shall examine H-3 and H-4 first in terms of the responses of subjects with pro-union attitudes and then in terms of the responses of subjects with pro-management attitudes.

H-3, the hypothesis that subjects with extreme attitudes would accept consonant precedents and would make more extreme grievance decisions, was confirmed for subjects with pro-union attitudes. Referring to Table 5, we see that subjects with pro-union attitudes given pro-union precedents made grievance decisions that were significantly more pro-union than similar subjects who were given no precedents.

H-4, the hypothesis that subjects with extreme attitudes would reject dissonant precedent, was also *confirmed for subjects with pro-union attitudes*. Referring to Table 5, we see that subjects with pro-union attitudes given pro-management precedents made

TABLE 5
Effect of Varying Related Arbitration Rulings on the Mean Decision Scores of Subjects with Pro-Union Attitudes*

Cell	N	\bar{X} = Mean Attitude Score	Type of Ruling (Precedent)	\bar{Y} = Mean Decision Score	S.D. Y	t Ratio** of Y Means (One-Tailed Test of Significance)
31	20	2.24	Pro-Union	1.48	.39	$\bar{Y}_{31} : \bar{Y}_{11} = 4.3$ ***
21	20	2.44	None	1.94	.70	$\bar{Y}_{31} : \bar{Y}_{21} = 2.8$ **
11	20	2.43	Pro-Mgt.	1.91	.55	$\bar{Y}_{21} : \bar{Y}_{11} = .22$ n.s.
N = 60						

* These 60 subjects obtained attitude scores ranging between 1 and 3.0.

*** $P < .001$

** $P < .01$

n.s.—Not significant

grievance decisions that were *no different* from similar subjects who received no precedents. In short, the subjects with extreme pro-union attitudes when given dissonant precedents *behaved as if they received no precedents at all*.

Now we shall examine how subjects with pro-management attitudes responded when given consonant and dissonant precedents. The data are in Table 6.

H-3 is the hypothesis that subjects with extreme attitudes given consonant precedents would make more extreme decisions. The decision scores for H-3 became more pro-management as predicted; but, the results fell short of statistical significance ($p < .15$) for subjects with pro-management attitudes.

H-4, the hypothesis that subjects with extreme attitudes given

TABLE 6
Effect of Varying Related Arbitration Rulings on the Mean Decision Scores of Subjects with Pro-Management Attitudes*

Cell	N	\bar{X} = Mean Attitude Score	Type of Ruling (Precedent)	\bar{Y} = Mean Decision Score	S.D. Y	t Ratio** of Y Means (One-Tailed Test of Significance)
33	20	5.08	Pro-Union	2.70	.91	$\bar{Y}_{33} : \bar{Y}_{13} = 3.9$ ***
23	20	5.07	None	3.50	.74	$\bar{Y}_{33} : \bar{Y}_{23} = 3.3$ **
13	20	5.08	Pro-Mgt.	3.86	.71	$\bar{Y}_{23} : \bar{Y}_{13} = 1.2$ n.s.
N = 60						

* These 60 subjects obtained attitude scores ranging between 4.6 and 7.

*** $P < .001$

** $P < .01$

n.s.—not significant

dissonant precedents would reject the precedents, was statistically rejected ($p < .01$) for subjects with pro-management attitudes. Rather than reject the dissonant pro-union precedents, our results show that *subjects with pro-management attitudes accepted the precedents and made grievance decisions that were significantly more pro-union* than those made by similar subjects who received no precedents.

In other words, the subjects with pro-management attitudes dealt with precedents the same way as subjects with neutral attitudes. The subjects with pro-management attitudes accepted and used the full range of precedent conditions from consonant to dissonant.

Discussion

The findings of this experiment strongly indicate that a subject's attitudes toward unionism are an extremely powerful determinant of the position he is likely to take in grievance situations. Subjects with different attitudes maintained their differences from each other in the grievance decisions they made for all conditions of precedent. This can be seen vividly by scanning the rows of Table 1.

Precedents were significant but had much less effect than attitudes on the grievance decisions subjects made. Recall that every subject received identical grievance statements and contract clauses. Let us look at the effect of precedents intended to close the attitude gap. Subjects with pro-union attitudes were given pro-management precedents. They made decisions with a mean decision score of 1.91. Subjects with pro-management attitudes were given pro-union precedents. They made decisions with a mean decision score of 2.70. Although the precedents should have brought the two groups together in their grievance positions on identical facts and clauses, there was still a highly significant gap between them ($p < .001$). *Thus the belief that precedents will bring parties with significantly different attitudes to a common view of a dispute is not supported by the findings of this research.*

We also found significant differences in the way subjects with *extreme attitudes* used precedents. It appears that subjects with pro-management attitudes take a "judicial" view of precedents. For them, precedents seem to take on a binding, legal character that requires they be followed in spite of the subject's attitudes. The decisions of subjects with pro-management attitudes were consistently

more pro-management than the decisions of subjects with pro-union attitudes; but, the pro-management subjects made decisions that were less pro-management when they received pro-union precedents.

The subjects with pro-union attitudes responded exactly as predicted by "social judgment" theory. They seemed to take an ad hoc, "negotiating" view of precedents. If a precedent was consonant with their attitudes, they used it; if it was dissonant, they disregarded it.

In conclusion, this experimental study suggests that attitudes are extremely powerful determinants of personal positions in grievance disputes. Furthermore, precedents do not cause significant convergence in the positions of parties with different attitudes. Finally, the experiment suggests that unionists see grievances and the use of precedents as a negotiating process whereas managers see them as elements in a judicial proceeding.

LATERAL INTERACTION AND EFFECTIVENESS IN VERTICAL ORGANIZATIONS

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Organizational theory has traditionally been preoccupied with interpersonal networks employed for the transmission of official orders and directives. A key feature of such official networks is their directionality which is commonly presumed to be vertical.

Recently attention has been devoted to non-vertical interaction networks. Most studies in this area, however, have been content to merely catalog various forms of non-vertical interaction.¹ Studies of the association between non-vertical interaction and effective performance have been relatively rare.² This study is intended to make a contribution toward our knowledge in this area. The major aims of the study are:

1. To explore the distribution of vertical and non-vertical interactions in an industrial organization;
2. To investigate the relationship between vertical and non-vertical interaction and supervisory effectiveness; and
3. To examine organizational factors which are associated with the degree of participation in vertical and non-vertical networks.

Research Setting and Methods

The study was conducted in one of the oldest and largest metal

¹ See George Strauss, "Managers—An Improper Subject for the Study of Management: Discussion." Industrial Relations Research Association, *Proceedings of the Eighteenth Annual Winter Meeting, New York, December 28-29, 1965*, p. 85. Leonard Sayles has categorized lateral relations in terms of work flow and has identified seven kinds of flows. Leonard Sayles, *Managerial Behavior* (New York: McGraw-Hill, 1964).

² Frank Janinski, "Foremen Relationships Outside the Work Group," *Personnel*, Vol. 33 (1956-57), pp. 130-136. Quentin Ponder, "The Effective Manufacturing Foreman," *Proceedings of Tenth Annual Meeting of Industrial Relations Research Association, September 5 to September 7, 1957*, pp. 41-54. For an extensive review of the literature on lateral relationships see Allan M. Schwartzbaum, "The Motivation of Supervisors to Interact Horizontally and Diagonally," Unpublished Masters Thesis, New York State School of Industrial and Labor Relations, Cornell University, 1965, pp. 104-127. Robert Dubin has undertaken a similar review in his article, "Business Behavior Behaviorally Viewed," G. B. Strother, ed., *Social Science Approaches to Business Behavior* (Homewood, Ill.: Irwin, 1962), pp. 11-56.

processing plants in the Eastern United States. This plant is one division of the parent corporation's many domestic and international subsidiaries. The division employs 1,200 people and produces 3,000 to 4,000 tons of steel castings per month.

In order to successfully complete the operations necessary to meet production goals, the various units of the organization must provide specialized services. These tasks must also be performed in a specific sequence requiring considerable coordination and cooperation between departments. The molding department, for example, is so located in the work-flow sequence that it is directly dependent on two other departments, patterns and core room, in order to ready its molds on schedule. In addition it must have the appropriate molds in place to meet a rigid and generally inflexible pouring schedule.

Nineteen first-line supervisors representing each of the four production departments were randomly chosen as observational subjects. Foremen were observed during 24 randomized 5 minute periods spread out over 14 months.³ Eight of the 19 foremen were observed simultaneously by a second observer for a 20 minute period. Inter-observer reliabilities were statistically significant.

An observation method called the "interactio-gram" was used to record interactions. According to Atteslander its developer, "The interactio-gram focuses on a given individual in his relations with a single group, or with a number of different groups; it was specially designed to observe supervisory personnel."⁴

At the end of the 14 month period a questionnaire was administered to the total supervisory force of 46 individuals. Respondents were also asked to name the 5 individuals who were most important to their work, their 5 best sources of information in the organization and their 5 choices as partners for social activities during work breaks.

The performance of supervisors was evaluated by the vice president of manufacturing, the manager of plant operations and the

³ Occasionally certain supervisors in the sample were not observed on a given day because they were either not at work or could not be located when the time designated for their observation period occurred. This factor produced unequal total observation times for the nineteen supervisors and the need to quantify the various categories of interaction as percentages of total observation time.

⁴ Peter M. Atteslander, "The Interactio-gram: A method for Measuring Interaction and Activities of Supervisory Personnel," *Human Organization*, Vol. 13, No. 1 (Spring 1954), p. 28.

supervisor of personnel. Ratings of effectiveness for a given supervisor were equal to the sum of rankings by the three raters.⁵

Definition of Terms

The term vertical relationships, is used to designate all superior-subordinate contacts. This category includes a subordinate's interactions with both his immediate supervisor and all additional superiors with whom he is in a direct line authority relationship.

Horizontal relationships refer to the dealings between organizational peers of equal official rank. Diagonal contacts include those interactions, e.g., between a foreman and a subordinate who reports to a different foreman; likewise they include interactions between the foreman and a superior to whom he is not directly responsible. In addition, line staff contacts are considered as diagonal interactions.⁶

The phrase lateral relationships is employed to indicate all non-vertical contacts, both horizontal and diagonal.

The Distribution of Supervisory Contacts

If the official regulations and procedures of the formal organization governed all organizational contacts it would be unnecessary to empirically investigate the question of "who communicates with whom." The difficulty stems from the fact that only a portion of the total number of organizational relationships can be surmised from the organizational chart.

Table 1 shows how supervisors distributed the time they spent on personal contacts. Well over half (61%) of the average supervisor's total interaction time was directed downward vertically toward his own subordinates. The small amount of total upward vertical interaction (8%) suggests that the overwhelming majority of such official vertical interactions occur with immediate subordinates rather than with direct superiors.⁷

⁵ The reliability coefficient for agreement among raters was significant at the .05 level ($r = .68$).

⁶ No systematic attempt was made to differentiate between either horizontal contacts internal or external to one's department or the downward, upward and staff components of diagonal interaction.

⁷ Katz, et al. also report that individuals communicate more with their subordinates than their superiors. Katz, et al., *Organizational Stress* (New York: John Wiley and Sons, 1964), p. 192.

TABLE 1
The Distribution of Supervisory Contacts: Average Per Cent of Total Interaction Time Devoted to Four Categories of Personal Contacts¹

Interaction Category			
Downward Vertical	Upward Vertical	Diagonal	Horizontal
61	8	16	15

¹Total interaction time does not include time spent in interaction with the observer.

The categories of horizontal and diagonal contacts account for 15% and 16% of the total interaction time of supervisors respectively.

The Content of Interaction

Table 2 offers a summary of the sociometric responses. An examination of this table allows us to gain some understanding of the content of supervisory interactions. Two of the three sociometric categories may be classified as work related. These include the categories of (1) individuals chosen as important for getting work done and (2) individuals chosen as an important source of information about what is going on in the organization. The third category—individuals chosen for taking a break from work—clearly suggests the social rather than the work related aspects of organizational behavior.

TABLE 2
Content of Interaction—Average Number of Choices Made in Various Sociometric Categories¹

Sociometric Category	Interaction Category			
	Upward Vertical	Downward Vertical	Horizontal	Diagonal
Choose as Important for Getting Work Done	2.55	.41	.78	1.35
Choose for taking Break from Work	.27	.24	1.55	1.32
Choose as Important Source of Information	2.08	.19	.62	1.67

¹Five individuals were selected for each category; N = 37 subjects. The total for any given sociometric category does not add up to five since some respondents chose less than five individuals.

Table 2 demonstrates the supervisors' strong reliance on their own superiors for information and assistance for getting work done. Table 1, however, showed that upward vertical contacts accounted for only a small percentage of the total interaction of supervisors. This fact may increase the significance of diagonal contacts which according to table 2 rank second with respect to their concern with work related matters. Diagonal contacts occur more often than upward vertical interactions and therefore may be able to compensate for infrequent consultation with one's immediate superiors.

Table 2 also suggests that when individuals wish to socialize they generally avoid highly official relationships in favor of diagonal and horizontal contacts.

Finally a consideration of tables 1 and 2 together highlights an important paradox in organizational behavior. Supervisors devote *most* of their interaction time to those individuals (their subordinates) whom they view as *least* important to them in getting their work done, as a source of information and as a suitable choice for social activity away from work. This would suggest that an important determiner of the effectiveness of supervisory performance would be the ability to secure these task and social needs from the remainder of their contacts.

Interaction Patterns and Supervisory Effectiveness

Table 3 shows the correlations between the use of different interaction patterns and various measures of effectiveness. Three types of effectiveness measures are presented in table 3:

1. ratings made by superiors;
2. the number of choices received from supervisors for three sociometric criteria; and
3. individual reports of experienced "on the job" tension and ambiguity.

The results show that of the four interaction patterns, only upward vertical interaction was significantly correlated with ratings of supervisory effectiveness. A positive association between diagonal interaction and favorable evaluations of performance by superiors did not reach significance at the .05 level.

The superiority of upward vertical interaction was not cor-

TABLE 3
Correlations between Percent of Observation Time Devoted to Four Categories of
Interaction and Measures of Supervisory Effectiveness¹

	Ratings by Superiors ²	Choices Received for Information	Choices Rec'd for Importance to Work	Choices Received for Socializing	Tension over Performance	Ambiguity about Performance	Ambiguity about Evaluation
Downward Vertical	-.07	-.70 **	.13	0	.18	.56 *	.36
Upward Vertical	.54 *	-.21	.33	-.02	-.29	.36	-.19
Horizontal	.21	.11	-.03	-.06	-.02	-.16	.15
Diagonal	.47	.78 **	.52 **	.67 **	-.57 *	-.04	-.82 **
	N = 16	N = 19	N = 19	N = 19	N = 15	N = 15	N = 15

¹The unequal N's are attributable to non-responses by several of the nineteen subjects to particular items on the questionnaire and the promotion of three individuals to supervisor after the evaluations by superiors were collected.

²Spearman's coefficient of Rank Correlation

* $p < .05$

** $p < .01$

roborated by the other measures of effectiveness. Diagonal interaction, however, appears to be highly correlated with effective performance on the basis of the remaining two measures. Supervisors who were observed to engage in diagonal interaction were overwhelmingly chosen by other supervisors as the individuals most capable of providing reliable information and most important to completing work as well as partners for socializing. In addition, diagonal interaction was negatively correlated with tension over performance and ambiguity about evaluation of that performance.

The results suggest the unsuitability of a downward vertical pattern that concentrates on interaction with subordinates. Supervisors who were observed to devote a considerable amount of their total interaction to their immediate subordinates were seen by their peers as being especially poor sources of information. These supervisors by reporting that they are uncertain about what is required in performing their job have in effect substantiated the opinions of their peers concerning the extent of their organizational knowledge.

Discussion

The positive relationship between upward vertical interaction and favorable evaluations by superiors may be attributable to the actual advantages of such an interaction style in accomplishing and coordinating work. Such an interaction pattern, however, may be motivated not by task needs but rather by personal needs. Impressionistic evidence seems to suggest that a considerable amount of interaction with superiors is often a strategy designed to influence the opinions of the superior towards the individual. Individuals who employ such an interaction pattern are often the recipients of derogatory epithets which imply the primacy of personal rather than task motivations. The fact that the relationship between upward vertical interaction and supervisory effectiveness is not substantiated by the remaining two measures supports this interpretation. It also suggests that the accuracy of superior evaluations of behavior should not be accepted uncritically without a comparison with other criteria.

The significant relationships between diagonal interaction and measures of effective performance may be partially interpreted in terms of the vertical distribution of official rewards in organiza-

tions. Status distinctions do not interfere with diagonal relationships to the same extent that they impinge on vertical and horizontal contacts. A supervisor receives the majority of his official organizational rewards from his superiors and competes for these rewards with his peers. A superior located in one department, however, does not dispense official rewards to a supervisor in another department. He also does not compete with that supervisor for those official rewards. Diagonal contacts therefore are generally free from invidious comparisons which often act as an important barrier to the development of enduring reciprocal relationships in organizations. Diagonal contacts are also predictable to the extent that they are regulated by official rules and recognized norms governing superior-subordinate relationship.

The potential effectiveness of any given interaction pattern may be viewed in terms of its ability to foster and sustain reciprocal and predictable work relationships. A diagonal network has special properties which should permit it to be better suited to facilitate the development of *both* reciprocal work relationships and the patterning of individual behavior than either vertical or horizontal interaction patterns.

Structurally, the role of the supervisor has been described as one of joining together different work groups and integrating the specialized functions of these units. Likert compares the supervisor to a "linking pin" relating the activities of his work group to other work groups at the same organization level and to those of other organization units operating at the next higher as well as the next lower level in the organization.⁹

It is increasingly the task of the supervisor to see that the members of his work group are integrated adequately into the organization work-flow. He can facilitate this objective by representing the interests of his group to other groups located at relevant points along the work-flow route. He can act as the group's deputy and coordinator in terms of both meeting their specific needs and mediating the requests of individuals outside the group. A downward vertical interaction pattern seems particularly unsuited and a diagonal interaction pattern especially well suited for the "linking pin" or integrating aspects of the supervisory role. Diagonal

⁹ Rensis Likert, *New Patterns of Management* (New York: McGraw Hill, 1961).

interactions cross cut both official divisions of rank and function and minimize the development of an insular perspective which might work toward the long term disadvantage of the supervisor and his work group.

Choice of Interaction Styles: A Typology

In this study interaction styles have occupied the major part of our analysis. Diagonal and upward vertical interaction were found to be significantly related to the effectiveness of supervisory performance. The generalizability of these findings, however, are not clear. Other investigators, such as Jasinski, have reported a relationship between horizontal interaction and effectiveness.¹⁰ The problem of the appropriateness of various interaction styles can not be dealt with in a vacuum, independently of other crucial organizational variables. If the question of the generalizability of this study's results is to be faced it is necessary to consider interaction style in combination with other variables. Only in this fashion can one begin to understand the conditions under which one interaction style may prove more effective than another.

Generalizations about appropriate interaction styles usually prove inadequate because of the variety of situations present in complex organizations. A typology for an analysis of interaction styles is now presented. Particular interaction networks will be examined in terms of the nature of the task, the reward structure and the distribution of power and authority. This section presents a framework for characterizing three types of interaction styles based on specific combinations of the above three variables.

Reward Structure

Reward structure refers to the amount of organizational rewards and incentives (e.g. promotions, salary increases) available to members at the same official level in the hierarchy at a given time. It is possible to envision two situations: one where a large number of rewards are available, and another where a very few are obtainable. Horizontal interaction networks are more likely to develop when members at the same rank in the organization are not forced to compete with each other for a limited amount of orga-

¹⁰ Jasinski, *loc. cit.*

nizational rewards. In circumstances where limited rewards prevail, organizational peers tend to be very sensitive to prestige distinctions within their ranks. These distinctions take on special importance when they are used by supervisors as a basis for the distribution of scarce rewards. In such a situation organization members tend to orient their contacts upward rather than horizontally.

It is possible however for a lower limit to be reached which could reverse the above process. When organization members at the same rank perceive that there are *no* rewards available to them, there is no longer any basis for intra-rank competition. Yet even in such situations the presence of sanctions such as demotions and firings may serve to discourage horizontal communication.

Distribution of Power and Authority

A supervisor's use of interaction channels may reflect the distribution of power and authority in an organization. Where a supervisor is delegated very little authority he is forced to refer difficult situations to his superiors. While it would be more direct to handle certain situations personally, a supervisor with little authority usually will find himself forced to rely on other individuals with superior leverage and more potent sanctions at their command.

On the other hand, a supervisor who is provided with considerable autonomy may feel more free to make decisions and take actions on his own. He will feel less compelled to consult before hand with his own supervisor. He will be able to deal directly and personally with a variety of individuals located throughout the organization.

Technology

Technology and particular work flows associated with a given technology are a key determinant of the nature of organizational interaction networks. Technologies may be roughly classified as either parallel or interdependent. Interdependent technologies require a great deal of coordination between various individuals in different departments and sections of the organization. Parallel technologies are composed of self contained and independent departments. Charles Perrow has also classified technologies accord-

ing to whether they are routine or nonroutine.¹¹ As technologies become more interdependent and less parallel and as the number of exceptional cases increases and the work becomes less routine we would expect lateral contacts to increasingly replace vertical ones.

A Typology of Interaction Networks

Table 4 shows three categories of organization. The first category is characterized by low supervisory autonomy, parallel or independent technologies, routine work and very restricted reward structure. This type of organization is generally associated with a vertical orientation.

The second category is characterized by high supervisory autonomy, interdependent and nonroutine technology and an extensive reward structure. This type of organization is typically associated with a horizontal orientation. In general, it can be said that the first category usually refers to traditional organizations and classical theory while the second category is most representative of problem-solving organizations and systems theory.

It should be emphasized that the first two types of organizations while empirically possible approximate pure types in the sense that they represent an imagined world. Many variations of the above combinations will be found in contemporary organizations.

The third row of Table 4 represents the research site. In this organization, first level supervisors are delegated very little authority; decision making and control of sanctions and rewards are concentrated in the upper reaches of the organization. Few organizational rewards are currently available, but at the same time there is concern over demotions and unfavorable assignments. The technology however requires considerable coordination between departments. While such coordination only need occur periodically, it has very significant implications for the effective fulfillment of organizational goals. Supervisors caught in a squeeze between technological demands, insufficient power and few positive incentives are likely to experience considerable tension about their performance. The development of a diagonal interaction pattern may provide a strategy for coping with such situations.

¹¹ Charles Perrow, "A Framework for the Comparative Analysis of Organizations," *American Sociological Review*, Vol. 32, No. 2 (April 1967), pp. 194-208.

TABLE 4
Typology of Interaction Networks

Reward Structure	Distribution Power and Authority	Technology	Interaction Network
limited: few available rewards	very little delegation of authority to lower levels	parallel, routine	vertical
extended: many available rewards	considerable supervisory autonomy	interdependent, non-routine	horizontal
limited: few available rewards	very little delegation of authority to lower levels	interdependent, relatively routine	diagonal

One task remaining for future research is to unravel the various components of diagonal interaction. Do the downward diagonal, upward diagonal or staff components contribute more to effective supervisory performance?

A study of interaction styles provides only one of several approaches to meeting organizational problems. Many attempts have been made at altering the distribution of power and authority in organizations. The human relations literature has been very active in this area. Similarly, theories of motivation and various incentive schemes have been concerned with modifying the reward structure of organizations. In approaching organizational problems, it has proved much more difficult, but by no means impossible to redesign and modify technology and work flows. This study has concentrated on an investigation of interaction styles both as response to and as a remedy for organizational pressures. In the last analysis what is required is a combination of approaches which will be mutually reinforcing.

ORGANIZATION STRESS: SOME INTERVENING DYSFUNCTIONS OF ROLE CONFLICT AND AMBIGUITY

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The purpose of this paper is to report tests of predictions concerning role conflict and ambiguity as variables mediating the relationships between a) perceptions of organization structure and b) individual satisfaction and perceptions of organizational effectiveness.

Company Product, Processes and Market

The study took place at the domestic division and corporate offices of a large heavy equipment manufacturing company employing approximately 14,000 employees. The study is based on a random thirty per cent sample of the professional and managerial personnel at the corporate office and the main domestic division. Technologically the organization falls into Woodward's (1965) category of intermediate technological complexity or Barack's (1967) semi-continuous category of advanced intermediate technological complexity. The company designs, assembles and markets its own products. Competition in the industry is based primarily on cost reduction, market service, improvement in existing product capability, increases in product life, ability to meet customer demands for delivery and customization of fixtures. Products are produced in response to customer orders in lots ranging from a few to several thousands. The major components of the product are almost always standard parts but each order has a different combination of fixtures, and occasionally minor parts will be manufactured specifically to meet customer requirements.

In the industry, major technological advances are infrequent. There have been no fundamentally new products introduced in the industry in the last ten years. However, existing products and

manufacturing processes in the industry change continually as a result of product and process modification. Such change is change in degree rather than in kind, reflecting incremental advances in technology rather than major breakthroughs in fundamentally new products.

Preliminary Interviews

This study began with seventy-five interviews conducted with selected members of the organization. The interviewees were selected by the vice-presidents on the basis of criteria suggested by the investigators. Specifically the vice-presidents were requested to select persons in their division who a) represented a wide variety of experience, perspective, age and training, and b) would be willing to give frank opinions concerning their perceptions of the organizational climate, their dissatisfactions and satisfactions, leadership styles and any problems that they were experiencing in carrying out their responsibilities.

The interviews indicated that the organizational climate was viewed by interviewees as highly stress inducing. Respondents frequently reported operating under high levels of job pressure, task oriented-authoritarian supervision, frequently changing and conflicting downward directions from top management, absence of clear policy and philosophy of management, ambiguous criteria for personnel decisions such as salary increases, bonus decisions and promotion decisions. These conditions were coupled with irregular and infrequent feedback on task performance, low emphasis on coaching and efforts to facilitate teamwork, and a blame orientation by management when dealing with problems. Surprisingly, however, horizontal conflict was dealt with openly through confrontation and throughout the organization there appeared to be a high degree of mutual respect among organization members. And, although top management was viewed as highly arbitrary and authoritarian, they were also regarded as having the best interests of the company in mind and not as being malicious or untrustworthy.

Development of Hypotheses

Based on previous research by Woodward (1965), Fiedler (1967), Lawrence and Lorsch (1967), Burns and Stalker (1961)

and Vroom (1960) it was deduced that the market and technological conditions under which the company operated, and the expectations of the employees of the company, required an organization structure that was formalized to a moderately high degree and supervisory practices that are considerate, emphasize team development and are supportive of subordinates.

Based on research by Kahn et al. (1964) it was further hypothesized that practice of the classical formal organizational principles would lead to low role conflict and ambiguity, and that low role conflict and ambiguity would in turn lead to perceptions of organizational effectiveness and high satisfaction. Finally, it was hypothesized that supportive, considerate supervisory practices would lead directly to employee satisfaction. No hypotheses were stated with respect to the relationships between supervisory practices and perceived organizational effectiveness or the intervening function of role conflict and ambiguity in relation to the effect of supervisory behavior. A model of the hypotheses are presented diagrammatically in Figure 1. In this model role conflict and ambiguity are seen as intervening or processor variables which mediate the relationships between the independent and dependent variables. The formal organizational practices are seen as being positively related to perceptions of organizational effectiveness and member satisfaction (single line arrows). Supportive supervisory behavior

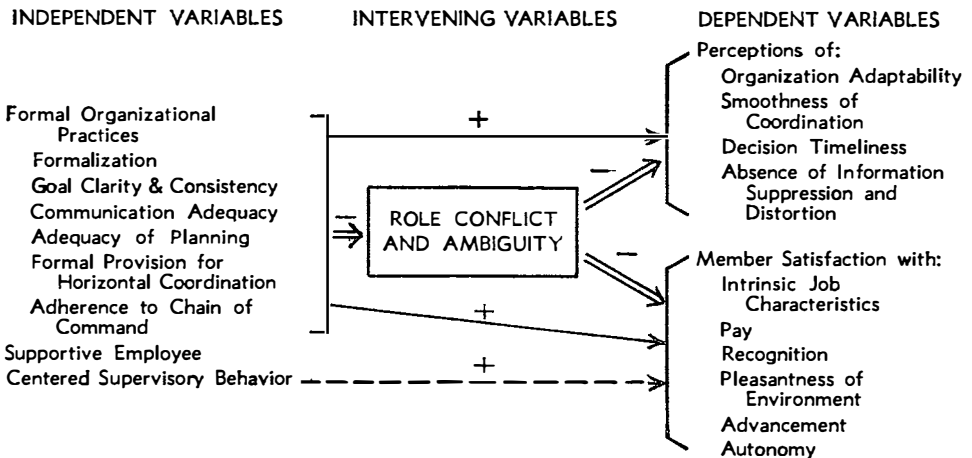


Figure 1. The Model.

is seen as positively related to member satisfaction (dotted line arrow). The model also presents the hypothesis that formal organizational practices are related to perceptions of organizational effectiveness and member satisfaction via (double lined arrows) the intervening variables of role conflict and ambiguity.

Measures

To operationalize the model multiple item questionnaire scales were developed to measure each variable. The items were derived from interview statements and selected from existing scales where available. Each scale consisted of between three to ten items. Kuder Richardson reliabilities with Spearman Bowman corrections were computed for each scale. Following is a listing of the scales and their respective reliabilities.

Scales	Reliabilities
Organizational Practices	
Formalization	654
Goal Clarity and Consistency	639
Communication Adequacy	825
Formal Provision for Horizontal Coordination	822
Adherence to Chain of Command.....	651
Supervisory Supportiveness and Team Facilitation	854
Perceptions of Organizational Effectiveness	
Organizational Adaptability	541
Decision Timeliness	786
Smoothness of Coordination	748
Absence of Information Suppression and Distortion	583
Satisfaction Scales	
Intrinsic Job Satisfaction	923
Autonomy	820
Recognition	861
Pay	853
Pleasantness of Environment	782
Advancement	830
Security	696
Role Dimensions	
Role Conflict	816
Role Ambiguity	780

These questionnaires were administered anonymously to a thirty per cent random sample (N = 200) of the professional and managerial employees at the corporate office and the major domestic division. The sample was stratified by functional division and organizational level.

Concurrent Validity of the Model

The model was tested by comparing results of several zero order and partial correlational analyses with predictions. Concurrent validation is established when the results of such analyses fit the predictions stated in the hypotheses.

Table 1 presents the zero order correlations between the independent and dependent variables. From this table it can be seen that 69 of the 77 predicted relationships are significant and all are in the hypothesized direction. (If r is greater than .186, p is less than .05) Tables 2a and 2b present the relationships between the role dimensions and the independent and dependent variables. Here again it can be seen that the relationships are all in the predicted direction and that 30 of the 36 relationships are significant at the .05 level or better. However, although these data are consistent with the predictions, they neither support nor disconfirm the hypothesis that the role dimensions are operating as intervening variables. The correlations presented in Tables 2a and 2b could be interpreted to mean that the role dimensions are intervening variables *or* that they merely covary consistently with the hypothesized dependent variables, rather than operate as intervening variables. To demonstrate that the role dimensions are intervening variables it is necessary to show that variation in these dimensions account for a significant part of the *relationship* between the dependent and independent variables. The finding that they correlate with the independent and the dependent variables separately says nothing about their hypothesized intervening role. To investigate the intervening function of the role dimensions the relationships between the independent and dependent variables were recomputed holding the effects of role conflict and role ambiguity constant. It was hypothesized that with the effects of the role dimensions held constant (partialed out) the zero order relationships between the independent and dependent variables would decrease significantly. Table 3 presents the correlations between the dependent and independent variables with role conflict held constant. From this table it can be seen that all of the relationships change in the hypothesized direction, that three of the sixty-six relationships are significantly lower than their corresponding zero order relationships, and that eight partial relationships are insignificant.

TABLE 1
Zero Order Correlations Between Independent and Dependent Variables
(N = 200)

	Advance- ment	Auton- omy	In- trinsic Job Satis- faction	Security	Pay Satisfaction	Recog- nition	Pleasant- ness of Environ- ment	De- cision Time- liness	Absence of Infor- mation Distor- tion- Suppres- sion	Smooth- ness of Coordi- nation	Work Unit Adapta- bility
Formalization	154	311	333	124	244	249	326	391	267	560	252
Goal Clarity, Consensus	194	256	311	207	189	334	293	419	438	591	326
Communication Adequacy	288	275	288	218	223	304	350	437	455	577	326
Planning Adequacy	253	246	218	216	205	262	255	455	450	400	498
Provision for Horizontal Coordination	215	312	301	192	253	307	309	384	407	566	374
Adherence to Chain of Command	138	173	177	157	116	210	240	459	456	485	386
Supportive-Team Oriented Supervision	300	222	209	136	200	369	244	429	459	440	374

If $r > .168$, $p < .05$.

TABLE 2a
(N = 200)

Zero Order Correlations between Independent and Role Variables

Rational Organizational Practices	Role Conflict	Role Ambiguity
Organizational formalization	-.33	-.61
Adherence to chain of command	-.41	-.39
Goal clarity and consensus	-.37	-.49
Provision for horizontal coordination	-.38	-.42
Adequacy of authority	-.35	-.37
Planning	-.47	-.36
Communication	-.37	-.49
Supportive Practices		
Team-oriented supervision	-.45	-.47

TABLE 2b
(N = 200)

Zero Order Correlations between Role and Dependent Variables

Role Conflict	Role Ambiguity	Perceived Organizational Effectiveness
-.53	-.27	Adaptability
-.45	-.35	Decision delay
-.42	-.25	Information distortion and suppression
-.28	-.45	Absence of malcoordination
		Satisfaction
-.11	-.30	Advancement
-.13	-.36	Autonomy
-.11	-.36	Intrinsic job
-.15	-.22	Security
-.12	-.28	Pay
-.22	-.48	Recognition
-.15	-.41	Pleasantness of environment

If $r > .168$ $p < .05$.

TABLE 3
 Partial Correlations between Independent and Dependent Variables with Role
 Conflict Held Constant
 (N = 200)

	Advance- ment	Auton- omy	In- trinsic Job Satis- faction	Security	Pay Satis- faction	Recog- nition	Pleasant- ness of Environ- ment	Decision Time- liness	Informa- tion Distor- tion- Suppres- sion	Smooth- ness of Coordi- nation	Work Unit Adapta- bility
Formalization	024	288	317	080	216	190	296	287	148	518	097
Goal Clarity, Consensus	165	228	298	165+	156+	278	258	301	331	547	164+
Communication Adequacy	267	248	269	177	191	244	320	323	353	533	163*+
Planning Adequacy	229	214	191	168	167+	182	211	309	314	318	333
Provision for Horizontal Coordination	181	288	283	148+	224	246	275	258	294	520	222
Adherence to Chain of Command	102*	134+	147+	107	072	134+	198	338	342	425	223*

* Asterisk indicates partial correlation significantly different from corresponding zero order correlation.
 + Plus sign indicates partialling has effect of reducing zero order correlation from significance to insignificance.

nificant where their corresponding zero order relationships were significant. These findings suggest that there is a very slight but pervasive intervening effect of role conflict on the zero order relationships. Table 4 presents the relationships with role ambiguity held constant. Under this condition all sixty-six of the relationships change in the hypothesized direction, twelve are significantly lower than their corresponding zero order relationships, and twenty-seven are reduced from significance to insignificance. Here it can also be seen that role ambiguity has its most powerful intervening effect on the relationship between organizational formalization and the dependent variables. This finding is consistent with the intuitive expectation that formalization would be primarily a source of role clarification. Table 5 presents the independent-dependent relationships with both role dimensions held constant. Here again all sixty-six of the relationships changed in the hypothesized direction, thirty-two decrease significantly and thirty-six decrease from significance to insignificance. These findings demonstrate that the *combined* intervening effects of the two role dimensions have both a pervasive and substantial function of mediating the independent-dependent relationships. Finally, Table 6 summarizes all of the effects of holding role conflict and ambiguity constant.

Conclusions

The present study presents evidence that the social-psychological process by which organizational practices affect perceptions of organizational effectiveness and satisfactions involves the intervening variables of role conflict and ambiguity. Two qualifications are in order. First, the evidence presented here consists of a concurrent validation of the model; predictive validation based on experimental manipulation of the variables would be far more convincing evidence. Secondly, the measures of organizational effectiveness are actually perceptions of organizational members. Although there is evidence that such perceptions do describe actual organizational conditions, (Hall, 1962) the specific measures employed here have not been construct validated as yet. The authors are currently engaged in additional research to test the construct validity of the questionnaire employed in the present study and to test the predictions through field experimentation, rather than correlational analyses.

TABLE 4
 Partial Correlations between Independent and Dependent Variables with Role
 Ambiguity Held Constant
 (N = 200)

	Advance- ment	Auton- omy	In- trinsic Job Satis- faction	Security	Pay Satis- faction	Recog- nition	Pleasant- ness of Environ- ment	Decision Time- liness	Inform- ation Distor- tion- Suppres- sion	Smooth- ness of Coordi- nation	Work Unit Adapta- bility
Formalization	035*	125*	154*	015	100+	018*+	106*+	240*	150+	400*	108+
Goal Clarity, Consensus	059+	099+	170	115+	066+	157*+	116*+	303	374	473	228
Communication Adequacy	172	122+	137+	128	105+	118*	188*	325	395	456*	226
Planning Adequacy	165+	135+	101+	149+	118+	127+	126+	378	400	283	444
Provision for Horizontal Coordination	103	189	175	110	156+	152+	164+	279	344	463	295
Adherence to Chain of Comman	024	036+	040+	077	008	048+	093+	373	402	372	314

* Asterisk indicates partial correlation significantly different from corresponding zero order correlation.

+ Plus sign indicates partialling has effect of reducing zero order correlation from significance to insignificance.

TABLE 5
 Partial Correlations between Independent and Dependent Variables with Role
 Conflict Held Constant
 (N = 200)

	Advance- ment	Auton- omy	In- trinsic Job Satis- faction	Security	Pay Satis- faction	Recog- nition	Pleasant- ness of Environ- ment	Decision Time- liness	Infor- mation Distor- tion- Suppres- sion	Smooth- ness of Coordi- nation	Work Unit Adapta- bility
Formalization	-046*	119*+	154*+	038	089+	-051*+	097*+	165*	067*+	373*	006*+
Goal Clarity, Consensus	049+	092+	173	091+	050+	125*+	105*+	210*	293	445	097*
Communication Adequacy	167	115+	138+	104+	092+	083*+	180*	235*	318*	427*	096*+
Planning Adequacy	162	131	103+	120+	102+	079*+	114+	251*	283*	230*	300*
Provision for Horizontal Coordination	094+	186	179	085+	145+	117*+	115+	176*	255*	433	171*
Adherence to Chain of Command	-010+	-024+	-031+	-046+	013+	-002*+	-080+	273*	310*	334	177*

* Asterisk indicates partial correlation significantly different from corresponding zero order correlation.

+ Plus sign indicates partialling has effect of reducing zero order correlation from significance to insignificance.

TABLE 6
Summary of Effects of Holding Role Conflict and Ambiguity Constant

	Number of Relationships Changed in Expected Direction	Number of Relationships Decreased Significantly	Number of Relationships Decreased from Significance to Insignificance	Number of Total Possible Relationships
When Role Conflict Held Constant	66	3	9	66
When Role Ambiguity Held Constant	66	12	27	66
When Both Role Conflict and Ambiguity Held Constant	66	32	36	66

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DISCUSSION

JOHN W. LEONARD

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My remarks will be directed to only two of the four papers. I shall confine myself to the paper by Professor Muthuchidambaram and that coauthored by Professors Zand and Steckman.

Professor Muthuchidambaram's paper is a significant contribution to the rapidly expanding body of literature dealing with selected specific elements of the broad concept of human capital. Within the limitations of the data available to him and the statistical tools at hand, he has developed a meaningful comparative analysis which should generate similar analyses on a broader scale, both in terms of the nations included and the earnings determining factors considered. Among other advantages, the comparative approach emphasizes the necessity of placing the relative significance of earnings determining variables within the proper perspective of different cultural and social contexts.

Throughout his treatment of the Indian sample, Professor Muthuchidambaram has made a determined effort to rationalize certain unanticipated results. Where the relationships between certain variables and earnings appear to fly in the face of the relationships which he, or others, might have hypothesized, he in most cases attempts to come up with an explanation. However, with regard to the negative, though not significant, correlation between union membership and earnings in his first equation for Indian workers, he failed to do so. Perhaps the underlying rationale of this finding is obvious to those better informed than I on unionism in India, but I would like to have seen an attempt made to arrive at some explanation, however tenuous or tentative it might have to be.

On the other hand, the negative and significant relation between OJT and earnings in the third equation was subjected to a relatively elaborate analysis which clearly and appropriately points out the inadequacy of the data for arriving at any firm conclusion concerning this relationship. With most of this analysis I can find no quarrel. The attention accorded the quality and intensity of the OJT and the time lag between completion of OJT and its impact on earnings is justified and logical. Somewhat along the same line,

the desirability of distinguishing between general and specific training in accordance with Gary Becker's treatment is properly brought to our attention. However, the conclusion that we should not expect specific training to increase the earnings of trainees might well be reconsidered in the light of Melvin Reder's review of Becker's *Human Capital*. As the review argues, the trained capacity emanating from specific training is a jointly owned asset which can be used only with the conjoined consent of the employer and the employee. The employer must consent to employment of the employee, while the employee must consent to continue in such employment. By quitting his job, the employee can impose upon the employer a loss of the employer's share of the return on the training. The employer can impose an analogous loss upon the worker through discharge. Consequently, there is generated a zone within which wage rates may be determined by bargaining power, strategic skill, institutional rules, and other factors. To the extent that this is true, one would have to go beyond a simple distinction between general and specific composition of the OJT to arrive at a firm conclusion regarding the impact of specific training on earnings.

The comparison of the Indian and Japanese data brings into focus some of the severe limitations of the data and raises more questions than it answers. Having said that, I want to make it clear that I believe the raising of such questions is, of itself, a contribution. I also want to make explicit that it is not my intention to detract in any manner whatsoever from Muthuchidambaram's significant finding that almost three-fourths of income variations in his Japanese sample were explained by the one independent variable of experience on the job. I cannot refute the author's statement that he knows of no other study where one independent variable accounted for such a high proportion of variations in earnings.

One of the comparative results which is particularly interesting and worthy of further investigation with additional data is that dealing with geographic mobility. The number of geographic moves was found positive and significant in Japan, but not so in India. Perhaps relevant data on the mobility patterns in the two countries would help explain the different results and provide an opportunity for comparison with some of the work on the impact of geographical mobility on income in the United States. For example, if the data could be secured, it would be interesting, and probably

significant, to compare the earnings of migrants from certain areas with the earnings of non-migrants who remained in those same areas. As has been pointed out in other studies, this comparison is probably the proper and most meaningful one to get at the effect of mobility on income. Also, it is possible that such an approach might offer some additional insight into the different results in the Indian and Japanese samples with regard to the significance of education as an earnings determinant. It would open up for consideration the differences in level of economic advantage among the areas losing and the areas gaining the mobile workers and perhaps offer some evidence on the comparative quality of education.

In commenting on the rate of return approach to earnings, Professor Muthuchidambaram observed that it might be tempting for some to conclude that the Japanese are non-rational in investing in education since his data show that education is negative as an income determinant. Implicit in this hypothetical conclusion is the same error of omission frequently made by many who write on the subject of returns to investment in education, namely, disregard for the fact that education is a consumer as well as a producer good. Not only is education a consumer good, but, as has been observed by Carl Stevens and recounted by Neil Chamberlain in his I.R.R.A. Presidential Address of last year, education is a peculiarly important type of consumer good. In addition to being appreciated in its own right, education has the synergistic effect of increasing the utility to be obtained from many other consumer goods. Furthermore, in education, consumer and producer utilities are not necessarily in opposition. On the contrary, enhanced consumer satisfaction may go hand in hand with producer gain.

Of course, Professor Muthuchidambaram did not let the hypothetical conclusion he posed stand unanswered. He indicated that it *was* rational for the Japanese to invest in education since it is a very significant factor in granting access of Japanese workers to initial employment in large, high paying firms, even though it is experience, rather than education, which enhances their income thereafter. On the basis of this response, it would appear that, in the case of Japan, we have one instance where the short-run view toward investment in education actually pays off.

The experiment reported in the paper by Professors Zand and Steckman produced results which are both interesting and enlight-

ening. I have only two basic comments to make in the form of suggestions for at least one, and perhaps two, additional experiments.

Conceivably, it would be worthwhile to conduct an experiment with the composition of the subject group adjusted to include only union officials and labor relations managers who continually handle grievances on a day-to-day basis and who have had considerable experience in the arbitration process. This suggestion is not meant to imply that the results of the first experiment are insignificant because of the composition of the subject group. There can be no question that the views of grievances held by rank and file union members and non-labor relations managers play an important role in determining the type of union-management relationship which will develop. On the other hand, it would be helpful to know, within the limitations of such experiments, whether extensive experience in grievance handling alters the interaction of attitudes and precedents. One might hypothesize that experienced practitioners who frequently deal with the use of precedent throughout the total grievance procedure might be somewhat conditioned to at least selective acceptance of precedents.

While the authors explicitly recognize and sought to minimize the possibility of the type of grievance becoming a spurious variable, I am not sure that this was accomplished. There is the possibility that all three of the cases selected carried a bias pointing in the direction of the pro-union subjects rejecting dissonant precedents and the pro-management subjects accepting them in a quasi-judicial fashion. What I am suggesting is that all three grievances may have posed varying degrees of perceived involvement on the part of the pro-union subjects as members of the total labor movement. On the other hand, the same grievances may not be the type which would evoke an expression of intense generalized self-interest from the pro-management subjects. All three grievances quite possibly would be perceived by the pro-union subjects as impinging to some degree upon one of the fundamental and basic goals of rank and file union members—job security.

Perhaps it would be feasible to carry out an experiment with grievances, which, by their very nature, would reflect varying degrees of intense generalized labor or management self-interest. One such grievance might well be the technological displacement of a worker used in the experiment conducted by Professors Zand and

Steckman. This issue is one which is particularly explosive for union members. A second grievance could be one which is relatively neutral from the point of view of both pro-union and pro-management subjects. A jurisdictional work assignment grievance filed by one union as a result of management assigning work which the grieving union believes falls within its jurisdiction to a second union representing a different bargaining unit in the same plant. A member of a union not directly involved in such a dispute would be looking at a situation wherein one union would "win" regardless of the decision. By the same token, in many cases of this type management really has no strong feeling regarding which union ultimately performs the work. To round out the range of cases, the third would have to be one in which the pro-management subjects could become ego involved. This probably would have to be one of those cases where in the light of the contractual language the union could not reasonably be sustained in an arbitration proceeding, yet, if the case were to be decided in the union's favor, it would cost the company a considerable amount of money.

DISCUSSION

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These two papers, according to their authors, focus on supervisors and managers in business organizations, particularly on the influence of the organizational environment of individual effectiveness. In both papers, there is a strong tendency to focus on the actors, relatively less on the drama that is being performed and both practically overlook the particular theater in which all this occurs. The particular technology, work process, and work flow are all but ignored and, at least by implication, discounted as important variables. House et al. tell us only that their data were derived from their studies in a "large heavy equipment manufacturing company." That's all we know about this organization itself. We do know, however, that in a 30 percent random sample only around 19 percent were forty years of age or older. Even more remarkable, around 80 percent of their respondents were college trained.

Schwartzbaum's study, on the other hand, was conducted in a "metal processing plant." He could have told us perhaps a bit more precisely that the plant was essentially a specialty foundry—a not completely irrelevant fact in a study of human interactions. As case studies both can be faulted; but, before we do, it should first be established that they are field studies, not laboratory experiments; as such, they represent important contributions to our search for fact and theory in human relations or organizational theory to use the more modern label.

On methodological grounds, House et al. offer a tempting target to attack. One wonders how valid or how reliable are data collected in one unnamed company in one unnamed industry from a smallish sample of well-educated young respondents. Furthermore, how is one to measure or to assess the significance of this context which was, for example, "remarkably free of political maneuverings." Even more crucial to their study, but also undefined except as impressions, was the fact that interviewers reported working under conditions of "high intolerance of error, inconsistent leadership behavior, high role conflict and ambiguity," etc.

From all this, the authors deduce that those studied were experiencing very high levels of stress. This conclusion is simply stated as fact, but there is no yardstick or standard by which we can judge for ourselves whether or not there was excessive stress. Neither is there any attempt to provide comparative data. And throughout, these authors imply that the organizational climate was not properly supportive, permissive, participative, or open. Instead, it was excessively production-oriented with stress as the inevitable consequence.

They attach much significance to correlations that are the opposite of what should have occurred, at least according to organization theory. Thus, there was a statistically significant correlation between "formalization" (one of the independent variables) and intrinsic job satisfaction, high anxiety and high propensity to leave. They express great surprise especially since they expected people to respond favorably to formalization, viz, to the organization's attempt to formalize plans and to improve feedback and communications. Frankly, I'm puzzled at their surprise. It would seem to me almost axiomatic that rationalization or organization procedure and decision-making would be perceived as undesirable, particularly by well-educated respondents who were not too far removed from the academic milieu. On the other hand, it would seem to be natural that these same individuals would react negatively to conflicting or irrational organizational processes (dysfunctions) and to resistance to change (inflexibility). In any event, their thesis holds that whether formalization, dysfunction, or inflexibility are seen as favorable or unfavorable depends on the amount of experienced stress. And it must be conceded that they have gone to great methodological lengths to prove their case. But it seems to me that their case would have been stronger had they spent less time attacking straw men like common sense, less time correlating vaguely defined or undefined variables like covert anxiety, and more time on definition and measurement.

The paper by Schwartzbaum is one of a very small handful of studies dealing with lateral relationships in organizations. It is further distinguished by the fact that it reports on observed on-the-job behavior rather than relying on inference or on behavior in some artificially constructed test-tube situation. His detailed observations of a small group of first-level supervisors represents

the type of painstaking effort that will be required if we are ever to evolve useful organizational theory.

Supervisors in this study engaged in relatively less interaction than did supervisors in three other studies because there were, among other things, many "impediments to interaction." As previously indicated, this research site was a foundry, several sections of which produce truly horrendous and constant noise. In some cases, hand signals and sign language are the only possible forms of communication. Nevertheless, his conclusion that supervisory effectiveness is associated with certain types of interactions is not invalidated by the uniqueness of the research setting.

As for his discussion of interaction styles, it would appear that relatively more attention might have been paid to a supervisor's use of staff resources. This is, of course, related to the very important technological and work-flow factors. But this is essentially a minor caveat about a good study.

Finally, and at the risk of being labelled anti-intellectual, these studies can be criticized for their rather uncritical acceptance of what others have said or written. So, for example, reference is made to traditional, classical, and even neo-classical organizational theory. But this theory too often is simply broad generalization that doesn't tie things together, doesn't predict, and is too often normative rather than descriptive. Simply labelling something organization theory doesn't make it so.

XIV

ANNUAL REPORTS OF IRRA FOR 1968

MINUTES OF THE ANNUAL MEETINGS EXECUTIVE BOARD SPRING MEETING

May 3, 1968, Columbus, Ohio

The IRRA Executive Board met at Noon on Friday, May 3, 1968 in the Beasley-Deshler Hotel, Columbus. President George Shultz presided at the meeting attended by Secretary-Treasurer David Johnson; Editor Gerald Somers; Board Members Frances Bairstow, Seymour Brandwein, Donald Irwin, Garth Mangum; Local Arrangements Committeemen Robert Miljus, Rankin Gibson, Howard Hughes of the Central Ohio Chapter and Edgar Czarnecki of the Iowa Chapter.

The Secretary-Treasurer reported on the financial situation, indicating that even though the Association had cash assets of \$19,053.54 as of March 31, 1968, unpaid bills for the *International Labor* volume and the *Towards Freedom from Want* volume totaled about \$17,000. Since the Association will also receive a bill for the *Annual Proceedings* shortly, we expect to run a serious deficit for this year, exhausting our cash assets.

On the basis of this report and further details concerning the rising publication costs, the Board discussed further the need for a dues increase to \$10 for regular members, \$5 for student and foreign members, \$50 for contributing members and \$150 for life members. In order to obtain a complete polling of the Board, including those members not present at the meeting, it was decided to submit the proposal for a dues increase to Board Members in a mail referendum.

Mr. Johnson indicated that the slate of candidates for the 1968 autumn election was now complete and indicated the names of those who had accepted the nomination.

Editor Gerald Somers reported that the *Labor Law Journal* would include the *Proceedings of the Spring Meeting* in one of its summer issues again this year, and make reprints available for distribution to IRRA members under terms and financial arrange-

ments similar to those of the past. He reported that the Manpower Volume, to be issued in 1969, was proceeding on schedule.

The following report of the Committee on Special Research Volumes was presented to the Board and was approved:

Recommendations of the Committee on IRRA Research Volumes

The Committee recommends that the Association adopt the policy of issuing reviews of research in industrial relations rather than volumes containing substantive research articles. If only four topics are covered in each volume, it is likely that such reviews of the research literature could be issued annually, with any particular topic being covered every third year.

Since the Manpower Volume will be issued in 1969 and since a membership directory should be issued in 1972 (six year interval), the Committee's specific recommendation applies only to the volumes for 1970 and 1971. It is felt that these two survey-research volumes should cover the entire field of industrial relations since it is approximately ten years since such surveys were published. Beginning in 1973, the survey volumes could be organized into a three-year coverage of the field rather than the two-year coverage for 1970 and 1971 listed below:

Volume I (1970)

1. Labor Force and Labor Markets
2. Wages, Salaries and Benefits
3. Personnel Relations and Organizational Behavior
4. Union Growth, Structure and Government

Volume II (1971)

1. Collective Bargaining Trends and Patterns
2. Labor and Industrial Relations Abroad
3. Public Policy and Labor-Management Relations
4. Public Policy in the Manpower Field

Since there are only four authors for each volume (each chapter to be approximately 50 printed pages), no formal editorial board will be needed. The names of the four authors can be indicated on the volume cover. The IRRA President and Editor can select the authors for each volume with the advice of the members of the Executive Board, obtained either through some formal or informal canvass of Board members. The IRRA Editor can provide the

necessary co-ordination in obtaining the manuscripts from the authors and in having them reviewed by appropriate members of the Executive Board prior to acceptance for publication.

Although this proposal provides some tentative long-run recommendations, the emphasis is on procedures prior to the 1973 volume. The IRRA President may wish to appoint another committee in 1971 or 1972 to review the situation again and to make further recommendations for the years 1973 and later.

Sar Levitan

Arnold Weber

Gerald Somers, Chairman

President George Shultz presented an outline of topics and some of the speakers lined up for the December Meeting in Chicago. Various topics were discussed, suggestions made, and further suggestions solicited.

Local Arrangements Chairman Czarnecki reported on the preliminary plans for the 1969 Spring Meeting in Des Moines. Alternative dates were discussed.

The Board approved the practice of having excerpts of IRRA papers included in the *Monthly Labor Review* and possibly in other publications providing due acknowledgement was given.

The meeting was adjourned at 1:10 p.m. to permit attendance at the afternoon meeting session.

EXECUTIVE BOARD WINTER MEETING

December 28, 1968, Chicago

The Executive Board of the Industrial Relations Research Association met at 6:00 p.m., Saturday, December 28, 1968 in the Sheraton-Blackstone Hotel, with President George Shultz presiding. Present were Editor Gerald Somers, Acting Secretary-Treasurer James Stern, Board Members Frances Bairstow, Seymour Brandwein, Frank Cassell, Donald Irwin, Ray Marshall, Lazare Teper, Arnold Weber; and Local Arrangements Chairmen Robert McKersie (Chicago), Edgar Czarnecki (Des Moines), and Douglas Soutar (New York).

Acting Secretary-Treasurer Stern reported an increase in IRRA's membership mailing lists from 3033 to 3165, with the additions being mostly in library and institutional subscriptions as a result of promotional mailings in these categories in 1968. Income was up

\$2,978.45 in 1968, reflecting the dues increase, as well as \$210.24 increase in sales and \$841.73 increase in royalties. At the same time the number of members' dues collected decreased slightly because of differences in invoice timing and possibly also because of some degree of resistance to the dues increase. The Association operated under a limited cash budget during the year in order to meet previously incurred publication costs, but with the dues increase the Acting Secretary-Treasurer anticipated that the IRRA financial situation would be more satisfactory in the next few years.

A motion was made and carried to submit the following constitutional amendment to the membership at the Membership Meeting the next day. Article I, Paragraph 2 of the Bylaws was to be amended to insert a new class of membership for retired members as follows:

(Existing language)

2. There shall be the following classes of members: Regular Members paying annual dues of \$10.00;

(new amendment)

Retired Members (who have been members for 10 years or more and who are not gainfully employed) paying annual dues of \$5.00;

(continuation of existing language)

Family Members (living at the same address . . .

It was also moved, seconded and carried that the two new chapters be chartered for Central California Chapter (Fresno area) and Southwestern Michigan Chapter (Kalamazoo area); and that the Labor and Industrial Relations Association (LIRA) of the University of Illinois be reaffiliated as soon as the Secretary-Treasurer determined that their constitution and bylaws were in accordance with the National IRRA Constitution. The Tennessee Chapter, which disbanded, turned over the remaining funds in its treasury, \$242.86, to the National IRRA, and the Executive Board accepted these funds on behalf of the IRRA membership.

It was agreed that the Acting Secretary-Treasurer and the incoming President would bring a proposal before the next Executive Board Meeting recommending procedures for the review and approval of applications for admission of local chapters.

At the request of Editor Somers, Arnold Weber, chairman of

the editorial board for the forthcoming volume, *Public-Private Manpower Policies*, reported on the status of the volume, indicating that it would be ready for publication in the summer or early fall of 1969. Mr. Somers reported that President Shultz and he had agreed on the authors for chapters to be included in the special research volumes scheduled for 1970 and 1971. The list of authors would be reported to the Executive Board at the spring meeting.

President Shultz announced with regret the passing of Jesse Freidin who had served as Legal Counsel of the Association since 1957. The Board empowered the incoming and outgoing Presidents to select a legal counsel to replace Jesse Freidin.

Mr. Somers also reported that the International Industrial Relations Association held a North American regional meeting in Chicago May 17-18, 1968, and that an Asian regional meeting would be held in Tokyo March 4-7, 1969. The IIRA Second World Congress was to be held in Geneva during the first week of September, 1970.

It was agreed that the IRRA's 1970 Spring Meeting would be held in Albany, New York, and that the 1971 Spring Meeting would be held in Cincinnati, Ohio.

The Board voted unanimously to appoint David Johnson to another three-year term as Secretary-Treasurer.

Because the incoming president, Fred Harbison, was unable to reach Chicago in time for the evening meeting for reasons of inclement weather, the remaining Executive Board business was postponed for discussion at a meeting on the following day, December 29. The meeting adjourned at 9:15 p.m.

EXECUTIVE BOARD WINTER MEETING (continued) December 29, 1968

The Executive Board reassembled at 12:30 on December 29, with President Shultz presiding. Present were incoming President Fred Harbison, Editor Somers, and Board Members Bairstow, Brandwein, Cassell, Ginsburg, Irwin, Marshall, Seligman, Teper, Weber. Also present were Ed Czarnecki of Iowa, and Alfred Brent, Charles Stewart and Sander Wirpel representing the Nominating Committee.

President-Elect Fred Harbison and Ed Czarnecki reported on the plans for the Spring Meeting in Des Moines, and Harbison discussed his plans for the program of the Annual Winter Meeting

to be held in New York on December 29-30, 1969. A number of suggestions were made and additional suggestions for these programs were solicited, to be submitted through correspondence.

Alfred Brent reported the names of the persons submitted by the nominating committee for IRRA officers in 1970. The report of the nominating committee was approved unanimously.

Finally, discussions were held concerning the decision to hold the 1968 Annual Winter Meeting in Chicago. The Board members also discussed the established scheduling of the 1972 Annual Winter Meeting in Chicago. It was moved and seconded that the membership be polled to determine their preferences with regard to the location of the Annual Winter Meeting in 1972, and that the results of the poll be submitted to the executive committee of the American Economic Association and to the officers of the other Allied Social Science Associations. The motion was defeated by a vote of seven to three.

The meeting was adjourned at 2:15 p.m.

GENERAL MEMBERSHIP MEETING

December 29, 1968, Chicago

The meeting was opened at 4:15 p.m. by President George Shultz who then turned over the gavel to Incoming President Fred Harbison. President Harbison called upon the Acting Secretary-Treasurer, James Stern, who reported on membership and finances (see the Secretary-Treasurer's report to the Executive Board). Mr. Stern also reported that two new local chapters, Central California and Southwestern Michigan, had been approved; that the LIRA of the University of Illinois was approved for reaffiliation as soon as the Secretary-Treasurer determined that their constitution was in accordance with the National IRRA Constitution. He also reported that the Tennessee Chapter had disbanded during the year.

Mr. Stern noted that the Executive Board had approved the appointment of David B. Johnson for another three-year term as Secretary-Treasurer. He then indicated that the results of the election of officers in the fall had already been reported to the membership in the *Winter Newsletter*.

The membership voted to approve a constitutional amendment permitting retired members, who have been members for ten years or more and who are not gainfully employed, to pay annual dues of \$5.

Editor Somers reported on the status of the special research volumes for 1969, 1970 and 1971 (see Executive Board minutes).

President Harbison reported with regret the passing of Jesse Freidin who had served as Legal Counsel of the Association since 1957. He announced that, under the authority delegated to him and George Shultz by the Executive Board, Fred Livingston, of Kaye, Scholer, Fierman, Hays & Handler, had been appointed as Legal Counsel.

Ed Czarnecki of the University of Iowa, Arrangements Chairman, reported on the plans for the Spring Meeting to be held in Des Moines May 2-3, 1969. President Harbison then announced that the Spring Meeting in 1970 would be held in Albany, New York, and that the Spring Meeting in 1971 would be held in Cincinnati. President Harbison also discussed his plans for the Annual Winter Meeting to be held in New York December 29-30, 1969, and he asked the membership for suggestions with regard to both the Spring and Winter Meetings of 1969. He noted that the annual meetings would not be limited to a single theme, and he urged that topics as well as participants of interdisciplinary nature be recommended to him by the membership.

The following motion, as amended, was approved:

The membership of the IRRA, assembled in business meeting, instructs the President and the Executive Board to conduct a mail ballot of the entire paid-up membership of the Association to determine the preferences of the members as to whether the annual meetings should continue to be held in December, should be changed to a date in August or September, or should be held alternately in December and in August or September, and that the results of this ballot be reported to the membership no later than September 15, 1969.

The ballot should call for preferences based on the two alternative assumptions (1) that the American Economic Association continues to schedule its annual meetings in December and (2) that the AEA moves its meeting date in accordance with the IRRA.

The President and the Executive Board may include further options as to meeting date on the ballot.

A discussion then followed on the decision of the Executive Board to hold the 1968 meeting in Chicago and on the location of future meetings of the IRRA. Motions relating to these issues were tabled.

The meeting was adjourned at 5:15 p.m.

IRRA AUDIT REPORT FOR FISCAL 1968

Gentlemen:

We have audited the cash receipts and disbursements of the Industrial Relations Research Association for the fiscal year ended November 30, 1968. We submit herewith our report.

The available cash resources of the Industrial Relations Research Association on November 30, 1968 totaled \$8,580.22 and consisted of \$3,550.86 on deposit in the First National Bank checking account, \$5,000.00 invested in the Home Savings and Loan Association and \$29.36 on deposit at the First National Bank (savings account). The balances were confirmed directly to us by the bank and savings and loan association.

As set forth below, the cash disbursements for the fiscal year totaling \$41,642.36 exceeded the cash receipts of \$35,319.03 by \$6,323.33. The cash receipts for the 1967-68 fiscal year were \$2,978.45 more than the cash receipts for the 1966-67 fiscal year. The cash disbursements for the 1967-68 fiscal year exceeded the cash disbursements for the 1966-67 fiscal year by \$5,797.13. The increase in disbursements is principally due to the increase in publications expenditures for the fiscal year 1967-68. The increase in membership dues for 1969 should improve the cash position for the 1968-69 fiscal year.

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, 1968 on a basis consistent with that of the preceding year.

Madison, Wisconsin
December 18, 1968.

HOUGHTON, TAPLICK & CO., Certified Public Accountants

COMPARATIVE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS Fiscal Years Ended November 30, 1968 and November 30, 1967				
Year Ended November 30	1968	1967	Increase	Decrease
Cash Receipts:				
Membership Dues	\$21,431.00	\$20,172.80	\$1,258.20	\$
Subscriptions	3,292.00	2,367.75	924.25	
Sales	4,408.72	4,198.48	210.24	
Royalties	1,996.74	1,155.01	841.73	
Mailing List	805.50	879.25		73.75
Travel, Conference & Meetings	3,115.34	3,118.57		3.23
Interest Income	242.13	434.25		192.12
Miscellaneous	27.60	14.47	13.13	
Totals	<u>\$35,319.03</u>	<u>\$32,340.58</u>	<u>\$2,978.45</u>	
Cash Disbursements:				
Salaries, Pension & FICA	\$ 6,590.70	\$ 7,802.60	\$	\$1,211.90
Printing	1,094.74	1,654.25		559.51
Postage	1,593.87	1,598.00		4.13
Services and Supplies	1,730.38	1,832.77		102.39
Publications	28,829.72	20,422.88	8,406.84	
Conference & Meeting Expense	1,558.49	2,342.89		784.40
Miscellaneous	107.40	117.54		10.14
Telephone and Telegraph	137.06	74.30	62.76	
Totals	<u>\$41,642.36</u>	<u>\$35,845.23</u>	<u>\$5,797.13</u>	
Excess of Receipts over Disbursements	\$(6,323.33)	\$(3,504.65)	\$	\$2,818.68
Add: Beginning Bank Balances	9,879.15	8,183.80	1,695.35	
	<u>\$ 3,555.82</u>	<u>\$ 4,679.15</u>	\$	<u>\$1,123.33</u>
Add (Deduct): Net Transfer of Funds	(4.96)	5,200.00		5,204.96
Bank Balance, End of Year	\$ 3,550.86	\$ 9,879.15		\$6,328.29
Home Savings and Loan Certificate # C7935, 2-14-66, 4 3/4%	5,000.00	5,000.00		
First National Bank—Savings	29.36	24.40	4.96	
Available Cash Resources	<u>\$ 8,580.22</u>	<u>\$14,903.55</u>	\$	<u>\$6,323.33</u>

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**LOCAL CHAPTERS OF IRRA
AND PRESIDENTS FOR 1968-1969**

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AFL-CIO

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CENTRAL CALIFORNIA (Fresno), Ralph Duncan, California
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CHICAGO, Woodrow Linn, Bureau of Labor Statistics, USDL

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HAWAII, Bernard W. Stern, Benefit Plan Consultants, Inc.

LABOR & INDUSTRIAL RELATIONS ASSOCIATION, Uni-
versity of Illinois Jerry Briller (Student Chapter)

IOWA, Robert Woolf, Deere and Company, Moline

MICHIGAN STATE (East Lansing), Lindley Abdulah (Student
Chapter)

MONTREAL, Leo Roback, University of Montreal

NEW YORK CAPITAL DISTRICT, Irving H. Sabghir, SUNY
at Albany

NEW YORK CITY, Douglas Soutar, American Smelting & Re-
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NORTH TEXAS, Helmut O. Wolff, American Arbitration Asso-
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PHILADELPHIA, Walter Gershenfeld, Temple University

SAN FRANCISCO BAY AREA, John Cantwell, United Em-
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WASHINGTON, D.C., F. Robert Volger, National Labor Rela-
tions Board

WESTERN NEW YORK (Buffalo), Samuel Sackman, FMCS

WISCONSIN (Milwaukee-Madison), Glen Cain, University of
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1968

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